



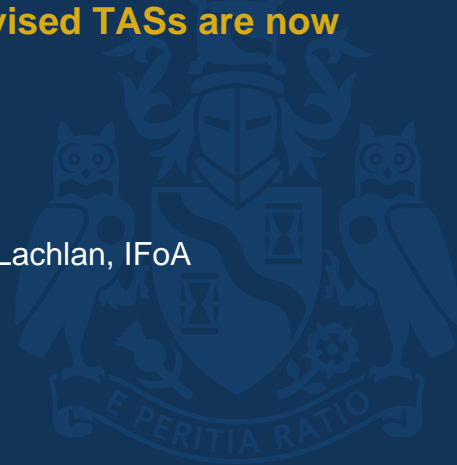
Institute
and Faculty
of Actuaries

Everything you need to know about Professional Regulation and How the Revised TASs are now Relevant for all Actuaries

RIP Conference 2017

Christine McConnell and Elena McLachlan, IFoA

June 2017



What's happening in 2017?

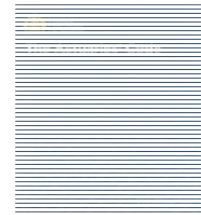
- Review of Actuaries' Code
- Review of Practising Certificates Regime
- APS X1 – the international standard
- QAS and international pilot
- Risk Alerts
- Professionalism Lecture Series 2017

FRC:

- New TASs
- To finish...TAS Case Studies

Review of the Actuaries' Code

- Follows 'light-touch' review of 2013
- Terms of reference include consideration of:
 - whether the Code remains fit for purpose in light of experience since 2009;
 - whether the Code appropriately reflects the international nature of the IFoA's membership; and
 - how the Code interacts and fits with the FRC's revised framework of technical standards.
- Full consultation expected late summer 2017
- Revised Code expected late 2017/early 2018
- Likely to come into force in 2018



3

What might change? Initial thinking...

- There might be more and/or reworded principles
- Hopefully a clearer structure
- Simplification of language
- Supporting Guide

...there will be a full consultation whatever is proposed.

4

The whole Practising Certificate Regime is under review.....

Terms of Reference include consideration of:-

- The purpose of the PC regime
- Classification of Certificates
- Criteria
- Process
- Attestations

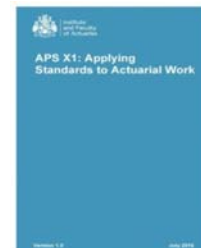
Watch this space!!!



5

APS X1

- New Actuarial Profession Standard
- Final version now published
- In force from 1 July 2017 (same time as new TASs), but early adoption encouraged
- Replaces the non-mandatory Standards Decision Tree
- Detailed guide (with case studies)



6

Quality Assurance Scheme - update

- 29 accredited organisations in just over a year, broadly representing:
 - Employers of almost 25% of IFoA's UK membership
 - Approx. 85% of UK Scheme Actuary Practising Certificate Holders
 - Mainly consultancies (both actuarial and multi-disciplinary).
- Further organisations in the process of applying.
- First annual returns being submitted from accredited organisations.

7

Quality Assurance Scheme – update cont.

- Some users of actuarial services are now requiring the QAS as part of their tender process – expect that to increase.
- Twice yearly SQAR Forums to share good practice between QAS accredited organisations - last one took place on 17 May.
- Currently developing plans for future development of the QAS including links with IFoA regulatory requirements such as CPD and Practising Certificates.
- Currently restricted to UK but plans to extend internationally – Pilot scheme in South East Asia now launched.



8

Risks

What are the risks to the public interest which arise from actuarial activity?



9

Risk Alerts

- Commutation Factors
- GI Reserving
- Ogden Rate Changes
- Climate Change



To come:

- Model Manipulation
- ????????????

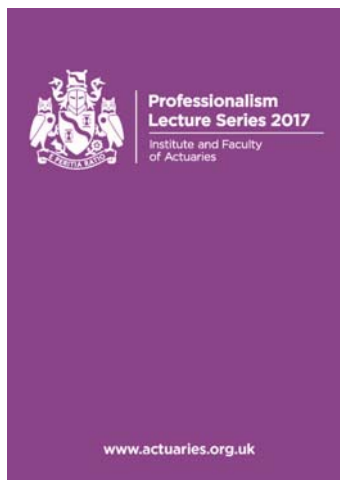
10

What other risks can you foresee?



 11

Professionalism Lecture Series 2017



Series of public and member events with a variety of speakers designed to promote awareness of the importance of professionalism, and the role of professionals, across the financial services industry.

 1
2

Keynote future events

6 June 2017 – Celtic Manor, Newport, Wales

The Professional Toolkit: A simple approach to managing and assessing culture in the workplace.

Plenary 2 session presented by Paul Harwood FIA during the IFoA Joint Risk, Investment and Pensions Conference.

11 October 2017 – London

A Professional Regulation Panel Discussion.

Chaired by Benny Higgins FIA – CEO Tesco Bank & Group Strategy Director. The Panel will include Lady (Susan) Rice CBE:

“Can professional regulation and organisational culture prepare us better for the next financial crisis?”

19 October 2017 – Edinburgh

Plenary session presented by Sir Win Bischoff, Chairman of the Financial Reporting Council, during the IFoA GIRO Conference.

18 January 2018 - London

Lecture by Lord Myners of Truro, CBE

Full details available later this year. Save the date!

13



Questions



Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.

14

IFoA Joint Risk, Investment & Pensions Conference 2017

The revised Technical Actuarial Standards

Simon Wasserman
7 June 2017



Financial Reporting Council

15

What I will cover

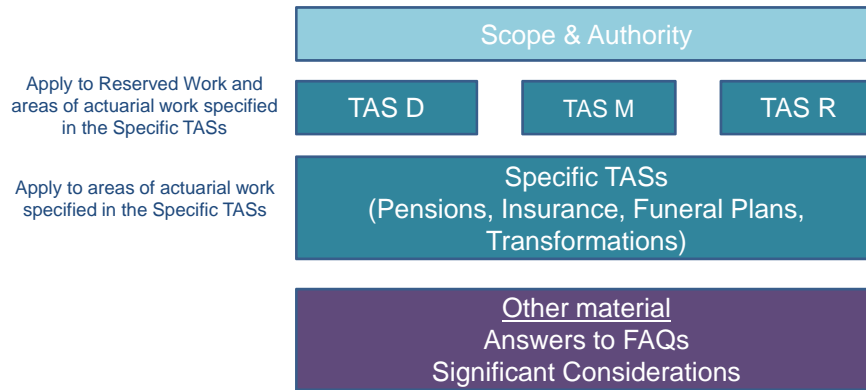
Framework and TAS 100
Specific TASs
Case studies



Financial Reporting Council

16

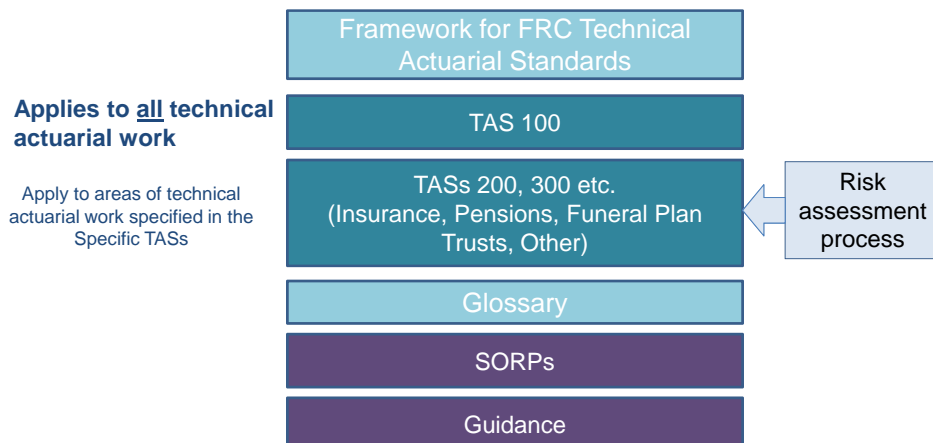
Current Technical Standards Framework



Financial Reporting Council

17

Revised Framework for TASs



Financial Reporting Council

18

Framework for FRC Technical Actuarial Standards

Historical context

FRC principles for development of codes, standards and guidance

Reliability Objective

Authority

Scope and Application

- Including Technical Actuarial Work and Geographic Scope



Financial Reporting Council

19

Reliability Objective

Users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information

Definition of Users: Those people whose decisions a communication is intended (at the time it is provided) to assist



Financial Reporting Council

20

Geographic Scope

Framework for FRC technical actuarial standards:

.....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

APS X1 sets out approach for work outside geographic scope



Financial Reporting Council

21

TAS 100

High-level outcome-focused principles

Judgement

Data

Assumptions

Modelling

Communications

Documentation



Supporting provisions

Applies to all technical actuarial work

Based on existing Generic TASs

No guidance



Financial Reporting Council

22

Definition of technical actuarial work

Technical actuarial work is work performed for a **user**:

- where the use of principles and/or techniques of actuarial science is central and which involves the exercise of judgement; or
- which the **user** may reasonably regard as technical actuarial work by virtue of the manner of its presentation.



Financial Reporting Council

23

Application

Departures (from provisions related to Communications)	Permitted if they are unlikely to have a material effect on the decisions of users.
Proportionality	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.
Compliance	Communications for <ul style="list-style-type: none"> • reserved work; • work in the scope of a Specific TAS; and • technical actuarial work which is central to a significant decision by the user.



Financial Reporting Council

24

The Principles

Judgement shall be exercised in a reasoned and justifiable manner; material judgements shall be communicated to users so that they are able to make informed decisions understanding the matters relevant to the actuarial information

Data used in technical actuarial work shall be appropriate for the purpose of that work so that users can rely on the resulting actuarial information



Financial Reporting Council

25

The Principles (2)

Assumptions used, or proposed for use, in technical actuarial work shall be appropriate for the purpose of that work so that users can rely on the resulting actuarial information

Models used in technical actuarial work shall be fit for purpose for which they are used and be subject to sufficient controls and testing so that users can rely on the resulting actuarial information



Financial Reporting Council

26

The Principles (3)

Communications shall be clear, comprehensive and comprehensible so that users are able to make informed decisions understanding the matters relevant to the actuarial information

Documentation shall contain enough detail for a technically competent person with no previous knowledge of the technical actuarial work to understand the matters involved and assess the judgements made



Financial Reporting Council

27

What's not in TAS 100

Valuation vs planning (TAS R C.3.7)

Cash flows (TAS R C.5.10)

Explanation of probabilities (TAS R C.5.13)

Projections (TAS R C.5.20)

Model parsimony (TAS M C.3.14)

Reproducibility of models (TAS M C.3.17)

Grouped data (TAS M C.4.9)

Data points (TAS M C.4.13)



Financial Reporting Council

28

Case Study – Technical Actuarial Work

You are presenting on investment strategies at a pensions conference. The audience includes a wide range of participants from the pensions industry. Your presentation includes the results of modelling assets and liabilities of a typical pension scheme under different investment strategies.

A week later you attend a Trustee Meeting of ABC Pension Scheme. You mention your recent research and share a “glossy” paper summarising the key points from your presentation.

A few weeks later the Chair of the Trustee Board asks you to do a presentation on the topic for the next Trustee Meeting.

When would TAS 100 apply?



Financial Reporting Council

29

Definition of technical actuarial work

Technical actuarial work is work performed for a **user**:

- where the use of principles and/or techniques of actuarial science is central and which involves the exercise of judgement; or
- which the **user** may reasonably regard as technical actuarial work by virtue of the manner of its presentation.



Financial Reporting Council

30

Specific TASs

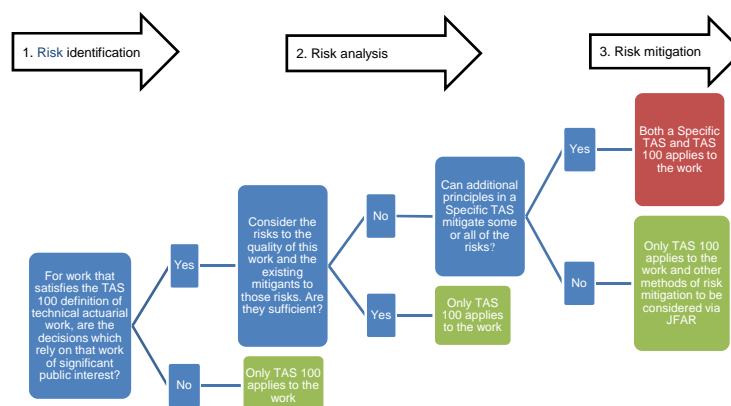
Three TASs	Pensions, Insurance and Funeral plan trusts – in future could be others Transformations provisions moved to pensions and insurance TASs
Scope	Work where there is a high degree of risk to the public interest – identified using risk assessment process
Provisions	Support TAS 100 principles Core and work-specific



Financial Reporting Council

31

Risk assessment process



Financial Reporting Council

32

Scope of TAS 200 compared with current Insurance TAS

Retained	New – Scope Clarified	Removed
Regulatory balance sheets and financial statements	ORSA risk modelling	Embedded values
Risk modelling for regulatory capital and ORSA	Extension of audit support	Pricing of individual contracts of significant risk to the insurer
Insurance Transformations		M&A work
Audit and Assurance		Commutations
Pricing frameworks		Lloyds reinsurance to close
Lloyds syndicates		Reviewable rate contracts
With-profits discretion		
General Insurance tax		

Note : All technical actuarial work subject to TAS 100



Financial Reporting Council

33

Scope of TAS 300 compared with current Pensions TAS

Retained	New	Removed
Funding/financing	Scheme modifications (employers)	Some Reserved Work eg PPF levy calculations
Factors	Bulk transfers (employers)	Directors' pensions disclosure
Incentive exercises		Financial statements
Scheme modifications (trustees)		
Bulk transfers (trustees)		
Section 75 calculations		

Note : All technical actuarial work subject to TAS 100



Financial Reporting Council

34

Scope of TAS 400 compared with current Funeral Plan Trusts TAS

TAS 400 covers the determination, calculation and verification of the assets and liabilities of a funeral plan trust required by legislation or the rules of the Funeral Planning Authority.

The content of TAS 400 is unchanged from the previous TAS and is fundamentally a reformatting of the previous TAS consistent with the other revised TASs.

Note : All technical actuarial work subject to TAS 100



Financial Reporting Council

35

Timescale



Scheme Funding exercises with effective dates on or before 1 October 2016 and completing after 1 July 2017 may comply with existing TASs



Financial Reporting Council

36

Case Study – External Models

In the course of your valuation work you use a proprietary modelling tool sourced from an independent external third party.

How would the TASs apply?

In future you will be changing to using modelling tool that has been developed by a specialist in house team.

How would the TASs apply?

You have decide to develop your own valuation tool and sell it to clients.

How would the TASs apply?



Financial Reporting Council

37

Next Steps

- Review work and decide is it Technical Actuarial work in scope of TAS 100?
- Does it fall within the scope of a specific TAS?
- What processes will need to change?
- TASs go live 1 July 2017



Financial Reporting Council

38

Presenters Contact Details:

s.wasserman@frc.org.uk

Link to revised TASs:

<https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Actuarial-Policy/Technical-Actuarial-Standards-2017.aspx>



Financial Reporting Council