



**Minutes of an additional meeting of the Actuarial Council held on Thursday 7 January 2016  
at the FRC Office, 8<sup>th</sup> Floor, 125 London Wall, London EC2Y 5AS**

**Present:**

Olivia Dickson            Chair of Council  
Rosemary Beaver  
Martin Burke  
Angela Darlington  
Ashok Gupta  
David Hindley  
Howard Jacobs  
Joanne Livingstone

**In attendance:**

Faye Dyce                Project Director, Actuarial Policy Team  
Julie Glass               Committee Secretary  
Robert Inglis            Project Director, Actuarial Policy Team  
Melanie McLaren       Executive Director, Codes & Standards  
Ann Muldoon             Director, Actuarial Policy Team  
Natasha Regan          Project Director, Actuarial Policy Team

**Introductions and apologies for absence**

Apologies were noted from Martin Miles and Dominic Veney (Council Members), and Des Hudson (Observer, Institute and Faculty of Actuaries)

**1. Minutes of the previous meeting**

1.1 The minutes of the meeting held on 25 November 2015 were approved for publication.

**2. Matters arising**

2.1 Further to minute 1.6 of the meeting held on 25 November 2015, the Council noted that the Financial Advice Markets Review (FAMR) being carried out by the FCA and HMT encompassed general insurance financial advice as well as life and pensions financial advice. The Council agreed that in light of recent evidence indicating that there was a significant gap in public awareness of actuarial risk (including in relation to non-life and pensions actuarial work), it would be helpful for the FRC to discuss this issue with the IFoA and its other fellow actuarial regulators at the Joint Forum on Actuarial Regulation (JFAR).

**3. Technical Actuarial Standards (TASs) - overview**

3.1 Ann Muldoon (AM) reported on the current plan for the FRC to issue a TAS consultation package in April 2016 with a covering paper and four appendices, one for each of the three

proposed Specific TASs and the fourth covering a Glossary of defined terms used in FRC actuarial standards. The Council had reached a preliminary agreed position at its meeting on 25 November 2015 on the proposed drafts of the revised Pensions TAS (TAS 300) and the Funeral Plans TAS (TAS 400), and would be considering a first draft of the Insurance TAS (TAS 200) later in the meeting (minute 5 below refers).

#### **4. Consultation: A new framework for Technical Actuarial Standards – feedback statement**

4.1 Robert Inglis (RI) introduced paper 2a, “Consultation on a new framework for Technical Actuarial Standards: Feedback statement”. The Council reviewed the paper and its appendices:

- Appendix 1: Draft Feedback statement.
- Appendix 2: Review draft of the Framework for actuarial standards.
- Appendix 3: Review draft of TAS 100.
- Appendix 4: Draft Glossary of defined terms used in FRC actuarial standards.
- Appendix 5: Project plan.

4.2 The Council noted that the draft Feedback statement provided an analysis of the feedback to the consultation “A new framework for Technical Actuarial Standards” and set out the FRC’s responses and the proposed changes to the Framework for FRC actuarial standards and TAS 100. Some further changes (in addition to those considered by the Council at its previous meetings) had also been made to the drafts of the Framework for FRC actuarial standards, TAS 100, and the Glossary of defined terms used in FRC actuarial standards.

4.3 The Council considered the status of the Reliability Objective and the discussion included the following reports, points and observations:

- RI confirmed that the status of the Reliability Objective had been considered in light of the recent IFoA Disciplinary cases against Black and Yule and a subsequent article in The Actuary magazine.
- It was suggested that the wording in section 3 of the Framework for FRC actuarial standards (Appendix 2) should be revisited to clarify that the Reliability Objective is an objective of the FRC and individual actuaries applying the actuarial standards should be guided by the Reliability Objective.
- It was felt that this clarification was consistent with the statement in The Framework for FRC actuarial standards (and currently the Scope and Authority) that it is important to be guided by the spirit and reasoning behind the TASs which is articulated by the Reliability Objectives..
- The use of cross references was discussed and it was agreed that TAS 100 should contain appropriate references to both the Framework for FRC actuarial standards and the Reliability Objective.

4.4 The Council considered the definition of actuarial work and the discussion included the following reports, points and observations:

- The proposals to amend the second leg of the definition of “actuarial work” were discussed – the current proposed wording was as follows:  
“Actuarial work is work which the user is entitled to treat at actuarial work because it is presented as actuarial, whether expressly or by implication.”

- It was suggested that this wording could be revised to cover work which the user might reasonably regard as actuarial work, i.e. dependent on the user's judgement. This was agreed.
- The need for consistency with ISAP 1 was discussed, bearing in mind that ISAP 1 applies to actuaries whereas the FRC standards apply to actuarial work regardless of who performs it.
- It was suggested that since the FRC definition of actuarial work is different from the definition used in IFoA standards and is confined to technical work, it would be reduce potential confusion if the FRC definition is retitled "technical actuarial work". This was agreed.
- Possible amendments to the definition to actuarial work to include a reference to "user" were discussed. The application of the definitions of "user" and "actuarial work" to journal and magazine articles was discussed, and it was noted that articles could range from an opinion piece to a detailed technical article containing assumptions and models. The principles of proportionality and the public interest were considered and Council members offered a range of opinions on the extent to which it was appropriate for such articles to be considered as actuarial work (and accordingly subject to peer review).
- It would be important to seek a pragmatic way forward, with due consideration being given to any unintended consequences of possible amendments. A marked-up version of the proposed changes to the relevant definitions would be circulated to Council members, prior to further consideration at the next Council meeting on 25 January. It was also agreed that a diagrammatic representation of the various definitions of actuarial work could also be helpful.

4.5 The Council considered other proposed amendments to TAS 100 and the discussion included the following reports, points and observations:

- The proposed amendments to the text on applying judgement when applying TAS 100 were considered and supported.
- The proposal to remove the aggregation section and introduce a defined term of "component communication" was discussed and supported
- The proposed use of "neutral estimate" in the communications provisions was discussed including provision 5.5 which required communications that include estimates that are not neutral to indicate their relationship to neutral estimates. In light of the drawbacks of the definition of "neutral" and the previous advice from the Council not to use the term "neutral", and as it was considered that provision 5.6 adequately covered the communication of risk, it was agreed that provision 5.5 would be deleted from TAS 100 and "neutral" would be deleted from the Glossary. The phrase "neutral estimate" would be replaced by "best estimate" in the Specific TASs, where appropriate.
- The suggestions from several consultation respondents that the current informed opt-out provision should be carried forward to TAS 100 were considered. The Council confirmed its position that, given amendments to materiality and proportionality clauses as previously discussed, an opt-out from the provisions of TAS 100 should not be permitted.

4.6 The Council commended the thoroughness of the draft Feedback statement which had been prepared. Council members were requested to provide any further comments to the Actuarial Policy team.

4.7 The Council requested that the points raised in discussion and other comments received from Council members be taken into account in revising the draft Feedback statement, the draft Framework for FRC actuarial standards, TAS 100 and the Glossary of defined terms used in FRC actuarial standards.

## **5. Revised Insurance TAS: TAS 200**

5.1 Ann Muldoon (AM) introduced paper 2c, Revised Insurance TAS: TAS 200. The Council reviewed the paper and its appendices:

- Appendix 1: Draft of TAS 200
- Appendix 2: Comparison of the requirements of the current Transformations TAS and the Statement of Policy.

5.2 The Council noted that the proposed scope and principles of TAS 200 had been reviewed in detail by the Insurance sub group (Martin Burke, Angela Darlington, David Hindley, and Dominic Veney) and members of the group were thanked for their contributions.

5.3 The Council noted that following feedback from the Council, it was intended to present the draft TAS 200 consultation to the next Council meeting on 26 January 2016. The consultation would set out the rationale for the revised scope and principles and would include a draft impact assessment of the proposals.

5.4 The Council considered the proposed scope of TAS 200 and the discussion included the following reports, points and observations:

- It was noted that the Insurance sub group had supported the proposed extension of scope from actuarial work relating to reserving to the broader financial statements. The Council endorsed this approach.
- It was noted that the risk assessment of the ORSA had been reviewed and it was proposed that the technical actuarial work to support the ORSA was separated from other risk management activities that also formed part of the ORSA and that each be assessed separately. It was agreed that the technical actuarial work was a higher risk and that it should be included within the scope of TAS 200. The Council endorsed this approach
- It was noted that a comparison had been carried out between the requirements of the current Transformations TAS and the Statement of Policy (dated April 2015) from the PRA entitled "The PRA's approach to insurance business transfers". As the PRA Statement's requirements covered the relevant principles in the Transformations TAS, it was proposed to remove from scope actuarial work to support Part VII transfers of insurance obligations. The Council supported this approach and welcomed this opportunity for deregulation.
- The update on the proposed approach to the principles for General Insurance Business written by Lloyd's was noted.
- AM reported that there were a number of areas of actuarial work for which further consideration was required, including pricing frameworks. A further update on these areas would be provided to the next Council meeting on 26 January 2016.

5.5 The Council considered the proposed principles contained in TAS 200 and the discussion included the following reports, points and observations:

- It was noted that it was proposed to amplify certain content from TAS 100 in TAS 200 for completeness and reinforcement, e.g. Principle 4. The Council supported this, insofar as this repetition was for the purpose of amplification, rather than duplication.
- It was agreed that further details of the context and the interaction between the two standards should be provided in TAS 200, to clarify that TAS 100 was the base model with TAS 200 (as a Specific TAS) building on this.
- It would be helpful to articulate a set of design principles, to clarify the circumstances under which it would be appropriate to repeat, amplify or extend provisions in the TASs. This was agreed.
- The application of the TAS 100 materiality clause to TAS 200 was discussed and it was agreed that further consideration would be given to this aspect.
- The definition of proportionality would also be revisited, to ensure consistency.
- It was noted that there was ongoing debate regarding the principle for pricing frameworks and AM confirmed that work was continuing on this aspect.
- AM confirmed that the Actuarial Policy team would continue finalising TAS 200 in light of ongoing cross-checking against the current TAS framework. A final consistency check would also be performed when each of TAS 100, 200, 300 and 400 were in near final form.

5.6 The Council requested that the points raised in discussion be taken into account in developing the draft TAS 200 consultation.

## **6. Specific TAS consultation**

6.1 The Council agreed that due to lack of time, the review of paper 2b, Specific TAS consultation, would be deferred to the next meeting. In the meantime, Council members were requested to provide any comments on the paper circulated to the Actuarial Policy team.

## **7. FRC realignment**

7.1 Melanie McLaren introduced paper 3, FRC Realignment, which was considered by the Council.

7.2 The Council noted that in setting the FRC's 2016-19 Strategy, the FRC Board had identified that changes to the current FRC structure would be necessary to support efficient delivery of the 2016-19 Strategy and enhanced responsibilities under the Audit Regulation & Directive (ARD). MM commented on the priorities for the FRC Plan & Budget for the 2016-17 period and the changes to the executive and governance structure (to take effect from 1 April 2016), which had now been agreed by the FRC Board and announced.

7.3 The Council congratulated MM on her role as Executive Director of Audit in the new executive structure and noted that this would include responsibility for the oversight of the actuarial profession. MM reported that she would be retaining responsibility for actuarial policy until the current work on the new Framework for Actuarial Standards and the Technical Actuarial Standards (TASs) was completed.

7.4 The Council noted that following completion of the TASs, the FRC intended to give further consideration to the FRC's role in actuarial regulation, taking into account the work carried out by the Joint Forum on Actuarial Regulation (JFAR) and the role of the Institute and Faculty of Actuaries (IFoA). In the meantime, the Council would continue to carry out horizon scanning

on actuarial risk, taking into account increased levels of systemic risk due to globalization, as well as the increase in actuarial work in non-traditional areas (e.g. climate change).

**8. Date of next meeting**

- 8.1 The next meeting of the Actuarial Council was scheduled for Tuesday 26 January 2016 at 2pm.