

The TASs – Where are they taking the reserving process?

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Agenda

- TASs: the big picture
- TAS R, TAS D, TAS M and the Insurance TAS: how will they affect reserving?



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Reliability 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.”

Spirit

“TASs are intended to assist in the achievement of the Reliability Objective. In applying TASs, it is important to be guided by the spirit and reasoning behind them, as well as following any detailed rules.”

Scope & Authority paragraph 20



TASs

- Address work that is done, rather than the people doing the work
- Expect those complying with them to exercise judgement
- Stand on their own, without relying on regulation
- Sometimes state the obvious



TAS Commencement

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

TAS R	1 April 2010
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TAS D	1 July 2010
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TAS M	1 April 2011
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And to work that is

Reserved Work

Within the scope of any Specific TAS

Presented as complying with actuarial standards

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TAS R: how it works

Users should have the right information on which to base their decisions

Aggregate report	Must comply with standard Consists of one or more CRs (needn't be a single formal document)
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Component report	Contributes towards compliance
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Insurance TAS: proposed scope

- C.1.2 Reserved work – providing an opinion on technical provisions of a Lloyd's syndicate writing GI business
- C.1.5 Actuarial work performed in connection with financial statements that are intended to give a true and fair view
- C.1.7 Actuarial work performed to enable an insurer to fulfil its obligations to its regulators and to the tax authorities.
- C.1.8 This work includes:
 - determining an insurer's technical provisions
 - providing confirmation for tax regulations
 - providing information for regulatory capital assessments

Generic TASs apply to all work in scope

Insurance TAS: proposed scope

- C.1.12 Actuarial work for an auditor to support their opinion on an insurer's regulatory returns
- C.1.16 Actuarial work supporting the production of financial projections for an insurer's business planning
- C.1.17 Actuarial work supporting the production of management information used to monitor an insurer's business performance
- C.1.20 Actuarial work concerning an intended sale or purchase of an insurer, or of a block of insurance business, or a commutation or a capital raising exercise
- C.1.24 Actuarial work supporting the determination of the premium for reinsurance to close of a Lloyd's syndicate

Generic TASs apply to all work in scope

Question

- Does the wording work?
- Judgement will be required
 - Would more examples help?
 - Can you supply examples?
 - Where are the grey areas (with reasons)?

What would compliance involve?

- Comply with TAS R, TAS M, TAS D, Insurance TAS
- Assumptions
 - Appropriate
 - Based on sufficient relevant information
 - No compensation
 - Explain discount rates
 - Separate assumptions about base claim rates and future changes
 - Allow for high impact low probability events
- Reporting, documentation

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Reporting to users

State the purpose and the intended user(s)	R
Describe data and state its source	
Describe uncertainty in data and explain the approach taken	
State the assumptions and explain rationale	
Explain and rationalise calculations	
Indicate nature and extent of uncertainty in reserve estimates	
State what might cause the reserves to be inadequate	
Indicate nature and timing of cash flows	
Compare assumptions and reconcile with previous results	
Project expected reserve development	
Compliance statement	

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Reporting to users - contd

Explain rationale for data grouping	M
Explain the limitations of any models used	
Explain how models meet the users needs, limitations	
Explain the rationale for a changed approach	Ins
Sensitivity testing to indicate uncertainty	
Material changes in running costs /implications	
Stressed scenario impact on co-dependencies	

Documentation for practitioners

Data definitions	D
Data checks that have been performed	
Treatment of incomplete or inaccurate data	
Why model is satisfactory representation	M
Model checks performed (for fitness for purpose)	
Data used (and removed), and any grouping	
Assumptions	
Explain how claim severity and frequency modelled	Ins

Key points

- No formal report required
 - No single report containing all information required – except Lloyd's SAO
 - Could have standard description and report by exception
 - Level of detail depends on user
- Documentation can take many forms
 - Including electronic files (eg spreadsheets)
 - Could have standard description and document by exception

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Insurance TAS: timetable

- ED consultation closes 16 July 2010
- Final TAS expected 4Q 2010
- Proposed commencement date 1 April 2011
- Please respond to the consultation!
 - Give reasons for your views
 - Suggest alternative ways of achieving goal

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