

Checklist for accountable actuary – SAA interpretation

The German version of the checklist was adopted on 30 August 2025. This version is a free translation; the German version shall prevail.

Table of contents

1. Introduction	3
2. Target audience and disclaimer	3
3. Articles from the Insurance Supervision Act (ISA)	4
1. Art 23 ISA.....	4
2. Art 24(1a) ISA. 1	5
3. Art 24(1a) ISA. 2	5
4. Art 24(1a) ISA. 3	6
5. Art 24(1b) ISA.....	6
6. Art 24(2) ISA.....	7
7. Art 24(3) ISA.....	8
8. Art 24(3bis) ISA.....	8
9. Art 24(4) ISA.....	8
4. Articles from the Insurance Supervision Ordinance (ISO).....	9
10. Art 13 ISO	9
11. Art 99 ISO	10
12. Art 195 ISO.....	11
5. FINMA Insurance Supervision Ordinance (ISO-FINMA) articles	12
13. Art 81(1) Sentence 1 ISO-FINMA	12
14. Art 81(2) ISO-FINMA	12
15. Art 81(3) ISO-FINMA	13
16. Art 81(4) ISO-FINMA	13
17. Art 82(1) ISO-FINMA	14
18. Art 82(2) ISO-FINMA	15
19. Art 82(3) ISO-FINMA	16
20. Art 83 ISO-FINMA	17
21. Art 96(1) ISO-FINMA	18
22. Art 96(2) ISO-FINMA	19
23. Art 96(3) ISO-FINMA	19
24. Art 96(4) ISO-FINMA	19
25. Art 96(5) ISO-FINMA	19
26. Art 97 ISO-FINMA	20
6. Other laws and circulars.....	21
27. Circular 26/01 Nature-related financial risks, margin no 63.....	21

28.	Circular 2017/04 Actuary responsible	21
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1. Introduction

Insurance companies in Switzerland that are subject to federal regulation pursuant to Art 2(1) Insurance Supervision Act (ISA), must appoint an accountable actuary (Art 23(1) ISA). The duties of the accountable actuary ("AA") are set out in Art 24 ISA and further clarified in the relevant articles of the regulatory principles at the level of the Insurance Supervision Ordinance (ISO) and the FINMA Insurance Supervision Ordinance (ISO-FINMA). The duties of the AA were last amended in the context of the partial revision of the ISA and the ISO, in force from 1 January 2024 onwards, plus the revised ISO-FINMA, in force from 1 September 2024 onwards. In the course of this revision of the ISO, the actuary function was introduced in insurance groups for the first time (Art 195(3) ISO) and the group-wide responsibilities and duties of actuaries were determined accordingly pursuant to Art 24 ISA. Practical experience since the introduction of the AA in regulatory law indicates that formulations regarding the duties of the AA as used in the legal bases are often not tangible enough for actuarial practice and in some cases can create unwelcome scope for interpretation. In addition, the revision and supplementation of the legal bases under regulatory law in relation to AAs may have implications for actuarial practice and raise new questions regarding interpretation in professional practice in respect of the legally compliant performance of the duties, role and responsibilities of an AA in Switzerland. This document is intended to address this issue.

This document lists the relevant legal bases in relation to AAs for insurance companies and the actuary functions within insurance groups and considers perspectives for professional practice. For the interpretation of the legal bases in respect of the duties, role and requirements for the practical activities of the AA (or the actuary function), a practice-orientated analysis of the regulatory requirements is conducted primarily from the viewpoint of an AA. The main drivers behind the choice and presentation of perspectives for actuarial practice in relation to the legal bases listed are the importance for the practical activity of an AA plus timeliness and the observation of a generally accepted or expected market practice for AAs. As such, industry-specific professional practices and comprehensive professional interpretations of the legal bases in respect of an AA operating in the life, health, non-life or reinsurance sectors can only be illustrated to a limited extent or by way of example.

The purpose of this document is to promote a uniform and cross-industry perspective for professional and market practice in respect of the interpretation of the regulatory requirements for AAs and/or the actuary function in the Swiss insurance market and to clarify general practical professional considerations regarding the responsibilities of an AA using a "checklist" or "frequently asked questions". For example, a general expectation is described for meeting the requirements for an actuary report by the AA, or for considerations regarding the responsibilities relating to how an AA acts in certain scenarios. However, governance for the AA and/or actuary function at insurance company or group level, eg the appointment/dismissal, role and function, does not form part of this document.

The regulatory bases for AAs were revised relatively recently in 2024; in the future there may be changes in professional practice interpretation or perspectives in relation to the regulatory requirements for AAs or the actuary function in the Swiss market. For this reason, this document should be regarded as a dynamic aid; it should be adapted as necessary to reflect the latest observations from professional practice and the interpretation of the legal bases in the Swiss market.

The document is structured as follows. Chapters 3 to 5 cite the relevant regulatory principles from the ISA, ISO and ISO-FINMA. These are supplemented by explanations issued by FINMA or the federal government (if available). This section is followed by a consideration of perspectives for professional practice and/or an interpretation for the actuarial practice of an AA or the actuary function. Chapter 6 addresses other related legal bases and/or guidelines and directives that may be relevant for the interpretation and fulfilment of the duties of an AA pursuant to the regulatory requirements, or details them as a further reference.

2. Target audience and disclaimer

The following interpretations in respect of the duties of an AA or an actuary function in insurance groups or conglomerates are intended as information for actuaries who are professionally active as an AA or within the actuary function pursuant to ISA, ISO and ISO-FINMA. This document is intended to assist them in carrying out their activities as an AA or as a member of an actuary function in practice. However, the perspectives for professional practice listed are not legally binding and nor do they constitute a binding recommendation, directive or guideline of the Swiss Association of Actuaries for actuaries or other persons or legal entities.

This document makes no claim as to the completeness and correctness of the legal bases listed, to the interpretation presented and/or to the extrapolated interpretations for professional practice. The information provided in this document represents a collection of viewpoints from the members of the

"Accountable Actuary" working group who were involved in preparing the document, based on the information available at that time (in 2025). As such, no claim can be made to acceptance by FINMA of the representations and perspectives detailed, or to acceptance generally in the Swiss market or in the context of legal disputes.

The fulfilment of the regulatory requirements for AAs pursuant to Art 24 ISA or for the actuary function pursuant to Art 195 ISO is the responsibility of the actuary acting as the AA or the actuary function within an insurance group. The Swiss Association of Actuaries accepts no liability of any kind for the application of or reference to this document or for any resulting decisions taken by an AA or an actuary function at group level.

3. Articles from the Insurance Supervision Act (ISA)

1. Art 23 ISA
Appointment and function 1 Insurance companies must appoint an AA and must grant the AA access to all business documentation. 2 The AA must have a good reputation, have the relevant professional qualifications and be able to correctly assess the financial consequences of the activity of the insurance company. The Federal Council determines the professional skills required of AAs. 3 The insurance company must immediately notify FINMA of any dismissal or resignation of the AA.
Dispatch from the Federal Council
n/a
Notes on practical application – SAA
Re 1: Appointments are made via the Form H business plan and corresponding approval by FINMA. FINMA may ask the company or the AA in-depth questions for clarification purposes and conduct an interview with the AA. Access to business documentation must be regulated, in particular in the case of external AA mandates. In the event of an interview with FINMA, the AA must be exempted from the duty to maintain confidentiality. Re 2: See ISO-FINMA and Art 99 ISO. Re 3: See also Art 83 ISO-FINMA. Both parties must inform FINMA independently of the reasons. In addition, a deputy must be named in Form H. The actuarial knowledge of the deputy must ensure an orderly transition period until such time as a new AA is appointed (FINMA-RS 2017/04).

2. Art 24(1a) ISA. 1
Duties 1 The AA is responsible for: a. using appropriate actuarial calculation bases to calculate and determine: 1. the liabilities in a balance sheet at market or market-oriented values;
Dispatch from the Federal Council
This provision will be adapted to reflect the latest situation in practice, in particular with regard to internal responsibilities. Paragraph 1 The current wording on the solvency margin is no longer appropriate following the removal of the solvency provision according to the size of the business (Solvency 1). As in Articles 9–9b, the term solvency is therefore also added here (point a, no 2). This makes it clear that solvency according to the Swiss Solvency Test (SST) is what is meant. The responsibility of the AA lies primarily in the area of the technical parts of the SST. However, the overall responsibility for reporting in relation to the SST lies clearly with the management of the company, pursuant to Article 53 ISO. In the annual report, the AA presents, in particular, technical developments that are jeopardising the financial situation of the company. However, the AA should not focus solely on assessing the technical risks and should instead assess the overall risk situation, including in particular the financial risks of the investments. If parts of this function are already performed by other accountable persons, for example by a Chief Risk Officer, the AA must consult such persons to inform themselves about these risks and then integrate their assessment into the report. The new wording selected under point a transfers the regulatory content of the previous point b to point a; point b now contains new regulatory content.
Notes on practical application – SAA
The responsibility of the AA is limited to calculating the liabilities in a balance sheet at market or market-oriented values. In terms of the definition of these items, reference should be made to the standardised balance sheet layout in Annex 2 to ISO-FINMA. In addition, an illustration is provided in the FINMA explanatory text on Art 82 ISO-FINMA (see Art 82(1) ISO-FINMA). The overall responsibility for reporting on the SST lies with the company's management. The liabilities in a balance sheet at market or market-oriented values are derived pursuant to Art 30 ISO based on the best-possible estimate of the insurance liabilities and the minimum amount. The calculations vary for life insurance, health and accident insurance, non-life insurance and active reinsurance, and depending on the selected model (standard model or internal model). The embedding of the AA within organisations must be appropriate and must be defined by the company in question. Conflicts of interest must be disclosed to FINMA in the AA self-declaration in the Form H business plan.
3. Art 24(1a) ISA. 2
2. the insurance risks in the context of solvency as referred to in Articles 9–9c;
Dispatch from the Federal Council
See Art 24(1a) ISA. 1
Notes on practical application – SAA
The responsibility of the AA is limited to calculating the insurance risks. Further risks in the context of solvency pursuant to Art 9–9c ISA must be described in the report in connection with the assessment of the overall risk situation.

4. Art 24(1a) ISA. 3
3. the technical reserves pursuant to Article 16;
Dispatch from the Federal Council
Instead of "formation" as has been used in the past, point a now refers to the "calculation" of sufficient technical reserves. The AA can and must provide the management with no more and no less than the calculation of adequate reserves and must inform the management of any inadequacies in relation to the formation of reserves and must record them in the report.
When calculating the details of adequate technical reserves, information about the underlying investment portfolio must be used, whereby the AA will routinely rely on information provided by specialists from other departments within the company and then subject this information to a plausibility check. If there are doubts about the factual accuracy of the information, clarification must be sought or other internal company sources consulted.
Notes on practical application – SAA
The responsibility of the AA is limited to calculating the technical reserves. In the event of any shortcomings in relation to the formation of reserves (eg when decision-makers set a lower level), the AA must inform the management immediately and record the shortcomings in the report.
Further requirements for the technical provisions pursuant to Art 16 ISA can be found in Art 54 (principles), Art 55 (life insurance) and Art 69 (non-life insurance) ISO. In addition, detailed requirements are stipulated in Chapter 2 of ISO-FINMA.
Insurance companies must specify in the business plan the principles according to which they form and disburse technical reserves (Art 4(2)(d) ISA). Pursuant to Circular 2017/5 Business plans – insurers, margin no. 36.1, models, methods and assumptions relating to the formation and disbursement of technical reserves must be described in the principles in the business plan. The details required for the calculation must be documented transparently and comprehensibly in an addendum to the business plan (reserving policy, technical documentation or similar).
For the assessment by the AA in relation to calculation and determination using appropriate actuarial calculation bases for technical reserves pursuant to Art 16 ISA, it is necessary to check compliance with both the above regulatory requirements and the relevant SAA guidelines.

5. Art 24(1b) ISA
b. checking whether the debit amount of the tied assets complies with regulatory requirements.
Dispatch from the Federal Council
The new point b also stipulates an obligation for the AA to check whether the debit amount of the tied assets complies with regulatory requirements. The reference here is to a "check", as AA does not have the authority to actually enforce compliance with regulatory provisions. Ultimately, this responsibility lies with the Board of Directors (BoD), any committees of the BoD and with the management of the insurance company in question.
Notes on practical application – SAA
The responsibility of the AA is now limited to checking the debit amount.
Pursuant to Art 18 ISA, the debit amount of the tied assets corresponds to the technical provisions pursuant to Art 16 ISA plus a reasonable surcharge. Further requirements in relation to the debit amount are detailed in Art 56 (life insurance), Art 57 (health and accident insurance) and Art 68 (non-life insurance) ISO, and the requirements for the surcharge are detailed in Art 59 ISO-FINMA. Reference is also made here to the standardised layout pursuant to Annex 2 ISO-FINMA and the explanatory text on Art 82 ISO-FINMA.

Pursuant to Art 35 ISA, insurance companies operating exclusively in the reinsurance sector are not required to have tied assets. Insurance companies that operate in both the primary insurance and reinsurance sectors are not required to have tied assets for the reinsurance business.

Compliance with the requirements outlined above must be verified as part of checking whether the debit amount of the tied assets complies with the regulatory requirements. It must be ensured that any facilitations for insurance companies that insure professional policyholders (Art 30a ISA) must be correctly taken into account.

6. Art 24(2) ISA

2 If [the AA] identifies any shortcomings, they will immediately inform the management of the insurance company.

Dispatch from the Federal Council

n/a

Notes on practical application – SAA

"Shortcomings" that are relevant to the AA relate to the area of responsibility pursuant to Art 24(1) ISA or to the area of responsibility as defined in the dispatch on the ISA and in Art 81 ISO-FINMA. This includes, for example, the reinsurance structure or underratings.

"Immediately" means that the AA is required not only to aggregate the findings in the periodic report pursuant to Art 24(3) but also to inform the management promptly if a shortcoming is identified. The AA should document the communication in writing to establish proof of compliance with the duty to provide information.

Neither the law nor ISO-FINMA limits the duty to provide information immediately about any material or serious shortcomings. The AA is responsible for assessing whether informing the management can wait for the next periodic report. In general, it is advisable to be transparent with the management regarding the findings and recommendations planned for the next report, especially if measures can be taken in a timely manner.

By informing the management, the AA is complying with the duty pursuant to Paragraph 2. If the management does not respond or if the response is inadequate, pursuant to Art 24(3bis) ISA the AA may contact the BoD; pursuant to Art 81(4) ISO-FINMA, the AA must judge whether this is required. The escalation process should be governed by internal company regulations. No further escalation stage is provided for by law; in particular, there was expressly no desire for a duty to inform FINMA when introducing the AA function, see the dispatch on ISA dated 9 May 2003: "The preliminary draft included a duty on the AA to inform the regulatory authorities in the event that the responsible bodies within the insurance company had not taken the necessary measures to address obvious shortcomings. The consultation rightly expressed the misgiving that a dual function of this kind – within the company and vis-à-vis the regulatory authorities – could create a conflict of interest for the actuary. The draft therefore no longer provides for a direct relationship between the AA and the regulatory authorities."

7. Art 24(3) ISA
3 In addition, [the AA] regularly prepares a report for the attention of the management or, in the case of foreign insurance companies, for the attention of the authorised representative(s). The report must include proposed measures to address the identified shortcomings and details of measures already taken.
Dispatch from the Federal Council
n/a
Notes on practical application – SAA
It is regularly interpreted as once per year, with the report on the past financial year in question. The addressee of the report (management or authorised representative) may set a reasonable deadline for the report. In doing so, the need to provide the report as soon as possible after all the necessary information is available should be weighed against a more in-depth analysis, and other regular sources of information for the addressee should be taken into account. In addition, Art 24(2) ISA already makes provision for management to be informed immediately in the event of shortcomings.

8. Art 24(3bis) ISA
3bis The AA may contact the BoD directly.
Dispatch from the Federal Council
In order for the AA to exercise their responsibility properly, provision is now made for the AA to have direct access to the BoD at the AA's own request. This should enable the AA to respond adequately in the event of shortcomings being identified and gain access to the highest-level decision-makers within the company. The nature of the access is to be determined by the individual companies themselves; potential options include holding informal discussions or adding an item to the agenda for the next meeting of the Board of Directors or the next meeting of a corresponding committee of the BoD.
Notes on practical application – SAA
The AA has a duty to report significant potential problems or irregularities to the BoD. In order for this process to be effective, management must ensure that the AA has the necessary access to the BoD on a formal and/or informal basis. In general, the AA should follow the usual escalation procedure in place within the company to ensure that management is aware of the issues and can respond to them. In this context, the AA must ensure that the BoD is aware of all unresolved issues and their consequences. One way to ensure that the AA has the necessary access to the BoD is to arrange a regular (at least annual) formal interaction between the AA and the BoD in the form of a brief presentation followed by a Q&A session. The BoD could potentially also receive the AA's report. Furthermore, the AA should also be able to contact the BoD (where necessary) on an ad hoc basis. The AA is not responsible for the actions of the BoD. The AA should always be able to demonstrate that all reasonable steps have been taken to keep the BoD informed.

9. Art 24(4) ISA
4 FINMA will issue more detailed requirements in relation to the duties of the AA and the content of the report pursuant to Paragraph 3.
Dispatch from the Federal Council
n/a
Notes on practical application – SAA
See ISO-FINMA

4. Articles from the Insurance Supervision Ordinance (ISO)

<i>10. Art 13 ISO</i>
1 Members of the BoD may not simultaneously be members of management. 2 The internal auditor function is incompatible with the AA function.
FDF explanatory text:
n/a
Notes on practical application – SAA
Sentence 2 also means that when the AA function is outsourced to an external company/person, that company may not also perform the function of internal auditor.

11. Art 99 ISO
1 The AA must hold the title of "Actuary SAA" or an equivalent title. 2 On request, FINMA may also recognise a corresponding technical education combined with at least five years of professional experience as an actuary as proof of professional proficiency. 3 The AA must be familiar with the circumstances in Switzerland (legislation, regulatory guidelines, insurance market).
FDF explanatory text:
n/a
Notes on practical application – SAA
FINMA makes the decision as to whether a candidate is suitable. The interpretation of the requirements pursuant to Art 99 is outlined in more detail in FINMA-RS 17/4 (see also here: Circular 2017/04 Actuary responsible). In principle, a "fully qualified member" of an association of the Actuarial Association of Europe (AAE) or the International Actuarial Association (IAA) is considered an "equivalent title". In principle, familiarity with the circumstances in Switzerland pursuant to Paragraph 3 presupposes "broad actuarial activity in the sectors operated in by the insurance company in Switzerland", whereby proof of "equivalent knowledge corresponding to the area of responsibility" may suffice. The circumstances in Switzerland include, among other things, knowledge and understanding of Swiss legislation and accounting or Swiss product specifications. The requirements should depend on the area of activity and, for instance, should not be interpreted in the same way for a life insurer active in the occupational pensions sector as for a reinsurer operating globally. The title of "Actuary SAA" is an indicator of broad knowledge, and the qualification is constantly updated; in addition, those holding the title have a duty to comply with the Code of Conduct, with violations potentially leading to disciplinary proceedings and where necessary to the title being rescinded. Both of these aspects are important in relation to the exercise of the AA function. Actuaries working in Switzerland should join the SAA as a matter of principle. For full members of an association of the AAE, admission to the "Actuary SAA" section is governed by a Mutual Recognition Agreement. Most candidates for the function of AA can therefore be expected to be members of the section. If membership is not possible (eg if the admission process cannot be completed in time), FINMA will make a decision as to whether requirements are still deemed to have been met.

12. Art 195 ISO
Objective and content Insurance groups must maintain an actuary function at group level that has group-wide responsibility and undertakes duties accordingly pursuant to Article 24 ISA.
FDF explanatory text: The requirement relates to the establishment of an actuary function at group level too, ie with group-wide responsibility. This complies with the requirements of the international standards of the International Association of Insurance Supervisors (IAIS). The reference to Article 24 ISA is not a reference to a specific AA. Insurance companies are free to staff the actuary function as they see fit. The specific purpose of establishing the function is to ensure adequate reserves from an actuarial viewpoint for the entire insurance group.
Notes on practical application – SAA Insurance groups are defined by the legislator and regulated by FINMA. A list of regulated insurance groups is available on the FINMA website: https://www.finma.ch/en/supervision/insurers/groups-and-conglomerates/. It is understood accordingly that Article 24 ISA can also be applied to insurance groups, ie it is not limited to a single legal entity as is the case with the tied assets, for instance. The explanatory notes refer in particular to the purpose of this actuary function at group level in order to ensure adequate reserves for the entire insurance group, which is interpreted within the scope of Article 24 ISA as the responsibility for calculating and determining the reserves using appropriate actuarial calculation bases.

5. FINMA Insurance Supervision Ordinance (ISO-FINMA) articles

13. Art 81(1) Sentence 1 ISO-FINMA
1 The AA is responsible for the disclosures about reserves in the business plan pursuant to Article 4(2)(d) ISA and Article 54(3) ISO.
FINMA explanatory text:
The AA's area of responsibility has been reformulated following the ISA revision, and there have been certain changes to the list of duties as a result. The responsibility for the disclosures about reserves in the business plan pursuant to Art 4(2)(d) ISA and Art 54(3) ISO remains in place, pursuant to current practice. Conversely, responsibility for other technical elements of the business plan has been removed.
Notes on practical application – SAA
This article defines the responsibility of the AA in relation to the business plan. The AA now only bears responsibility for the disclosures about reserves (conditions for the formation and disbursement of technical reserves, plus the documentation of the methodologies and assumptions used in relation to reserves and the valuation of technical liabilities).
14. Art 81(2) ISO-FINMA
[The AA] must prepare a detailed report annually for the management or for the authorised representative (Art 24(3) ISA). In order to do this, the AA must obtain the necessary information from the competent authorities.
FINMA explanatory text:
n/a
Notes on practical application – SAA
The AA must be guaranteed access to the required information, in particular in the areas of risk management, pricing, product development and finance. If the AA is external, it is advisable to specify when the mandate is assumed how this access will be guaranteed.

15. Art 81(3) ISO-FINMA
3 The AA must immediately inform the management or the authorised representative of any material changes to the fundamental situation compared to the disclosures provided in the previous report
FINMA explanatory text:
n/a
Notes on practical application – SAA
This article supplements the duty pursuant to Art 24(2) ISA to inform the management immediately if any shortcomings are identified. Pursuant to Art 24(1)(a) ISA, the AA is responsible for the use of "appropriate actuarial calculation bases" when determining adequate statutory reserves and liabilities valued in line with the market, and when determining the insurance risks in the SST. Actuarial calculation bases include, in particular, biometric bases in the broad sense (including assumptions about the behaviour of the insured), interest rate, inflation and cost assumptions, distribution assumptions in solvency models etc. The bases are regularly reviewed and updated. Pursuant to Art 82(3)(c) ISO-FINMA, the AA's periodic report must "present relevant changes in assumptions and methodologies compared to the previous year along with their effects". It is the responsibility of the AA to assess whether changes are "material" rather than only "relevant", and whether it is advisable to inform the management immediately. The materiality assessment logically takes into account the effects of the change on the balance sheet, the income statement and the SST ratios.

16. Art 81(4) ISO-FINMA
4 The AA must always check whether there is a need to contact the BoD directly.
FINMA explanatory text:
Art 81(4) follows the new provision in Art 24(3bis) ISA with regard to direct access to the BoD. Boards of Trustees of health insurers fall under the umbrella of BoD as detailed in this provision. If shortcomings are identified, the AA should be able to respond adequately and should have the option to contact the BoD directly. Accordingly, the AA must judge whether providing information directly in this way is required.
Notes on practical application – SAA
See also Art 24(3) ISA The AA should first establish whether the problem identified actually poses a significant threat to solvency or constitutes a significant irregularity. Secondly, the AA should establish whether the threat or irregularity can be addressed satisfactorily and in a timely manner via the standard escalation process. If the threat or irregularity cannot adequately addressed in this way, the AA must ensure that the BoD is informed. These considerations are a matter of discretion. It should be noted that decisions could be viewed differently in retrospect if a threat is serious enough to lead to insolvency.

17. Art 82(1) ISO-FINMA

1 The report must indicate the current status and potential developments within the insurance company from an actuarial viewpoint. Specifically, the report must take into account technical developments that jeopardise the financial situation of the company.

FINMA explanatory text:

The requirements surrounding the content of the report have been revised and clarified to reflect the area of responsibility of the AA as specified in the ISA revision.

Art 82(1) and (2) remain material. The significantly more tangible and expanded list in Art 82(3) has created a framework for expectations as to content; it does not, however, purport to include all considerations, including those that are specific to a sector or company.

In addition to the insurance risks, there is a particular focus on the technical balance sheet items, ie the balance sheet items resulting directly from insurance contracts written as part of business activities. Based on the standardised layout outlined in Annex 2 to ISO-FINMA, that includes the following items (indicated here in the form of an illustration of the principle set out above):

- 1.4 Deposits from assumed reinsurance
- 1.6 Share of technical reserves from reinsurance
- 1.8 Capitalised acquisition costs
- 1.10 Receivables from the insurance business
- 2.1 Technical reserves
- 2.2 Technical reserves for unit-linked life insurance
- 2.6 Deposits retained on cession of reinsurance
- 2.7 Liabilities from the insurance business

The overall responsibility for the SST remains with the management. Nevertheless, it is the responsibility of the AA to obtain an idea of the overall risk situation (including financial market risks) and to include an assessment in this regard in the AA's report (see dispatch from the Federal Council on the amendment of ISA). Balance sheet items on the asset side that are relevant to this assessment should be recognised accordingly. As such, Paragraph 2 is not limited to the technical balance sheet items.

In the report, pursuant to Art 82(3)(e) the AA will evaluate the technical results and in particular will indicate lines of business where inadequate returns could affect or even jeopardise solvency. This includes an assessment (based on an ex-post analysis, for instance) as to whether the current tariff can be considered appropriate to ensure that a systematic shortfall in reserves, which could jeopardise insolvency, can be ruled out. In addition, an assessment is expected as to whether or not the technical results demonstrate that tariffs already approved in the supplementary insurance to social health insurance have become punitive.

The assumptions to be made for purpose of determining the insurance risks and the expected result are of material significance in some cases. A statement on the adequacy of these parameters is expected. As an example in the non-life insurance sector, the losses underlying the expected result (budget figures) are detailed.

Pursuant to Art 82(3)(h), the AA's report must also provide information about the reinsurance policy of the insurance company and an overview of the current reinsurance programme (main reinsurance contracts, reinsurance limits, cumulative risks covered etc). The AA provides an assessment of the adequacy of the reinsurance programme in respect of the effect on technical balance sheet items and the insurance risks, and comments on potential default risks of existing reinsurance. The assessment of adequacy includes, in particular, details of all non-reinsured major insurance risks retained by the insurance company that could have a long-term negative effect on the insurance company's financial strength and solvency should a loss event materialise.

The assessments that the AA is required to provide as part of the AA's report do not affect the management's responsibility for the overall risk situation, the adequacy of the reinsurance programme, the tariffs etc.

Notes on practical application – SAA

FINMA's explanations are already extensive and as such we have no further comments.

It should be noted, however, that although responsibility for the reinsurance structure or inadequate tariffs does not lie with the AA, the AA should note and report any shortcomings.

18. Art 82(2) ISO-FINMA

2 The report must contain the necessary information on the balance sheet items exposed to insurance risks, in particular reserves, the risks associated with those balance sheet items and the results of the check of the debit amount pursuant to Article 24(1)(b) ISA. The corresponding balance sheet items of both the SST balance sheet and the balance sheet in accordance with the statutory financial statements of the insurance company must be presented.

FINMA explanatory text:

See FINMA explanatory text, Art 82(1) ISO-FINMA

Notes on practical application – SAA

The explanations from FINMA (see Art 82(1) ISO-FINMA) are already extensive and as such we have no further comments.

19. Art 82(3) ISO-FINMA

3 The report must include, in particular:

- a. an assessment of whether the technical reserves are adequate;
- b. an assessment of whether the requirements set out of the business plan for the technical reserves have been met;
- c. disclosure of the main assumptions and methodologies used to value technical balance sheet items and quantify the risks associated with those balance sheet items, showing relevant changes in assumptions and methodologies compared to the previous year along with their effects;
- d. an assessment of the assumptions and methodologies indicated in accordance with point c and of the underlying data in respect of their adequacy based on their significance;
- e. an assessment of the technical result to a level of granularity that is appropriate to the business model and, on that basis, an assessment as to whether or not there is any indication that the existing tariffs are inadequate or that, in the case of supplementary insurance to social health insurance, the existing tariffs are punitive;
- f. an assessment of the overall risk situation with regard to solvency with a focus on the insurance risks, including the financial risks of the investments and the adequacy of the assumptions made for the expected result;
- g. an indication of how sensitive the technical balance sheet items and the insurance risks are to changes in the material assumptions, plus the effects of these changes on the solvency of the insurance company;
- h. an assessment of the adequacy of the insurance company's reinsurance programme in respect of the technical balance sheet items and the insurance risks.

FINMA explanatory text:

See FINMA explanatory text, Art 82(1) ISO-FINMA

Notes on practical application – SAA

The focus is on disclosures about the specified balance sheet items (see explanatory text above), but not all balance sheet items fall under the AA's area of responsibility (see Art 24 ISA). The items are mentioned in the FINMA explanatory text and should therefore be mentioned by the AA in the report. If there are material technical risks in this context (eg in connection with the debit amount), the AA should mention these.

Otherwise, please refer to the FINMA explanatory text.

In addition, the SAA guidelines, eg for reserves in the life or health insurance sectors, must be taken into account.

20. Art 83 ISO-FINMA
In the event of the dismissal or resignation of an insurance company's AA, both parties must independently inform FINMA of the reasons for the dismissal/resignation.
FINMA explanatory text:
n/a
Notes on practical application – SAA
In the case of normal staff turnover, this is quite a simple process (eg the AA informs FINMA that they intend to leave the company and are therefore no longer able to perform the function of AA). If the AA's recommendations are not followed up or if there are other fundamental reasons why collaboration is no longer possible, the AA can resign their mandate and must communicate the reasons for this to FINMA. This approach should only be taken once all other levels of escalation within the company have been explored (providing documentation to the management and BoD, and including recommendations in the AA's report (which can be requested by FINMA)).

21. Art 96(1) ISO-FINMA

1 Insurance groups and conglomerates must have an actuary function. The body that performs the actuary function at group level is responsible for calculating and determining the technical balance sheet items using appropriate actuarial calculation bases and for assessing actuarial risks.

FINMA explanatory text:

Pursuant to Art 195 ISO, insurance groups and conglomerates must have an actuary function at group/conglomerate level. Art 24 ISA also applies accordingly to groups and conglomerates. This group or conglomerate actuary function monitors whether the technical balance sheet items of the entire group or the entire conglomerate (both the SST balance sheet and the balance sheet according to the accounting standard of the group or conglomerate) have been determined using appropriate actuarial calculation bases. The technical balance sheet items are the balance sheet items resulting directly from the insurance contracts written in the course of business activities (see also the explanations detailed under 4.6.3). The actuary function should also assess the associated technical and financial risks.

If the group or conglomerate were to apply IFRS 17, it would be expected that the actuary function would also ensure for the IFRS 17 balance sheet that the determination of the technical balance sheet items was made using appropriate actuarial calculations. The emphasis in that case, however, would be at group level. It would only be necessary to extend the scope to monitor the corresponding balance sheet items of the material entities to the extent that they are relevant and required for the consolidated balance sheet. Changes in the bases are deemed material if they have the potential to result in material changes to key figures that are essential for business management (eg through an extraordinary subsequent reservation) at group level.

The actuary function has direct access to the BoD (Art 24(3bis) ISA). If shortcomings are identified, the actuary function should be able to respond adequately and should have the option to contact the BoD of the insurance group or conglomerate directly. The need to provide information to the BoD directly in this way should be judged.

International requirements (pursuant to the IAIS Insurance Core Principles) have also been taken into account in this article.

The actuary function at group/conglomerate level is intended to provide an overview of the activities of all actuary functions within a group or conglomerate. This includes the actuary function keeping itself informed about the relevant guidelines and the checks carried out by the local actuarial units.

Notes on practical application – SAA

The responsibilities of the actuary function at group level are organised within the insurance group, in particular which actuarial teams are assigned these responsibilities. The appropriate actuarial calculation bases are adequately documented, both for the technical balance sheet items of the SST balance sheet and for the balance sheet pursuant to the accounting standard of the group or conglomerate (eg IFRS 17), and responsibility for calculating and determining these balance sheet items is assumed accordingly. The assessment of actuarial risks is based in the first instance on the insurance risks within the scope of solvency, ie pursuant to Art 24(1) (and the associated dispatch regarding the amendment of ISA).

22. Art 96(2) ISO-FINMA
2 Each year, [the actuary function] must prepare a detailed report to the management of the insurance group or insurance conglomerate. In order to do this, [the actuary function] must obtain the necessary information from the competent authorities.
FINMA explanatory text:
See Art 96(1) ISO-FINMA
Notes on practical application – SAA
Analogous interpretation of Art 24(3) ISA and the dispatch from the Federal Council on other responsible parties (see above re Art 24(1) ISA)
23. Art 96(3) ISO-FINMA
3 [The actuary function] must inform the management immediately of any material changes in the bases compared to the disclosures in the last report.
FINMA explanatory text:
See Art 96(1) ISO-FINMA
Notes on practical application – SAA
Material changes are described in the explanatory text to ISO-FINMA, in particular with the example of the extraordinary subsequent reservation (see also SAV interpretation of Art 81(3) ISO-FINMA). Where possible, the associated communication channels are already established via regular interactions (eg reserving committees).
24. Art 96(4) ISO-FINMA
4 [The actuary function] must judge whether there is a need to contact the BoD directly.
FINMA explanatory text:
See Art 96(1) ISO-FINMA
Notes on practical application – SAA
Analogous interpretation of Art 81(4) ISO-FINMA
25. Art 96(5) ISO-FINMA
5 [The actuary function] must obtain an overview of the risk assessment and management guidelines that are relevant to the activities of all actuarial functions within a group and of the checks that are based on those guidelines.
FINMA explanatory text:
See Art 96(1) ISO-FINMA
Notes on practical application – SAA
The overview relates in the first instance to insurance risks, ie pursuant to Art 24(1) (and the associated dispatch regarding the amendment of ISA). The strategic and operational risks for the actuary function at group level can also be taken into account indirectly.

26. Art 97 ISO-FINMA

1 The report must indicate the current status and potential developments within the group or conglomerate from an actuarial viewpoint. Specifically, the report must take into account technical developments that jeopardise the financial situation of the group or conglomerate.

2 The report must contain the necessary information on the balance sheet items exposed to insurance risks, in particular reserves, and on the risks associated with those balance sheet items of the group or conglomerate and the material legal entities of the group or conglomerate. The corresponding balance sheet items of both the SST balance sheet and the balance sheet pursuant to the accounting standard of the group or conglomerate must be presented.

3 The report must include, in particular:

- a. an assessment of whether the technical reserves are adequate;
- b. disclosure of the main assumptions and methodologies used to value technical balance sheet items and to assess the risks associated with those balance sheet items, and an assessment of the adequacy of those assumptions and methodologies;
- c. a group-wide overview of the actuarial methodologies and models used in the self-assessment of the risk situation and solvency;
- d. an indication of how sensitive the technical balance sheet items and insurance risks are to changes in the material assumptions, plus the effects of these changes on the solvency of the group or conglomerate;
- e. an assessment of the adequacy of the group's or conglomerate's reinsurance programme in respect of the technical balance sheet items and the insurance risks.

FINMA explanatory text:

Following the reformulated responsibility of the AA in Art 24 ISA, the AA will focus on the balance sheet items subject to insurance risks (based on both SST balance sheet and the balance sheet pursuant to the accounting standard of the group or conglomerate), in particular reserves, as well as the associated risks. As such, the actuary function should assess both the insurance risks and the associated financial risks.

The more tangible and expanded list of the expected content of the report by the actuary function at group level will establish the existing practice in this area for insurance companies (at solo level) and also for groups and conglomerates.

International requirements (such as a report on the reserve-related risks of the group or conglomerate and its material legal entities, an overview of actuarial methodologies and models, the sensitivity of the reserves [point d, which includes in particular stress tests], an assessment of the adequacy of the group's or conglomerate's reinsurance programme) have also been taken into account in this article. The purpose of the group-wide overview of the actuarial methodologies and models is to ensure that the actuary function acquires, in particular, an understanding of potential dependencies between local methodologies and models and the requirements of the group.

Estimates and disclosures regarding the material entities of the group or conglomerate are only expected for market conformity or solvency purposes.

Notes on practical application – SAA

Analogous individual report (see Art 82 ISO-FINMA)

6. Other laws and circulars

27. Circular 26/01 Nature-related financial risks, margin no 63
The AA of the insurance company takes into account material nature-related financial risks when fulfilling the defined regulatory duties and reports the details to the management in the AA's report.
FINMA explanatory text:
As nature-related financial risks can have an effect on insurers' existing risk categories, they also affect the defined regulatory duties of the AA. The inclusion of nature-related financial risks in the report to the management and, where necessary, to the BoD informs and supports these bodies as they seek to fulfil their associated responsibilities and duties (margin no 63).
Notes on practical application – SAA
The AA's report should address whether and how nature-related financial risks affect the company. There can be an impact in terms of profitability, reserves and solvency (SST), and this should be commented on accordingly. Even if there are no direct risks that are relevant to the insurance company, this fact should be noted accordingly in the AA's report.

28. Circular 2017/04 Actuary responsible
1 FINMA issued the circular based on Art 2–4 of the FINMA Insurance Supervision Ordinance-(ISO-FINMA, SR 961.011.1), Art 99 of the Insurance Supervision Ordinance (ISO; SR 961.011) and Art 23 and 24 of the Insurance Supervision Act (ISA; SR 961.01).
2 "Equivalent title" pursuant to Art 99(1) ISO means the actuarial title of a fully qualified member (or full member) of a foreign actuarial association that has requirements equivalent to those of the Swiss Association of Actuaries (SAA).
3 The lists of foreign actuarial associations that award such titles are available at: • Europe: actuary.eu > about-the-aae > member-associations • Overseas: www.actuaries.org > about the IAA > Membership
4 Familiarity with the circumstances in Switzerland pursuant to Art. 99(3) ISO generally requires that the person has been engaged in wide-ranging actuarial activity in the sectors in which the insurance company operates in Switzerland for at least the last three years. Individuals who do not satisfy this condition must demonstrate that they have equivalent knowledge that is appropriate to their area of responsibility.
5 Pursuant to Art 23(2) and Art 24(1) ISA, the AA must be able to correctly assess the financial consequences of the insurance company's activity. Specifically, this requires in-depth knowledge of the reserves and the insurance risks (subscription and reserve risks) as well as an overall understanding of the financial risks (market and credit risks), the scenarios and their aggregation, particularly in connection with the SST. The AA must be able to assess the reserves and the insurance risks in the overall context of the risks to the company and understand the effects on solvency.
6 The notification made when the AA is appointed must indicate the relationship with the insurance company. In particular, conflicts of interest must be disclosed to FINMA.
7 The embedding of the AA into the organisational structure of the insurance company must be demonstrated. It must be appropriate and must ensure that the AA fulfils the relevant duties.
8 The information about the termination of the collaborative relationship pursuant to Art 4 ISO-FINMA must include a description of the reasons for the severance, resignation or dismissal. All considerations that are relevant to regulation must be mentioned.
9

A deputy for the AA must be appointed. The actuarial knowledge of the deputy must ensure an orderly transition period until such time as a new AA is appointed.

10

Persons proposed for the role of AA must be available to FINMA for an interview during the approval process.

FINMA explanatory text:

Notes on practical application – SAA

As the issue at hand is the requirements in terms of the qualifications of the AA rather than the duties of the AA, we have nothing further to add here. The suitability of the AA is ultimately determined at the discretion of FINMA based on the requirements outlined above.

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