

# Financial Reporting Council Update

## *Technical Actuarial Standards Framework Review*

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CILA 2016 - 5 May 2016



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# Agenda

1. Background
2. Consultation Feedback : Framework and TAS 100
3. Consultation : Specific TASs
4. International Model Standards

# Background



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# History

## Establishment of FRC actuarial responsibilities



## Publication of current FRC TAS Framework



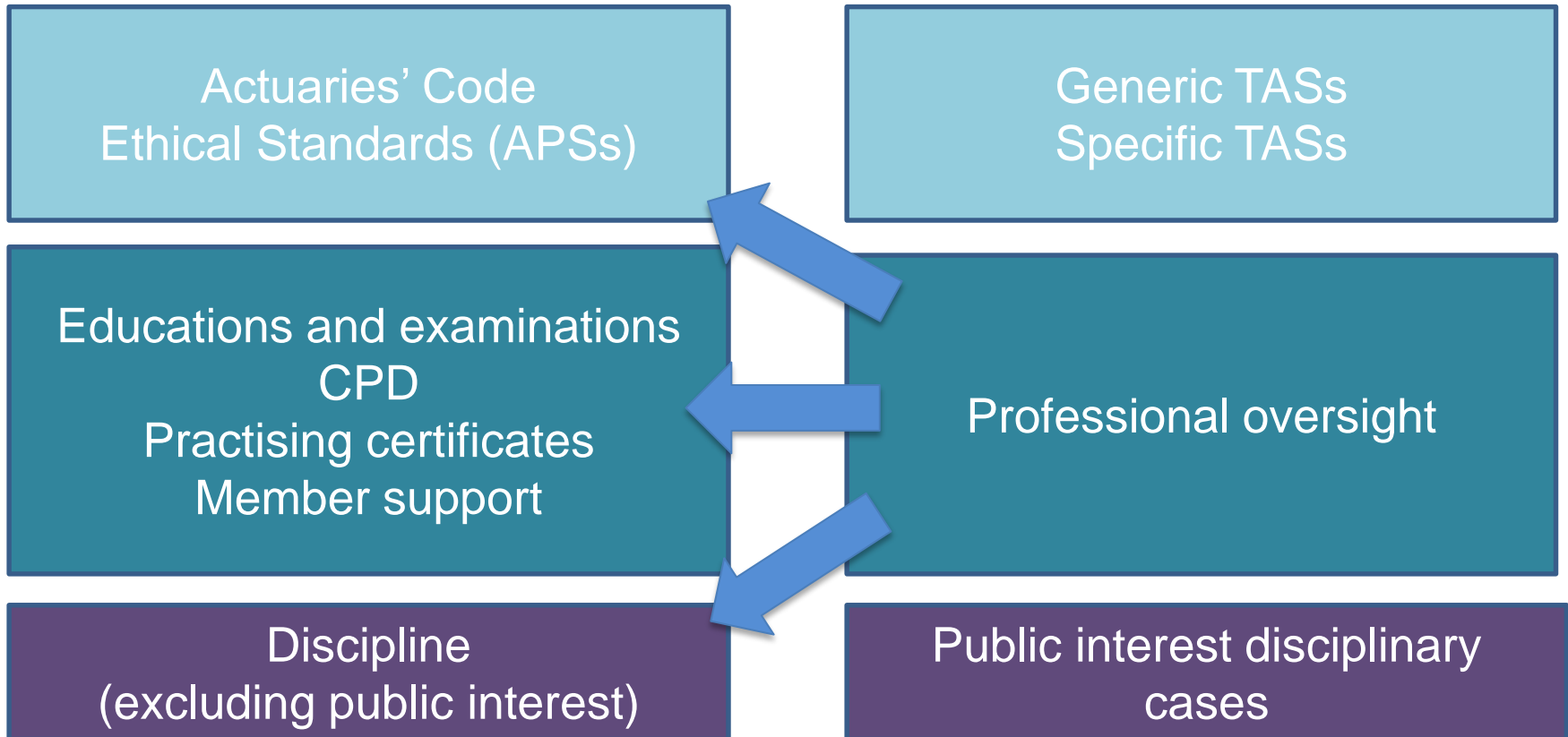
## Review of the TAS framework

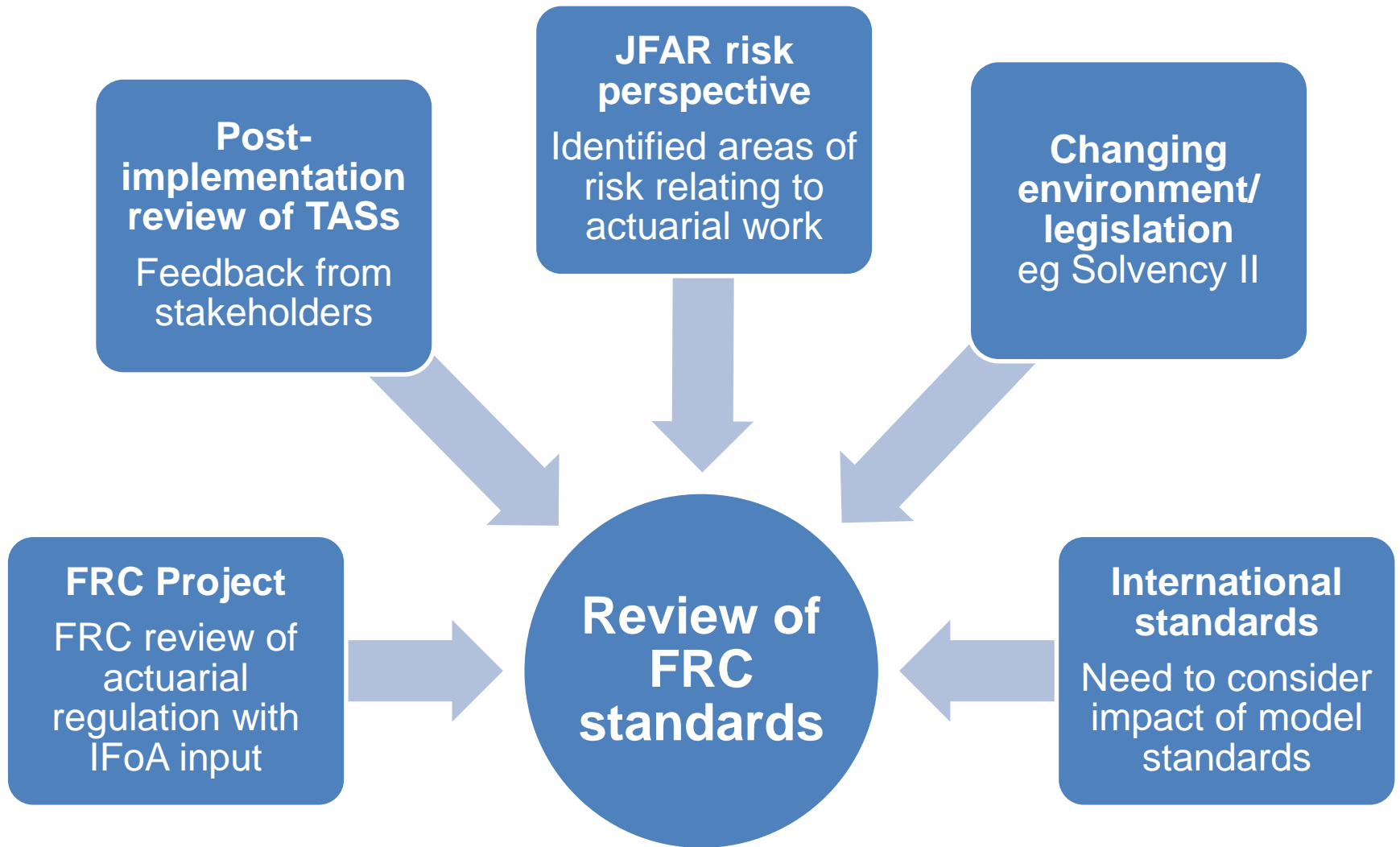


# Actuarial Regulation Today

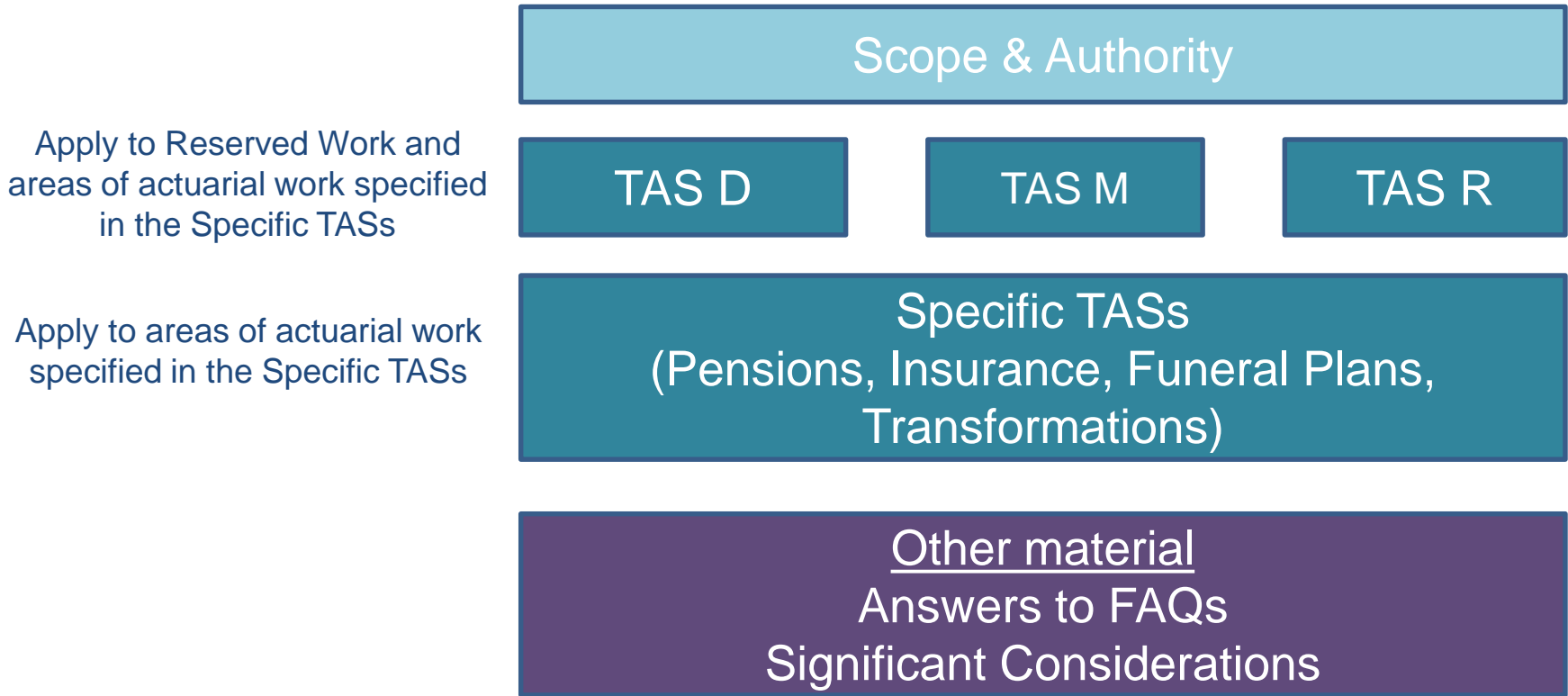
IFoA

FRC





# Current Framework



# Consultation Feedback : Framework and TAS 100

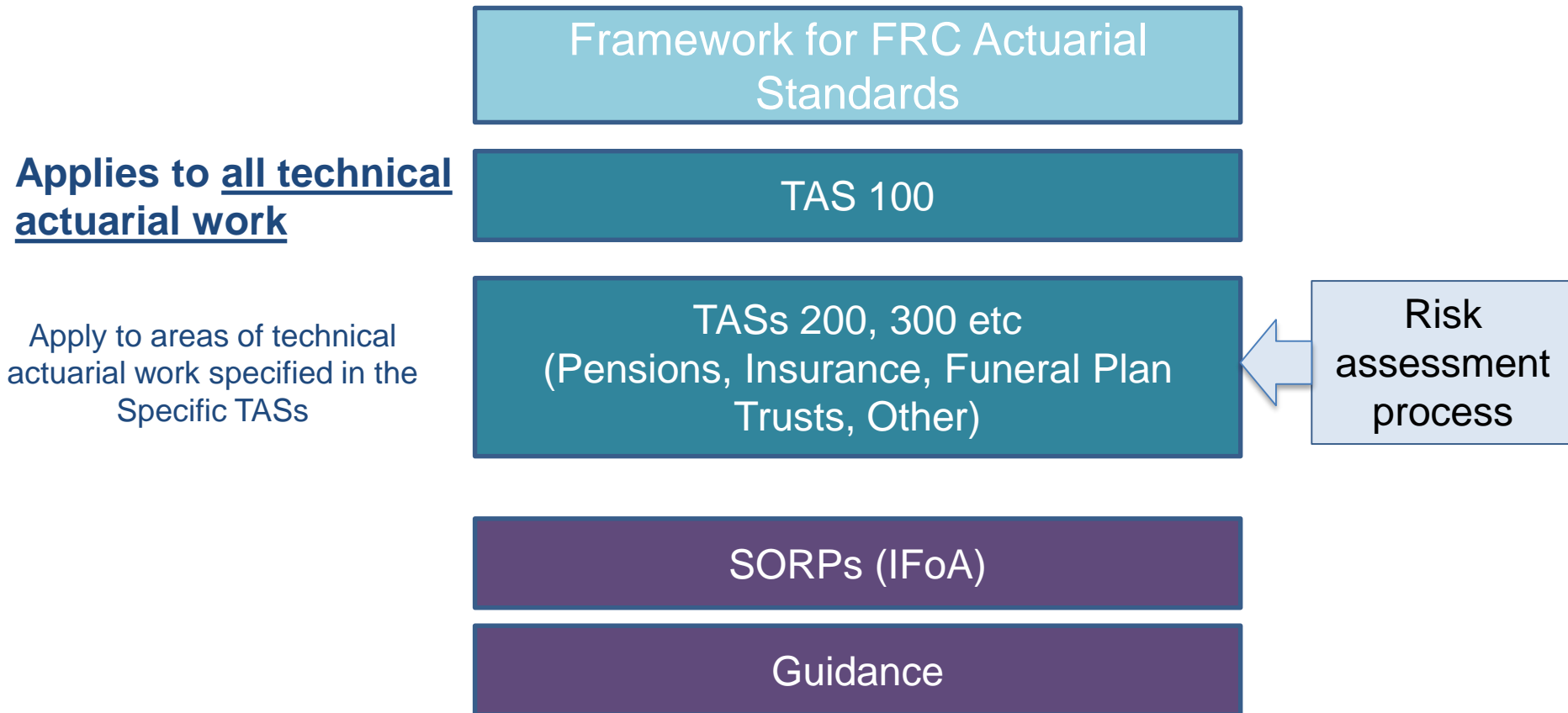


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# Proposed Framework

November 2014 consultation



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# Benefits of Revised Framework

<b>Users</b>	<b>Practitioners</b>
Minimum standard for <u>all</u> technical actuarial work	Simpler framework – maximum of 2 TASs apply instead of 5
Higher bar for high public interest work	Shorter – Clear and Concise: TAS 100: 4 pages Generic TASs > 30 pages
Standards “future-proofed” for new areas of work	Principles-based => judgement rather than a “tick-box”



# Framework for FRC Actuarial Standards

Historical context

FRC principles for development of codes, standards and guidance

Scope and Application

Authority

*Reliability Objective: 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 100

High-level outcome-focused principles

Judgement

Data

Assumptions

Modelling

Communications

Documentation



Supporting provisions

**Applies to all technical actuarial work**

**Based on existing Generic TASs**

**No guidance**



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# Definition of technical actuarial work

**Technical actuarial work** is work performed for a **user**:

- where the use of principles and/or techniques of actuarial science is central and which involves the exercise of judgement; or
- which the **user** may reasonably regard as technical actuarial work by virtue of the manner of its presentation.



# Feedback to consultation

Feedback	Response
Supportive of simpler structure	
Two stage implementation of TAS 100 and Specific TASs too onerous	Implementation of TAS 100 deferred to coincide with Specific TASs
Scope of TAS 100 too wide <ul style="list-style-type: none"> <li>▪ Will increase costs</li> <li>▪ Unlevel playing field for actuaries</li> </ul>	Amended TAS 100 so that it's not too onerous: <ul style="list-style-type: none"> <li>▪ Materiality/proportionality provisions</li> <li>▪ Compliance statement</li> </ul> Actuarial standards are expected by user as part of our overall professionalism and may provide actuaries with a competitive advantage
Guidance needed to support actuaries in interpreting TAS 100	IFoA set up a working party of practitioners to determine level of guidance required



# Consultation : Specific TAS



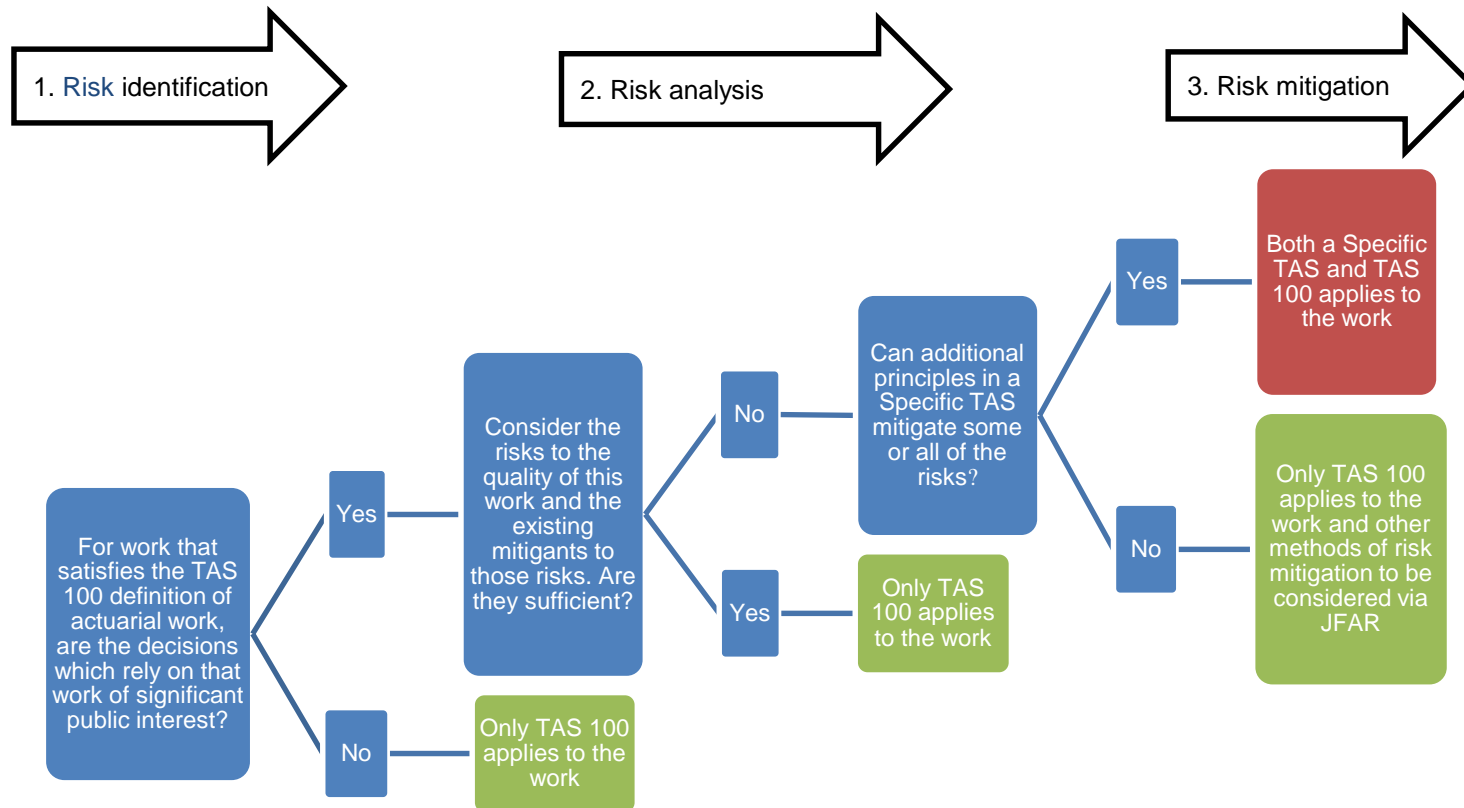
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# Specific TASs

<b>Three TASs</b>	Pensions, Insurance and Funeral plan trusts – in future could be others
<b>Scope</b>	Work where there is a high degree of public interest – identified using new risk assessment
<b>Provisions</b>	Support six TAS 100 principles
<b>Design principles</b>	Eg risk based, no duplication with other regulation



# Risk assessment process



# Scope of Specific TASs

Insurance	Pensions	Funeral Plans
<b>New areas of technical actuarial work</b>		
ORSA risk modelling Extension of audit support	None	None
<b>Removed from scope of specific TAS – covered by TAS 100</b>		
Embedded values Pricing of individual risks M&A work Commutations Lloyds reinsurance to close Reviewable rate contracts	Some Reserved Work eg PPF levy Directors' pensions disclosure Financial statements Sponsor advice	None

**Note : All work now subject to TAS 100**



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# Timescale



# International Model Standards



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# International Model Standards

International Actuarial Association (IAA)

Regional actuarial associations including IFoA but not FRC

Standard	Effective date
ISAP 1 – General actuarial practice	October 2012
ISAP 1 A – Governance of Models	<i>April 2017</i>
ISAP 2 – Financial Analysis of Social Security Programs	October 2013
ISAP 3 – IAS 19 Employee Benefits	April 2015
ISAP 4 – IFRS x Insurance Contracts	<i>April 2019</i>
ISAP 5 and ISAP 6 – Enterprise risk management	<i>April 2017</i>
ISAP 7 – “Current estimates” and other matters in relation to the IAIS capital standards	<i>June 2018</i>

European Actuarial Association (EAA)

European actuarial associations including IFoA but not FRC

Standard	Effective date
ESAP 1 – General actuarial practice	December 2014
ESAP 2 – Actuarial Function Report	February 2016
ESAP 3 – Actuarial Practice in relation to the ORSA process under SII	<i>Q3 2017</i>
<b>Possible future ESAPs</b>	
ESAP 4 – The role of the Actuarial Function in contributing to the Risk Management system under SII	
ESAP 5 – Independent review by actuaries in the context of SII	
ESAP 6 – Governance of models based on ISAP1A	
ESAP 7 & 8 – Actuarial Function Reporting for IORPs : Risk Reporting for IORPs	



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# Questions ?

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