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Dear Sirs,

Feedback on Proposed TAS 100

I am writing in response to your consultation paper – “A new framework for Technical Actuarial Standards” – published in November 2014.

My feedback is set out below.

Question 4.1: Do you agree that the extension of the scope of application of TAS 100 to all actuarial work would be of benefit to users of actuarial work? If you disagree, please explain why.

I strongly disagree with this proposition and would, indeed, go further and suggest that making TAS 100 applicable to all actuarial work would, in many instances, be disadvantageous to users.

I am writing for the perspective of both an actuary and an employer of actuaries in the non-life sector. However, general insurance is a fast-moving commercial environment where quick decisions on imperfect information are the norm. Actuaries have thrived in this environment, which has been the fastest growing sector for actuarial employment for many years. This is precisely because of the value they can add through rapidly extracting information from inadequate data and, thus, assisting their employer make improved commercial decisions.

Making all actuarial work subject to TAS 100 standards would hamstring actuaries' ability to continue to fulfil this function. They are far too onerous for the vast majority of general insurance actuarial work. Our employers are very well aware of the limitations of the data that we work with and the tools at our disposal yet they still place enormous value on our current contribution. Were we to carry out and report on all of this work to TAS 100 standards it would make actuaries far less useful to their employers since the reduction in actuarial productivity would be very significant.

This view is shared by the senior management of my employer, Antares Managing Agency Ltd (AMAL). This Consultation was discussed at the AMAL Board, which minuted the following:

“The Board notes the Financial Reporting Council (FRC) proposal that all actuarial work should be subject to a new Technical Actuarial Standard (TAS). The Board is unanimously against this proposal. In particular, it rejects the TAS proposal that the new framework will bring “benefits to both users and practitioners”. The Board believes that, whilst TAS standards are appropriate for reserved work, applying them to all actuarial work on a mandatory basis will actually be detrimental to both users and practitioners. It simply does not reflect the commercial realities that actuaries within an insurance business are subject to. The Board is of the view that, should the proposed TAS be introduced in its current form, its actuaries would be materially less useful to the business. At the very least, employed actuaries need an “employer’s opt-out” option, whereby, at the instruction of their employer, non-reserved work for the employer may be carried out outside the formal TAS regime”.

I share this view.

It is also worth questioning why the FRC believe that actuaries, alone amongst insurance company employees, should be singled out to have such onerous standards applied to them. Accountants, insurance professionals and lawyers also make key decisions for their employers but all of their work is not subject to TAS-type standards.

Since the boundary between actuarial work and statistical work is very blurred, it is likely that in practice much of this work would transfer to statisticians who were not subject to overly onerous requirements.

Question 8.1: Do you agree that TAS 100 could applied to a wide range of actuarial work without disproportionate costs?

I strongly disagree with this proposition. The cost of widening the scope of TAS 100 would be highly material. In a general insurance context, the time spent on many elements of actuarial work would increase significantly, due to the rigorous standards required, particularly with regarding to reporting. There is no evidence that the users of the actuarial work would benefit from this. In particular, they would be adversely affected through the lower productivity of their actuaries and the ensuing opportunity cost.

Conclusion

In conclusion, I would emphasise that, as a minimum, the users of non-reserved actuarial work should have the option of specifying whether or not they wish TAS 100 to apply to a specific piece of work. If this option is not made available, it will increase the costs of much actuarial work materially and will shift much other work from actuaries to non-actuaries. Neither of these outcomes will benefit the users.

Yours faithfully,

Mark Graham FIA