

Board for Actuarial Standards

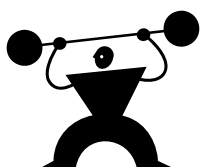
## The TASs in Practice

John Instance  
Financial Reporting Council

9 November 2010



## What is the BAS trying to achieve with its standards?



Raise the bar



The work not  
the worker



Focus on the  
users

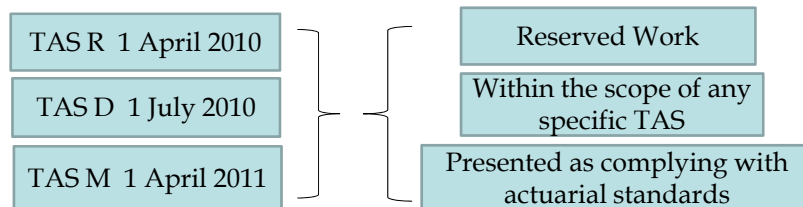
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## State of play today

Generic TASs apply to work for aggregate reports completed on or after



Specific TASs specify the work to which they will apply and take effect from various dates in 2011

Insurance TAS due to be published within the next week

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## Feedback to date

It's early days yet –most feedback from pensions practitioners:

No major changes required

Useful review of report standards

Promoting review of spreadsheet standards



Challenges in exercising judgement

Issues over terms:  
Actuarial work  
Decisions  
Materiality  
Proportionality

Team working and responsibility

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# Judgement



The evaluation of evidence in making a decision



The application of relevant training, knowledge and experience in making informed decisions about the courses of action that are appropriate in the circumstances

The Auditing Practices Board  
a part of the FRC

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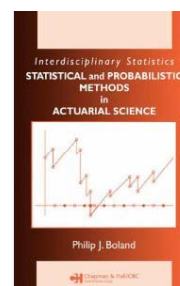


# Actuarial work



A matter of perception and common sense, based on the nature of the work, the way it is presented and the expectations of users.

The key test is whether it is reasonable for any of the intended users to expect the work to involve the application of actuarial techniques.



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# Materiality



Material information affects the decisions made by users

Principles apply to material matters

Immaterial departures from TASs are permitted

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# Team working and responsibility



Responsibility for compliance rests with the practitioner who asserts that the work is compliant

## Actuarial teams

- Agree who is responsible for compliance
- Ensure team members know what their responsibilities are for documentation and reporting

## Multi-disciplinary teams

- Agree who is responsible for actuarial work
- Treat inputs from non-actuaries as data
- Ensure actuarial team members know what their responsibilities are for documentation and reporting

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## Principles vs Rules



Judgement required

Part of the premium  
for actuarial input?

Use experience



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## Tick box or check list



There are 67 explicit principles in the  
Generic TASs D, M and R and in the  
Insurance TAS.

25 actually require no action.

Many are context specific.

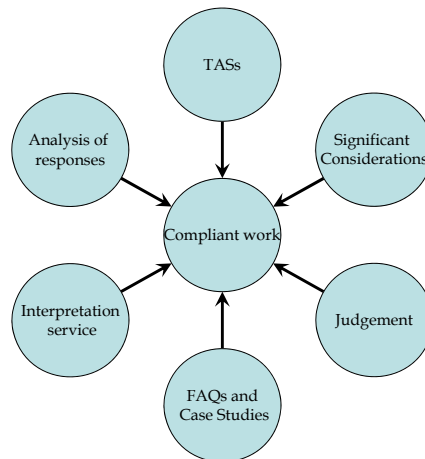
Some will be immaterial.

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## Applying the TASs



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## Impact of TAS R and TAS D

“The **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.”

We expect to see clearer reports focusing on the key words above, with fuller disclosure of relevant data issues.

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## Impact of TAS M



Documentation of assumption setting process  
Revisiting well established models  
Consistent standards of spreadsheet creation  
Interaction with Solvency II

Key requirements:  
Explain limitations and implications  
Document assumptions and checks



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## Insurance TAS

### Scope

- Reserved work
- Financial reporting
- Pricing frameworks
- Business reorganisations
- The exercise of discretion



### Main Principles

- Well derived assumptions – discount rates, claim rates, running costs, co-dependencies
- Explain changes from similar exercises
- Explain prudence
- Impact of discretion on policyholders

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## What's in or out of scope?



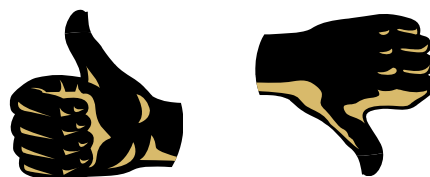
We don't want to encourage contortionism  
Some judgement will be needed

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## Feedback for the BAS



Obtaining feedback is a key part of our job:

How can we do this better?

One challenge for us is getting feedback from users

Comments with reasons are particularly welcome

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## Impact assessments

Input wanted from users and practitioners

What has changed due to TASs?

Has this been good / bad / indifferent?

How can we collect this data?



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## Questions

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