

Board for Actuarial Standards

# The Insurance TAS An Overview

John Instance  
Graham Finlay  
Financial Reporting Council

9 March & 20 April



## The FRC's aim

... is to promote confidence in  
corporate reporting and governance  
to foster investment



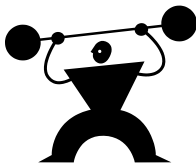
# BAS's Objective

“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 risk and uncertainty, relevant data issues and modelling limitations.



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



Define the bar



The work not the worker

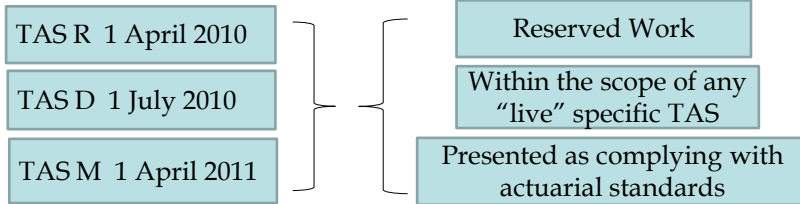


Focus on the users

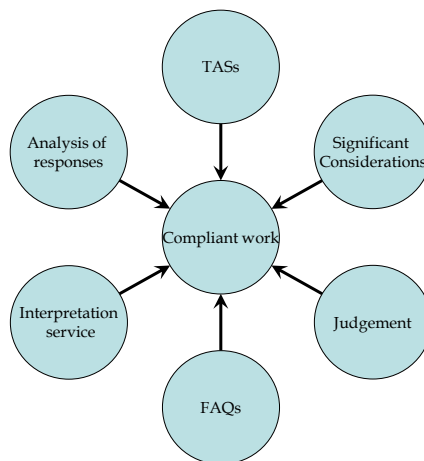


# State of play today

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



# Applying the TASs



## Insurance TAS: its purpose

Actuarial information provided to managers and the governing body of an insurer is relevant, comprehensible and sufficient to support decisions about the business and includes information on risk and uncertainty and, if those decisions affect policyholders' benefits, on the implications for policyholders.

Actuarial information provided to policyholders is relevant, comprehensible and sufficient for its purpose.

Calculations are carried out using measures, methods and assumptions which are fit for purpose and are performed correctly.

The key issues that affect the variability or discounted value of projected cash flows are taken into account and given the appropriate weight.

## Insurance TAS: what's in or out of scope?



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

# Work in scope

	Actuaries	Non – Actuaries
Actuarial work	Compliance required by Actuarial Profession	Compliance may be required by users or other bodies
Non-actuarial work	Not in scope (but may be good practice?)	Not in scope



# Insurance TAS - scope

**Geographic Scope**  
UK regulated entities



**Work Scope**  
Reserved work  
Actuarial work in:

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



# Insurance work – application of TAS principles

## Data

- What data is needed?
- What if there is insufficient data?
- What if the data is unreliable?
- Documentation and validation



## Reporting Principles

- Describe to users the data used.
- Explain to users what has been done about any material uncertainty.
- Indicate to users the nature and extent of the uncertainty on the results.



# Insurance work – application of TAS principles



## Modelling

- Ensure and check that models are fit for purpose.
- Documentation of checks.
- Documentation of data and assumptions.

## Reporting principles

- Explain model limitations and their implications.
- Explain changes and quantify their impact.



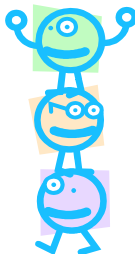
# Insurance work – application of TAS principles

## Reporting



- State the material assumptions, measures and methods and provide a rationale for their use.
- Indicate the relationship between any non-neutral estimates and a neutral estimate.
- Provide an indication of any uncertainty.
- State the nature and significance of each material risk relevant to the work.
- Indicate nature and timing of any future cash flows.
- Provide and explain comparatives.
- Provide projections.

# Team working and responsibility



All members of the Actuarial Profession must comply with the TASs for work within scope that they perform.

If you control the content of a report, you must ensure that the work complies.

# Team working and responsibility

## Actuarial teams

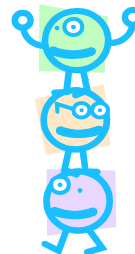
- Ensure everyone understands the actuarial work for which they have responsibility
- Ensure team members know what their responsibilities are for checking, documentation and reporting



# Team working and responsibility

## Multi-disciplinary teams

- Agree who is responsible for actuarial work
- May be able to treat some inputs from non-actuaries as data
- Ensure actuarial team members understands the actuarial work for which they have responsibility
- Ensure actuarial team members know what their responsibilities are for checking, documentation and reporting
- May have no control over onward transmission: can't make others comply





## Some other issues

Report detail	Reflect the knowledge and expertise of users
Materiality	Material information affects the decisions made by users Principles apply to material matters Immaterial departures from TASs are permitted
Proportionality	Work should be proportionate to the scope of the decision to which it relates.
Reporting	Component report allows reference to in-house standards and minutes of meetings



### Contacts:

[j.instance@frc.org.uk](mailto:j.instance@frc.org.uk)

tel: 020 7492 2497

[g.finlay@frc.org.uk](mailto:g.finlay@frc.org.uk)

tel: 020 7492 2495

[www.frc.org.uk/bas](http://www.frc.org.uk/bas)

