



Financial Reporting Council

Technical Actuarial Standard 100: General Actuarial Standards

Consultation Paper

June 2022

Contents

	Page
1. Introduction	2
2. Changes proposed to TAS 100	4
3. Overarching Changes	6
4. Changes to Principles and related Application Statements	9
5. Impact Assessment	14
6. Summary of consultation questions	16
7. Annex 1: TAS 100 Exposure Draft	18
8. Annex 2: Draft Guidance	19

1. Introduction

Background

- 1.1 The Financial Reporting Council (FRC) is the UK's independent regulator responsible for issuing and maintaining technical actuarial standards.
- 1.2 Version 1 of Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100¹) was issued in 2016, becoming effective 1 July 2017.
- 1.3 The FRC keeps the Technical Actuarial Standards (TASs) and other actuarial standards under regular review and reconsidered at least once every five years. As part of the post implementation review (PIR) of the TASs, the FRC published a Call For Feedback (CFF) in February 2021². This was followed by the publication of a Position Paper³ in November 2021, summarising the responses to the CFF and setting out the FRC's proposed position.
- 1.4 A staggered approach to the post implementation review has been adopted with Phase 2, the cycle for the review of the sector specific standards commencing in 2022.

Purpose and audience

- 1.5 The aim of this paper is to consult on proposed amendments to TAS 100. Our consultation has been written for those carrying out or reviewing technical actuarial work, and for those who rely on such technical actuarial work.
- 1.6 As evidenced by the feedback gathered through the CFF, actuarial work continues to evolve to reflect new practice areas, emerging risks, new modelling techniques and new ways of working. The proposed amendments are necessary to ensure TAS 100 remains appropriate within the changing environment in which actuaries operate. The proposed amendments also take into account the specific areas highlighted in the response to the CFF on where TAS 100 could be revisited or where guidance may be useful.
- 1.7 [Sections 2, 3 and 4](#) of this paper describe the proposed changes. [Section 5](#) contains our impact assessment in relation to the proposed changes and [section 6](#) summarises the questions asked. [Annex 1](#) contains the proposed revised TAS 100 and [Annex 2](#) the initial draft guidance.
- 1.8 We are grateful to all those who provided input to us as part of the CFF and outreach programme.

Actuarial Regulatory Reform

- 1.9 In the Independent Review of the FRC in 2018, Sir John Kingman raised the question of the FRC's (or its successor, Audit, Reporting and Governance Authority) role in overseeing the actuarial profession. The Government considered Sir John Kingman's recommendations and published a consultation in March 2021 and have subsequently published its position on reform in May 2022⁴.
- 1.10 The FRC welcomes the Government's publication of its position on the reform and will be issuing further communications on plans for the implementation of the Government's policy in due course. In the meantime, as the proposed changes in this consultation will still be necessary for the period before FRC's successor is created, and will likely remain relevant after, the FRC will continue to discharge its duty to keep the TASs and other actuarial standards under regular review and proceed with the consultation on the revised TAS 100.

¹ <https://www.frc.org.uk/document-library/actuarial-policy/2016/tas-100-principles-for-technical-actuarial-work>

² <https://www.frc.org.uk/getattachment/9ba317dd-f728-4a01-a0e2-b4bd2d4d1ff4/TAS-CFF-Final.pdf>

³ https://www.frc.org.uk/getattachment/0b857435-5c8f-431a-b399-5cc57f0ec935/FRC-Post-Implementation-Review-of-Technical-Actuarial-Standards_November-2021-FINAL.pdf

⁴ <https://www.gov.uk/government/consultations/restoring-trust-in-audit-and-corporate-governance-proposals-on-reforms>

How to Respond

- 1.11 An [online form](#) for responses is included on the FRC website.
- 1.12 Comments can be sent electronically to APT@frc.org.uk. Comments may also be sent in hard copy form to:
- The Director of Actuarial Policy
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS
- 1.13 Comments should reach the FRC by 7 September 2022. It is advisable to use the [online form](#) or respond electronically.
- 1.14 All responses will be regarded as being on the public record unless confidentiality is expressly requested by the respondent. A standard confidentiality statement in an email message will not be regarded as a request for non-disclosure. We do not edit personal information (such as telephone numbers or email addresses) from submissions; therefore, only information that you wish to publish should be submitted. If you are sending a confidential response by e-mail, please include the word 'confidential' in the subject line of your e-mail.
- 1.15 We aim to publish non-confidential responses on our website within ten working days of receipt. We will publish a summary of the consultation responses, either as a separate document or as part of, or alongside, any decision.

2. Changes proposed to TAS 100

Call for Feedback

- 2.1 As set out in the Position Paper, feedback to the Call For Feedback suggested that the structure of the current TASs has achieved benefits for both practitioners and users and contributed to raising the quality of work overall.
- 2.2 The FRC conducted extensive outreach as well as analysing the responses to the CFF. Overwhelmingly we found support for continuation of the high level principles approach.
- 2.3 In particular, the principles-based approach allows the TASs to withstand changes in practices over time meaning they are 'future-proofed' for new areas of work. A principles-based approach also leaves room for practitioners to apply judgement and proportionality. This has led to practitioners being able to focus more on what the TASs are aiming to achieve, rather than approaching the standards as a compliance exercise. These were the intended aims at the last cycle of TAS review. However, one consequence of a principles-based approach is that the TASs are open to interpretation. This has led to a range of interpretations and practices in application.
- 2.4 In relation to the detail of the standards, feedback from users of actuarial information and actuaries indicated a number of areas where the standards should be revisited or where guidance may be useful to bring clarity and address the range of interpretations and practices in application.
- 2.5 As part of the outreach, the FRC specifically sought views on areas such as climate change and feedback suggested that there are concerns on whether climate change risks are adequately considered when actuaries are performing technical actuarial work and whether these are the only non-traditional risks which the profession should be concerned about.
- 2.6 Further details of the feedback can be found in the Position Paper.

Overall approach to the revision of TAS 100

- 2.7 The FRC proposes to retain the principles-based approach to TAS 100. Further, the FRC concluded that no significant changes are required to the existing set of high-level principles.
- 2.8 In addition, the FRC proposes amendments to TAS 100 which aim to bring clarity to the existing principles and ensure the TAS is relevant to new practices and risks. In particular:
 - i) The FRC proposes to introduce a new 'Application' section to set out regulatory expectations intended to assist practitioners in complying with the TAS principles by providing more specific requirements relating to those principles.
 - ii) The FRC will now be issuing guidance to provide further clarity over good practice and more detailed explanation of the standards. This will be introduced over time, prioritising areas which are most in need.
- 2.9 We have also taken the opportunity to propose amendments to the standards so that existing principles of TAS 100 fit better with the new structure. This is specifically the case for existing provisions around Communications.
- 2.10 The above proposals result in a clear demarcation between mandatory standards, expectations and guidance which it is believed will prove helpful to the FRC, practitioners and users of actuarial work.
- 2.11 The consideration of risk is core to technical actuarial work as actuaries are typically required to assess risks and uncertainty of future events. Feedback has shown that whilst actuaries are well-versed in considering the more established areas of risk, the non-traditional risks such as climate change and other emerging risks are less well-considered. The FRC therefore proposes to introduce a new principle relating to risk identification to ensure

practitioners have regard to all material risks and factors in their work and indicate which risks they have identified.

- 2.12 The sections below provide more detail on the proposed changes.
- 2.13 As noted above, the FRC plans to introduce guidance over time and the draft guidance relating to some key areas (geographic scope, technical actuarial work and proportionality) is included in [Annex 2](#). The plan is to update or add to this guidance, as required. The primary objective of the guidance is to provide clarity and examples of good practice to practitioners and the FRC would like to seek views on the draft guidance. The questions posed in this consultation, therefore, include requests for feedback on the proposed draft guidance.

3. Overarching Changes

Framework for TASs and Glossary

- 3.1 As stated in the current [Framework for TASs](#)⁵, the FRC’s work to implement its strategy through technical actuarial standards is informed by the Reliability Objective. Given the importance of the Reliability Objective to the technical actuarial standards, we propose to bring this within the TAS 100 introductory section as well as the TAS 100 glossary of defined terms (see 3.2 below) so that this is more visible to practitioners. In addition, we have sought to retain other relevant information (such as the geographic scope) from the Framework document within the standards or guidance. This consolidation of information will allow the practitioner to access all the relevant information in one place rather than having to consult two documents.
- 3.2 The review also concluded that appending the part of the [Glossary of defined terms used in FRC technical actuarial standards](#)⁶ relevant to TAS 100 to TAS 100 would allow practitioners to reference the definitions more easily. Similarly, the FRC is minded to propose including definitions of the terms applicable to the sector specific TASs within those TASs. Therefore, the stand-alone Glossary will cease to exist once the sector specific TASs have been revised. However, we will consider whether terms which are defined in TAS 100 but used in sector specific TASs could be accessed by hyperlink from the sector specific TASs.
- 3.3 Actuaries working in insurance and pensions will be familiar with the use of the term ‘must’ in the context of insurance and pensions regulation in the UK. We propose to align TAS 100 with this terminology by replacing ‘shall’ with ‘must’, which also further distinguishes mandatory requirements (‘must’) from the regulatory expectations (‘should’) introduced through the proposed ‘Application’ section.

Question 1

What are your views on the proposal to incorporate relevant sections of the Framework for TASs document within TAS 100? Further, what are your views on incorporating relevant sections of the Glossary document within TASs?

Scope

- 3.4 The scope of the technical actuarial standards is set out in the Framework for TASs, including the definition of technical actuarial work and the geographic scope. This is further supplemented by the [IFoA guidance](#)⁷ on the application of TAS 100. In particular, Appendix 1 of that document “Examples of work in and out of scope of TAS 100” includes consideration of cases where the application of TAS 100 may not be obvious.
- 3.5 Feedback has shown that whilst many have found the existing guidance to be beneficial, there is still a substantial level of uncertainty remaining on whether a piece of work should be classified as technical actuarial work. This has at times led to undue focus by practitioners on deciding on whether the work is technical actuarial work, rather than the quality of the work itself.
- 3.6 The FRC is not considering changes to the current definition of technical actuarial work and geographic scope but plans to provide clarity on the existing definition through issuing guidance, a draft of which is included in [Annex 2](#) of this paper. The FRC will be coordinating with the IFoA on revising the existing IFoA Guidance.

⁵ <https://www.frc.org.uk/document-library/actuarial-policy/2019/framework-for-frc-actuarial-standards-april-2019>

⁶ <https://www.frc.org.uk/document-library/actuarial-policy/2016/glossary-of-defined-terms-used-in-frc-technical-ac>

⁷ <https://www.actuaries.org.uk/documents/principles-technical-actuarial-work-guidance-application-technical-actuarial-standard-100>

Question 2

Does the draft FRC guidance provide clarity on the definition of technical actuarial work and geographic scope? If you don't think the guidance provides clarity, please explain why not and suggest how the position might be further clarified.

Question 3

Does the draft guidance support you in complying with the TASs?

Application of TAS Principles

- 3.7 As discussed in 2.7 above, it is proposed to retain the principles-based approach to TAS 100. However, as the principles are high level and, consequently, open to interpretation, the FRC understands the need to be more specific about what is expected of practitioners. At the same time, the FRC recognises that technical actuarial work covers a wide range of activities and there could be exceptional situations when it is not relevant or reasonable to apply the more specific requirements.
- 3.8 For this reason, the FRC proposes to introduce regulatory expectations using the language 'should' which is distinctive from mandatory requirements which use the word 'must'. This allows scope for practitioners to deviate from regulatory expectations if there are justifiable reasons to do so. In this latter case the practitioner must document the reasons for deviation from TAS 100 expectations.
- 3.9 As the regulatory expectations are designed to clarify a principle or a supporting provision within a principle, it is proposed to present these in the form of application statements, each of which is related to a principle or a supporting provision within a principle.
- 3.10 The application statements are contained within a new separate section of the draft TAS 100 with the aim of keeping all principles together in one section followed by a section containing the application statements. This does, however, mean that practitioners will need to cross reference the application section for further clarification on each principle.

Question 4

Our proposal places all the application statements in a separate section within the TAS. An alternative approach would be to place application statements relating to each principle immediately after the relevant principle. Which do you prefer?

Statement and evidence of TAS Compliance

- 3.11 The FRC has been considering the effectiveness of the statement and evidence of TAS compliance. Feedback shows that a range of wordings exist, and in some cases, potential mis-representation of the level of compliance of the work.
- 3.12 Whilst the FRC acknowledges that a standardised statement of TAS compliance may not suit all circumstances, concerns remain around the need to ensure the clarity of the level of compliance of actuarial work. For this reason, the FRC proposes to revise the standard to require that any departure from full compliance is clearly identified, justified and communicated.
- 3.13 Feedback further suggests that there is a wide range of practices in evidencing TAS compliance, with some actuaries using checklists to evidence TAS compliance whilst others produce no explicit evidence but rely on implicit compliance. As TAS is a principles-based standard, judgement is sometimes involved in assessing

compliance. The FRC considers that the evidence of compliance, including any judgements or assumptions made in considering compliance, must be available in a clear and accessible form.

3.14 The FRC is, therefore, proposing to retain the requirement for a statement of compliance and in addition to amend TAS 100 to include a requirement that the evidence demonstrating compliance must be available to the intended user, if requested.

3.15 The FRC plans to promote good practice through issuing further guidance.

Question 5

What are your views on the proposed change to the compliance requirement?

Proportionality

3.16 The current TAS 100 and the Framework document states that “Nothing in TAS 100 should be interpreted as requiring work to be performed that is not proportionate to the nature, scale and complexity of the decision or assignment to which the work relates and the benefit that users would be expected to obtain from the work”. We continue to believe this is an appropriate application of the standards. Moreover, we consider this to be guidance on how the TAS should be applied in practice, rather than a mandatory requirement to be complied with.

3.17 In line with the proposed demarcation between mandatory requirements, regulatory expectations and guidance, the FRC proposes to cover this matter within the new guidance rather than in TAS 100, and to include examples of how the TASs should be applied in a proportionate manner, guided by the reliability objective, to help improve the consistency of application of TAS 100.

Question 6

Does the proposed FRC guidance on how TAS 100 can be applied proportionately assist actuaries in their compliance with TAS 100?

Intended User

3.18 In considering whether there are aspects of TAS 100 which have caused difficulties or could be improved to provide practitioners with a clearer understanding of what is required in order to comply with this TAS, feedback suggested replacing the term ‘user’ with ‘intended user’ to reflect that actuarial information is prepared with the ‘intended user’ in mind but that there may be other ‘users’ of that work. ‘Intended user’ can be a group of individuals.

3.19 We consider such revision in nomenclature helpful whilst keeping the definition the same. This further aligns the TASs with the standards of the International Actuarial Association, including ISAP 1 (International Standard of Actuarial Practice 1: General Actuarial Practice⁸) where the term ‘intended user’ is used.

Question 7

What are your views on the revision in nomenclature of the ‘user’ to ‘intended user’?

⁸ https://www.actuaries.org/IAA/Documents/CTTEES_ASC/Final_ISAPs_Posted/ISAP1_Review_adopted_1Dec2018_V2_16April2019.pdf

4. Changes to Principles and related Application Statements

Risk Identification

- 4.1 The consideration of risk is core to technical actuarial work as actuaries are typically required to assess risks and uncertainty of future events and the FRC recognises that actuaries are well-versed in considering the more established areas of risk. In addition, many actuaries are heavily involved in stress and scenario testing and will, through these activities, have considered some of the less traditional risks.
- 4.2 As part of the review, the FRC considered whether further standards or new principles were needed. In particular, the FRC specifically sought views on areas such as climate change. Informal feedback suggested that there are concerns on whether climate change risks are adequately considered when actuaries are performing technical actuarial work and whether these are the only non-traditional risks which the profession should be concerned about.
- 4.3 The IFoA recently published an Actuarial Monitoring Scheme report on climate-related risk⁹ from which three key observations were:
- i. “.. in many significant areas of traditional actuarial work, there is limited consideration of climate-related risk”;
 - ii. “Actuaries across all practice areas are often heavily involved in scenario modelling or stress testing”; and
 - iii. “Although actuaries are not always the key players in this area¹⁰, we heard examples of significant influence, and investment continues to be a major domain for the profession.”
- 4.4 These conclusions support the informal feedback received as part of the call for feedback.
- 4.5 Stress and scenario testing will often include consideration of a wider range of risks and it would seem appropriate for the technical actuarial standards to recognise this. Further, there is a desire for the technical actuarial standards to remain applicable as new risks emerge.
- 4.6 In considering consistency with international standards, ISAP1 (paragraph 2.7.4) requires actuaries to consider internal and external circumstances which may affect the assumptions or methodology. Internal circumstances include, for example, changes in an insurer’s claims processing and changes in the mix of business, and external circumstances include, for example, changes in the legal, economic, legislative, regulatory, supervisory, demographic, technological, and social environments.
- 4.7 To ensure technical actuarial work takes into account all relevant risks and factors, the FRC proposes to introduce a new principle relating to risk identification to ensure practitioners have regard to all material risks and factors, which they might reasonably be expected to know about at the time of carrying out the work.
- 4.8 The proposed principle requires practitioners to have regard to all material factors or material risks which may affect, or have the potential to affect, their work by allowing for these material risks and factors in their work.
- 4.9 The Application statements aim to clarify what we mean by factors or risks and provides some examples. Additional proposed statements provide further clarification on aspects to consider.
- 4.10 The FRC plans to issue guidance to promote good practice.

⁹ <https://www.actuaries.org.uk/system/files/field/document/Climate-related%20risk%20report%2C%202021.pdf>

¹⁰ Asset management and ESG

Question 8

Do you agree the new proposed Risk Identification Principle and associated Application statements?

Judgement

- 4.11 The current TAS 100 includes a high-level judgement principle with no further elaboration on what constitutes good professional judgement.
- 4.12 We have observed that other professions in the UK and overseas provide more definition of what constitutes good professional judgement. For example, the Actuarial Association of Europe has published a paper¹¹ detailing *“the distinguishing features of actuarial professional judgment, bound by the Standards and Code of Conduct of our profession.”*
- 4.13 This does not imply that we believe that professional judgement by actuaries has been deficient. Rather, it reflects a recognition that sound professional judgement is at the heart of what distinguishes a professional and therefore further detail is helpful to ensure that such judgement can be justified.
- 4.14 Therefore, the FRC has been considering whether more direction was needed in relation to professional judgement.
- 4.15 There is a clear consensus from actuaries that the existing one-sentence principle on judgement gives sufficient direction to practitioners on the nature of judgement and what it involves, especially when considered in conjunction with other actuarial standards (e.g. the Actuaries’ Code).
- 4.16 However, feedback from users of actuarial information suggests actuaries have not always communicated clearly how they form their judgement, and alternatives to key judgements are not always considered or presented.
- 4.17 Based on the above, the FRC proposes to add further clarification to the Judgement Principle.
- 4.18 The FRC is also considering issuing guidance to illustrate and promote good practice.

Question 9

What are your views on the clarification included in the proposed changes to TAS 100 in respect of the exercise of judgement? Further, do you feel that guidance will be helpful?

Data, Assumptions and Modelling

- 4.19 Modelling techniques continue to develop with a trend for models to become more complex over time. Key examples in recent years include Solvency II internal models and associated proxy modelling and price optimisation models for non-life business. Stochastic modelling and option pricing are now mainstream in many areas of actuarial work.
- 4.20 Looking forward, actuaries are likely to become more involved in areas such as climate change and pandemic modelling, and the use of data science¹² is becoming more prevalent. Actuaries are increasingly working in multi-disciplinary teams to develop and use models.

¹¹ [Application of Professional Judgment by Actuaries](#), January 2020

¹² While there is no single definition of data science, it can be broadly thought of as scientific, computational and analytical methods used to process and extract information from data. It is synonymous with ‘big data’, machine learning (artificial intelligence), and data pipelines (automated systems that capture and process data). Data science brings together several fields including maths, statistics and computer science.’ Source: A Guide for Ethical Data Science - A collaboration between the Royal Statistical Society (RSS) and the Institute and Faculty of Actuaries (IFoA)

-
- 4.21 All of these trends increase the importance of model governance, including control of the model environment, model validation, and communication of results.
- 4.22 Recognising the need for higher standards on model governance, the International Actuarial Association (IAA) developed an addition to International Standard of Actuarial Practice (ISAP) 1, namely ISAP 1A Governance of Models which has subsequently been incorporated into ISAP 1.
- 4.23 Given the above, the FRC has been considering whether the data, assumptions and modelling principles continue to remain appropriate and sufficient.
- 4.24 Feedback suggests the principles-based approach in the TASs means they have remained relevant over time as modelling techniques and practices have evolved - the standards do not contain details on how the requirements should be met and leave room for actuaries to exercise their own judgements. However, there are areas in which the standards should be revisited or where guidance may be useful. For example:
- i. Communications of complex / complicated models;
 - ii. Better consideration and communication of testing of models and limitations of models;
 - iii. Documentation and testing around material assumptions;
 - iv. Model governance / change management;
 - v. Consideration of interactive models developed for the provision of self-service advice.
- 4.25 Given recent and anticipated changes to modelling techniques and the above feedback, the FRC is proposing to expand on the supporting provisions of the Data, Assumptions and Modelling principles. The proposals also reflect updates (in particular the addition of model governance) to retain substantial consistency between the latest version of ISAP 1 and the framework of standards applying to members of the IFOA.
- 4.26 The proposed changes to the standard include:
- i. a requirement for an appropriate level of documented model governance, including a change control process and model validation;
 - ii. a requirement to identify model limitations and assess their impacts;
 - iii. a requirement to investigate bias in data, assumptions and actuarial models used;
 - iv. an expansion and clarification of the communications and documentation requirements associated with modelling.
- 4.27 The FRC plans to issue modelling guidance.

Question 10

What are your views on the proposed changes to the Data Principle and associated Application statements?

Question 11

Do you agree with the proposed clarifications and additions relating to documenting and testing material assumptions?

Question 12

Do you agree with the proposed changes to the Modelling Principle and associated Application statements? Further, do you agree that guidance would be helpful?

Documentation and Communication

- 4.28 Feedback from practitioners generally suggested that the existing requirements of TAS 100 in relation to documentation and communication are helpful, although it was suggested that the wording of the Documentation principle is capable of wide differences in interpretation.
- 4.29 Feedback from users of actuarial information emphasised the need for actuaries to draw out, in their communications to users, the key judgements made which would have a material effect on the outcome. Users of actuarial information also emphasised the importance of being presented with the reasons supporting these judgements and any limitations of the advice given. Feedback suggested that in some cases, the identification of the most material judgement is obscured by the extensiveness of the communication, whilst in other cases, reasoning and limitations are not brought to users' attention.
- 4.30 Given the above, the FRC proposes to make changes to improve the clarity of the requirements for documentation and communication and give prominence to the importance of the communications requirement that intends to ensure the most material judgement is not obscured by other information (P7.3), whilst not proposing to materially alter the overall level of standards required.
- 4.31 A number of clarifications and presentational changes are proposed:
- i) reword the Documentation Principle (P6) to clarify the purpose of documentation and the intent of this principle;
 - ii) amalgamate all requirements relating to documentation or communication currently contained within the principles for Data, Assumptions and Models into the Documentation and Communications Principles; and
 - iii) Introduce Application statements to help clarify these Principles and their supporting provisions.
- 4.32 The proposals include moving some of the supporting provisions of the current TAS to Application statements as they were considered to represent regulatory expectations rather than mandatory requirements.
- 4.33 Whereas the current requirements do not require practitioners to state in communications whether assumptions set by a user or third party are reasonable, we propose to revise the TAS to require practitioners to do so because this will provide additional clarity to the intended user on the practitioner's view on the reasonability of all assumptions set by the intended user or a third party.

Question 13

Do you agree with the proposed clarification of the Documentation Principle? Further, do you agree with the proposal to move all requirements relating to documentation to the Documentation Principle and associated Application Statements, where applicable?

Question 14

Do you agree with the proposal to move all requirements relating to communication to the Communications Principle and associated Application Statements, where applicable?

Question 15

What are your views on the additional clarification provided in the Application Statements?

Question 16

What are your views on the proposed changes to the requirements relating to assumptions set by the intended user or a third party?

Other minor proposed amendments

- 4.34 As mentioned in 2.4 above, feedback suggests clarification of existing requirements would be helpful. The proposed draft includes such clarification, where this is considered relevant. Many of the proposed clarifications were informed by ISAP 1 and existing provisions contained within the sector-specific TASs, where these were considered to have wider application.
- 4.35 The key clarifications include:
- i) In relation to the data principle, clarification that documentation and communications should include information relating to the use of data proxies and grouping of data;
 - ii) In relation to the assumptions principle, clarification that the practitioner should consider whether the assumptions are reasonable in aggregate. Further clarification that the practitioner should consider any adjustments made to the data underlying the assumptions, such as interpolation, extrapolation or removal of outliers.
 - iii) In relation to the models principle, a requirement to be able to reproduce a model output using the same inputs, or explain any differences, and a requirement to be clear on any allowances made for actions or responses by management and their impact on the actuarial information.
 - iv) In relation to the communications principle, a requirement for practitioners to clarify whether they are acting to comply with statutory or regulatory obligations and the capacity in which they are acting. In addition, a requirement to define certain terms and be clear on the level of prudence contained within the actuarial information.

Question 17

What are your views on these proposed amendments to clarify the existing requirements?

5. Impact Assessment

Benefits

- 5.1 The changes proposed in this consultation have been developed with the aim of
- Setting out clearer requirements and expectations leading to improved consistency in the approach to compliance;
 - Replacing out-dated content with requirements reflective of current practices in actuarial work;
 - Assisting actuarial practitioners in ensuring their users understand the impact (or potential impact) of internal and external factors, such as climate change, on actuarial information
- 5.2 Although TAS 100 is now a lengthier document, it incorporates elements of the existing Framework and Glossary, removing the need for these additional documents.
- 5.3 The proposed addition of an 'Application' section allows practitioners to have a better understanding on how they should interpret and comply with the principles, the majority of which are unchanged from the current version of TAS 100.
- 5.4 The FRC observed from the responses to the call for feedback that some practitioners would value further guidance on determining whether a piece of work falls within the scope of TAS and, if so, how to comply in a proportionate manner. It is proposed to address this through new guidance that will accompany the TAS.

One-off Costs

- 5.5 It is recognised that there will be an element of one-off cost associated with reading the revised TAS 100 and updating processes and procedures, where these exist. Although, this is not believed to be significant for many practitioners, it is recognised that the larger consultancies providing actuarial services may have a greater number of standardised processes, procedures and document templates which will require review and revision as a result of the proposed revision to TAS 100.
- 5.6 Whilst the proposed structure of TAS 100 differs from the current version, it is not proposed to revise the existing principles in any material way and only one further principle has been introduced. Therefore, the updates required to processes and procedures should not be significant.

Ongoing Costs

- 5.7 The principles of the existing TAS 100 (principles 2 to 7 in the Exposure Draft) have been retained, albeit in some cases we propose changes to simplify the principles which are supplemented with clarification expectations. Critically, none of the proposed changes in relation to these principles represent an expansion of requirements. We therefore do not foresee significant additional ongoing burden on practitioners.
- 5.8 As noted in 4.2 and 4.3 above, there is concern that many actuarial practitioners are not adequately considering non-traditional risks, such as climate change, in their work. For this reason, the FRC concluded that the new proposed Risk Identification principle was needed. Compliance with the newly proposed principle (Principle 1 in the Exposure Draft) should not present significant challenges for the practitioners who are already compliant with the spirit of this principle. However, it is recognised that compliance with the principle will add to the ongoing work of practitioners who do not currently consider these non-traditional risks in their work.

Question 18

Do you agree with our impact assessment? Please give reasons for your response.

6. Summary of consultation questions

1	What are your views on the proposal to incorporate relevant sections of the Framework for TASs document within TAS 100? Further, what are your views on incorporating relevant sections of the Glossary document within TASs?
2	Does the draft FRC guidance provide clarity on the definition of technical actuarial work and geographic scope? If you don't think the guidance provides clarity, please explain why not and suggest how the position might be further clarified.
3	Does the draft guidance support you in complying with the TASs?
4	Our proposal places all the application statements in a separate section within the TAS. An alternative approach would be to place application statements relating to each principle immediately after the relevant principle. Which do you prefer?
5	What are your views on the proposed change to the compliance requirement?
6	Does the proposed FRC guidance on how TAS 100 can be applied proportionately assist actuaries in their compliance with TAS 100?
7	What are your views on the revision in nomenclature of the 'user' to 'intended user'?
8	Do you agree the new proposed Risk Identification Principle and associated Application statements?
9	What are your views on the clarification included in the proposed changes to TAS 100 in respect of the exercise of judgement? Further, do you feel that guidance will be helpful?
10	What are your views on the proposed changes to the Data Principle and associated Application statements?
11	Do you agree with the proposed clarifications and additions relating to documenting and testing material assumptions?
12	Do you agree with the proposed changes to the Modelling Principle and associated Application statements? Further, do you agree that guidance would be helpful?
13	Do you agree with the proposed clarification of the Documentation Principle? Further, do you agree with the proposal to move all requirements relating to documentation to the Documentation Principle and associated Application Statements, where applicable?
14	Do you agree with the proposal to move all requirements relating to communication to the Communications Principle and associated Application Statements, where applicable?
15	What are your views on the additional clarification provided in the Application Statements?

16 What are your views on the proposed changes to the requirements relating to assumptions set by the intended user or a third party?

17 What are your views on these proposed amendments to clarify the existing requirements?

18 Do you agree with our impact assessment? Please give reasons for your response

7. Annex 1: TAS 100 Exposure Draft

A link to the TAS 100 Exposure Draft is available [here](#).

8. Annex 2: Draft Guidance

A link to the Exposure draft for the TAS 100 Guidance for Proportionality is available [here](#).

A link to the Exposure draft for the TAS 100 Guidance for Technical Actuarial Work and Geographic Scope is available [here](#).



Financial Reporting Council

**Financial
Reporting Council**

8th Floor
125 London Wall
London EC2Y 5AS

+44 (0)20 7492 2300

www.frc.org.uk