

Dear FRC TAS Review,

I write as a GI pricing actuary working in the Lloyd's market to respond to your TAS 100 exposure draft. The views expressed here are my own, not an official response on behalf of Amlin.

I trust the responses below make my concerns clear. Most importantly, that guidelines written for larger pieces of report-based work cannot easily be applied to pricing actuaries working in teams with underwriters, despite the inclusion of materiality and proportionality clauses. This problem, already present in TAS M, is exacerbated in TAS 100 with the broadening of the scope.

Kind regards,
Matthew Evans

Q3.1 Do you have any comments on the draft Framework for FRC Actuarial Standards (paragraphs 3.5 to 3.8 and Appendix A)?

Q3.2 Do you have any comments on our proposal to withdraw and archive the existing Scope & Authority (paragraphs 3.26 to 3.29)?

Q3.3 Do you have any comments on our proposed approach to the Significant Considerations documents (paragraphs 3.30 to 3.31)?

Q4.1 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 do not agree. Not all users look for or require the sort of additional detail that TAS 100 entails. Extending the scope under TAS 100 exacerbates the problems already present in TAS M – for pricing actuaries working in teams with underwriters on an ongoing basis the additional detail is a burden which does not add value. The clauses of materiality and proportionality are helpful but this puts actuaries in the position of having to justify each exclusion. Erring on the side of caution will reduce productivity - to the frustration of our underwriting colleagues - and push work towards unregulated data scientists and statisticians instead.

Q4.2 Do you agree with the proposed definition of actuarial work? If not please provide reasons and suggest an alternative approach (paragraph 4.11).

The definition of actuarial work is very broad, putting actuaries at a professional disadvantage against statisticians and technically-minded underwriters. Please instead consider applying only to reserved work and other formal actuarial reports. These “transactional” pieces of work need to be standalone and to meet higher standards; ongoing support given as part of a team, as in pricing, has varied requirements so should not be treated in the same way.

Q4.3 Do you agree with the analysis of different areas of work in Appendix E?

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

Q5.2 Do you agree with the proposed provisions in TAS 100 on data (Appendix B)?

Q5.3 Do you agree with the proposed provisions in TAS 100 on assumptions (Appendix B)?

Q5.4 Do you agree with the proposed provisions in TAS 100 on modelling (Appendix B)?

Provisions applied to broader “communications” in pricing work will so often be excluded on grounds of materiality and proportionality as to undermine the appropriateness of the scope. A simple chain-ladder model, say, used in case pricing might include some actuarial judgement, but underwriting users would not expect the level of documentation and testing described. Rather, they would expect pricing actuaries to apply judgement using their knowledge of the class and highlight issues and limitations as appropriate for the particular case and audience.

Q5.5 Do you agree with the proposed provisions in TAS 100 on communications (Appendix B)?

Again, provisions for communications are likely to be frequently excluded on the grounds of materiality and proportionality, bringing into question the appropriateness of the scope.

Q5.6 Do you have any comments on the application of TAS 100 (paragraphs 5.25 to 5.29)?

Q5.7 Do you agree that a compliance statement should be required (paragraph 5.30)?

A compliance statement will be regarded by many users in underwriting as yet more boilerplate text. It will not add value for an audience not interested in professional regulation. Nor will any reassurance be drawn from it.

Q5.8 Do you agree with the proposed approach on guidance material (paragraphs 5.32 to 5.34)?

Q5.9 Do you agree with the proposal to include defined terms in a separate glossary (paragraph 5.35)?

Q5.10 Do you consider the definitions of the terms in the glossary are clear (paragraph 5.35)?

Q5.11 Do you have any other comments on the exposure draft of TAS 100?

The document says that feedback on the generic TAS’s has been positive. This is not in line with my personal experience, where London market pricing peers regard the regulation as costly, disproportionate, and not responsive to client requirements.

Q6.1 What areas of work specified in scope of the current Specific TASs do you consider should not be subject to more detailed actuarial standards (paragraph 6.8)?

General insurance pricing should be excluded where not material to the entity. This area of work, more closely related to underwriting than traditional actuarial domains, is undermined by the application of regulation more appropriate for reserved work and formal reports.

Q6.2 What work which is not currently in the scope of the Specific TASs do you consider should be subject to the more detailed standards (paragraph 6.8)?

Q6.3 Do you agree with the proposed structure of the TASs (paragraphs 6.9 to 6.12)?

Q6.4 Do you have any other comments on the proposals for technical actuarial standards in section 6?

Q7.1 Do you have any comments on the proposed implementation of the new framework in Section 7?

Q7.2 Are the proposed interim arrangements clear (paragraphs 7.7 to 7.9)?

Q8.1 Do you agree that TAS 100 could be applied to a wide range of actuarial work without disproportionate costs?

I do not agree. Broadening the scope to include "communications" will inevitably add costs to areas like case pricing, despite materiality and proportionality clauses.

Q8.2 Do you have any comments on our analysis of the impact of the changes set out in section 8?

The impact assessment rightly identifies large aggregations of risk and failures in the provision of actuarial services as being in the public interest. TAS 100, however, goes on to apply the standards much more broadly, including not just formal and material pieces of work but also actuaries working in teams on an ongoing basis, as in pricing.