

Consultation Response from BWCI Consulting Limited

This document sets out BWCI's feedback on the consultation on the proposals for 'A new Framework for Actuarial Standards'. If you have any questions about this feedback, please contact Michelle Galpin (mgalpin@bwcigroup.com) or telephone 01481 728432.

Brief Summary of main points:

- We agree that the new structure and the streamlined principles set out in TAS100 are an improvement from the current generic standards.
- We support the general move towards fewer, higher level and less detailed principles.
- Because many of the principles previously included in the generic standards have been noted in the comparison documents as possibly being included in the future specific standards, currently it is difficult to judge the impact of the introduction of TAS100 in isolation.
- It would be helpful if the definition of actuarial work in the Framework and in TAS100 could be clarified further, by including some of the material that has already been produced as part of the consultation documentation.
- We have significant concerns around the proposed transitional arrangements; having two different systems operating at the same time, including different definitions of actuarial work, is expected to increase costs and complexity.

Response to Individual Questions

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

We welcome the fact that the principles in TAS100 have been streamlined to produce a simpler set of higher level principles.

We would support the specific TASs similarly moving to a smaller number of higher level, less detailed principles when these are published.

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

We support this change.

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

We agree that Significant Considerations documents are no longer needed, and welcome the reduction in the number of separate documents that need to be considered.

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?

In principle we agree with this, but please see the response below to Q4.2.

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).

While we broadly agree with the first part of the proposed definition, more clarity is required regarding the second part, where work is treated 'as actuarial work because it is presented as actuarial, whether expressly or by implication'.

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This is very broad and subjective. It also introduces the risk of some work that an actuary did not consider to be 'actuarial' in nature in fact being assumed to be actuarial work by the user.

Paragraph 4.10 of the consultation provides a potential explanation of the work that could be considered actuarial by implication. We would like to see this explanation included in the Framework for FRC Actuarial Standards and in TAS100 to clarify the position.

We also note that the IFoA has recently published its updated standard regarding the review of actuarial work, APS X2, and that this has a different definition of 'actuarial work'. We feel that the IFoA and the FRC should be working together to ensure that there is a single definition, or use different terminology.

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

Yes. However, we would prefer that this be included as an Appendix to TAS100 and/or the Framework document, again in order to clarify the work that is expected to be treated as actuarial.

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

Yes.

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

Yes.

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

Yes.

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

Yes, the changes here make the basic principles on modelling much clearer.

However, it is difficult to see the overall impact of these changes at this point, as it is unclear from the comparison document with TAS M whether any additional principles regarding modelling will subsequently be included in the specific TASs.

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

Yes.

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

The notes on applicability are useful, but should be included in the Framework, so eliminating the need to refer back to the consultation documentation.

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

Yes, in principle. However it should be clearer in the 'Disclosure' note in TAS100 when a compliance statement is required, since it is unclear when a set of communications becomes an 'aggregation' sufficient to require such a statement. Some examples would be helpful.

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

Yes. We agree that the additional 'unboxed' material is no longer required.

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

Yes.

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

Broadly yes, although please refer back to Q4.2 for our points regarding the definition of actuarial work.

The definitions include 'implementation' in bold text (in the definition of model and realisation), but there is no definition of 'implementation' in the glossary.

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

No.

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)?

None.

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)?

We agree with the principle of adding more areas of work to the scope of the specific TASs as necessary. We agree that asset liability modelling should fall under the remit of the more detailed standards.

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

Yes.

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

The consultation documentation implies that the Transformations TAS will not be replaced. We fully support this change.

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

The new framework should all be introduced at the same time, with the specific TASs coming into force on the same day as TAS 100.

We prefer this approach because:

- Our understanding of the interim arrangements is that the existing framework will still apply when one of the current specific TASs applies, this should cover most actuarial work. For all other actuarial work TAS 100 will apply. The issue is that TAS 100 will have limited applicability initially, but it will be necessary to ensure compliance with two different, parallel regulatory systems, until the new specific TASs come into force.

Since the current generic TAS standards remain fit for purpose, it would be preferable to continue applying them until the entire new TAS structure is ready for implementation.

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- It is not yet possible to assess the full impact of TAS 100 in conjunction with the proposed new specific TASs.
- The proposed definition of actuarial work is different under TAS100 compared with the current TASs. This could also lead to difficulties or anomalies during the transition period

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

See comments on Q7.1 above.

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

Yes, in the long run, we would expect that this to be the case. While there are cost implications regarding the expansion of the work covered, we would not anticipate these to be disproportionate.

However, there are additional costs arising from the proposed transitional arrangements, potentially requiring internal procedures to be changed more than once, leading to additional implementation costs.

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

The costs section specifically considers TAS 100 in isolation. In practice, the full impact of the cost of the changes can only be considered for the new structure as a whole. While TAS 100 is generally less onerous than the existing TASs, the comparison tables make it clear that some of the provisions that have been omitted from TAS100 may be retained in some form in the specific TASs in due course.

5 March 2015