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The Actuarial Policy Team
Financial Reporting Council
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Dear Sir/Madam

Comments on Proposed TAS 100

I am writing in reply to your consultation paper of November 2014 entitled "A new framework for Technical Actuarial Standards".

I am Managing Director of UMACS, which is an independent consultancy providing pricing, underwriting management, and capital modelling advice to the Lloyds and International Insurance Industry in London and abroad. My roles prior to setting up UMACS include: Head of General Insurance at KPMG, Global Leader of General Insurance Actuarial Services at EY, leading the Lloyds-based Equitas Reserving project, and prior to that Chief Actuary at the largest Lloyds Underwriting Agency. As a consultancy UMACS provides long term resources and support to our clients and I am writing this letter from the perspective of an 'internal' actuary employed by a Lloyds syndicate or London Market company.

There is one particular Question you pose that I wish to respond to. Your Question 4.1 asks "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 believe that making TAS 100 compulsory for all actuarial work would benefit users of actuarial work, and in many cases could be a positive disadvantage. This is because complying with the proposed TAS100 will require significant extra work irrespective of whether it adds value. It could result in the users of actuarial services not seeking actuarial input because it is too cumbersome and unnecessarily expensive.

There are clearly many circumstances where it is appropriate for TAS100 to apply – including regulatory reporting and financial reporting work, and anything that is part of a formal governance process.

However not all actuarial work falls in these categories. Circumstances also exist where users of actuarial services would get no benefit from TAS100 and the costs of complying with TAS 100 would be wasted. Examples where TAS100 would be inappropriate and would incur extra costs without adding value are:

- Some types of review work. I am often provided with the results of actuarial work, accompanied by fully documented TAS-compliant reports, which have been produced by other actuaries not working directly for my client organisation. In these circumstances I am often asked to look at what has been done and tell my non-actuarial colleagues what I think. The proposed TAS100 would require me or my actuarial team to apply to this review the TAS principles covering Judgement, Data, Assumptions, Models, Communication and Documentation. But my experience is that my non-actuarial colleagues - the users of my work - often do not want any of this; sometimes they just want the comfort of knowing what I think about what has been done. The proposal to make TAS100 compulsory would deny this option and force more work and cost when it is not necessary and not wanted.
- Commercial decision making, as opposed to regulatory or financial reporting. For example exploring future scenarios for levels of syndicate capital, or reinsurance, purely as a management planning exercise. In my experience my non-actuarial colleagues – the users of this actuarial work – do not want me to be forced to incur the expense of carrying out and reporting my actuarial work to TAS100 standards. When the accountants in a syndicate's Finance Function prepare management budgets for next year they are not forced to work to any formal external standards or forced to produce written reports to external standards. Actuaries should have the same flexibility.
- Individual risk pricing – the London Market is characterised by bespoke, heterogeneous risks which require individual underwriting and pricing. In this market actuaries generally act as part of a team who together make commercial assessments of the price at which they are prepared to write the risks. The team leader (usually the underwriter) will understand the issues and uncertainties involved in pricing the risk, and will have set up whatever reporting and information sharing arrangement he/she needs from the actuary. It is hard to see that requiring actuarial input to full TAS 100 standards will add any value in these circumstances. Moreover it is likely that users (i.e. underwriters, senior management) will be deterred from using the valuable input an actuary can provide as it will be unnecessarily cumbersome, drive up internal costs and make the actuarial contribution uneconomic.

I therefore believe that users of actuarial services should have the option of specifying whether TAS100 should apply to any specific piece of work or not. If this option is denied to the users of actuarial services it will increase the cost of some types of actuarial work unnecessarily, and with no benefit. It will discourage users of actuarial services from obtaining actuarial input because it is unnecessarily cumbersome and expensive.

Yours sincerely



A R Jones

Managing Director