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Technical Actuarial Standard 200: Insurance
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Technical Actuarial Standard 200: Insurance

This standard should be read in conjunction with Technical Actuarial Standard 100: Principles for technical actuarial work (TAS 100) and the Framework for FRC technical actuarial standards. Terms in bold are defined in the Glossary of defined terms used in FRC technical actuarial standards.

Purpose

Technical Actuarial Standard 200: Insurance (TAS 200) promotes high quality technical actuarial work in insurance on matters where there is a high degree of risk to the public interest. TAS 200 supports the Reliability Objective that “users for whom actuarial information is created should be able to place a high degree of reliance on that information’s relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information”.

Scope of application

TAS 200 is applicable to the following technical actuarial work in the geographic scope of FRC technical actuarial standards:

- **Prudential regulatory balance sheets**
  - Technical actuarial work to support the preparation of an insurer’s balance sheet for prudential regulatory purposes other than technical actuarial work preparing information on its own pension schemes for the purpose of complying with financial reporting standards

- **Financial statements**
  - Technical actuarial work to support the preparation of financial statements that are intended to give a true and fair view of an insurer’s financial position and profit or loss (or income and expenditure) and the reporting of that financial position and profit and loss in a parent company’s financial statements other than technical actuarial work preparing information on the insurer’s own pension schemes for the purpose of complying with financial reporting standards

- **General Insurance Business written by Lloyd’s Syndicates**
  - Technical actuarial work to support an opinion on provisions as required by Lloyd’s

- **General Insurance Tax**
  - Technical actuarial work to support the confirmation required under the General Insurers’ Technical Provisions (Appropriate Amount) Regulations 2009

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1 The geographic scope of the FRC’s technical actuarial standards is limited to technical actuarial work done in relation to the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation (paragraph 5.5 of the Framework for FRC technical actuarial standards).
Prudential regulatory capital requirements and the Own Risk and Solvency Assessment

Technical actuarial work to support the calculation of an insurer’s prudential regulatory capital requirements and technical actuarial work undertaken as part of its Own Risk and Solvency Assessment

Insurance transformations

Technical actuarial work concerning:

- schemes of arrangement;
- Part VII transfers;
- supporting the role of policyholder advocate in an inherited estate reattribution;
- changes to the principles in the Principles and Practices of Financial Management; and
- reporting on policyholder benefit reductions under section 376 of the Financial Services and Markets Act 2000

Audit and assurance

Technical actuarial work to support the provision of an audit opinion on an insurer’s financial statements and the reporting of a parent company’s interest in the insurer in its financial statements.

Technical actuarial work to support the provision of an auditor’s assurance opinion on an insurer’s prudential regulatory reporting.

Pricing frameworks

Technical actuarial work to support pricing frameworks.

With-profits discretion

Technical actuarial work to support the exercise of discretion concerning with-profits life insurance policies.

Compliance

Members of the Institute and Faculty of Actuaries are required to comply with TAS 200 for work in its scope. Wider adoption is encouraged.

Judgements concerning the application of this standard shall be exercised in a reasoned and justifiable manner.

Work in the scope of TAS 200 is also in the scope of TAS 100. Each of the provisions in TAS 200 shall be followed where they are relevant to the work.
Departures from the provisions in TAS 200 concerning *communications* to *users* are permitted if they are unlikely to have a *material* effect on the decisions of *users*.

Nothing in TAS 200 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.

*Communications* shall include a statement confirming compliance with TAS 100 and TAS 200.

**Commencement date**

This standard applies to *technical actuarial work* in the scope of TAS 200 which is completed on or after 1 July 2017.
Core provisions

The following provisions support the principles in TAS 100 and apply to all technical actuarial work within the scope of TAS 200.

Judgements

1. Judgements shall reflect the nature of the insurance obligations, the material risks faced by the insurer relevant to the technical actuarial work and the purpose of that work.

2. Communications shall describe the sensitivity of results to judgements that are material either individually or in combination.

Data

3. The documentation of the data used in the technical actuarial work shall include data definitions, data sources, data checks and controls, and the source and justification of any data proxies.

4. The documentation of the data used in the technical actuarial work shall include the rationale for grouping data, the criteria used to determine the groups and the resultant groupings; and the data points removed and the rationale for their removal.

5. A set of checks shall be constructed and performed in order to determine the extent to which, taken overall, the data is sufficiently accurate, complete and appropriate for users to rely on the resulting actuarial information.

6. Communications shall explain any data proxies used in the technical actuarial work and their rationale.

Assumptions

7. Communications shall include the derivations of material assumptions used in the technical actuarial work.

Models

8. Measures, assumptions and judgements used to derive any estimates described as “best estimate”, “central estimate” or other similar terms shall be neither optimistic nor pessimistic and shall not contain adjustments to reflect a desired outcome.

9. Implementations and realisations of models shall be reproducible.

10. Communications shall describe the nature of any cash flows that are quantified including their timing.

Communications

11. If technical actuarial work is performed in order that the insurer or any other party commissioning the work complies with regulations, communications shall state the regulations applying to the work and confirm compliance with them.
Provisions for specified work

The following provisions support the principles in TAS 100 and apply to the relevant technical actuarial work as specified.

Prudential regulatory balance sheets, Financial statements, General Insurance Business written by Lloyd's Syndicates and General Insurance Tax

12. Communications shall explain any material difference between the actual experience emerging over the period since the previous exercise carried out for the same purpose (if one exists) with that assumed in that previous exercise.

13. Communications shall explain:
   (a) the relationship between any estimate of the value of an asset or liability resulting from the technical actuarial work and a best estimate of the value of that asset or liability;
   (b) the derivation of any adjustment for risk included in the estimate; and
   (c) any material change in the relationship between the estimate and a best estimate, and the adjustment for risk compared with the previous exercise carried out for the same purpose (if one exists).

Prudential regulatory capital requirements and the Own Risk and Solvency Assessment

14. Communications for technical actuarial work that include stressed scenarios and use assumptions about the dependencies of risks shall:
    (a) explain any differences between the balance sheet being stressed and that prepared for prudential regulatory purposes;
    (b) describe any changes to the management actions assumed in the stressed scenarios from those assumed in preparing the balance sheet for prudential regulatory purposes; and
    (c) describe any changes between assumptions about the dependencies used in the stressed scenarios and those used for prudential regulatory purposes and if there are no changes explain why.

15. Communications for technical actuarial work that include projections shall:
    (a) describe how the projection period has been determined and how material time dependent risks have been allowed for; and
    (b) describe any material limitations of the projection methodology and how these have been addressed.

Insurance transformations

16. Unless set by the user, a third party or by regulation, assumptions used in technical actuarial work, shall place proper emphasis on how the insurance transformation affects the interests of all relevant parties. The extent to which account has been taken of the interests of different parties shall be documented.
Communications shall include sufficient actuarial information to enable users to understand how different classes of policyholders might be affected by an insurance transformation. The information provided shall include:

(a) how the different classes of policyholders have been defined;
(b) the impact on different classes of policyholders’ benefits of adopting the insurance transformation using the assumptions supporting the proposed basis and applying alternative material assumptions;
(c) the initial and potential future changes in the value of the benefits of the different classes of policyholders;
(d) any changes in the material risks to the benefits of the different classes of policyholders;
(e) any material changes to the cash flows to policyholders resulting from the insurance transformation; and
(f) any material advantages which might be gained by any classes of policyholders.

Audit and assurance

18. The initial scope of the technical actuarial work and the reasons for any variances from the initial scope shall be documented.

19. Technical actuarial work undertaken shall be planned and performed with professional scepticism recognising that circumstances may exist that cause the financial statements or prudential regulatory information to be materially misstated.

20. Communications shall state the nature and extent of any reliance on data prepared by another party and the conclusions of the technical actuarial work including any concerns on material deficiencies or limitations.

With-profits discretion

The following provisions support the principles of TAS 100 and apply to all technical actuarial work within the scope of TAS 200 concerning with-profits life insurance policies.

21. The work performed to confirm that the information needs of policyholders have been taken into account when reporting to them on the exercise of discretion shall be documented.

22. Communications advising or reporting on the exercise of discretion shall indicate the effects of the exercise of discretion proposed or taken on policyholders’ benefits, on amounts allocated to shareholders, if any, and on any with-profits estate affected.

23. Communications for work that requires projecting cash flows under alternative scenarios shall describe how any changes in the assumptions about the exercise of discretion in the alternative scenarios considered are consistent with the fair treatment of the policyholders affected.