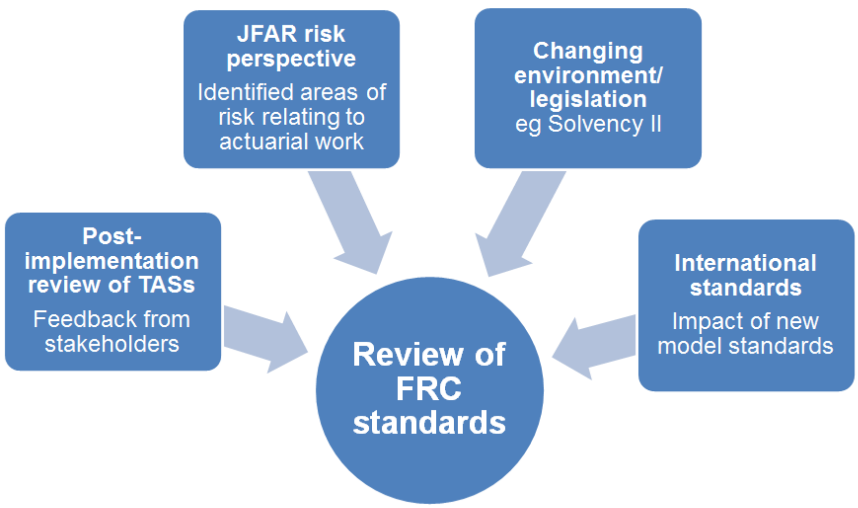
The revised TASs

The Financial Reporting Council (FRC) published a revised suite of TASs in December 2016. The new TASs came into force on 1 July 2017. Ann Muldoon of the FRC discusses the changes below.

Background

The TASs were first published on a phased basis during 2010 and 2011. At that time the FRC made a commitment to review them after four years.

We initiated our review by asking a wide range of stakeholders for their views on the TASs.

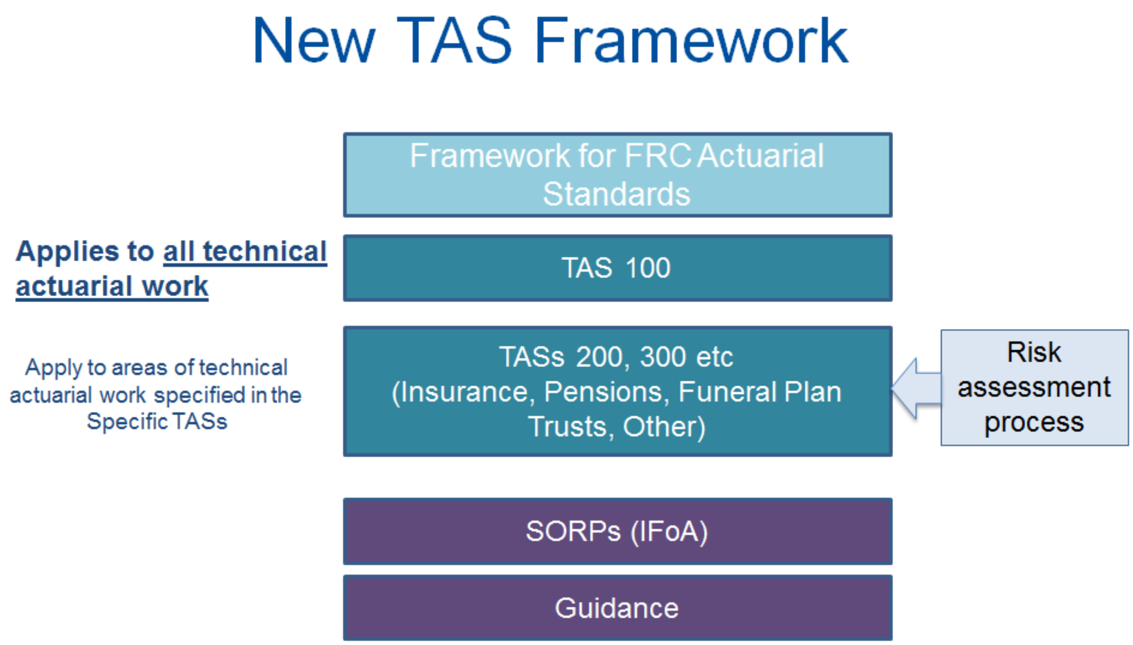


The feedback was positive. Practitioners told us that the TASs were set at the right level with the high-level principles encouraging the use of judgement. The TASs led to a better focus on the user, explanation of risk and uncertainty and encouraged better documentation of data and models. But we did receive some feedback which suggested improvements could be made such as making the TASs shorter by consolidating the Generic TASs into one document and transferring material in the Transformations TAS into the Insurance and Pensions TASs.

We used the output from the Risk Perspective produced by the Joint Forum on Actuarial Regulation (JFAR), a collaboration of regulators with an interest in actuarial matters. This review identified areas of actuarial work where there is a high public interest. And our review considered the changing environment with the introduction of Solvency II and the new model standards being issued by the International Actuarial Association and the Actuarial Association of Europe.

We completed this review with a consultation on a new framework for FRC actuarial standards which was issued in November 2014 and a further consultation on revisions to the Specific TASs which was published in May 2016.

The new TAS framework which came into effect on 1 July 2017 is shown below.



Framework for FRC technical actuarial standards

A new overarching document the *Framework for FRC technical actuarial standards* replaces the *Scope & Authority of Technical Actuarial Standards*.

The Framework sets out the Reliability Objective for FRC technical actuarial standards. It is important that actuaries consider the Reliability Objective and the spirit of the TASs when applying them. The TASs should not result in gold-plating or unnecessary work being performed but sufficient work should be completed to ensure the Reliability Objective is achieved – even if this requires additional work beyond that necessary to comply with the TASs.

The Reliability Objective

Users for whom actuarial information is created should be able to place a high degree of reliance on that information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information.

The Framework also sets out:

- the historical context to FRC technical actuarial standards;
- the procedures for developing or amending TASs;
- a description of the authority of TASs, including a definition of UK Geographic Scope;
- the scope and application of TASs;

- a high-level description of TASs; and
- a description of when supporting material including guidance may be issued.

TAS 100: Principles for technical actuarial work

TAS 100 replaces the three existing Generic TASs on data, modelling and reporting (TAS D, TAS M and TAS R). It has six high-level outcome-focused principles on key aspects of technical actuarial work: judgement, data, assumptions, modelling, communications and documentation, with supporting provisions. The principles and provisions are in the main based on the principles in the existing TASs.

TAS 100 is much shorter than the existing Generic TASs with supporting text removed and with defined terms appearing in a new *Glossary of defined terms used in FRC technical actuarial standards*.

The most significant change, however, is that TAS 100 will apply to all technical actuarial work while the current Generic TASs just apply to work which is reserved to actuaries or work which is in the scope of a Specific TAS. We consider that users are entitled to expect a minimum standard of technical actuarial work and TAS 100 sets out that standard.

Specific TASs

The revised Specific TASs cover insurance, pensions and funeral plan trusts (TASs 200, 300 and 400). The insurance and pensions aspects of the Transformations TAS are now covered in TAS 200 and TAS 300. The scope of the revised Specific TASs covers technical actuarial work where the FRC considers that there is a high risk to the public interest.

To determine the scope we followed a risk assessment process where we considered the major areas of actuarial work and then assessed the potential risk taking account of factors including the amount of work performed, the sums at risk, the complexity of the work and the existing mitigations, such as legislation.

We have changed the scope of the Specific TASs as a result of this assessment. Some areas of work have been removed from scope. An example is the pension numbers for financial statements where accounting standards, including IAS 19, set out detailed requirements. Of course the work coming out of scope will be subject to the minimum standards set by TAS 100.

Guidance

Under the new framework there is scope for further guidance to be issued by the FRC or the IFoA to support the application of the TASs in more specific matters. This may take the form of “comply or explain guidance” in the form of Statements of Recommended Practice (SORPs) or “may” guidance as a general guidance note.

> The IFoA issued the first of such guidance notes on the application of TAS 100 when the revised TASs were published. **The revised TASs can be found at https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Actuarial-Policy/Technical-Actuarial-Standards-2017.aspx**