



Financial Reporting Council

TAS 100 Guidance

Technical Actuarial Work and Geographic Scope – Exposure Draft

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1 Introduction

Purpose

1.1 Paragraph 1.3 of Technical Actuarial Standard 100 (TAS 100) states the following:

TASs promote high quality **technical actuarial work**, supporting the **reliability objective**:

To allow the **intended user** to place a high degree of reliance on **actuarial information**, practitioners **must** ensure the **actuarial information**, including the communication of any inherent uncertainty, is relevant, based on transparent assumptions, complete and comprehensible.

1.2 Therefore, practitioners are strongly encouraged to adopt a default position of compliance with TAS 100 whenever carrying out work that could potentially fall within its scope.

1.3 Further, all members of the IFoA are required (by paragraph 2.1 of APS X1) to ensure that their work is substantially consistent with ISAP1¹. The framework of standards applying to members of the IFoA, including TAS 100, are substantially consistent with ISAP1, meaning that adopting a default position of compliance with TAS 100 will support compliance with the requirement of paragraph 2.1 of APS X1.

1.4 Where the practitioner perceives a need to determine whether a piece of work is in scope of TAS 100, this guidance is intended to assist the practitioner in making this determination.

1.5 As well as considering whether a piece of work is in scope of TAS 100, practitioners are reminded to consider the requirements of the Actuaries Code² when carrying out a piece of work.

1.6 Paragraph 1.4 of TAS 100 sets out the conditions under which TAS 100 must be applied:

TAS 100 **must** be applied by all IFoA members carrying out **technical actuarial work** within the **geographic scope**. Wider adoption is encouraged and other relevant regulators and contracting parties may require entities and individuals who are not members of the IFoA to comply with TAS 100.

1.7 To determine whether a piece of work falls within the scope of TAS 100, it involves assessing:

- a) whether the piece of work classifies as 'technical actuarial work';
- b) whether the piece of work falls within the geographic scope of FRC's Technical Actuarial Standards.

1.8 If the work is 'technical actuarial work' and falls within the geographic scope, then TAS 100 applies.

1.9 Practitioners will, in some cases, have to exercise judgement to determine whether a piece of work falls within the scope of TAS 100. Practitioners are strongly advised to do this prior to the work or assignment being carried out to avoid issues or inefficiencies associated with doing it retrospectively.

1.10 Practitioners are also strongly advised to document and evidence the basis for their assessment.

1.11 In the context of deciding whether or not the work is required to be prepared in compliance with TAS 100, we consider the concept of 'responsibility' for the work.

1.12 The defined terms used in TAS 100 apply to this guidance.

¹ https://www.actuaries.org/IAA/Documents/CTTEES_ASC/Final_ISAPs_Posted/ISAP1_Review_adopted_1Dec2018_V2_16April2019.pdf

² <https://actuaries.org.uk/standards/standards-and-guidance/the-actuaries-code/>

Intended Audience

- 1.13 A 'practitioner' is a person carrying out work that is or could potentially be classified as Technical Actuarial Work as defined in TAS 100 and described within this guidance.
- 1.14 This guidance is aimed at practitioners who require guidance in determining whether the TASs apply to their work. Intended users of actuarial work may also find it informative.

2 Responsibility

Responsible practitioner

- 2.1 This section defines the term 'responsible practitioner' for use within this guidance. In this context 'responsibility' relates to responsibility for TAS compliance.
- 2.2 The degree to which an individual or entity is responsible for compliance with TASs will depend on the circumstances of the assignment, including the relevant legal, regulatory and professional framework.
- 2.3 For this purpose, a practitioner will be treated as 'responsible' for (part of) the work, if he or she has the authority to determine, or to veto, the content of (the relevant part of) the final work product.
- 2.4 When more than one practitioner is involved in a piece of technical actuarial work, it will normally be apparent which of them is 'responsible' for the end product (and therefore for TAS 100 compliance). However, there may be cases where two or more practitioners have an equivalent authority, or power of veto, over the work. In such cases, it is good practice for the practitioners to discuss responsibility for the work and for compliance with TAS 100 at an early stage.
- 2.5 For the purpose of the FRC's definition of 'responsible', being a signatory or a joint signatory of the work would normally be strong prima facie evidence that the individual had authority to make, prevent, or disclose, departures from the TASs. If a practitioner delegates the role of signatory to another practitioner, this act by itself would not absolve the delegating practitioner of the responsibility to make sure that the TASs were followed.
- 2.6 In the event of an allegation of misconduct or negligence, responsibility for compliance may ultimately have to be determined by the appropriate tribunal.
- 2.7 It is for the responsible practitioner to determine whether a piece of work should be (or is required to be) prepared in compliance with the TASs. If the responsible practitioner has concluded that compliance is required for the work, then, although the responsible practitioner is ultimately responsible for compliance, he or she may require practitioners supporting a piece of work to prepare evidence of compliance.
- 2.8 Practitioners who support a responsible practitioner are, therefore, strongly encouraged to ensure that they are aware of the requirements of the TASs when providing such support.

Multi-disciplinary teams

- 2.9 Often, practitioners will work in multi-disciplinary teams alongside colleagues from different disciplines who are involved in the same work but are not necessarily subject to the same professional standards. These teams might sometimes be led by an actuary but in other cases might be led by other professionals or specialists, for example underwriters, accountants, investment managers etc. In many cases a piece of work being carried out by a practitioner will be signed off by a non-actuary.
- 2.10 Practitioners working in multi-disciplinary teams are encouraged (where appropriate) to discuss compliance with TAS 100 at an early stage in order to determine who is responsible for all or part of the work, agree who will have responsibility for ensuring compliance and what each individual will be expected to contribute to compliance by way of documentation and reporting.
- 2.11 Where the practitioner working in a multi-disciplinary team considers that they do not have authority to determine the final work product (and therefore ensure TAS compliance), then the practitioner should regard the person who does have that authority as the 'intended user' and ensure that the input they have provided to that person complies appropriately with TAS 100.

2.12 P7.4 of TAS 100 requires the following:

Practitioners' **communications must** state the **intended user**, the standpoint from which the practitioner is acting, the scope and purpose of the relevant **technical actuarial work** and who commissioned that **technical actuarial work**.

2.13 Where the actuarial information sits alongside or informs information that is not technical actuarial work but was produced by individuals working for the same employer, it is good practice for the scope of the work of the responsible practitioner to be included within the TAS compliance statement so that there is complete clarity on which part of the work is technical actuarial work.

2.14 Where the actuarial information relies upon or includes information that is not actuarial work, it is good practice for the responsible practitioner to make this clear within the actuarial information, explaining any judgement exercised, including the basis for deeming the non-actuarial information suitable for inclusion / use in the actuarial information. This is so that the intended user is fully informed of any judgement exercised and understands the extent to which any uncertainty or risk related to the non-actuarial work has been allowed for within the actuarial information.

3 Technical Actuarial Work

Definition

3.1 The TAS 100 Glossary gives the following definition:

Technical actuarial work:

Work performed for the **intended user**:

- (i) where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement; or
- (ii) which the **intended user** could reasonably regard as **technical actuarial work** by virtue of the manner of its communication.

Interpretation

3.2 In most cases it will be clear whether or not a piece of work is technical actuarial work.

3.3 However, for certain types of work it may be unclear whether TAS 100 applies, for example where a practitioner (either individually or as part of a team) is carrying out an exercise that involves a mixture of actuarial and non-actuarial skills.

3.4 To aid the practitioner in judging whether or not a piece of work falls within scope, we consider below the components of the definition of technical actuarial work.

Definition of 'intended user'

3.5 'Technical actuarial work' is work performed for an 'intended user'.

3.6 The TAS 100 Glossary gives the following definition:

intended user:

A person whose decisions **communications** are intended (at the time they are provided) to assist.

3.7 Although the definition refers to 'a person', the intended user may, in practice, be a body of individuals (e.g. a trustee body or the board of an insurance company).

3.8 Practitioners will need to determine whose decision a piece of work is specifically intended to assist. This will be particularly important in situations where the instruction to the practitioner has been delegated, meaning those instructing the practitioner will not necessarily be the ones making the decision(s) that the practitioner's work is intended to assist.

3.9 Furthermore, the intended users of actuarial work may potentially extend to several parties. For example, the intended users of a Scheme Actuary's valuation report might include trustees, the scheme sponsor, advisers to the trustees / sponsor and the Pensions Regulator. Similarly, a report on the determination of regulatory capital for an insurer will not only assist the Board of the firm but also potentially the PRA, the independent validation team and the pricing function; meaning that they are also intended users.

3.10 Whilst it is only those users whom the communication is intended to assist (at the time they are provided) who are 'intended users' for TAS purposes, it is good practice for the practitioner to anticipate other uses of their communications and, where applicable, note any relevant limitations. There will, of course, be situations where it

is not possible to anticipate some uses of a piece of technical actuarial work. For example, the results of a solvency assessment of an insurer may subsequently be used by other practitioners as part of the due diligence carried out in relation to a possible acquisition of the insurer and the practitioner who prepared the solvency assessment would not have anticipated this use of the assessment at the time the work was performed.

- 3.11 TAS 100 will not normally apply in situations where there is no intended user, for example where a practitioner is involved in preparing articles or training materials for magazines, newsletters or books (provided that the work is of general application and is not recommending or promoting a course of action).
- 3.12 TAS 100 does apply in certain situations where the identity of the intended user is not known to the practitioner. For example, the intended user may make decisions based on output from an actuarial model produced and published by the practitioner specifically for use by the intended user. Examples of such models include:
- i) the CMI model;
 - ii) open-source software specifically targeting the actuarial community which is presented as actuarial and could reasonably be regarded as being technical actuarial work; and
 - iii) 'self-service' actuarial models developed for direct use by pension scheme trustees, management or members of a pension scheme.

Work falling under the first part of the definition of 'technical actuarial work'

- 3.13 The first part of the definition of 'technical actuarial work' is "Work performed for the **intended user** where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement".
- 3.14 The term 'actuarial science' is not defined in TAS 100 but may include such matters as financial modelling, projections of contingent events, consideration of the time value of money, probabilities, demographic tables, analysis of risk and statistical techniques. These examples are non-exhaustive and accordingly practitioners will need to exercise professional judgement in deciding whether a particular piece of work involves the use of principles and/or techniques of actuarial science.
- 3.15 Where a practitioner determines that the work does involve the use of principles and/or techniques of actuarial science, they will then need to assess whether the use of those principles and or/techniques is "central" to the work. Where they are not needed to perform the work, or are an incidental component of the work, they are unlikely to be deemed to be "central". Factors which practitioners may consider when assessing whether the use of actuarial principles and/or techniques is "central" to the work include the amount of actuarial work involved, whether actuarial involvement is necessary and what proportion of the whole work is dependent upon the use of actuarial principles and/or techniques.
- 3.16 In order to satisfy the second limb of the first part of the definition of 'technical actuarial work', the work must involve the exercise of judgement. For the purposes of TAS 100, 'judgement' is intended to be interpreted widely, recognising that it is a key aspect of actuarial work (hence the 'judgement' principle within TAS 100). Examples of activities which require the exercise of judgement include scrutinising data, setting assumptions, constructing and using models, expressing opinions and communicating information to users.
- 3.17 Taken at its simplest, 'judgement' is involved in work requiring the practitioner to take a decision without following prescribed rules. If judgement is not involved, such as for purely administrative work, and the work is not presented as actuarial (meaning it would fall under the second part of the definition of 'technical actuarial work'), then the work will not fall within the scope of TAS 100.
- 3.18 Examples of work which might fall within the scope of TAS 100 and work which might not are provided in Appendix 1 of this guidance.

Work falling under the second part of the definition of ‘technical actuarial work’

- 3.19 The second part of the definition of ‘technical actuarial work’ is “Work performed for the **intended user** which the **intended user** could reasonably regard as **technical actuarial work** by virtue of the manner of its communication.”
- 3.20 This means that in some situations a piece of work might still be deemed to be ‘technical actuarial work’, even where it does not involve the use of principles and/or techniques of actuarial science.
- 3.21 Work may be presented as technical actuarial work not only if it is explicitly labelled as such but also if there is an implication that it is technical actuarial work. Where work is presented in this way it will fall within the scope of TAS 100, even where its content is more ambiguous and does not necessarily feature actuarial principles or judgement. An example might be work with “actuarial report” in the title of the document provided to the intended user.
- 3.22 The use of the term “reasonably regard” enables practitioners to assess what the intended user might consider to be technical actuarial work by the manner of its communication. In doing so, the practitioner should bear in mind the nature of the instruction and the context in which the work is being carried out. Where a practitioner determines that the intended user is unlikely to regard the work as technical actuarial work then they should be prepared to justify their reasoning in reaching that conclusion and may find it helpful, where appropriate, to make clear to the intended user that they do not regard the work as technical actuarial work.
- 3.23 Where work is presented as a response to a request for actuarial work, or as reflecting generally accepted actuarial practice, or as having been performed by an actuary or an actuarial firm acting in an actuarial capacity, a user will normally be entitled to regard that work as technical actuarial work.

4 Geographic Scope

Definition

The intended geographic scope of the TASs is limited to technical actuarial work done in relation to the **UK** operations of entities, as well as to any overseas operations which report into the **UK**, within the context of **UK** law or regulation. This definition of scope applies regardless of the location or domicile of the person carrying out the work.

Interpretation

- 4.1 In the majority of cases it will be clear whether or not a piece of work falls within the geographic scope.
- 4.2 Work falling within this definition includes technical actuarial work carried out either for UK statutory or regulatory reporting purposes or which is required in order to allow entities to conduct their activities within the UK legal and regulatory framework.
- 4.3 For some work or assignments, there may be some uncertainty on whether TAS 100 applies. Below are a few non-exhaustive examples to aid in determining whether a piece of technical actuarial work is in or out of geographic scope of TAS 100.

Example 1: Overseas subsidiary of a UK insurance company

- 4.4 Technical Actuarial Work for the subsidiary falling within geographic scope:
- Work carried out for the purpose of preparing the consolidated UK accounts or Group UK regulatory disclosures.
 - Work carried out in relation to the pricing of products to be sold to UK and non-UK customers.
 - Work for the UK parent company relating to existing and prospective reinsurance transactions between the subsidiary and any other party.
- 4.5 Technical Actuarial Work for the subsidiary falling outside geographic scope:
- Work carried out for the purpose of overseas regulatory or statutory reporting.

Example 2: UK subsidiary of an overseas insurance company

- 4.6 Technical Actuarial Work for the subsidiary falling within geographic scope:
- Work carried out for the purpose of preparing the UK accounts or UK regulatory disclosures.
 - Work carried out in relation to the pricing of products to be sold to UK and non-UK customers.
 - Work underlying reinsurance transactions between the subsidiary and any other party.
- 4.7 Technical Actuarial Work for the subsidiary falling outside geographic scope:
- Work carried out for the purpose of overseas regulatory or statutory reporting.

Example 3: Pension Scheme of a UK subsidiary of an overseas company

- 4.8 Pension Scheme Technical Actuarial Work falling within geographic scope:
- Work carried out for the purpose of preparing UK regulatory disclosures.
 - Work carried out for the purpose of the UK subsidiary's UK accounts.
 - Work underlying transactions between the pension scheme and any other party.

4.9 Pension Scheme Technical Actuarial Work falling outside geographic scope:

- Work carried out for the purpose of preparing the parent company's overseas accounts.

Example 4: Pension Scheme of an overseas subsidiary of a UK company

4.10 Pension Scheme Technical Actuarial Work inside geographic scope:

- Work carried out for the purpose of preparing UK parent company's accounts.
- Work underlying transactions relating to the pension scheme and the UK company or its UK pension scheme (e.g. a transfer of risk to the parent company or its pension scheme, a parental guarantee or direct funding from the UK company).

4.11 Pension Scheme Technical Actuarial Work outside geographic scope:

- Work carried out for the purpose of preparing the subsidiary company's overseas accounts.
- Work underlying transactions relating to the pension scheme and any party other than the UK company (or its UK pension scheme).

5 Appendix 1: Examples of work in and out of scope of TAS 100

Work out of scope

- 5.1 Below are some non-exhaustive examples of work out of scope of TAS 100:
- 5.2 Arithmetic calculations where no judgement is needed such as pension scheme transfer value calculations which use predetermined actuarial factors and follow instructions. The production of the underlying factors would however be technical actuarial work as actuarial techniques are used and judgement is needed when setting the assumptions.
- 5.3 IFoA members undertaking other roles, for example:
- IFoA member acting as a pension scheme trustee. Here the member's routine work in their capacity as trustee will not normally fall within the scope of TAS 100. While the work underlying the actuarial information used by the trustee might be technical actuarial work the use of the actuarial information for trustee decisions will not normally be treated as technical actuarial work as the use of principles and/or techniques of actuarial science is not a central requirement of the work.
 - IFoA member acting as a non-executive director of an insurance company. In this scenario, the member might use actuarial information provided to them to assist them in making decisions. While the work underlying the actuarial information would be classed as technical actuarial work, the use of the actuarial information for director/board decisions will not be technical actuarial work as the use of principles and/or techniques of actuarial science is not a central requirement to make the decision.
 - IFoA member acting as the Chief Risk Officer (CRO) of an insurance company. Whereas much of the work carried out by the CRO could be deemed to be technical actuarial work and would fall within the scope of TAS 100, there will be aspects of the work of the CRO that would not normally be deemed to be technical actuarial work as the techniques and principles of actuarial science are not central to the work. Therefore, the member will be required to exercise judgement in determining which activities meet the relevant definition.
 - Internal review (for example peer review) of work carried out which is performed as part of the exercise. The internal review on its own will not be technical actuarial work as it is not a discrete exercise but part of the exercise as a whole, the final product of which, as technical actuarial work, is in scope of TAS 100. Review work performed as a separate exercise will under normal circumstances fall within the scope of TAS 100.

Work in scope

- 5.4 Below are some non-exhaustive examples of work within the scope of TAS 100.
- 5.5 Determining the methods or assumptions to be followed for a specific piece of work. This might include using bespoke calculations which might be simple but need actuarial expertise. It may also involve judgement.
- 5.6 Complex calculations using actuarial factors which use techniques of actuarial science and which require judgement on matters such as setting assumptions. It is likely that for this type of work some judgement will be needed even when the assumptions are prescribed, for example in dealing with incomplete data.
- 5.7 Asset/liability modelling work which uses techniques of actuarial science to project and value asset and/or liability cash flows, which might be carried out by practitioners and other investment professionals.
- 5.8 The development of software for actuarial work in-house or by specialist software houses e.g. longevity models, systems for Solvency II internal models, for pricing general insurance products, and for pension scheme

valuations. The development of these models requires actuarial expertise, principles of actuarial science are central to the work and judgement will be required throughout the development of the model. While this work is technical actuarial work, components of the overall exercise, for example programming, might not be technical actuarial work.

- 5.9 Modelling using financial models such as those used in pricing equity release mortgages, longevity swaps, catastrophe bonds, or other insurance or pension risk hedging instruments which use techniques of actuarial science and judgement at various points. Whilst the majority of modelling work in investment banks is not generally in the scope of the TASs, some of this modelling work may be in the scope of TAS 100 because of the use of techniques of actuarial science and exercise of judgement.
- 5.10 Review work which is performed as an exercise separate from an original piece of work, for example, a second actuarial opinion or part of the audit of an insurer's or a pension scheme's sponsor's financial statements. This type of work is likely to be presented as actuarial to the user: the receiver of the second opinion or the auditor providing the audit opinion on the financial statements. It is also expected that the practitioner would have performed some independent validation of the work being reviewed which would use the principles and/or techniques of actuarial science.
- 5.11 Advice or opinions which are presented as actuarial and are based on or relating to the work of other practitioners. Examples include the independent expert report provided to the court in relation to a proposed transfer of insurance business, the opinions of the Actuarial Function provided in line with requirements under Solvency II, expert actuarial advice in litigation cases, the provision of expert advice in actuarial disciplinary cases or expert actuarial advice provided to a scheme sponsor on how best to respond to a trustee proposal in relation to the review of actuarial factors. This type of work will typically be presented as actuarial to the intended user and it is expected that the practitioner would have performed some independent validation of the underlying work using the principles and/or techniques of actuarial science.

6 Appendix 2: Illustrative examples

6.1 The following are some illustrative examples. These scenarios are only examples and may not necessarily be appropriate in all similar situations. Practitioners are expected to use their judgement when deciding whether to follow these approaches.

Scenario 1: Definition of Technical Actuarial Work

- 6.2 A newly qualified actuary is tasked with determining benefit values for a substantial number of individual beneficiaries. Examples of this situation could be transfer values from a pension scheme or surrender values of life assurance policies. This determination is a discrete piece of work which does not form part of a larger valuation exercise. The methodology to be followed has been determined beforehand (with appropriately presented actuarial advice) and the actuary has comprehensive proformas and instructions to follow.
- 6.3 The actuary wonders if the work he has been asked to do is 'technical actuarial work' for the purpose of TAS 100. The actuary is aware that in general, the greater the complexity of a calculation the greater the likelihood that an element of judgement will be involved in the work, rendering it 'technical actuarial work'. In his experience however, there might also be some judgement involved in carrying out even a relatively simple calculation, and conversely the carrying out of a very complex calculation might in some limited cases be entirely mechanistic and judgement-free.
- 6.4 On reflection, and having consulted with more experienced colleagues, the actuary concludes that in relation to the benefit value calculations he has been asked to carry out:
- He is simply a number cruncher and is not using principles and techniques of actuarial science – the work is capable of being done by any numerate person;
 - He is not being asked to make any judgements in relation to the piece of work; and
 - The work will not be presented as 'technical actuarial work' and the user is likely to regard the work as an administrative rather than actuarial exercise.
- 6.5 Based on these conclusions and in consultation with his more senior colleagues, the actuary decides that the work that he has been tasked with is not 'technical actuarial work' and therefore does not fall within the scope of TAS 100.

Scenario 2: Multi-disciplinary teams

- 6.6 An actuary works in a consulting firm which is advising a UK insurance client on a potential acquisition. The actuary does not lead the overall project but is providing a view on both the technical provisions and the capital requirements of the target. The actuary will be responsible for providing commentary that will go into the overall report but responsibility for the final work product (including signing) falls to one of her non-actuary colleagues.
- 6.7 She wonders to what extent she is responsible for compliance with TAS 100. It is clear to the actuary that the work she is involved in is very likely to be within the definition of 'technical actuarial work' and she will need to comply with TAS 100. The requirement for compliance with TAS 100 applies where a practitioner is 'responsible' for a piece of technical actuarial work or for 'part of' a piece of such work. Therefore, the actuary must ensure compliance with TAS 100 for the part(s) of the work for which she is responsible. She will first need to determine who the 'intended user' of her work is – this might be the end-client or the colleague who has overall responsibility for the project. Regardless of who is determined to be the 'intended user', she will need to ensure that the work for which she is personally responsible complies with all the TAS 100 principles.
- 6.8 As for the communications requirements, there are likely to be three potential ways in which she can carry out her work in a way that complies with TAS 100 and the actuary will normally want to discuss this with the overall signatory to determine the most appropriate approach:

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- She can work with her colleague to make the overall report compliant with the communication requirements of TAS 100;
 - She can draft specific sections of the overall report, ensuring that those sections are compliant with the communications requirements of TAS 100. This option might require a compliance statement to be included in the overall report explaining which sections have been prepared by the actuary and comply with TAS 100; or
 - She can provide her commentary in a separate document, again ensuring that this information complies with the communications requirements of TAS 100. Her colleague can then determine how to incorporate the relevant information into the overall report, although the actuary should also use her professional judgement to determine to what extent she should make specific recommendations in this regard to her colleague.
- 6.9 Although the first option might be considered the ideal approach, in practice the actuary may well not be in a position to ensure this for a large piece of work into which she is just one of several different people providing input.
- 6.10 The second option may therefore be a more practicable one, with the actuary's (TAS compliant) part of the report being specifically identified – following this approach (or one close to it) would normally be appropriate if the actuary is to regard the end-client as her intended user. However, if the actuary is unable sufficiently to influence what is ultimately delivered to the client, she is likely to conclude that she should regard the colleague who has overall responsibility for the final report as being the 'intended user' of her work, and consequently to follow the third option.

Scenario 3: Investment management

- 6.11 An actuary works for an investment management company within a team of mainly non-actuaries that manages investments for a range of clients. The work carried out by his team involves research into equities, bonds and collective investment funds, as well as input to specific trading decisions. For certain investments he develops spreadsheet models to assist in the assessment of value to determine how attractive the asset will be. He uses the firm's models to calculate portfolio risk to ensure that portfolios remain within defined risk budgets. He also participates in discussions on the relative attractiveness of different asset classes, including assessing prospective return expectations and developing various investment scenarios to be used as input to stress tests. Generally, his work is not client facing but involves him providing internal written and verbal contributions to support his firm's investment management process.
- 6.12 The actuary decides that where his work focusses primarily on the research of specific investments to support asset management decisions, the principles and/or techniques of actuarial science are not central to his work and his colleagues (the users of his work) would not regard his work as technical actuarial work. In work involving the calculation of portfolio risk and investment scenarios he is normally following the firm's existing procedures and methodologies and is not using actuarial techniques or applying any judgement (beyond the initial assessment that he undertakes to satisfy himself that the underlying models are suitable and appropriate and can be relied upon for the particular piece of work that he is carrying out). In these cases he concludes that this work is not within the scope of TAS 100 but he recognises that if he were to exercise any additional judgement or become involved in developing the methodology then the work would be within the scope of TAS 100. He recognises that as there is considerable variety in the types of work he is involved in he will need to regularly consider whether each piece of work is within scope of TAS 100.

Scenario 4: Client relationship role

- 6.13 An actuary works in a client relationship role for an investment consultant. She is part of a team of actuaries and non-actuaries that supports a range of clients. In her role as a client relationship manager she attends each quarterly trustee meeting and presents a quarterly investment report. The quarterly report pulls together material produced elsewhere in the consultancy. It contains investment market updates, including a house view on the attractiveness of various markets, a report on fund performance, including how the fund is performing

against a liability proxy, monitoring against various ALM investment triggers and an assessment of each fund manager used by the client.

- 6.14 The actuary isn't responsible for the production of the underlying information in the report, although she will review it before it is issued to her clients. The actuary considers whether her work falls within the scope of TAS 100. She is careful to identify which elements of the reports are generic and which could be a major influence on each client's decision on whether to remain invested in existing funds or to make changes. She also considers the extent to which the work uses principles and/or techniques of actuarial science and requires judgement. The investment report typically consists of management information that has been prepared following standard methods and procedures and does not involve the exercise of judgement. The report doesn't include recommendations for changes in investment strategy although the management information may trigger requests for further work or more in-depth investigation of options. The report also includes house views on markets, funds and investment managers. These views are prepared by a specialist team in her firm. They include significant judgement but these judgements are not actuarial in nature, being driven by economists and other investment professionals and not involving actuarial calculations.
- 6.15 The actuary considers whether there is anything in the manner of the presentation of the report that might suggest that it is technical actuarial work and she concludes that there is nothing that would lead users to this conclusion. The actuary is mindful that there may be occasions when the work she delivers to clients will be technical actuarial work, or may be regarded as such by virtue of the manner of its communication, and that on these occasions she will need to ensure the work complies with TAS 100. If, for example, she was providing recommendations for investment de-risking triggers to the client or advising on the methodologies for approximate asset / liability roll forwards between valuations, this could be technical actuarial work and might require compliance with TAS 100.

Scenario 5: Hedging implementation

- 6.16 An actuary works for an investment bank in a client facing role. He has been in discussion with a life company which is looking for advice on hedging strategies to manage risk and improve capital efficiency. The actuary engages with the client to understand their liabilities and their business priorities. He develops a model to produce a range of figures to illustrate the benefits for the insurer of a particular derivatives strategy by estimating the value of assets, liabilities and capital requirements in a range of scenarios.
- 6.17 The actuary considers whether his work falls within the scope of TAS 100. Whilst the work is focussed on asset strategy, it involves detailed analysis of the interaction of assets and liabilities and the calculation of indicative solvency metrics. Although the work could be performed by a non-actuary, the technical nature of the work suggests that the use of principles and techniques of actuarial science are central to the work. Clients are aware that he is an actuary and take comfort from the skills and knowledge of insurance balance sheet management that this implies. The actuary concludes that his work is within the scope of TAS 100.

Scenario 6: Specialist asset sales

- 6.18 An actuary works for an asset manager as part of a sales team focussed on managing private credit assets for insurance companies. He makes a sales presentation with two non-actuarial colleagues who are senior private credit investment managers. The objective of the presentation is to demonstrate the credentials and track record of the investment management firm, with the aim of winning a specialist private credit mandate from the insurance company. The actuary attends the meeting because of his understanding of insurance clients. Within the presentation deck he includes slides that reference standard formula stress parameters and other asset related regulations under Solvency II which are relevant to private credit assets, such as information on the Matching Adjustment. During the presentation he illustrates how the value of a typical portfolio of assets would change under the defined Solvency II stresses and provides examples of how the asset class has performed historically in times of market stress. Throughout the presentation, and in all associated communications, it is stressed that it is for the client to take actuarial and accounting advice when making decisions to invest and in determining the Solvency II capital treatment.

6.19 The actuary considers whether his work falls within the scope of TAS 100. Whilst the figures presented are generic and not intended to be actuarial advice they do involve judgements and interpretations of complex legislation that may influence the decision of the client. The application of regulatory asset stresses in the context of insurance company capital calculations involves the use of actuarial techniques and is central to the work, and as such, falls within the definition of technical actuarial work. The fact that these slides are presented by an actuary may suggest to the prospective client that the information presented is technical actuarial work. The actuary concludes that the work is within scope of TAS 100.

Scenario 7: Research presentations

6.20 An actuary working for an investment management company is presenting at a pensions conference. The audience includes a wide range of participants from the pensions industry including actuaries, consultants, scheme managers and trustees. The actuary's presentation includes the results of modelling the assets and liabilities of a typical pension scheme under a variety of different investment strategies; illustrating the impact of these strategies on returns, risk and scheme funding levels on a number of different bases. The actuary decides that because this work is not being presented to any specific user and is not intended to prompt any specific action or be relied upon by the audience to make any decisions, it doesn't fall within the definition of technical actuarial work and need not comply with TAS 100. She makes clear the generic nature of the work in the presentation and includes appropriate caveats and disclaimers.

6.21 A week later the actuary attends the Trustee Meeting of ABC Pension Scheme. At the end of the meeting she mentions the research that she has recently carried out and shares a copy of a "glossy" pre-printed paper that summarises the key points from her presentation at the conference. As the paper is clearly generic in nature and not specific to the scheme, nor intended to provoke any action by the scheme, she continues to conclude that the work is outside the scope of TAS 100.

6.22 Having read the paper, the Chair of the Trustee Board asks the actuary to do a presentation on the topic to the Board at its next meeting. Whilst the actuary does no new modelling for the scheme presentation she realises that the Trustees know she is an actuary and are likely to consider a variety of potential actions as a result of the information that she will be presenting. She also recognises that the modelling is likely to fall within the definition of technical actuarial work. She decides that the trustees might view the presentation as actuarial work and therefore concludes that she should ensure the work complies with TAS 100.



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