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Dear Ms McLaren

We are a group of senior actuaries working for Catlin Group Limited and having reviewed the FRC consultation document we would like to take this opportunity to put our views on record. We have done this by trying to answer the questions as set out in section 9 but our high level comments are as follows:

- As a group we strongly believe in a robust and strong standards framework in which actuaries should operate. However, those standards should be designed to protect our key stakeholders. That aim can only be accomplished as long as actuaries stay relevant and extensively used in the context of the work being governed and hence consideration needs to be taken of options available to companies in terms of the global nature of our business and the type of staff they can employ.
- Generally we believe TAS 100 is going too far, by requiring actuaries to reach a higher standard in their documentation than not only other professional's but also actuaries who are members of other institutes / societies as well as what is required by insurance regulators. We fear this will marginalise actuaries and make us less relevant in a London Market insurance company.
- We do not consider this standard will provide greater protection to either policyholders or shareholders when implemented by London Market actuaries. While we do agree there are instances where it is appropriate to meet (most of) the requirements we believe it would be useful to spell out these circumstances and ensure that these are built into primary legislation to ensure that these tasks are reserved for actuaries or that the work is carried out to the same standard by non-actuaries. To meet these requirements in every case where actuarial work is material to a decision will significantly reduce the number of decisions that actuaries can influence.
- The level of understanding and appreciation of the uncertainty around the actuarial analysis can vary enormously between different users. London Market underwriters with many years of experience will be able (and happy) to challenge actuaries in the way that trustees of a pension scheme may not. In such cases the users of actuarial work should have an ability to decide how much of the work carried out for them and paid for by them is subject to TAS 100
- While the standards talk about proportionality we are uncomfortable with having a standard imposed on us without more guidance on what is considered proportional.
- We do recognise that it may be more appropriate for Life and Pensions practice areas where there are more prescribed roles. Whereas in the Property and Casualty world and in particular the London Market very few roles are conducted solely by actuaries.
- The standard illustrates a lack of understanding of how many actuaries work when employed in London Market organisations. It seems to envisage actuarial work as something that is done separately from any other work in a firm; the actuary is given an actuarial task, is given or derives data, carries out actuarial work, and then communicates his conclusions (describing the data, uncertainty, limitations, assumptions, who commissioned the work, its purpose and other information) to the user. This is not the situation in many London Market firms, where people from different disciplines work together on various tasks all the time. We accept the guidance may be more appropriate for consultants working externally who are formally engaged to do a specific assignment.

Our responses to the points in section 9 are described in more detail below.

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 support the issuance of TASs and a strong actuarial standards regime. We do however, believe that it is worthwhile stating in section 4.2 that for the avoidance of doubt this standard is only enforceable against members of the Institute and Faculty of Actuaries.

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

We agree with having a simplification of the TASs into one TAS as long as different areas of actuarial work and different users of actuarial work are treated appropriately.

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

None

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? If you disagree, please explain why.

No. We consider that this extension could significantly reduce the usefulness and effectiveness in-house actuarial staff, some of whom form the senior management functions. The proposed approach does not recognise the reality of practical day-to-day office work. In particular, more flexibility is required than allowed for in the proposed TAS depending on the situation. There should be the ability to consider what the employer/users of the actuarial work wants and their own experience in interpreting it. Increasing the scope will lead to a material increase in the costs of work (on top of an already world leading regulatory burden) without a commensurate increase in benefits and risks. This will inevitably reduce the influence of actuaries within the business and hence damage our stakeholders interests.

From a user perspective, the degree of trust that can be placed on the work often depends on the level of trust for the individual actuary and does not relate to compliance with a standard.

From a materiality perspective, the materiality of the decision to the entity or group should be considered also, rather than the materiality of a piece of work to an individual decision.

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).

No. See answer to 3.1 above.

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

We believe these examples are too simplistic and open to confusion. It seems that paragraph E.12 is defining actuarial work as calculations in Banking where actuaries are likely to be involved rather than by any logical test. Paragraph E.6 seems to cover most complex calculations in insurance whether done by an actuary or not but fails to provide clear definitions of words such as "Actuarial Factors".

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

We agree that these principles should be considered by the actuary performing the work but we believe that their application is not always appropriate.

Documentation to the level suggested is disproportionate in many cases. For example, it may not be appropriate (or possible in the timeframes involved) to produce significant documentation for an individual pricing case, even though the actuarial work performed is material to the decision of the underwriter user.

The scope of communications should be a matter for the actuary and user to decide, having regard to the user's level of expertise and materiality of the decision.

We strongly believe that the words "to the extent possible" should be included before "sufficient and reliable" in the Data principle. There are instances where data is used to inform actuarial judgements, but it is not possible for the data to be sufficient and reliable. An example of this is in modelling dependencies between classes of business in the tails of the distribution of outcomes.

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

Data should be documented only where it is proportionate and adds value. It is not important to document data relating to decisions that are not material to the entity.

The scope of communications regarding data should be a matter for the judgement of the actuary and user concerned. The needs of the user must be prioritised and there is a risk of actuaries becoming or appearing irrelevant if communications regarding data are prescribed. In general we believe that limitations in actuarial information due to data are more important to communicate than sources of data, checks and controls.

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

Communications regarding assumptions should be proportionate and consider the needs to the user rather than being prescribed. For example, it is not always appropriate to compare the results to those under the previous assumptions as this increases both costs and the risk of anchoring to the previous result whilst adding little value if the previous assumptions are no longer considered appropriate. In many cases the user and actuary will have worked together for many years and repeating limitations only adds cost and no value.

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

The level of controls, tests and documentation of models should be proportionate to the materiality of the decision to the entity or group. It is clearly appropriate to apply controls and tests to models used in many circumstances but documentation of this is often of little benefit other than to protect the actuary concerned.

It adds little value to document standard actuarial methods.

Communications regarding the models used and any changes to the model should be a matter for the judgement of the actuary, fully taking into account the needs of the user of the information.

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

The scope of the communications should be for the actuary and users to decide, depending on the specific circumstances of each case.

It is not appropriate to provide information in a permanent form in some instances, even if it is material. For example, in pricing individual contracts it may be appropriate for material information to be kept in actuarial files and communicated verbally. However, communication in permanent form would often take place after the decision was made due to timescales involved and only serves to increase costs without adding value. It may also reduce the relevance of actuaries to business decisions.

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

Materiality should be considered with reference to the entity or group rather than the specific decision the work supports.

In many cases, particularly for smaller pieces of work, the users are unlikely to reference the report and therefore its production becomes a waste of time and resources.

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

A compliance statement should not be required. In many cases it will make actuaries appear less relevant and may detract from the overall message being given. It has the potential to appear that the actuary is hiding behind a statement of compliance.

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

No view

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)?

We have not reviewed in detail but think "Actuarial Science" needs to be defined.

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)?

We believe that actuarial work which the user does not require to be in the scope should be excluded, as is the case under the current TASs.

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)?

None.

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

Yes it seems to simplify matters.

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

No.

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

No.

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

Yes.

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

No. Costs incurred are likely to be huge, particularly for cases where the current TASs are not followed due to the wishes of employers and users. The area most likely to be impacted is pricing work where costs would be expected to be sufficiently large to mean that actuaries no longer perform the work.

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

We strongly disagree that the long term costs of complying with TAS 100 in its current form will not be significant. The long term costs will be incurred in the following ways:

- Reduced number of risks analysed using actuarial type techniques before decisions taken.
- Reduced number of risks analysed by actuaries, with others groups such as business analysts or underwriters undertaking similar roles.
- Increased actuarial spend.

The transitional and long term costs of implementing the current TASs have been reduced by the ability of the employer commissioning the work to specify what standards it expects its actuaries to meet for much of their work. This means that in many cases the current TASs are only complied with where the employer sees value in the work and reports produced. Therefore much of the work needed for compliance was likely already performed, minimising additional costs. By including all actuarial work undertaken by actuaries (but not actuarial work undertaken by non-actuaries) in the scope of TAS 100 then the increase in costs is expected to be extremely significant.

We believe that the increase in costs is likely to be substantially more for London Market actuaries, particularly those working in pricing, than for other practice areas.

Have any London Market pricing actuary employers been consulted so far? Are any in favour of these new standards?

One unintended outcome may be that London Market Pricing Actuaries are no longer able to both remain members of the Institute and Faculty of Actuaries and carry out their duties in line with their employers' wishes.

Yours sincerely



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