

Board for Actuarial Standards

Applying the Insurance TAS Early Reports

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Financial Reporting Council

21 November 2011

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State of play November 2011

All TASs are now in force

All work within the scope of the Insurance TAS
now has to comply with:

- The Insurance TAS
- All Generic TASs (Data, Modelling, Reporting)

Transformations TAS (and generic TASs) applies
to :

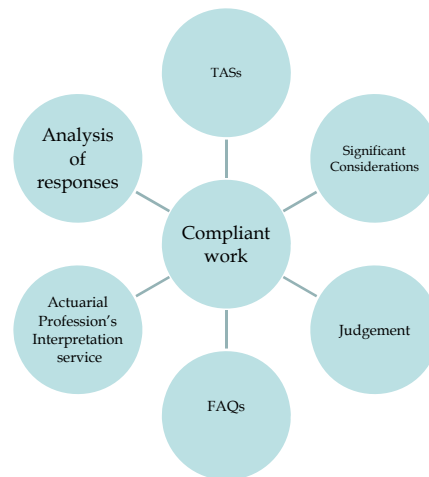
- Part VII transfers
- Schemes of arrangement

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Applying the TASs



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Initial impressions

A lot of the TASs are mainly about evidencing existing good work

TAS M introduces more rigour

More focused discussion with Board



Issues over terms:
Decisions
Materiality
Models

Compliance burden for small pieces of work

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Key Feedback for the BAS

Is the scope right?

Where is there lack of clarity?

Impact of Generic TASs?

Will additional work be transitional or long-term?

Compliance statements

Applying materiality and proportionality

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What's in or out of scope?



We don't want to encourage contortionism

Some judgement will be needed

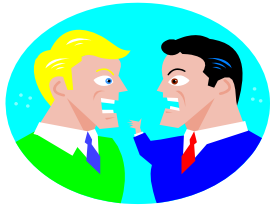
Judgements should be reasoned and justifiable

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Debating points on Insurance TAS Scope



Regulatory obligations?

Review work?

What is a pricing framework?

Management information/financial
projections?

What is "actuarial work"?

Other issues?

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Debating points on Insurance TAS Principles



Judgements?

How much is sufficient information?

Which assumptions are unrelated?

How to reconcile "reasonably
foreseeable events" with "low
probability".

How to document confirmation of
policyholders information needs?

Other issues?

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Impact of Generic TASs

Reporting questions

Provide detail but don't obscure...

Do we really need to comment on cash flows?

Projecting future results – what does this mean for insurance work?

Generally less concern about increase in workload than a year ago

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Impact of Generic TASs

Model questions

Stating the purpose of documentation

Use of boilerplate text

Fitness for purpose of pricing models – tests?

Producing models for others to use

Scope

Is it wide enough?

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Compliance burden

If it helps users, it's effort well spent

Use pre-existing materials as component reports

Use in-house manuals, minutes of meetings, presentations etc.

Using checklists is OK

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Compliance Statements Survey

TAS R paragraph C.3.11

An aggregate report shall:

- a) state which TASs apply to the work
- b) state any other TASs with which it is intended that the report shall comply
- c) state whether it complies
- d) Give particulars of any material departures

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Compliance Statements Survey

Work – with-profits actuary's Report to with-profits policyholders

Reserved work:

- TAS R applies to the Report
- TAS D applies to data used in the preparation of the Report
- TAS M applies to models used in the preparation of the Report for Reports completed on or after 1 April.

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Compliance Statements Survey

21 Reports reviewed

- 5 make no mention of TASs at all
- 5 make no mention of TASs but refer to *taking into account relevant rules and guidance issued by the BAS*
- 2 state compliance with TAS R alone
- 3 issued after 1 April state compliance with TASs R & D
- 3 issued before 1 April state compliance with TASs R & D
- 2 issued after 1 April state compliance with TASs R, D & M
- 1 issued after 1 April states compliance with TASs R and D but states that it doesn't comply with TAS M because *its asset share model has not been reviewed to check it complies*

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Debating points on compliance statements



Do they add value?

Are they material?

Should BAS provide a specimen?

Alternatives?

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Materiality and Proportionality

How to exercise judgement?

Which one over-rides?

Risk of non-compliance

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Impact assessments

Input wanted from practitioners and users

Comments with reasons please

What has changed due to TASs?

Has this been good / bad / indifferent?

Does work take longer?

Are your reports longer or shorter?

What feedback have you had from users?



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Responding to feedback

The BAS does not intend to revise structure at this time

Clamour for review appears to have died down

Many practitioners now say “don’t change”

Full consultation process will be needed

Unlikely to see any change before 2013

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Response mechanisms

Changes to standards / new standards

Answers to FAQs

Individual correspondence

Other suggestions?

Listening does not always mean acting

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How to contact BAS

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Questions

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