Chaucer

A member of The Hanover Insurance Group

JP/dm

6 March 2015

FAO : The Actuarial Policy Team
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

Re : TAS 100 Consultation

The Board of Chaucer Syndicates limited would like to provide its feedback to the FRC following a review of the exposure draft of TAS 100 in consultation with our actuaries.

Chaucer employs 27 full time actuarial staff in its Actuarial Function. There are also other qualified actuaries working within our organisation in risk and underwriting roles.

As a Board we are not in support of the extended scope of the proposed standard and the additional costs of compliance it would entail.

Scope

We believe that the scope is not appropriate for general insurers and in particular for our business. We believe it is too wide. The scope of the previous TAS's covered the most material areas of work conducted by our actuaries including the key regulatory work (e.g. quarterly reserving and regulatory capital submissions) as well as the most complex and material rating and pricing models. These pieces of work suit the requirements laid out in the TAS 100 exposure draft in that they are major pieces of work that require full documentation, provide a permanent record for our internal and external stakeholders and in many cases align with the Solvency II standards. We note that our actuaries already use their professional judgement in determining what needs to be documented and communicated and adding a strict standard around this does not represent a useful improvement to the process in our view.

Whilst we accept that this may not be the case in all organisations our understanding of our actuaries work has reached a mature state and we see no reason to impose an additional set of standards. Through this experience we have found their work to be of high standard, clear and reliable. Our view is that the extension of scope would add very little value to our business and not increase our understanding of their work, its limitations and range of results given the maturity of that relationship.

Aside from affording little or no marginal benefit, the extension of scope would appear to bring into scope many items that were previously not included that would either be impractical in the turnaround times required or would be impractical at the stages of the process that they occur in practice. In some cases this would prevent our actuaries from providing the service that we do require and value.

For actuaries working in the business, e.g. underwriters, the standard is inappropriate given that the user is often the actuary themselves. It puts them at a distinct disadvantage as compared with non-actuaries assuming the same role given the additional burden.

Finally we find the definition of the scope to be subjective and open to wide range of interpretation.

We consider the proposed standard would work well under the current scope, we would therefore propose that the scope is retained as per the existing standards. An alternative option is to enable the user to provide their view on what requirements should be met to allow for the maturity of the understanding of the user rather than the actuary deciding on that. The actuary could be responsible for agreeing that scope up front with the user.

Value for Money

The application of the standard to the extended scope would bring little or no added value for our business but would add material cost. The time spent on applying the standard would be wholly disproportionate, particularly for smaller pieces of work. With our budgeted resources we, as a business, like to focus our actuaries' time on what provides direct value to us as a business.

If the standard were to be introduced, given the need for quick response times required for much of our work this could lead to less use of actuaries or less work produced by the same limited resource which would in our view would be counter-productive for us as a business.

Again we would ask that the existing scope is retained unaltered or amended as proposed above.

Other comments

In the detail of the standard there are some particularly excessive and onerous requirements. Ones in particular that we would highlight are:

- The requirement to disclose departures from the standard to the user
- The number of areas required to be communicated to the user – there are 21 areas highlighted in bold for "communications". When applying the materiality and proportionality over-riding principles this involves a long check list of requirements to consider and either "discount and disclose" or execute.
- The requirement to follow up material provided orally with communication in permanent form is entirely onerous for the types of work our actuaries commonly perform.

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Regulatory burden

We consider that these proposals would be a further regulatory burden to the UK General Insurance Industry at a time when this is an area of high concern. From a commercial perspective, the proposal is more likely to damage our business than be of benefit to it. We would be at risk of becoming uncompetitive from a business execution and cost angle in an ever increasingly faster moving and cost sensitive environment. The London Market Group recently wrote to the UK Government citing the disproportionate regulatory burden as an area to focus on addressing.

Yours sincerely

Board of Chaucer Syndicates Limited