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Dear Vanessa

Technical Actuarial Standard 100: General Actuarial Standards Consultation

We are pleased to submit this letter in response to the consultation released by the FRC regarding the Review of Technical Actuarial Standard 100 ("TAS100"). As a professional services firm, we have sought to provide a response which is informed by our own experience and by interactions with a wide range of users of actuarial information.

In our response we have provided both summary level thematic comments together with comments on the specific questions within the consultation. We provide these comments, and answers to the consultation's questions, in confidence please.

We agree with the objectives of the FRC and can see elements of the proposals being beneficial for both actuarial practitioners and users of actuarial information. However, there are areas that may require further consideration to avoid adverse impacts which we discuss in our response.

We have two key suggestions. Firstly, to amend TAS 100 (and any other Technical Actuarial Standards (TASs)) after the scope of "public interest actuarial work" is defined, agreed upon and reflected in legislation. This would avoid the potential risk and fallout from the regulator amending the same standard(s) twice, possibly in close succession. Secondly, to limit the requirement for demonstrating compliance solely with the application of TAS 100.

Within this response we have commented in particular on the below areas:

1. Overall proposed structure of TAS100 and supporting guidance
2. Creation of ARGAs and forthcoming UK regulatory changes
3. Evidencing compliance with TAS100
4. Application of TAS100 to small pieces of technical actuarial work

We have also provided responses to specific consultation questions in section five, and some comments on the wording of specific TAS100 paragraphs in the appendix.

1. Overall proposed structure of TAS100 and supporting guidance

We believe that the proposed structure of TAS100 represents an enhancement on the existing TAS100 structure. In particular, showing the mandatory “must” principles separately from more regulatory expectation “should” applications is likely to be useful for both practitioners and users of actuarial information. However, we note that the full list of mandatory “must” principles may be difficult for a practitioner to apply for a very small piece of work (e.g., 1-2 hours of work) and we discuss this in more detail in our response in section 4.

We find the inclusion of a glossary of terms within TAS100 a useful improvement for a reader. We also support the creation of additional guidance on the definition of technical actuarial work, geographic scope and proportionality. However, we suggest that TAS100 explicitly includes references to these guidance documents, potentially in an appendix with hyperlinks to the relevant documents. We think it’s important for a reader of TAS100 to understand that these valuable guidance documents exist and are used by actuaries.

2. Creation of ARGA and forthcoming UK regulatory changes

As part of the “Restoring trust in audit and corporate governance” consultation by BEIS, the Government response in May 2022 outlined various key elements around regulation of the actuarial profession. In particular, expected by the end of spring 2024, ARGA will replace the FRC and become responsible for setting TASs and monitoring compliance with these standards.

We note that in the Government’s response to this consultation, the regulation and standards of “public interest actuarial work” will be on a statutory basis, but that ARGA will set standards for other actuarial work. From our discussions with the FRC, we understand their current expectation is that the technical actuarial standards to be applied for “public interest actuarial work” and other technical actuarial work are likely to be the same, rather than having two sets of standards. Until the definition of the work within scope of public interest actuarial work is more clearly defined, it’s difficult to know if this will be the best approach for setting actuarial standards.

3. Evidencing compliance with TAS100

The proposed TAS100 states that the “*The evidence demonstrating compliance [with TAS100] **must** be available to the intended user, if requested.*” (paragraph 1.5). For substantial pieces of work we agree that this is likely to be a reasonable requirement as the practitioner will have considered whether their work complied with TAS100 and it would be appropriate that they retain evidence in these cases supporting how compliance has been achieved.

We understand that the FRC intends to provide examples and more guidance of what the evidence of compliance may look like. We would find this very useful to see any revisions before TAS100 is finalised to understand the overall TAS100 picture.

However, retaining evidence to demonstrate compliance could be difficult for a practitioner who has performed a small piece of technical actuarial work (e.g., supporting the pricing for an individual general insurance policy). We discuss this further below but note here that documenting compliance with TAS100 could take up a significant amount of time compared to the original work. This could result in some actuaries not wanting to be members of the IFoA, in order to avoid this requirement. Others may not be

asked by users to support their work, on the presumption that such requests would be declined, due to the associated high costs of producing the appropriate documentation.

Looking ahead, once ARGAs has defined “public interest actuarial work”, we suggest that this work should require written evidence to demonstrate compliance with TASs. For other technical actuarial work, we suggest that such work is excluded from the requirement to have written evidence to demonstrate compliance.

We also note that the requirement to be able to demonstrate compliance for TAS100 should be aligned within any requirements to demonstrate compliance with other TASs.

4. Application of TAS100 to small pieces of technical actuarial work

We support the FRC’s suggestion of further guidance on proportionality. However, based on what we have reviewed, we still have concerns that for small pieces of technical actuarial work there is a risk of varying approaches taken by practitioners and unintended consequences from the TAS100 exposure draft.

We anticipate that the TAS100 standards will work well for larger pieces of actuarial work, typically when there is a very clear deliverable at the end such as a report or final model produced. However, under the definition of technical actuarial work there will often be much smaller pieces of work performed which would also fall under the requirements of TAS100, some of these might involve just one or two hours of work (e.g., some support on pricing for an individual general insurance contract). In these cases, the “must” requirements under TAS100 become burdensome to make sure they have all been considered and complied with (and the requirement to also be able to evidence compliance). This has a potential for several undesired consequences:

- Practitioners choosing to not become members of the IFoA to avoid the evidential requirements of TAS100
- Practitioners not offering to provide valuable support/insight in such instances as they would not be able to commit the required additional time to ensure TAS100 compliance and document compliance
- Users not asking for the actuarial support in these instances as the amount of time (and cost) from the practitioner will be prohibitive.

We do not believe the guidance on proportionality adequately addresses this issue as the mandatory requirements of the TAS100 exposure draft would continue to apply to small pieces of work (e.g., 1-2 hours of work).

5. Comments on specific questions with the consultation

Specific Consultation Questions	Comments
<p>1 What are your views on the proposal to incorporate relevant sections of the Framework for TASs document within TAS 100? Further, what are your views on incorporating relevant sections of the Glossary document within TASs?</p>	<p>We believe that adding in these elements into the document is useful. It makes it easier to read and understand the requirements in one place.</p> <p>However, we note that there is a potential that practitioners may only look at TAS100 and not look at the broader Framework for TASs paper. As a result, it will be important to make sure that for a user to comply with TAS100 that they only need to review TAS100 and there is no expectation/requirement to read the Framework document (or if there is that the TAS100 provides links to these other documents so that reader understands all the relevant requirements).</p>
<p>2 Does the draft FRC guidance provide clarity on the definition of technical actuarial work and geographic scope? If you don't think the guidance provides clarity, please explain why not, and suggest how the position might be further clarified.</p>	<p>We find the descriptions useful. However, as we mention elsewhere in this document, we think this will be important to reconsider once the ARGGA definition/scope of public interest actuarial work is concluded.</p> <p>There is a comment that there should be documentation to evidence the decision for whether something falls in the scope of TAS100 – we note that this could be onerous for smaller pieces of work. Also, if work is being declared as meeting TAS100 requirements, we suggest there is no need to evidence the decision that was taken as this adds little value.</p> <p>The new guidance introduces a concept of "responsible practitioner" to determine who is responsible for the work. We find this a useful concept, as it helps the user understand how to define technical actuarial work and who is responsible.</p> <p>We also find it useful to make it clear that the intended user may be other individuals on a multi-disciplinary team (rather than the eventual end user).</p>

Specific Consultation Questions	Comments
3 Does the draft guidance support you in complying with the TASs?	We find the draft guidance useful. As mentioned elsewhere we feel this should be explicitly mentioned in the TAS100 document (e.g., a list of relevant guidance in an appendix) as it is likely that the guidance would be considered for compliance purposes.
4 Our proposal places all the application statements in a separate section within the TAS. An alternative approach would be to place application statements relating to each principle immediately after the relevant principle. Which do you prefer?	We support clearly differentiating between principle and application statements. We are neutral on whether these are then grouped by topic first or first by principle and then application.
5 What are your views on the proposed change to the compliance requirement?	We have provided detailed comments earlier in this document.
6 Does the proposed FRC guidance on how TAS 100 can be applied proportionately assist actuaries in their compliance with TAS 100?	We note that the proportionality examples do not include an example for a general insurance company (currently there are 3 life and 1 pension). It would be useful and help encourage the general insurance community to add a general insurance example (supporting pricing of an individual general insurance contract). We note that documentation of the proportionality applied could be, in itself, onerous for small pieces of work.
7 What are your views on the revision in nomenclature of the 'user' to 'intended user'?	We support this change. It helps to make clear that the practitioner should be in a position to determine who they regard as the intended user and shouldn't have responsibility outside of that.
8 Do you agree the new proposed Risk Identification Principle and associated Application statements?	We have provided comments on specific paragraphs in the Appendix.
9 What are your views on the clarification included in the proposed changes to TAS 100 in respect of the exercise of judgement? Further, do you feel that guidance will be helpful?	We have provided comments on specific paragraphs in the Appendix.

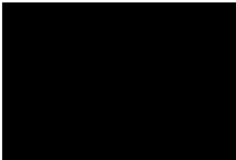
Specific Consultation Questions	Comments
10 What are your views on the proposed changes to the Data Principle and associated Application statements?	We have provided comments on specific paragraphs in the Appendix.
11 Do you agree with the proposed clarifications and additions relating to documenting and testing material assumptions?	We have provided comments on specific paragraphs in the Appendix.
12 Do you agree with the proposed changes to the Modelling Principle and associated Application statements? Further, do you agree that guidance would be helpful?	We have provided comments on specific paragraphs in the Appendix.
13 Do you agree with the proposed clarification of the Documentation Principle? Further, do you agree with the proposal to move all requirements relating to documentation to the Documentation Principle and associated Application Statements, where applicable?	We have provided comments on specific paragraphs in the Appendix.
14 Do you agree with the proposal to move all requirements relating to communication to the Communications Principle and associated Application Statements, where applicable?	We have provided comments on specific paragraphs in the Appendix.
15 What are your views on the additional clarification provided in the Application Statements?	We have provided comments on specific paragraphs in the Appendix.
16 What are your views on the proposed changes to the requirements relating to assumptions set by the intended user or a third party?	These changes are clear.
17 What are your views on these proposed amendments to clarify the existing requirements?	N/A
18 Do you agree with our impact assessment? Please give reasons for your response	No comment.

Next steps

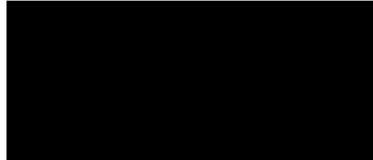
We look forward to continuing this engagement with you, to help achieve a successful outcome for the setting of TASs. Our position in the insurance industry provides us with a valuable insight and understanding of its issues and concerns, and we would be pleased to share this with you in any subsequent discussions on setting TASs.

In the meantime, if you have any questions on the comments made in this response, please contact me using the details provided. Also, for the avoidance of any doubt, we kindly ask that this response is not published and/or shared with other parties.

Yours sincerely



Alex Lee
Partner, Ernst & Young LLP



Christabel Cowling
Partner & UK Head of Regulatory and Public Policy,
Ernst & Young LLP

Appendix : Comments on wording within specific paragraphs of the proposed TAS100 Exposure Draft

The word “consider is used very often in the document but is not defined. It is not clear whether it is sufficient for this to be something that the practitioner needs to perform calculations for, document or enough that they have just “thought” about it within their work.

Exposure Draft Paragraph reference	Comment on specific wording
Principle 1	<p>The current wording that “<i>must identify and have regard to all material factors and material risks</i>” is very wide ranging. It is also very judgmental in some cases to determine what might be material and expected to have been considered with the benefit of hindsight (e.g., in early February 2022 should practitioners have identified an allowance for Russia invading Ukraine and the consequential impact on economic factors). This could become onerous to ensure compliance with the requirement depending on interpretation of the wording.</p>
P2.2.	<p>We note that the wording suggests practitioners must consider alternative models. The wording has a potential to suggest that full calculations using alternative models should be performed. We don’t believe this is what is being proposed but the wording should be made clearer to avoid this potential misunderstanding.</p>
P2.3	<p>The wording mentions “while the practitioner remains responsible”. There is a risk that this could be construed in different ways by the intended user and the practitioner. In many cases the practitioner may provide the advice, but the intended user then makes the decision. It is not then clear what role the practitioner would then have to have to be in a position of being “responsible”?</p> <p>In particular, where practitioners undertake specific annual evaluations at a point in time (such as an audit, a model validation exercise, or an SAO) our interpretation would preclude the requirement for monitoring beyond the effective date of the opinion. The standard should also contemplate the treatment of events occurring which impact judgements between a balance sheet / effective date and the reporting date in this regard as in many cases this will link to the application of accounting standards rather than solely the actuary’s judgement.</p>
Principle 4	<p>This overarching principle has the phrase “must be appropriate”. Should the principle recognize that it is hard for anyone to be definitive over whether something is</p>

Exposure Draft Paragraph reference	Comment on specific wording
	“appropriate”. Potentially insert the words “in the practitioner’s opinion” after appropriate could be a solution here.
P4.1	We suggest adding the word "material" before “assumptions”.
P4.2	We suggest adding "deemed" before “sufficient”.
P5.2	It is not clear from the current wording what a practitioner would need to do if they were provided with a model but are not aware of the model governance in place (this could particularly be true if it was a 3 rd party model that has been provided). We suggest that, where needed, the practitioner should consider what they know about these processes and then determine what is appropriate to do. For example, they may obtain comfort with a model based on the outputs more than the inner workings of the model itself.
P6.1	We suggest adding "material" before “judgements” We suggest adding “material” before “assumptions”
P7.5	It would be useful to give an indication on timeline here for providing written form information for information provided orally. We suggest “as soon as is practicable to do so”
P7.6	Although we understand why this paragraph is included, we note that in some cases it might not be possible for the practitioner to meet this requirement. For instance, if a consultant provided information to the intended user and then finished their engagement, but then is restricted in providing further information (e.g., due to independence restrictions) they may not be able to raise any issues to their previous client. We suggest including at the end of the paragraph “where possible to do so”.