Current issues at the BAS
Louise Pryor

Agenda

- TAS R has been issued
- TAS D and TAS M are expected before year end
- CP on insurance has been issued
  - Consultation closes on 20 November 2009

The new TASs

Generic standards:
Cover all Reserved Work and work covered by Specific TASs

Specific standards:
Targeted at specific areas, scope will be specified

Scope & Authority

<table>
<thead>
<tr>
<th>Data</th>
<th>Modelling</th>
<th>Reporting</th>
</tr>
</thead>
</table>

Pensions

??????

Insurance

??????

Financial reporting

??????

Pre-paid funeral plans

??????

Business rearrangements

??????
Current timetable

<table>
<thead>
<tr>
<th>Consultation Paper</th>
<th>Exposure Draft</th>
<th>TAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q09</td>
<td>Pensions</td>
<td>Data Modelling</td>
</tr>
<tr>
<td>2Q09</td>
<td>Insurance</td>
<td>Reporting</td>
</tr>
<tr>
<td>3Q09</td>
<td>Bus. Rearrangements Accounting</td>
<td>Data Modelling</td>
</tr>
<tr>
<td>1Q10</td>
<td>Pensions, Insurance</td>
<td>Accounting</td>
</tr>
<tr>
<td>2Q10</td>
<td>Bus. Rearrangements Accounting</td>
<td></td>
</tr>
<tr>
<td>3Q10</td>
<td>Pensions, Insurance</td>
<td>Accounting</td>
</tr>
<tr>
<td>4Q10</td>
<td>Bus. Rearrangements Accounting</td>
<td></td>
</tr>
</tbody>
</table>

Pre-paid funeral plans TAS scheduled for early 2011

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."

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TAS R: purpose

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Comprehensive</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant</td>
<td>Clear</td>
<td>Complete</td>
</tr>
</tbody>
</table>

Users should understand implications of the contents of a report

---

TAS R: how it works

<table>
<thead>
<tr>
<th>Aggregate report (AR)</th>
<th>Must comply with standard</th>
<th>Consists of one or more CRs – needn’t be a single formal document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component report (CR)</td>
<td>Contributes towards compliance</td>
<td></td>
</tr>
<tr>
<td>Proportionality</td>
<td>Balance benefits and costs</td>
<td></td>
</tr>
</tbody>
</table>

Effective for aggregate reports completed from April 2010 onwards

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TAS R: relevance and comprehensibility

<table>
<thead>
<tr>
<th>Users’ needs</th>
<th>Understandable to users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptions</td>
<td>Include description of terms such as “best estimate”</td>
</tr>
<tr>
<td>Obscuring material information</td>
<td>Do not include immaterial information which reduces clarity</td>
</tr>
</tbody>
</table>
TAS R: completeness

<table>
<thead>
<tr>
<th>Uncertainty</th>
<th>Provide an indication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks</td>
<td>Nature/significance of risks</td>
</tr>
<tr>
<td>Cash flows</td>
<td>Provide an indication</td>
</tr>
</tbody>
</table>

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TAS D: purpose

Users should understand how the data and its shortcomings affect the results
### TAS D: Principles

<table>
<thead>
<tr>
<th>Data requirements</th>
<th>Assess for each exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validation</td>
<td>Proper checks</td>
</tr>
<tr>
<td>Adjusting data</td>
<td>When data incomplete/inaccurate adjust or supplement</td>
</tr>
<tr>
<td>Documentation</td>
<td>Document checks definitions, judgements</td>
</tr>
</tbody>
</table>

### TAS M: purpose

- **Purpose**
  - Design
  - Inputs
  - Checks
  - Limitations
  - Documentation
  - Reporting
  
  Users should understand how the models meet their needs and how the limitations affect the results

### TAS M: principles

<table>
<thead>
<tr>
<th>Design</th>
<th>Model relevant phenomena Do not overcomplicate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checks</td>
<td>Construct set of checks</td>
</tr>
<tr>
<td>Limitations</td>
<td>Explain limitations and implications</td>
</tr>
<tr>
<td>Documentation</td>
<td>Document assumptions, checks, judgements</td>
</tr>
</tbody>
</table>
Agenda

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CP on insurance

- A single CP for both life and non-life
  - Should we have a single TAS?

Insurance TAS: probably in scope

- Insurance liabilities for reporting purposes
- EVs for financial statements
- Regulatory capital requirements
- Exercise of discretion by insurers
- Information (not decisions) for pricing and planning
- ALM
- Opining on underwriting and reinsurance
- Reinsurance to close
**Insurance TAS: possibly in scope**

- Other capital work
- M&A work
- Performance related pay
- Information for risk committees
- Information for 1 party in transactions where independent expert involved
- Other Reserved Work

**Insurance TAS: questions**

- Scope
- What should be done about poor data?
- What should be done about cycle effects?
- Explicit allowance for extreme events
- Explicit allowance for different tail co-dependencies
- Quantification of margins for prudence

**What have we left out?**