

FRC Post Implementation Review - Technical Actuarial Standards (TAS)

February 2021: Call for Feedback

1. Please provide your name (note that anonymous responses will not be accepted).

2. Are you responding as an individual or on behalf of an organisation? If so, please list:

On behalf of Willis Towers Watson (Retirement Practice)

3. Please provide your email address so we can validate your response is legitimate. (The responses to this survey are being collected and processed by the FRC in order to inform certain aspects of the Actuarial Policy Team's work. The FRC will process any personal data provided by you in accordance with the General Data Protection Regulation and the Data Protection Act 2018. More information about how we handle the personal data of stakeholders is contained in the privacy notice on the FRC website).

4. Do you request confidentiality of your response?

Yes

No

5. To what extent have the TASs been effective in supporting high quality technical actuarial work?

Within our organisation, where the vast majority of actuarial work is carried out by Members of the IFoA, we consider the TASs reflect and are consistent with the standards that have been practised for many years. We have less evidence as to how effective they have been in respect of actuarial work carried out by non-IFoA members.

6. What aspects of the TASs have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.

We are not aware of any material difficulties caused by the TASs.

7.[For users of technical actuarial work] Have the TASs been effective in ensuring the quality and clarity of the actuarial information you receive is reliable to any decisions that you take based on that information?

N/A

8.Are there any aspects of the TASs that do not help to ensure the quality of actuarial information? Please explain your response with examples of where this has been an issue.

The introductory scope states that “Technical actuarial work is not limited to work undertaken by an actuary” and this leads to questions over the scope of the TASs.

The fact that the TASs are not mandatory for non-IFoA members means that there are in theory two levels of standards that could apply to actuarial information, which could cause confusion for its users; can the users rely upon work produced under each level in the same way?

For example in our view there are four types of work:

- 1) Reserved work that can only be performed by an actuary – therefore TASs apply.
- 2) Non-reserved actuarial work, typically but not exclusively carried out by actuaries – currently the TASs must be applied where this is carried out by IFoA members, but the TASs are non-mandatory for non-members.
- 3) Other Modelling work that could be performed by an actuary or any other modelling professional. Clients wouldn’t necessarily see this as actuarial work (eg climate scenarios). Firms may choose to apply TAS because it represents a best practice model, but can do so flexibly/proportionately and can recognise other standards that could or might have to apply (eg PRA requirements).
- 4) Work that is clearly not actuarial or modelling work, but may be performed by people with an actuarial qualification. Currently TAS might be argued to apply, but is this necessary?

Should a current review of the TASs reconsider the mandatory application of the TASs in categories 2, 3 and 4 above?

9.Is TAS 100 of sufficient detail to enable you to have a clear understanding of what is required in order to comply with this TAS? Are there areas of guidance which are vital to your understanding to the TASs?

Given the deliberate adoption of a principles-based approach, we consider that the level of detail provided in TAS 100 is appropriate.

10.[For users of technical actuarial work] Are there any areas where you would welcome further standards; in particular, new areas where an increasing number of actuaries are performing technical actuarial work?

N/A

11.Do you foresee any issues with the TASs being reviewed and updated in a staggered approach?

No, as long as the FRC ensures that any inconsistencies are addressed as a transitional arrangement.

12.Are there specific considerations or factors that actuaries should take into account when making professional judgements?

It is difficult to codify such considerations and factors and, in our view, this is not necessary within a principles-based framework.

13.Does TAS 100 currently give sufficient direction on the nature of professional judgement and what it involves?

TAS 100 is a principles-based approach and therefore we consider it is appropriate for it to be quite light in terms of content relating to exercising professional judgement. We note that there are other safeguards including the Work Review requirements of APS X2 and the CPD scheme, which help to uphold professionalism generally.

14.[For users of technical actuarial work] In making your decisions based on the actuarial information requested, how much reliance do you place on the professional judgement made which resulted in the actuarial information, and has there been sufficient clarity of how these judgments are arrived at?

N/A

15.How has TAS 100 supported you in determining whether a model is fit for purpose?

We think it is important to document a model in order that its fitness for purpose can be independently assessed. The requirement for proportionate

documentation relating to a model (in Section 4) supports this aim and should be retained.

16. How have changes in modelling techniques in recent years impacted on your models used in technical actuarial work? What changes should be made to TAS 100 to reflect these developments?

In our view the high-level principles set out in TAS 100 (in conjunction with the proportionality statement) are adequate and appropriate to cover current modelling techniques typically in use.

17. How has TAS 100 supported you in determining whether sufficient controls and testing is in place for the models used in technical actuarial work?

The requirement to document the testing that has been carried out is important and helps ensure the model contributes to the Reliability objective.

18. How are recent or anticipated changes in modelling techniques, or other influences, changing the nature of model governance and validation? What changes should be made to TAS 100 to reflect these?

See 16 above – in our view, no change is required as yet. As models become more complex, the proportionality and materiality provisions become more important, to ensure clear communication with our clients.

19. [For users of technical actuarial work] How are recent or anticipated changes in modelling techniques affecting the communication of a) methods and measures used in the technical actuarial work and b) significant limitations to the models?

N/A

20. Do you consider standardising the wording of the statement of TAS compliance would lead to better clarity on the quality of the work provided? Please provide rationale for your view.

Standardising the wording risks use of the statement without due consideration of the context of the work. Whilst a bespoke statement is more time-consuming, it demonstrates that it is not just a default statement and that the actuary has considered the context of the advice.

21.As an actuary completing a work review as defined in APSX2, or as a user of technical actuarial work, is the evidence supporting the statement of TAS compliance clear and accessible, and how important is it to have this evidence available to you?

Yes; it is important.

22.Have there been circumstances where you have experienced issues with making a statement of compliance with TAS 100? Please can you provide examples of such.

The ability to take a proportionate approach addresses this potential issue.

23.Should ISAP 4 be adopted by the FRC? Please provide your rationale supporting your view.

24.If ISAP 4 is adopted as a UK standard, are there either additions or deletions that we should consider to ensure that it best reflects UK conditions?

You can print a copy of your answer after you submit