

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

TASReview@frc.org.uk

Dear Sir

New Framework for Technical Actuarial Standards – 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”. As the Chief Executive of Talbot Underwriting Ltd, a Lloyd’s managing agent, I employ a substantial number of qualified and student actuaries who work across all areas of the business, including pricing, reserving, catastrophe modelling, risk and capital modelling. I am pleased therefore to be given the opportunity to respond to this consultation.

I support the intended objectives of the proposed Technical Actuarial Standard (or “TAS”) in ensuring consistent, high-quality standards across the actuarial profession. The proposed single, generic standard appears to be simpler and more concise than the existing three generic TAS documents, and this is certainly to be welcomed.

However I am concerned about the proposed expansion of scope. My comments are therefore in response to question 4.1 of the consultation:

“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 disagree that the extension of scope would be of benefit to users of actuarial work, particularly as it affects the roles of pricing actuaries working in the Lloyd’s and London Market, and to some extent also capital actuaries.

Firstly, the proposed TAS appears to consider all actuaries to be arm’s length third parties to their clients, even those employed within non-actuarial firms such as insurance companies. Within general insurance, and the London Market in particular, many actuaries are fully-integrated within the business and work in close and continuous dialogue with other, non-actuarial members of the team. This type of collaborative working relationship does not appear to be considered within the proposed TAS 100 draft.

An example of this is individual account pricing. The role of the pricing actuary is commercial, working closely with underwriters and other insurance professionals in making commercial assessments of the price of a risk. London Market pricing is often heavily reliant on judgement, due to both the variety and complexity of risks, and frequently the limitations of the data available. Often efficiency and speed of response are critical, and full compliance with the proposals would bring little, if any, benefit to underwriters, but would conflict with the service required. The non-actuarial colleagues of an actuary working in an insurance company are, after all, typically highly-skilled professionals, fully aware of issues such as uncertainty, risk and data limitations. Indeed, I am aware that in the consultation process for the existing regime, there was strong representation from pricing actuaries over these concerns.

There are other areas where I feel that the extension of the scope would not be of benefit. For example, pricing and capital actuaries are heavily involved in the business planning process, which is an area identified as newly in scope for the proposed TAS. Planning is typically an iterative process that takes place over a period of time. The standard would impose an overhead on actuaries working in this field, which would compromise their ability to contribute to such an iterative process in a timely manner, and which would not apply to other professionals. Management information similarly has significant actuarial input, and appears to be included, given our reading of the scope definition.

Secondly, the existing TAS regime allows contracting-out whereby the users of actuarial information can instruct an actuary to depart from some (or all) of the requirements. For us, this allows management to specify the level of detailed compliance if it wants to, so for example allowing pricing actuaries to work in a close, commercial relationship with the underwriters to the benefit of our underwriting decisions, whilst requiring the reserving actuaries, for example, to ensure that their work is presented with all due formality. This freedom is not present in the TAS 100 consultation document, and would limit the flexibility of our approach.

Having noted above some of the areas where I feel the extension of scope would be to the commercial detriment of insurance companies, I should comment on how we currently gain comfort about the quality of the work undertaken by our actuaries. Our actuaries are well-trained, with strong industry experience and are already subject to stringent professional standards. In addition to this, in Talbot, as in most insurance companies in Europe, we have expended considerable resource on our Solvency II compliance over the last five or six years. As a result, we have a number of formal policies and procedures, notably regarding data and expert judgement, which we believe more than adequately address many of the concerns that this proposed extension to the TAS regime looks to deal with.

Overall therefore, we believe the proposed TAS, by expanding the scope to all actuarial work, will add considerable cost and effort, with very little in the way of benefit, real or perceived, to the users of the actuaries' work.

Actuaries are a limited resource and the challenge and views that they bring are of significant value to Talbot. In particular, in the current challenging market conditions, our actuaries' attention needs to be

focused on the value they bring to the business, rather than additional requirements which bring little benefit to users.

Actuaries have gradually earned a respected position in the market, and this is at risk of being compromised. Ultimately, I fear the proposed standard will make actuaries less attractive candidates for certain roles in insurance companies for which they are otherwise very well qualified, which would be a shame.

Yours sincerely

Julian Ross

PP

Rupert Atkin

Chief Executive, Talbot Underwriting Ltd