

As a member of the Institute and Faculty of Actuaries' Health and Care Board I received a copy of the Financial Reporting Council's consultation document on a new framework for technical actuarial standards. However, the comments in this e-mail are made in a personal capacity rather than on behalf of the Health and Care Board.

Q5.1 Do you agree with the proposed high-level principles (paragraph 5.3)?

I agree with the choice of high-level principles but there is a problem with their application. The problem is not introduced by TAS 100; it already exists with the current standards. The problem is that an actuary responsible for work covered by the TAS may be operating in a situation which makes compliance impossible.

As an illustrative example, a reserving actuary's calculation of reliable technical provisions for a business may be dependent on the quality of that business' data capture processes and systems. The responsibility for the quality of those processes and systems rests with the company's board, not with the reserving actuary. If an actuary is asked to carry out a reserve calculation in a situation where these processes and systems are inadequate, the data may not be sufficient and reliable and the work will not be TAS compliant.

In my view there ought to be a clause in TAS 100 making it clear that an actuary is permitted to carry out actuarial work in such circumstances but cannot be expected to produce results which meet the reliability objective in full. The provisions on communications would need to make clear what disclosures are required in these circumstances. This would introduce a distinction between an actuary complying with his or her responsibilities under the TAS and the results complying with the reliability objective of the TAS.

I think that the underlying issue here is whether the FRC is indirectly promoting some aspects of high quality corporate governance and reporting (such as the commitment to maintain good data processes and systems), via requirements placed on actuaries, rather than directly promoting them, via requirements placed on boards.

Duncan Walsh
Fellow of the Institute and Faculty of Actuaries