



Institute
and Faculty
of Actuaries

IFoA Life Conference

How can an actuary be proportionate
when applying the Technical Actuarial
Standards?

Actuarial Regulation Team at the FRC

Speakers

Alice Piper, Senior Project Director

Michael Hodges, Project Director

Matthew Myring-McCullagh, Project Director

Role of the FRC in actuarial matters

Setting of
technical actuarial
standards

Conduct public
interest
disciplinary cases

Oversight of the
IFoA

Technical Actuarial Standards

TAS 100 Principles



Risk identification



Judgement



Data



Assumptions



Models



Documentation



Communications

Technical Actuarial Guidance (“TAG”)

TAG: Proportionality

to help practitioners in applying proportionality when complying with the requirements of the TASs

TAG: Models

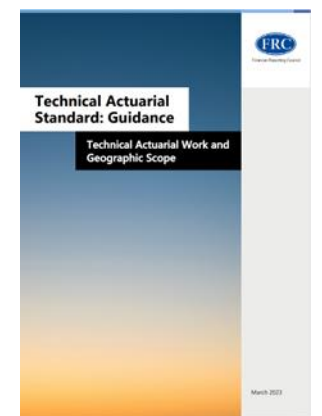
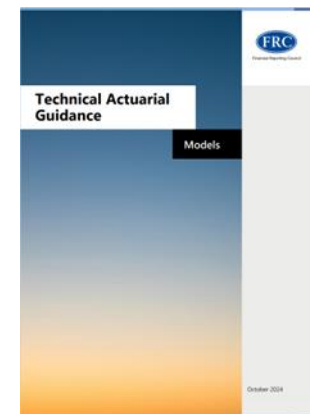
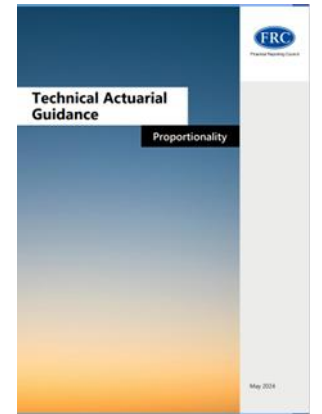
to help practitioners in complying with Principle 5 Models of TAS 100

TAG: Technical Actuarial Work and Geographic Scope

to help practitioners determine if a piece of work is in scope of TAS 100

These are located on the FRC website at the following location:

<https://www.frc.org.uk/library/standards-codes-policy/actuarial/tas-100/>



Technical Actuarial Guidance: Proportionality

Materiality

- To give more visibility of the need to consider materiality, the word 'material' is included in several places within TAS 100 v2.0.
- Certain mandatory requirements apply only where a matter is material.

The TAS 100 Glossary defines material as follows:

Matters are **material** if they could, individually or collectively, influence the significant or relevant decisions that could be taken by an **intended user**. Assessing whether a matter is **material** is a matter for judgement and therefore subjective, requiring consideration of the objectives underpinning the **technical actuarial work**, the expectations and experience of the **intended user** and other considerations, such as the significance of resulting commercial or practical implications.

Technical Actuarial Guidance: Proportionality

Sufficient and appropriate

To give additional visibility for the application of proportionality to comply with TAS requirements, the words ‘sufficient’ and ‘appropriate’ are included within the TAS principles and provisions. These words give flexibility to practitioners to decide how best to meet TAS requirements.

Examples from TAS 100 v2.0

Principle 5 (Models) requires practitioners to ensure ‘models used in their technical actuarial work’ be ‘fit for purpose and subject to sufficient controls and testing’.

Provision 5.2 (Models) requires an ‘appropriate level’ of model governance.

Principle 6 (Documentation) requires documentation to contain ‘sufficient detail’.

Provision 7.2 (Communication) requires communication to include ‘sufficient information’.

Scenarios One and Two

Non-material judgement versus material judgement

Practice area	Life Insurance
TAS 100 principles	Judgement P2, Assumptions P4, Documentation P6, Communications P7
Scenario description	<p>Scenario one focuses on a practitioner opting to reduce the review frequency for a given assumption on grounds of materiality noting this will save time and cost. The scenario discusses why the practitioner judges this to be appropriate and how this is communicated.</p> <p>Scenario two focuses on a practitioner opting to move from an industry led approach to an internal led approach to setting an assumption, to try to make it more representative. The scenario discusses the materiality of this proposed change and the rationale for it and how it is documented and communicated.</p>
Approach to proportionality	<ul style="list-style-type: none"> • Consider the judgement to be exercised • Form a view on the materiality of the judgement and the implications for TAS compliance • Use the materiality to help decide what level of documentation and communication is appropriate
Key takeaway	Materiality of a judgement has an impact on the level of communication needed for the intended user.

Scenario Five

Materiality and proportionality

Practice area	Life Insurance
TAS 100 principles	Judgement P2 Communications P7
Scenario description	<p>The scenario covers a practitioner recommending revised final bonus rates to the Board of a life insurance company.</p> <p>The scenario discusses the materiality of the recommendation from the point of view of the life insurance company and the beneficiaries, and the way the practitioner applies the principle of proportionality to decide how much detail to provide to the Board.</p>
Approach to proportionality	The practitioner summarises the communication to ensure all the required information is included without being obscured by immaterial information.
Key takeaway	The required detail can be included at a high level if this is appropriate for the intended user.

Scenario Seven

Materiality and proportionality

Practice area	Life Insurance
TAS 100 principles	All seven principles of TAS 100.
Scenario description	The scenario focuses on a practitioner within a multi-disciplinary team working on an M&A. The various functional experts in the M&A team are described, and include accounting, tax, legal, risk, and compliance. The practitioner needs to prepare an actuarial valuation in a standardised format. The scenario discusses the factors that the practitioner needs to be mindful of such as the diverse range and experience of the various stakeholders, and how the output of the practitioner may be used.
Approach to proportionality	The practitioner applies proportionality to ensure the work and any judgements exercised are focused and appropriate.
Key takeaway	The practitioner needs to be mindful of how their work may be used or referred to, especially when working in multi-disciplinary teams.

Next Steps

- Have a look at the Proportionality guidance
- Have a look at the other FRC actuarial guidance
- Express interest in our Actuarial Monitoring Programme – an opportunity for you to engage with us, and for us to assist you in applying the principles-based standards in a proportionate way.
- Tell your colleagues.

Q&A



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Thank you

For more information, please contact:

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