



The Actuarial Profession

making financial sense of the future

Consultation response

Board for Actuarial Standards

Technical Actuarial Standard –
Modelling (TAS M)

March 2010

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Technical Actuarial Standard - Modelling (TAS M)

The Profession welcomes the opportunity to respond to the revised exposure draft of TAS M. In this letter we offer some high level comments for the Board's consideration and, as we have done previously, we shall write directly to you with more detailed points. I apologise for the delay in submitting these comments the background to which we discussed earlier this month.

We welcome the revised TAS and note that helpful changes have been made to the earlier exposure draft. Our high level concerns, which are interlinked, rest on three points.

Date of Commencement. In the insurance industry, the proposed date of commencement of 1 January 2011 will require all models to be used for reports with year end 31 December 2010 to meet TAS-M requirements. As you may anticipate this will require considerable time and effort in reviewing documentation, expanding it where required and in some cases rewriting of old models. The work involved in this especially over such a tight timescale is severe and the burden in terms of cost will ultimately fall on the users of actuarial services.

We believe therefore that the BAS should seek the views of users expressly on this issue before confirming the commencement date. In particular we note that in the insurance field it is normally the firms which make the decisions and that all models which are used for statutory purposes must be audited. We consider that a pragmatic approach to commencement would be appreciated by users of these services.

The effect of Solvency II. As the Board will be aware the insurance industry is working hard to prepare for Solvency II the advent of which will mean that the work undertaken now to conform models to TAS_M requirements will be nugatory. Again this causes us to suggest that the Board consider the appropriateness on introduction from 1 January 2011.

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The Date of Application. The Board will be aware that in the pensions industry, many reports e.g. annual Actuarial Reports issued post 1 January 2011, will be built upon triennial valuations issued in 2008 or 2009 based upon data and modelling from 2008. Applying the TAS based upon when the (follow up) advice is issued rather than when the work was originally undertaken gives the TAS a retrospective affect. This will have significant cost implications which will fall on the user of the actuarial services.

We hope the above is helpful and look forward to supporting you in the introduction of TAS M.

Yours sincerely

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on behalf of the Actuarial Profession

Please reply to Maclaurin House, Edinburgh