



Government
Actuary's
Department

Via email
APT@frc.org.uk

6 September 2022

Dear Actuarial Policy Team

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Technical Actuarial Standard 100: General Actuarial Standards

Please find our response to the consultation questions in the appendix to this letter.

We welcome the FRC's ongoing efforts to review the Technical Actuarial Standards, seeking to ensure they remain fit for purpose in an evolving environment. Thank you for the opportunity to comment on the TAS 100 Exposure Draft and accompanying guidance.

Our overall view of the proposed TAS 100 is that it has become unnecessarily prescriptive and lengthy, and risks hindering independent thinking about specifics of a particular piece of work. We believe that the current TAS 100 works well in promoting high quality technical actuarial work and the current principles-based approach encourages actuaries to use their professional judgement to tailor their work to the required situation. The relative brevity of the current standard is also beneficial – helping to increase engagement and accessibility. The extent of the new TAS 100 provisions risk disadvantaging actuaries relative to other professionals.

We also have some concerns about the introduction of additional guidance documents (noting more are planned beyond the two published Exposure Drafts). Whilst, within reason, additional support and guidance is welcome, each of these documents will add to the regulatory burden on actuaries. Care needs to be taken to ensure a suitable balance is struck.

However, we do support the broad application and the wider definition of technical actuarial work: this will help ensure that actuaries appropriately consider the professional requirements of their work. This should continue to raise standards across the industry, including in new and evolving areas of work.

Yours faithfully


Stephen Humphrey, Actuarial Director: Quality, Compliance & Risk

The Government Actuary's Department is proud to be accredited under the Institute and Faculty of Actuaries' [Quality Assurance Scheme](#). Our website describes [the standards we apply](#).



Appendix: Response to Technical Actuarial Standard 100: General Actuarial Standards Consultation

QUESTION 1: Please provide your name (note: anonymous responses will not be accepted).

Stephen Humphrey

QUESTION 2: Are you responding as an individual or on behalf of an organisation?

On behalf of an organisation

QUESTION 3: Name of organisation

Government Actuary's Department

QUESTION 4: Do you wish your response to be kept confidential?

No

QUESTION 5: Please provide your email address.

[REDACTED]

QUESTION 6: 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?

We have no particular objections with the incorporation of relevant sections: we see removing the need to cross-reference between various documents as a benefit. However, we do have a number of concerns about the proposed length of the new TAS 100:

- The current TAS 100 is a concise statement of good practice and we feel its relative brevity is important in breaking cultural and practical barriers to compliance.
- Whilst the proposed main section of the new TAS 100 is relatively brief, the supporting documents risk making TAS 100 too cumbersome.
- We note there also appears to be a greater level of prescription in what is still meant to be a principles-based standard.
- It may be useful to emphasise what is considered part of the standard and what is supporting guidance to highlight the principles-based element of TAS 100.

QUESTION 7: 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.

We welcome extra guidance on definition of technical actuarial work (presumably this will replace the current IFoA guidance), although we firmly believe TAS 100 must stand on its own merit. The

idea that practitioners need to read / understand / implement additional guidance in order to be compliant, seems symptomatic of deficiencies within the standard itself.

We remain supportive of a broad scope of work to be covered by the TASs: when TAS 100 was initially introduced, we found actuaries could become caught up in discussions around whether their work falls in scope. We took a pragmatic approach at GAD in deciding what is in scope and ultimately best for the client and we assume nearly all of our actuarial work is in scope of TAS 100. Assuming the standard remains workable, we expect to continue to follow this pragmatic approach.

QUESTION 8: Does the draft guidance support you in complying with the TASs?

We are in favour of the use of guidance to support compliance. However, as mentioned in Q7, the TASs should stand on their own and the extensive amount of extra guidance that needs to be read / understood / implemented in order to be compliant is not welcome.

QUESTION 9: 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?

We have no particularly strong views on this. We can see the benefits and drawbacks of both approaches. It can be a bit awkward to cross-reference the separate parts and a single section may aid the standard if it reduces repetition. One of our key concerns is the increased length of the proposed TAS 100. Whilst having separate sections helps to provide more structure to this longer document, it's not clear that either option is particularly preferable in terms of brevity.

QUESTION 10: What are your views on the proposed change to the compliance requirement?

We broadly support the proposed changes to the compliance requirements, but with some significant reservations about proportionality:

- We support the proposal to simplify the decision as to whether a compliance statement is needed. We feel it will typically be easier for practitioners to judge whether Technical Actuarial Work is material or not, compared to the more complex current requirements.
- With regards to evidencing compliance, there needs to be an element of pragmatism and a proportionate approach available. We are interested to see what the FRC's view is of best practice in this area but, again, note that expectations need to be clear from TAS 100 alone, and not require supporting guidance. Not all technical actuarial work (carried out by GAD or others) is a large project. Any requirement to provide detailed evidence of compliance could lead to significant additional work with little value to our clients. There is also a risk this reduces our ability to deliver at pace – which can be vital when supporting the formulation of government policy.

QUESTION 11: Does the proposed FRC guidance on how TAS 100 can be applied proportionately assist actuaries in their compliance with TAS 100?

We are concerned about the removal of proportionality provisions from the main standard and disagree with the FRC's decision to move this into supporting guidance. There is no longer anything within the proposed TAS 100 that tells actuaries to be proportionate (although we acknowledge that the guidance on proportionality indicates where the FRC seek to allow actuaries to be proportionate within the standard).

We believe the ability to apply the standard proportionately has helped to make it effective in supporting high quality work: compliance supports the work rather than driving it. We feel strongly that proportionality needs to be addressed directly within TAS 100 to some extent. Perhaps it should feature in the Introduction section or in the Application section?

This is a clear example of how, in order to be effective, TAS 100 must stand on its own and not require practitioners to be fully conversant with supporting guidance.

QUESTION 12: What are your views on the revision in nomenclature of the ‘user’ to ‘intended user’?

We are content with this proposed revision.

QUESTION 13: Do you agree the new proposed Risk Identification Principle and associated Application statements?

We are supportive of the new proposed Risk Identification Principle, and believe it helps support actuaries working in non-traditional areas of work.

We like the fact that the Principles section has been kept generic, with specific risks only mentioned by name in the Application Section - this helps to future-proof the standard. We did wonder whether pandemic risk should get an explicit mention?

A1.1 mentions “all risks conventionally associated with the relevant technical actuarial work”. Whilst acknowledging the difficulty in drafting these high-level statements, this turn of phrase does strike as somewhat inward looking and we wondered if the standard should also draw actuaries’ attention to considering less conventional risks.

The lack of proportionality within the standard also comes into play here: How can an actuary tell what they reasonably should have known about? How much does an actuary have to do to show that they’ve ‘had regard’ to something and how far down the list does an actuary have to go before risks are no longer material? We agree with the sentiment, but this section will be difficult to enforce, particularly where the regulator will have the benefit of hindsight.

QUESTION 14: 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?

Overall, we are happy with the proposed clarification in respect of exercising judgement, but we do have significant concerns with paragraph P2.3.

This paragraph potentially places an impractical onus on actuaries to review/reconsider previous work over long time periods. This is not always going to be possible. If there’s an ongoing client relationship and freedom to act then P2.3 makes sense – for example an in-house actuary, who will be monitoring certain risks and developments on an ongoing basis.

However, in many other circumstances this will not be practical or feasible. For example, in a consultancy the client relationship may evolve over time and there may not be an ongoing partnership by which such issues could be raised. Some projects are one-off jobs where, again, the nature of the contract may not permit continued discussion at a later date.

At GAD we also have a number of statutory roles where the terms of a review are established in legislation, for example the SCAPE discount rate review or the Government Actuary’s input to State Pension age reviews. Whilst the actuary can remain alert to relevant developments and

potentially discuss these with relevant stakeholders, the framework within which such decisions are taken may not permit periodic review by the actuary.

We do not fundamentally disagree with the sentiment of this provision but feel the wording needs to be softened to make it practical.

We would also not be keen on additional guidance in this area: if there is widespread demand for additional support on how to exercise professional judgement (perhaps to help avoid group-think), we would support a non-regulatory approach. For example, with CPD/PST opportunities or signposting to relevant existing resources produced by other organisations. There are also benefits to learning from others – interpreting their guidance within your own context.

QUESTION 15: What are your views on the proposed changes to the Data Principle and associated Application statements?

The changes look reasonable.

QUESTION 16: Do you agree with the proposed clarifications and additions relating to documenting and testing material assumptions?

It's not clear exactly which paragraphs this question refers to but we have one specific point to feedback on P4.2. We preferred the wording in 3.1 in the current TAS 100 which we understand is equivalent to P4.2. P4.2 no longer contains the phrase: "*if there is insufficient relevant information, as is available*". Sometimes actuaries need to undertake work where there is not a lot of information available and therefore judgement is required. Retaining the wording in the current TAS would give us comfort we are acting appropriately in the eyes of the FRC.

QUESTION 17: Do you agree with the proposed changes to the Modelling Principle and associated Application statements? Further, do you agree that guidance would be helpful?

Overall, we are happy with the proposed changes – actuarial models are becoming more complex over time and as such we agree there is a need for higher standards on model guidance. However, we do have concerns about proportionality. Modelling is complex and varied; we feel the Modelling Principle and associated Application statements may be too simplistic:

- P5.2 appears to assume that the Practitioner is the same as the model owner or at least has a say in how the model is governed and has sufficient knowledge of the workings of the model to be able to opine of validation, change control and bias. This is not always the case (for example where proprietary software is being used) and the standard could better reflect that some actuary users will not always have a say in these matters.
- The requirements of the modeller and actuarial user are often different and not always the same person.

This would be an area where we would welcome extra guidance and where the issues raised above could be addressed.

QUESTION 18: 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?

It seems sensible to group all documentation statements together. We do, however, question how much value will be gained from the additional documentation requirements.

QUESTION 19: Do you agree with the proposal to move all requirements relating to communication to the Communications Principle and associated Application Statements, where applicable?

It seems sensible to group all communications statements together.

QUESTION 20: What are your views on the additional clarification provided in the Application Statements?

We are concerned about the level of prescription and we feel this section is a significant contributor to the loss of brevity in the proposed TAS 100. Each point in isolation looks reasonable but, taken together, the proposed TAS 100 appears to take another step away from being a principle-based standard.

As noted in question 6 we feel the current TAS 100's relative brevity is important in breaking cultural and practical barriers to compliance. The proposed Application Statements on Communications are a particular concern in this regard.

QUESTION 21: What are your views on the proposed changes to the requirements relating to assumptions set by the intended user or a third party?

We have no particular objections.

QUESTION 22: What are your views on these proposed amendments to clarify the existing requirements?

Nil response.

QUESTION 23: Do you agree with our impact assessment? Please give reasons for your response.

We disagree with the impact assessment.

Given the large number of distinct points, as well as the free-standing guidance documents, it is likely that one-off transition costs will be significant – it will not be a case of each actuary reading the new standards once and then complying – and ongoing costs might be much greater than before. There could be a significant cost to clients if each different piece of work needs more detailed TAS100 considerations than had been the case in the past, and it is not clear that they will necessarily see any enhanced benefit as a result.