

The Accountant Profession
making financial sense of the future

CILA 2010
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Half Year reporting on the TAS regime

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How onerous will application of the TASs be?

- It depends...
- Generally, requirements are good practice, rather than best practice
- Some items are trivial
- Others should be straightforward if you have reasonable controls and documentation
- Some areas may require more substantial additional work and documentation

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Application to HY 2010 valuation report

- Valuation report for half year results produced by AFH to the Board would be expected to meet the definition of reserved work.
- Report must comply with TAS-R & TAS-D

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TAS- R Application

C.2.1 All aggregate reports relating to work within the scope of this standard shall comply with this standard.

C.2.6 Any material information that is conveyed in a non-permanent form shall be confirmed in a report.

C.2.8 Judgements concerning the application of this standard shall be exercised in a reasoned and justifiable manner.

- Sets out requirements for compliance
- Requirement that material information is documented

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TAS- R Relevance

C.3.3 An aggregate report shall state its purpose, its users and who commissioned the work. A component report shall state its purpose and to whom it is addressed.

C.3.7 An aggregate report that includes the results of calculations of monetary amounts shall explain for each result whether it is the outcome of a planning exercise, a valuation exercise or some other exercise.

C.3.11 An aggregate report shall state a) which TASs apply to the work carried out; b) any other TASs with which it is intended that the report shall comply; c) whether it complies with these TASs; and d) shall give particulars of any material departures from these TASs.

- To meet the relevance objective a number of simple statements are required by the TAS for aggregate and component reports
- Could be covered with a standard cover page

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TAS- R Relevance

C.3.1 An aggregate report shall include sufficient information to enable its users to judge its relevance to the decisions for which they use it.

C.3.13 An aggregate report shall indicate any material changes or events that are known by any person responsible for the aggregate report to have occurred since the effective date of the data and other information on which it is based.

- Requirements recognise that reports may be used for other purposes, and that data and circumstances may change before finalisation of the report.
- Report should include clear statements of purpose, limitations and timings
- Subsequent events may be allowed for in separate component reports – e.g. appendices to Board papers.

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TAS- R Transparency - Data

C.4.1 An aggregate report shall describe any data or any other information used, and state the source of the data or other information.

C.4.3 if there is any material uncertainty over the accuracy of the data, an aggregate report shall describe the uncertainty and explain any approach taken to the uncertainty in the calculations or in the results.

- TAS-D covers data, and for a valuation all data would need to comply
- The data used for a valuation would include:
 - Policy data
 - Asset data
 - ESG data
- Material data issues should be disclosed

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TAS- R Transparency – Assumptions and methods

C.4.4 An aggregate report shall state a) the material assumptions on which any calculations or judgements are based; and b) any differences between the assumptions used or recommended in different parts of the work.

C.4.6 An aggregate report shall describe the rationales for a) any material assumptions used or recommended; b) any differences between the assumptions used or recommended in different parts of the work; and c) the measures and methods used in any material calculations.

- Material assumptions and methods need to be documented
- If assumptions and methods are unchanged can refer to year end documentation
- Where there is a choice of method or assumption, or judgements are made these should be documented – including why these may differ between reporting bases

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TAS- R Completeness – Risks and uncertainty

C.5.1 An aggregate report shall include all material matters relating to the work being reported on.

C.5.2 An aggregate report shall indicate the nature and extent of any material uncertainty in the information it contains.

C.5.5 For each material risk or uncertainty faced by the entity in relation to the work being reported on, an aggregate report shall state the nature and significance of the risk and explain the approach taken to the risk.

- For a reserving exercise material risks are likely to relate to variations from assumptions made
- For key assumptions, sensitivities or analysis of impact of change in assumptions may be sufficient
- Actual versus expected analysis within an analysis of change will highlight impacts

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TAS- R Completeness – Calculations

C.5.8 For any material calculations that have been performed, an aggregate report shall explain the nature and objective of the calculations, any specific measures adopted and the methods used.

C.5.10 An aggregate report shall indicate the nature of any future cash flows being quantified, including their timing.

C.5.13 If an aggregate report includes probabilities it shall also explain the intended meaning of the probability and the nature of any statistics on which the probability is based.

- The report or set of reports need to cover the calculations made, including calculations made to set assumptions.
- Few half year reports would disclose cash flows. While there may be some disclosure in year end IFRS accounts this would need to be considered
- Note that C5.13 does not apply to assumptions

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TAS- R Completeness – Variability over time

C.5.17 An aggregate report shall include a comparison with an aggregate report which has previously been provided for a similar purpose with explanations of any differences. The comparison shall cover assumptions, results of calculations, recommendations and other material matters. The comparison of the results of calculations shall include a reconciliation of the two sets of results.

C.5.20 An aggregate report that includes the results of calculations that are performed at regular intervals shall indicate the projected results from future corresponding calculations.

- The first point would generally be covered by including prior year comparatives for reserves and material assumptions, as well as some form of analysis of change.
- Provision of projected reserves is not standard practice in valuation report and may not be available in all cases.

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TAS- R Comprehensibility

C.6.1 The style, structure and content of reports shall be suited to the skills, understanding, and levels of relevant technical knowledge of their users.

C.6.6 A report shall not include information that is not material if it obscures material information.

C.6.8 An aggregate report shall state the intended meaning of any material description which is not uniquely defined.

- Report should be clearly written, relevant to the users and well defined

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TAS- R Comprehensibility

C.6.4 *If a person responsible for a report becomes aware of any evidence of that report not being understood by any user they shall provide clarification or correct the misunderstanding. If a person responsible for part of a report becomes aware of any evidence of any part of that the report not being understood by any user they shall notify a person responsible for that other part of the report.*

C.6.10 *An aggregate report shall explain what the results of any material calculations are intended to represent.*

- The first point makes the AFH responsible for clarifying misunderstandings as he or she is made aware of them
- The second requires the report to explain the outcome of the exercise and to ensure that findings are not ambiguous

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TAS - D Documentation requirements

C4.1 *All documentation required by the standard shall: a) Contain enough detail for a technically competent person with no previous knowledge of the particular exercise for which the data is being used to understand the matters involved and assess the judgements made; b) Include a statement of the purpose of the documentation; and c) Be clear, unambiguous and complete for that purpose.*

C 5.3 *The definition of all items of data shall be documented*

- Documentation of data is required for a valuation exercise
- As noted before data is not just policy data
- May be onerous if no such documentation exists

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TAS - D Data validation

C5.6 *A set of checks shall be constructed and performed in order to determine the extent to which, taken overall, the data is sufficiently accurate, relevant and complete for the user to rely on the resulting actuarial information*

C5.7 *The checks that have been performed shall be documented*

- Data checking is considered good practice – and could cover:
 - Use of check totals
 - Spot checks
 - Testing back to external sources of data
- Testing must be formally documented

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TAS - D Incomplete or inaccurate data

C5.11 When data that is required is materially incomplete or inadequate, an assessment shall be made to determine whether the reliability of the data can be improved by adjusting or supplementing it.

C5.12 The documentation of, or action taken for, incomplete data shall be documented

- Unlikely that data in general is materially complete or inadequate
- If this is the case – possibly for group policies – adjustments and approximations should be documented

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Preparing for implementation

- Identify existing documentation
- Review total documents against requirements
- Develop checklists and/or cover sheets
- Complete rectification if required

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Questions

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