



The Actuarial Policy Team
Financial Reporting Council (“FRC”)
8th Floor
125 London Wall
London
EC2Y 5AS

5 March 2015

Dear Sir(s),

A new framework for Technical Actuarial Standards (“TASs”)

We are writing in response to the invitation to respond to the consultation produced by the FRC on the above subject. We have chosen to respond by letter in long-form, rather than to answer the specific questions raised by the consultation.

We have also chosen to respond in a letter that is written on behalf of PricewaterhouseCoopers LLP (“PwC”), rather than for our actuaries / other professionals to respond individually to the discussion paper. This letter is not confidential. We agree to its publication on the website(s) of the FRC and the Institute and Faculty of Actuaries (“IFoA”) if you wish.

We were supportive of the current TASs when they were formulated and believe that they have been useful in focusing some of our in-house procedures in providing consultancy advice to PwC’s clients.

We are also supportive of the changes in structure now being proposed to the TASs. Although there will be some in-house work that will be required as a result of the changes, and some need for further in-house training to occur, the time and effort expended in that process of change should be balanced against the simpler structure now envisaged.

We have the following observations on the materials provided to facilitate this consultation. We have kept our comments at a high level, rather than attempting to comment in detail:

Consultation document

- The reduced focus on what is and what is not actuarial work, compared to the initial meeting held on the restructuring of the TASs in June 2014 is welcomed. We do not see that it is beneficial to users to start any discussion with their in-house actuary or their external actuarial consultant by having a long discussion about whether the work to be conducted is “actuarial” or not. Where there is any doubt in this respect, our approach will be to apply the TASs.
- In the above context, we consider that the scope envisaged for the TASs is still quite narrow. We expect that we (PwC) will go further in our identification of situations where

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we will expect to apply the TASs. We can see benefits, but no obvious downside, both to users and to us in taking this approach.

- Although the consultation argues that its definition of actuarial work is not circular, we do still consider that a definition relying on the term “actuarial science” is incontrovertibly circular. We do not though believe that this situation detracts from the rest of the proposed framework, not least because we expect that we will likely apply the TASs more widely than is envisaged in the consultation papers.
- We welcome the retention of the comments on materiality and proportionality in 5.27 to 5.29. The ability, for example, to provide less comprehensive reporting to a very experienced user than to a lay user of actuarial services is crucially important. This use of proportionality does not, in our view, suggest non-compliance with the TASs. We are pleased that this distinction has been retained.
- There is, however, a further situation that is not retained in the new materials which is, we believe, problematic. In the current regime, it is permitted for an actuary to agree up front with the user of his work product that he/she will not follow some or all of the requirements of the TASs:
 - This is particularly important in some consultancy situations where the user does not (for good reason) want to receive a full actuarial report, even where that report has been reduced by applying the concept of proportionality. It must also happen frequently, for example, in a London Market company when an in-house pricing actuary is providing day to day support to an underwriter.
 - We operate on the above basis only occasionally, but the ability to operate in this way in such cases has been crucial to the user continuing to seek actuarial support.
 - The most common situation is where our client does not want us to follow all aspects of TAS-R, sometime driven by expense considerations. Wherever we agree to depart from the TASs, as currently permitted, we only ever agree to do so when we can ensure that our client will not be misled by our approach.
 - As far as we can see, there is no equivalent flexibility included in the text of the new materials provided. We assume that this is an oversight and that it will be corrected. It would be extremely damaging, in our view, for the actuarial profession to adopt a set of standards that do not allow decisions of the above type to be taken about whether the TASs will be applied. In particular, we believe that it could positively discourage users from seeking actuarial support in some situations where there is no good reason for doing so.
- You will be aware that PwC is a multi-disciplinary organisation employing a wide range of different professionals, including actuaries. As such, we often provide reports to clients where only some part of those reports includes the results of work conducted by our actuaries. We have managed to ensure that we follow the TASs for the actuarial



component of the PwC work product in such assignments to date and we see no hurdles to us continuing to do so under the new framework being proposed.

- We note the commitment by the FRC and the IFoA in the consultation materials to work together to influence the development of international actuarial standards. It is, in our view, clearly important that this objective is pursued in order to ensure that the new framework is consistent with any international actuarial standards and also for the actuarial profession in the UK to play a full role in leading any debate in the wider international field. We trust that the FRC and IFoA will keep members updated as to developments in these areas going forward.

Draft of TAS 100

- We note the comment in 4 that models should be fit for purpose and should be subject to sufficient controls and testing that users can rely on the outputs from those models. Almost all actuarial work relies on modelling of some type and the ability to test the output from ever more complex models is clearly one of the greatest demands on actuaries and their professionalism in providing robust advice to users. Whilst we applaud the simplicity of TAS 100, we wonder if some of the rigour that needs to underpin the statement in 4 should not be spelt out in more detail? We would certainly expect to be more prescriptive when rolling out the requirements of TAS 100 to PwC actuaries that provide consultancy services relying on models to clients.
- We continue to agree with the statement in 6 that documentation should contain enough detail for a technically competent person with no previous knowledge of the work conducted to understand the matters involved and to assess the judgements made. This is sometimes misinterpreted as meaning that reporting/communication should also achieve this aim in its entirety. We believe that the distinction is important and are pleased to see that it has been retained explicitly in the draft of TAS 100.

Please do not hesitate to contact Mark Allen on 0207-212-4631 if you would like to discuss any of the above comments or if you would like us to clarify any of the comments made.

Yours faithfully

A handwritten signature in grey ink, appearing to read 'Mark Allen', written in a cursive style.

For and on behalf of
PricewaterhouseCoopers LLP