



Technical Actuarial Standard 100: General Actuarial Standards

Isio response to consultation on
proposed amendments

Isio view

We understand the FRC's desire to provide greater clarity in TAS 100 by providing additional detail and guidance. However, while some of the extended detail and guidance may be helpful in certain situations, we believe that the proposed changes will be challenging to implement pragmatically and be counterproductive as a result. In and of themselves, the changes could be interpreted as the FRC expanding the scope of their regulatory role where there is not clear need.

Care must be taken to maintain the pragmatic principle-based approach within the current version of TAS 100, and not to increase the scope to make it an all-encompassing prescriptive set of rules to follow.

We have provided answers to the individual feedback questions in the consultation on the specific points raised, based on the proposed drafting. However, these should be read in the context of our overall view that we would prefer the existing TAS 100 to be retained rather than moving the proposed draft wording.

Key contacts are:

Michael Shimwell ([REDACTED])

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Consultation questions

Question one

What are your views on the proposal to incorporate relevant sections of the Framework for TASs document within TAS 100? Further, what are your views on incorporating relevant sections of the Glossary document within TASs?

Isio response

A single combined document may well be easier to use. However care must be taken to avoid 'watering down' the current principles-based approach.

Question two

Does the draft FRC guidance provide clarity on the definition of technical actuarial work and geographic scope? If you don't think the guidance provides clarity, please explain why not and suggest how the position might be further clarified.

Isio response

The guidance helps to define who is responsible for TAS compliance and the use of examples is very helpful. However there is still room for interpretation around some terms - for example '*intended user*', '*technical actuarial work*' and '*central to the work*'. It is important for there to be room for some judgement and flexibility.

However in practice we have found this difficult to apply in some cases. Particularly around areas of work where the work does not necessarily need to be carried out by an actuary but often can be delivered by an actuary.

Question three

Does the draft guidance support you in complying with the TASs?

Isio response

The additional guidance can be helpful in considering certain situations for example the illustrations relating to investment work help provide some clarity on these situations. However there are a variety of situations that are not covered in the guidance which highlights the challenges of expanding the TAS and associated guidance

Question four

Our proposal places all the application statements in a separate section within the TAS. An alternative approach would be to place application statements relating to each principle immediately after the relevant principle. Which do you prefer?

Isio response

We would prefer to keep the principles and application statements separate. The distinction between the (mandatory) principles and (the regulatory expectations of) the application statements should be crystal clear.

Whilst it may be difficult in some cases to separate the two we would suggest wording relating to the principles be put into the application section. This would help keep the principles clear and to the point.

Question five

Isio response

What are your views on the proposed change to the compliance requirement?

If this change came into effect further communication would be required to raise awareness of this requirement. This would be of course required for actuaries but importantly also other professionals working with actuaries and users as otherwise this change may not be appreciated fully.

Introducing a need to provide users with evidence of TAS compliance would likely lead to an abundance of caution from actuaries with a conflict arising between the need to document every small piece of judgement versus the application of the proportionality principle.

Given the impact of this change on actuaries and their employers not to mention the subjective nature of the proportionality principle we would be keen for draft guidance on this requirement to be consulted on prior to coming into effect.

Question six

Isio response

Does the proposed FRC guidance on how TAS 100 can be applied proportionately assist actuaries in their compliance with TAS 100?

Yes we believe it does. It is worth noting that this is still (and always will be) a subjective topic. The proposed examples are helpful and we would encourage use of guidance/examples rather than prescription in TAS 100 itself.

Question seven

Isio response

What are your views on the revision in nomenclature of the 'user' to 'intended user'?

We agree with the revision - it is much clearer. The additional guidance relating to users and multi-disciplinary teams is helpful.

Question eight

Isio response

Do you agree the new proposed Risk Identification Principle and associated Application statements?

We agree with the new principle in theory and would welcome sight of the proposed further guidance. However the interaction with proportionality is challenging. We believe that education and more guidance is required before climate change risks in particular are introduced.

Question nine

Isio response

What are your views on the clarification included in the proposed changes to TAS 100 in respect of the exercise of judgement? Further, do you feel that guidance will be helpful?

The clarification on the exercise of judgement is welcome. We believe further guidance would be helpful.

Question ten

Isio response

What are your views on the proposed changes to the Data Principle and associated Application statements?

We welcome the changes in that they provide more challenge to the actuary which could lead to higher quality actuarial work. We appreciate the clearer guidance and prompts for example on data checks and how data can be biased.

Question eleven

Isio response

Do you agree with the proposed clarifications and additions relating to documenting and testing material assumptions?

The changes appear reasonable in isolation. However in practice there are a variety of situations where a strict reading would lead to significant increase in the volume of advice/caveats but which may add limited value (e.g. where clients ask to see how sensitive a pension scheme's liabilities are to certain assumption changes).

Question twelve

Isio response

Do you agree with the proposed changes to the Modelling Principle and associated Application statements? Further, do you agree that guidance would be helpful?

We agree guidance would be helpful. We note that more work is now completed using models that may not be built by the actuary in question. It is therefore important that emphasis is put on understanding what the model does as well as the biases and limitations of the model. However this does not need to require an actuary to have to conduct extensive due diligence in order to rely on the results of the model.

In terms of the detailed principles under the modelling principle we would question if these are all principles or whether some of this wording could be moved into the application section.

Question thirteen

Isio response

Do you agree with the proposed clarification of the Documentation Principle? Further, do you agree with the proposal to move all requirements relating to documentation to the Documentation Principle and associated Application Statements, where applicable?

The proposed change is clear but is likely to result in a non-trivial level of documentation.

Is there intended to be an overlap with the change to the compliance requirement here? Specifically will intended users be able to request this documentation or is it expected that this documentation be separate to evidence of TAS compliance? We would suggest these questions are answered in the final guidance.

There are of course efficiencies in combining the documentation with evidence of TAS compliance (through avoiding duplication). This would almost certainly be outweighed with considerations around ensuring the documentation is clear and understandable to the intended users. This would then become an unnecessary burden to actuaries (when making detailed notes of a highly technical nature) due to the additional level of explanation required.

Question fourteen

Isio response

Do you agree with the proposal to move all requirements relating to communication to the Communications Principle and associated Application Statements, where applicable?

Yes we welcome this proposal as there are currently many references to communications throughout the principles. Having principles on communication in one place would provide more clarity.

Question fifteen

Isio response

What are your views on the additional clarification provided in the Application Statements?

The additional clarification makes the TAS guidance more prescriptive. We believe the principles should be shorter with any extraneous wording to be included within the application statements or guidance.

Question sixteen

Isio response

What are your views on the proposed changes to the requirements relating to assumptions set by the intended user or a third party?

We would welcome this in situations where user goes against actuarial advice. The actuary would then be obliged to make their view known whereas at present providing unsought views can be problematic.

In other circumstances the requirements could be superfluous. This depends on the advice given by the actuary and the level of input the actuary has but in circumstances where assumptions are prescribed by legislation e.g. the PPF the actuary has no control over their use therefore should not be required to pass judgment over the reasonableness.

Question seventeen

Isio response

What are your views on these proposed amendments to clarify the existing requirements?

We would suggest the models principle is changed with the requirement to be able to reproduce a model output using the same input being reworded. This would make it clear whether the actuary needs to be able to run the same model again and get the same output.

Question eighteen

Isio response

Do you agree with our impact assessment? Please give reasons for your response.

The proposed TAS 100 document is lengthier but there are also 2 additional guidance documents. Both of these are helpful in understanding of certain specific points but become unwieldy when the specific situations being dealt with aren't clearly covered. While one possible response would be to expand the amount of guidance this makes the complying with the key principles more difficult as in practice situations we deal with are rarely as clear-cut.

We note that further guidance is also due to be published in other areas and would suggest that the existing documents and further guidance be published in either one document or in as few additional documents as possible. We acknowledge this may lead to a lengthy document but are willing to accept this rather than having lots of short documents. In addition all documents should contain links to the others so that they are easy to navigate through. We would also suggest a summary is included in the standalone TAS 100 document with links to all other guidance.

In terms of the requirement for evidence of TAS compliance to be accessible to users this would involve greater ongoing costs as well as one-off costs of embedding the new requirements. At present evidence of compliance is produced for internal use only. Firms would need to be prepared to share this externally and there would be costs around making themselves comfortable with this – for example firms will need to review how evidence is collated as well as the form and content. This could be addressed through further guidance. However the counter argument is that doing this for all pieces of actuarial advice will not be proportional.

When it comes to consideration of non-traditional risks e.g. climate change the FRC need to consider reasons for non-compliance e.g. lack of knowledge around how climate change applies to actuarial work. Including this risk in TAS 100 is a step in the right direction but wider issues around education and proportionality of the quantum of the risk across the potential range of technical actuarial work also need to be addressed.

The FRC could go further in prescribing the application of TASs and the use of proportionality but this would mean a trade off with flexibility and judgement.

