

A new framework for Technical Actuarial Standards

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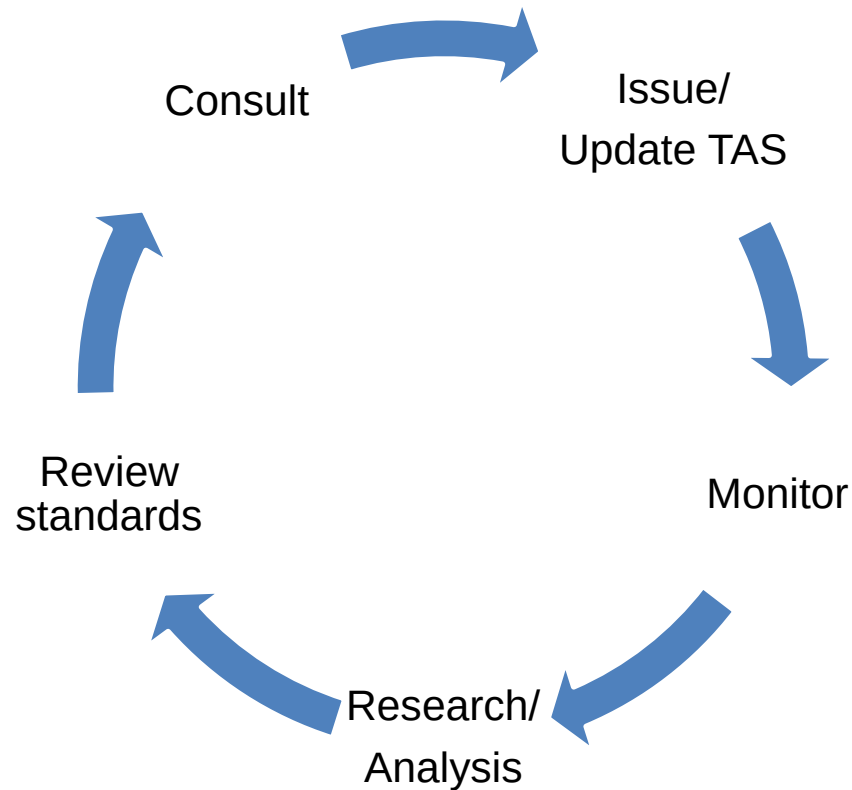
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What I will cover today

- FRC review of TASs
- International actuarial standards
- TAS 100
- Specific TASs
- New framework document
- Timescale
- Questions



TAS review cycle

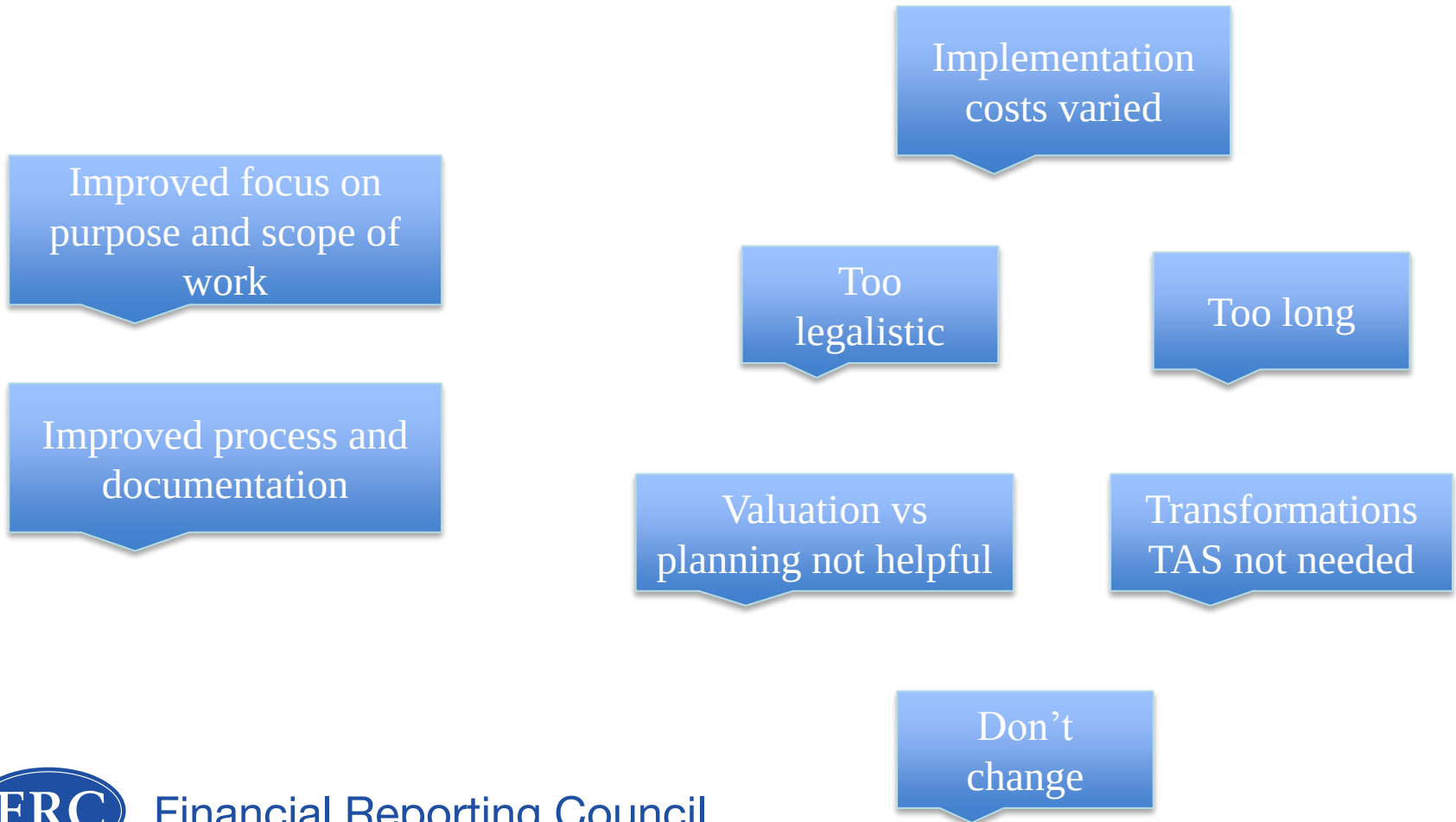


Monitoring/Research/Analysis

- Post-implementation reviews
- Joint Forum on Actuarial Regulation (JFAR)
 - FRC, IFoA, tPR, FCA, PRA
 - Risk perspective
- Evolving actuarial work
 - Enterprise risk management
- International actuarial standards
 - ISAP 1



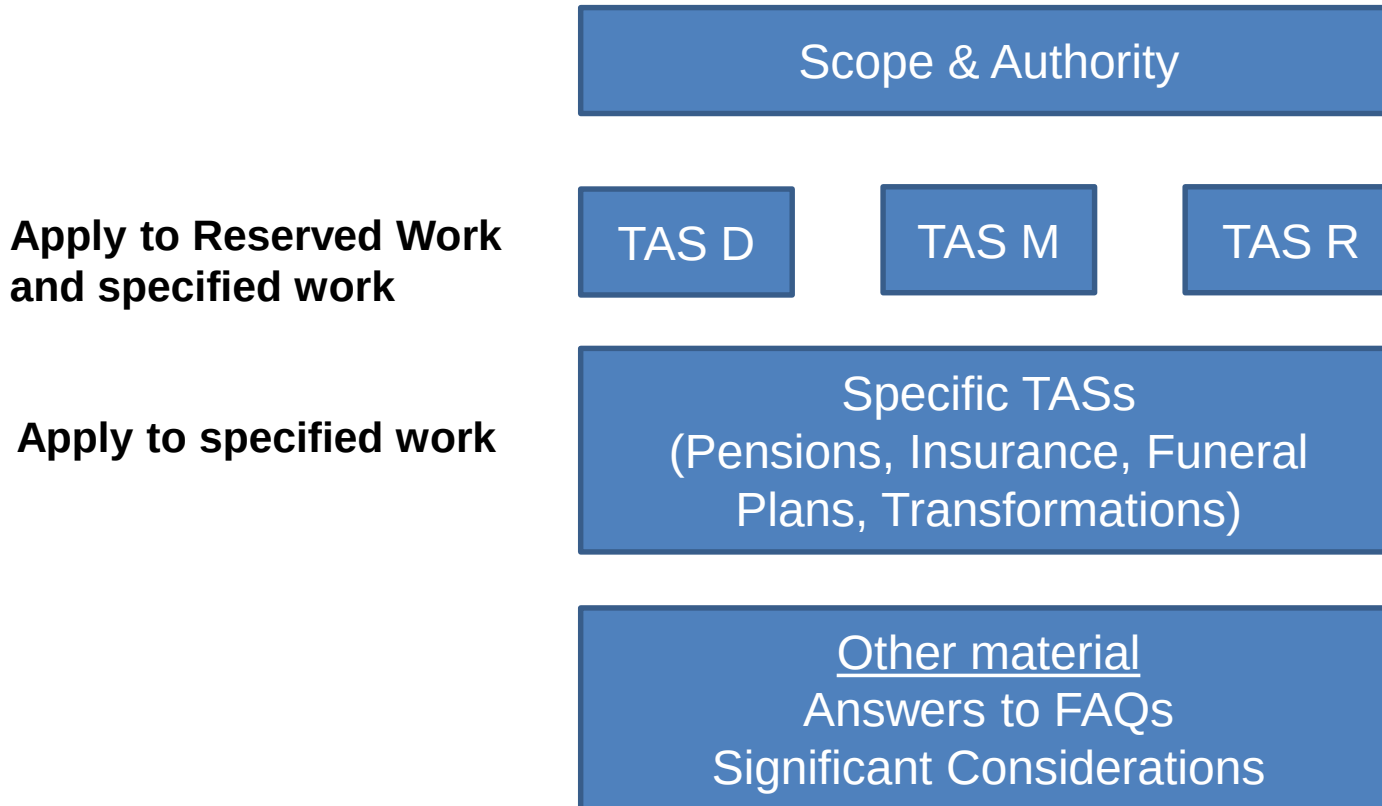
Post-implementation review



International Statement of Actuarial Practice 1: General Actuarial Practice

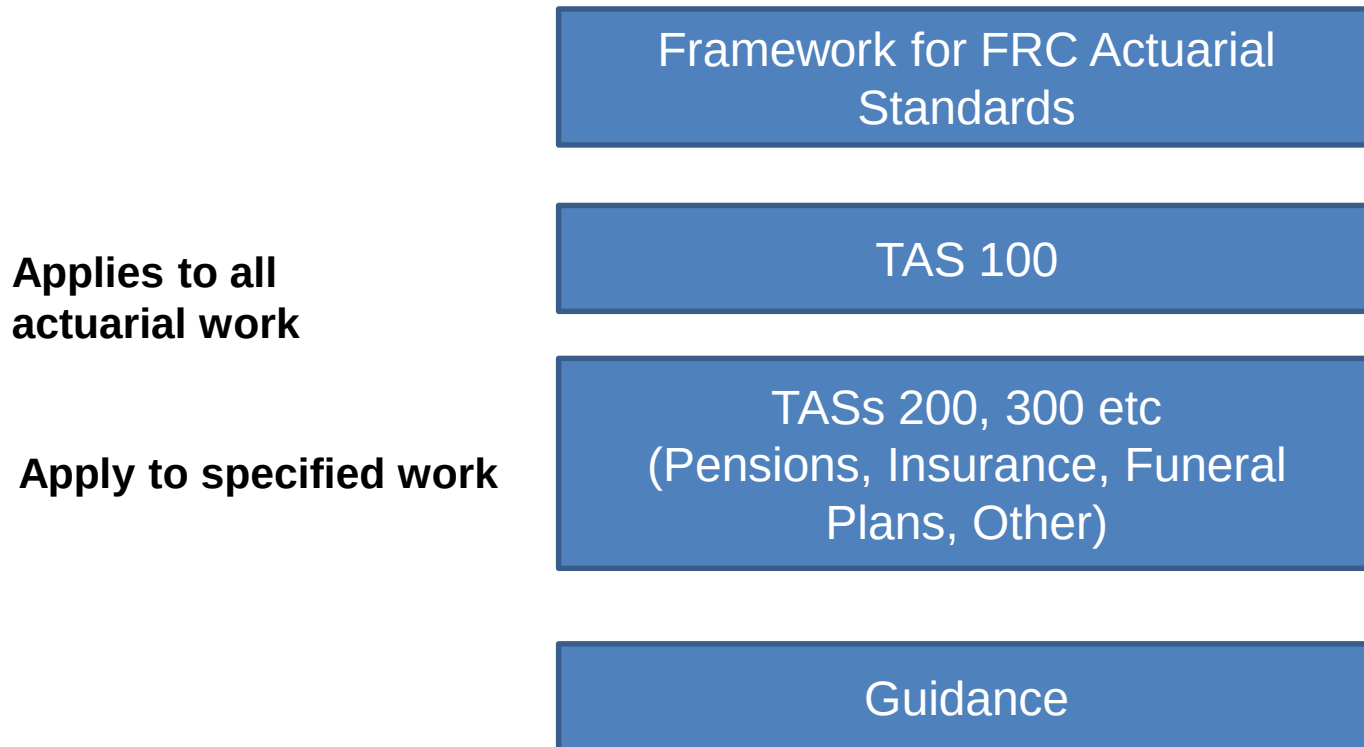
- International Actuarial Association model actuarial standard – November 2012
- Includes technical and conduct material
- Applies to all actuarial services
 - Services, based upon actuarial considerations, provided to intended users that may include the rendering of advice, recommendations, findings, or opinions.
- Regional actuarial organisations can:
 - Adopt ISAP 1
 - Confirm local standards substantially consistent with ISAP 1

Current Framework



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Proposed Framework



Framework for FRC Actuarial Standards

- Subject to consultation
- Replaces Scope & Authority
 - Includes:
 - FRC principles for development of codes, standards and guidance
 - Historical context
 - Reliability Objective
 - Authority
 - Scope and Application
- Overview of FRC actuarial documents



TAS 100

- Four pages
- Six high-level principles with supporting provisions
- Based on Generic TASs and assumptions principles in Specific TASs
- No guidance
- Definitions in glossary
- Applies to all actuarial work (as defined in TAS 100)
 - Consistency with ISAP 1



Scope of TAS 100

Actuarial work is work:

- which involves the exercise of judgement and where the use of principles and/or techniques of actuarial science is central; or
- which the **user** is entitled to treat as actuarial work because it is presented as actuarial, whether expressly or by implication.

Actuarial work is not limited to work undertaken by an actuary.



Working coming into scope

- Sponsor work
- Asset/liability modelling
- Buy-ins
- Expert witness
- In-house work



The Principles

Judgement shall be exercised in a reasoned and justifiable manner; material judgements shall be communicated to users so that they are able to make informed decisions understanding the matters relevant to the actuarial information

Data used in actuarial work shall be sufficient and reliable for the purpose of that work and subject to sufficient scrutiny and checking so that users can rely on the resulting actuarial information

Assumptions used, or proposed for use, in actuarial work shall be appropriate for the purpose of that work so that users can rely on the resulting actuarial information



The Principles (2)

Models used in actuarial work shall be fit for purpose and be subject to sufficient controls and testing so that users can rely on the resulting actuarial information

Communications shall be clear, comprehensive and comprehensible so that users are able to make informed decisions understanding the matters relevant to the actuarial information

Documentation shall contain enough detail for a technically competent person with no previous knowledge of the actuarial work to understand the matters involved and assess the judgements made



What's not in TAS 100

- Following principles:
 - Valuation vs planning (TAS R C.3.7)
 - Cash flows (TAS R C.5.10)
 - Explanation of probabilities (TAS R C.5.13)
 - Projections (TAS R C.5.20)
 - Model parsimony (TAS M C.3.14)
 - Reproducibility of models (TAS M C.3.17)
 - Grouped data (TAS M C.4.9)
 - Data points (TAS M C.4.13)
- Unboxed text from Generic TASs



What's new

3.6 Communications shall state whether any assumptions set by a third party are not reasonable for the purpose of the work and provide an indication of their impact on the **actuarial information**

5.2 Communications shall include the results of the **actuarial work** and the sensitivity of the results to variations in key assumptions

5.6 Communications shall describe any margins for adverse deviations allowed for in the **actuarial work**

Other key aspects of TAS 100

Materiality: Each of the principles and provisions in TAS 100 shall be followed unless compliance with it can have no **material** effect on the decisions of **users**

Proportionality: Nothing in TAS 100 should be interpreted as requiring work to be performed that is not proportionate to the nature, scale and complexity of the risks inherent in the decision or assignment to which the work relates and the benefit that **users** would be expected to obtain from the work

Aggregation: The requirements of TAS 100 on **communications** apply to the communications in aggregate for a piece of work and not to each individual communication

Disclosure: **Communications** shall include a statement confirming compliance with TAS 100. Particulars of any material departure from TAS 100 shall be disclosed to the **user** with the reasons for the departure



Specific TASs

- Will review structure and content
- Focused on higher risk areas
- Scope and principles influenced by JFAR and risk perspective
- Possibly have TASs for main practice areas
- Might move Transformations principles to Pensions and Insurance Specific TASs



Timescale

- Responses to consultation by 8 March 2015.
- Subject to results of consultation:
 - Issue TAS 100 Summer 2015
 - TAS 100 effective 1 January 2016 for work not covered by existing TASs
 - Consult on Specific TASs in 2015
 - Issue new Specific TASs in 2016
 - New regime fully effective late 2016/early 2017



Questions and Feedback

- Views on widening of scope
- Views on definition of actuarial work
- Do you agree with exclusion of unboxed text?
- Is any guidance material desirable?
- Should TAS 100 cover anything else?
- Views on transition
- Views on outline proposals for Specific TASs

