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# Update on the consultation: A new framework for Technical Actuarial Standards

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8th Floor, 125 London Wall, London EC2Y 5AS

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# 1 Introduction

## Background

- 1.1 The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment. It issues and maintains Technical Actuarial Standards (TASs) for actuarial work in the UK. The Institute and Faculty of Actuaries (IFoA) requires its members to comply with the TASs for actuarial work within their scope.
- 1.2 On 18 November 2014 the FRC published a consultation paper: *A new framework for Technical Actuarial Standards*<sup>1</sup>. The purpose of the consultation paper was to seek views on proposals to enhance the existing TAS framework. These proposals were:
- to replace the existing three Generic TASs with a single generic TAS, *Technical Actuarial Standard 100: Principles for Actuarial Work* (TAS 100), comprising high-level principles which would be applicable to all actuarial work;
  - to implement a risk assessment process focusing on risks to the public interest, building on the feedback we receive on the discussion paper *Joint Forum on Actuarial Regulation: A risk perspective*<sup>2</sup>, which would underpin decisions to make work subject to the Specific TASs; and
  - to review the content and structure of the Specific TASs.
- 1.3 The consultation included exposure drafts of TAS 100 and of a new document, the *Framework for FRC Actuarial Standards*, which describes the authority, scope and application of the FRC's actuarial standards and related material. The consultation closed on 8 March 2015. We received 48 responses to the consultation, 10 of which were confidential.

## This document

- 1.4 The purpose of this document is to provide an update following the consultation. In section 2 we give an overview of the responses and summarise the comments in four key areas: scope, implementation, the definition of actuarial work and our impact assessment. In section 3 we set out our next steps.
- 1.5 In summary, we propose to:
- bring TAS 100 into effect at the same time as the revised Specific TASs;
  - give further consideration to how the extension of the scope of the FRC's technical actuarial standards can be implemented without disproportionate additional costs;

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<sup>1</sup> <https://frc.org.uk/Our-Work/Publications/Actuarial-Policy-Team/Consultation-A-new-framework-for-Technical-Actuari-File.pdf>

<sup>2</sup> [https://www.frc.org.uk/Our-Work/Publications/Actuarial-Policy-Team/Discussion-Paper-JFAR-a-risk-perspective-\(October-File.pdf](https://www.frc.org.uk/Our-Work/Publications/Actuarial-Policy-Team/Discussion-Paper-JFAR-a-risk-perspective-(October-File.pdf)

- consider ways of harmonising the definitions of actuarial work in FRC and IFoA actuarial standards;
- give consideration to points raised in the consultation responses concerning the text of TAS 100; and
- issue a review draft of TAS 100 when we consult on the Specific TASs later this year.

## 2 Responses to the consultation

### Introduction

- 2.1 In this section, we give an overview of the responses to the consultation. We summarise some of the most significant comments in four key areas: scope, implementation, definition of actuarial work and our impact assessment. We set out our response to this feedback.

### Responses

- 2.2 We received 48 responses to the consultation, 10 of which were confidential. 41 responses came from practitioners, five were from industry bodies, including the IFoA and the International Actuarial Association, and two from other stakeholders. We also received feedback from the IFoA's model risk working party. The non-confidential respondents are listed in the Appendix and their responses can be found on our website<sup>3</sup>.

### Overview of responses

- 2.3 Respondents:
- were generally supportive of the proposals including the new *Framework for FRC Actuarial Standards* which would replace the existing *Scope & Authority of Actuarial Standards*;
  - supported the consolidation of the three existing Generic TASs into TAS 100;
  - provided some detailed comments on the principles and provisions in TAS 100;
  - expressed concerns about the extension of scope to all actuarial work and the definition of actuarial work; and
  - strongly suggested that TAS 100 should be delayed to come into force at the same time as the revised Specific TASs.
- 2.4 We intend to publish an analysis of the answers to the questions posed in the consultation paper and our response to them when we issue the review draft of TAS 100 later in the year.

### Specific issues

- 2.5 Although respondents were generally supportive of the proposals there were some concerns in four key areas: scope, implementation, the definition of actuarial work and our impact assessment. Additionally, most respondents suggested that it would be helpful to see all of the proposed changes to the TAS framework in one package including revisions to the Specific TASs. The four areas are discussed in more detail below.

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<sup>3</sup> <https://www.frc.org.uk/Our-Work/Publications/Actuarial-Policy-Team/Consultation-A-new-framework-for-Technical-Actuari/Responses-to-consultation.aspx>

### *Scope of TAS 100*

- 2.6 In the consultation we proposed that TAS 100 would apply to all actuarial work (as defined in TAS 100).
- 2.7 Some respondents were very concerned about the extension of scope to areas of work where actuaries compete with other professionals for the work. There were a number of responses from actuaries working in general insurance and their employers who considered that the extension of scope to areas such as pricing individual risks was undesirable as it would lead to extra costs.
- 2.8 Some companies suggested that they would no longer use actuaries for some work. It was reported that some of the work which would come into scope is carried out for informed users working at the same organisation as the practitioner. Some of the work is repeat work where the users are familiar with matters such as assumption setting, risk and uncertainty, and some work is carried out on a relatively informal basis.
- 2.9 Some respondents suggested that if the scope of TAS 100 covered all actuarial work then practitioners, possibly with agreement or on instruction from their user, should be allowed to depart from part or all of TAS 100. This is currently permitted in the current TAS framework for work not required to be performed by regulation or other legal obligation under section 24(c)(iii) of the *Scope & Authority of Technical Actuarial Standards*.
- 2.10 We will give further consideration to how the extension of the scope of the FRC's actuarial standards can be implemented without disproportionate additional costs.

### *Implementation*

- 2.11 In the consultation paper we proposed that TAS 100 would be effective from 1 January 2016, around a year before the revised Specific TASs would come into effect.
- 2.12 Most respondents expressed a strong preference that TAS 100 should become effective at the same time as the Specific TASs. There was concern that implementing the new TAS framework in two stages would result in additional costs as practitioners would have to amend processes twice. It was also suggested that having two different regimes running concurrently could cause confusion especially as it might be possible that different regimes might apply to different practitioners working on the same exercise.
- 2.13 It was also suggested that if the new TAS framework was presented in one package showing how the framework document, TAS 100 and the Specific TASs fit together, then it would help respondents provide more constructive feedback.
- 2.14 We have considered respondents' views and have decided to defer the implementation of TAS 100, bringing it into effect at the same time as the revised Specific TASs.



- 2.15 We will present a review draft of TAS 100 which takes account of the feedback we have received with the consultation on the exposure drafts of the revised Specific TASs later this year. As part of that consultation, we will consider any comments on the review draft of TAS 100. The new suite of TASs will then come into force at the same time, at which point the current TASs will be withdrawn.

#### *Actuarial work*

- 2.16 Some respondents considered that it would be desirable for the definition of actuarial work in TAS 100 to be consistent with the definitions used in IFoA standards including APS X2: *Review of Actuarial Work*. The definitions need to be different in so far as the FRC definition applies to all actuarial work regardless of who performs it while the IFoA definition is limited to work performed by its members. Nevertheless we will discuss possible greater harmonisation of the definitions with the IFoA.

#### *Impact assessment*

- 2.17 There were mixed responses to the impact assessment in section 7 of the consultation paper.
- 2.18 Some respondents agreed that TAS 100 could be applied to a wide range of actuarial work without disproportionate cost. However several respondents disagreed, particularly for smaller pieces of work which are not currently in the scope of TASs.
- 2.19 Some respondents noted that there would be transitional costs associated with training and development of processes for complying with TAS 100 in new areas of work.
- 2.20 Concern was also expressed that there is a risk that the widening of the scope of the FRC's actuarial standards could result in some entities not commissioning work from actuaries and this might not be in the public interest.
- 2.21 Three respondents considered that improving the reliability of actuarial advice will not, in isolation, produce material benefits to the public interest.
- 2.22 Deferring the implementation of TAS 100 to coincide with the implementation of the revised Specific TASs will limit transitional costs as processes and training will only need to be updated once. Decisions on the scope of TAS 100 as a result of consultation responses might also have an impact on the costs of implementation.

#### *Other matters*

- 2.23 We will give consideration to points raised in the consultation responses including suggestions on the text of TAS 100.

## 3 Next steps

### Introduction

- 3.1 In this section we set out the next steps in our development of the new framework for technical actuarial standards.

### TAS 100

- 3.2 We will issue a review draft of TAS 100 in conjunction with the Specific TAS consultation towards the end of the year. As part of that consultation, we will consider any comments on the review draft of TAS 100.
- 3.3 A final version of TAS 100 will be published alongside the final versions of the revised Specific TASs and will come into force at the same time as those revised Specific TASs.

### Revised framework

- 3.4 We also intend to issue a review draft of the new document *Framework for FRC Actuarial Standards* with the review draft of TAS 100. The final version of the revised framework document will be published at the same time as the final versions of TAS 100 and the revised Specific TASs and will come into force at the same time as those TASs.

### Specific TASs

- 3.5 We are aiming to publish a consultation on the revised Specific TASs towards the end of this year. The consultation will include:
- revisions to ensure consistency with TAS 100; and
  - proposals on revised scope and content so that the Specific TASs are targeted at work which has a high degree of public interest. The proposals will be informed by feedback to our discussion paper *Joint Forum on Actuarial Regulation: A risk perspective*
- 3.6 Subject to the results of that consultation, final versions of the revised Specific TASs will be published in the summer of 2016.

### Glossary

- 3.7 We will publish a draft of the glossary of terms used in FRC Technical Actuarial Standards as part of the consultation on the revised Specific TASs.
- 3.8 The final glossary will be issued at the same time as the final versions of the revised TASs.

### Guidance

- 3.9 We will consider whether some guidance, including content in the existing Significant Considerations documents, should be retained or developed.

### **Implementation**

- 3.10 We will implement the new framework in one stage rather than two as proposed in the consultation *A new framework for FRC Technical Actuarial Standards*.
- 3.11 Subject to the response to the consultation on the revised Specific TASs, TAS 100 and the new Specific TASs will be effective from the start of 2017. At the same date, the existing TASs and the *Scope & Authority of Technical Actuarial Standards* will be withdrawn.
- 3.12 We will consider transitional issues in the consultation on the revised Specific TAS including how the TAS framework will apply to work in progress at the implementation date.

# Appendix: List of respondents to the November 2014 consultation

## **Professional and trade bodies**

Association of British Insurers  
Association of Consulting Actuaries  
International Actuarial Association

Institute and Faculty of Actuaries  
Society of Pensions Professionals

## **Insurers, consultants and actuaries**

Aon Hewitt  
Mark Graham, Antares Managing Agency  
Barnett Waddingham  
BWCI Consulting Limited  
Canopus Managing Agents Limited  
Capita Employee Benefits  
Simon Carne  
Catlin Holdings Limited  
Chaucer Syndicates Ltd  
Deloitte  
EY  
Matthew Evans  
First Actuarial LLP  
Hymans Robertson LLP  
J P Houghton

JLT Employee Benefits  
James Knight  
Trevor Llanwarne  
Lane Clark & Peacock LLP  
S A Meacock & Company Limited  
Mercer  
PwC  
P-Solve  
Punter Southall  
SL Investment Management  
Alastair Speare-Cole  
Talbot Underwriting  
Towers Watson  
Duncan Walsh  
Giles Woodruff  
Tony Jones, UMACS

## **Other entities**

Government Actuary's Department

Pension Protection Fund



**Financial Reporting Council**

8th Floor  
125 London Wall  
London  
EC2Y 5AS

+44 (0)20 7492 2300

[www.frc.org.uk](http://www.frc.org.uk)