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BY E-MAIL TO: APT@frc.org.uk

8 July 2022

Dear Sir/Madam

FRC Post Implementation Review Technical Actuarial Standards (TASs): Call for feedback (May 2022)

PricewaterhouseCoopers LLP (PwC) welcomes the opportunity to respond to the above call for feedback (the Consultation).

PwC is one of the largest employers of actuarial staff, at over 450, in the UK. Our actuarial staff are involved in a wide variety of sectors and roles including the more traditional areas of insurance (life and non-life) and pensions consulting, as well as wider fields such as banking, risk consulting and commercial and government consulting. We have actuarial staff who support our Audit practice in the audit of insurance and banking clients, as well as auditing pension liabilities, and as a result we have a large number of users of technical actuarial work. Our submission therefore includes the perspectives of both the practitioner and the users of technical actuarial work.

Our full submission is covered in the appendix to this letter. We draw out the following points that we have considered in making our submission:

- Overall, it is our view that the principles-based content of the sector specific TASs has supported the preparation of high quality technical actuarial work in each of the sectors across the profession. From our perspective, in conjunction with other regulatory guidance and standards, the impact of the current set of sector specific TASs themselves has been relatively limited as they have codified what was existing good practice.
- The publication of the Government's response to the consultation on strengthening the UK's audit, corporate reporting and corporate governance systems¹ (30 May 2022) sets out the future governance of the actuarial profession. In particular, it includes the move to a statutory, legally binding, basis for the TASs. We perceive a risk that a desire to make the TASs more easily enforceable from a legal perspective may result in a move away from principles to more prescriptive standards. In our view the principles-based nature of the TASs is important in allowing the actuary to use professional judgement in applying those principles to a wide variety of situations. We consider it important to maintain the current principles-based approach.
- Actuaries apply their skills to a very diverse range of problems, and in a growing list of industries. The objective to provide appropriate and relevant guidance to all actuaries operating across the spectrum of actuarial work is an ambitious one, but one that we believe the high-level, principles-based nature of the TASs goes a long way to meet. In considering incremental additions for particular circumstances, it will be important to accept that it will never be possible to foresee every eventuality as the breadth of technical actuarial work continues to expand in each of the various sectors.

¹ [Restoring trust in audit and corporate governance: government response to consultation on strengthening the UK's audit, corporate reporting and corporate governance systems \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/consultations/restoring-trust-in-audit-and-corporate-governance)

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- We agree that techniques and regulation will continue to develop and the relevance and application of the sector specific TASs needs to be regularly reviewed to ensure they remain useful to support and protect practising actuaries. In doing so we consider it fundamental to the broad application of the standards, and their flexibility in remaining relevant to new applications, to maintain the principles-based approach and the concept of proportionality.
- One area where we note some challenges in the application of the TAS relates to instances where actuaries are working as part of a multi-disciplinary team with other professionals. The technical actuarial work is often only one (potentially small) part of a much broader piece of work to get a conclusion or recommendation for a client. In these cases the 'User' of the technical actuarial work may not be the ultimate client but other members of the multi-disciplinary team who are incorporating the actuarial work into the broader work product. The work required for IFRS 17 is an example of an area where the actuaries are one part of a bigger team producing an output that is not just the result of technical actuarial work. In these situations, we think carefully about who the user of our work is and in some situations we conclude that the user is other members of the team we are working with and not the ultimate client.
- The pending implementation of IFRS 17 in 2023 or the recent developments in the external economic environment (e.g. COVID-19 impacts and the war in Ukraine) are examples of new challenges that actuaries will have to deal with from time to time, and for which the general principles of the TASs should hold true.

Please contact Anthony Coughlan ([REDACTED]), Steven Dicker ([REDACTED]) or the contacts listed below if you would like to discuss the contents of this letter.

Yours faithfully



For and on behalf of PricewaterhouseCoopers LLP

David Wong
Partner





Appendix - Response to consultation questions

1. PROCESS

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

David Wong

Question 2: Are you responding as an individual or on behalf of an organisation? If the latter, please specify.

An organisation - PricewaterhouseCoopers LLP

Question 3: Please provide your email address. The responses to this survey are being collected and processed by the Financial Reporting Council (FRC) in order to inform certain aspects of the Actuarial Policy Team's (APT) work. In particular, the data collected through this survey will be used by the FRC's APT for the Technical Actuarial Standards Post Implementation Review. 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 at <https://www.frc.org.uk/about-the-frc/procedures-and-policies/privacy-the-frc>.

[REDACTED]

Question 4: Do you request confidentiality of your response? (note: if so, your response will NOT be published to the FRC website as described in paragraphs 1.17 to 1.19)

We are happy for our response to be published to the FRC website.



2. FEEDBACK FROM USERS OF TECHNICAL ACTUARIAL WORK

Question 5: [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 for any decisions that you take based on that information?

We believe our response² from the 2021 Call for Feedback and outreach (7 May 2021) continues to hold for the current consultation. For completeness we have included our previous response below.

Our actuarial staff are involved in a wide variety of sectors and roles including the more traditional areas of insurance (life and non-life) and pensions consulting, as well as wider fields such as banking, risk consulting and commercial and government consulting. Our actuarial staff also support our Audit practice in the audit of insurance and banking clients, as well as auditing pension liabilities. As a result we have a large number of users of technical actuarial work.

In the context of audits, the information provided by the actuary is either in their role as an audit specialist (inhouse to PwC) or an expert (either externally appointed by the client or inhouse to PwC). In a specialist role (inhouse) and to the extent performing technical actuarial work, we have defined work plans within our audit file in which the actuary documents their work in a prescribed format to ensure TAS compliance. These work plans are subject to our internal quality and review procedures with the requirements of TAS forming part of that review process. The generic TAS (TAS 100) and the sector specific TASs, where applicable, therefore form part of the overall risk and quality framework for our audit work.

Inhouse expert roles have similar procedures in place. From a user perspective, references to the TASs is an extremely useful element of the overall assessment of the work of the actuary. Any report that does not make such a statement is immediately subject to additional technical scrutiny. However, such references do not replace the need for the user to fully understand the scope of the work and the conclusions reached by the actuary.

Where expert roles are performed by individuals or organisations external to us, we have observed different interpretations of, and approaches to complying with, the TASs and different quality and detail of actuarial information. It may be the case that we see varying quality as we (PwC) were not the intended user of a report. We note users are defined in the TASs as *“those people whose decisions a communication is intended (at the time it is provided) to assist”*, and therefore it is perhaps not surprising that recipients of reports may face challenges obtaining sufficient clarity if they were not the original intended user. Further, we note that if we were not the intended user of the report, the TASs do not apply, and we think it inappropriate that they should apply to an unintended user. However, to the extent that the quality and detail varies, the TASs may not have been fully effective in their objectives.

For users of technical actuarial work outside of audits there are similar considerations as set out above. The TASs form part of our overall risk and quality framework for the preparation of actuarial information.

² [PwC response to the FRC TAS consultation \(7 May 2021\)](#)



3. TAS 200: INSURANCE

OVERARCHING QUESTIONS ON TAS 200

Question 6: To what extent has TAS 200 been effective in supporting high quality technical actuarial work in the insurance sector?

TAS 200 has supported the preparation of high quality technical actuarial work in the insurance sector on matters where there is a degree of risk to the public interest. From our perspective, when considered in conjunction with TAS 100, the Actuaries' Code, Actuarial Professional Standards (APSs) and guidance from other regulatory bodies, the impact of TAS 200 has been relatively limited as it has codified what was existing good practice.

The content of TAS 200 is principles-based and common sense good practice. To the extent that TAS 200 is used to set direction for actuarial education or may be used by smaller actuarial teams to help develop good practice, we consider it on the whole to be straight-forward, concise and helpful.

Since the effective date of the current TASs, there have been a variety of external factors (e.g. political, regulatory, economic etc.) which have had significant impacts across all areas of the insurance sector. TAS 200 does not currently explicitly specify that actuaries should consider the wider environment within which work is being performed to be able to react to any changes in the underlying risks. However, we note that TAS 200 does specify that all material risks should be reflected in any judgements made which we interpret to include the impact of relevant external factors.

We note that the consultation does not specifically request for comments on data used by actuaries and the extent to which it is appropriate to the work being performed. We are aware of some aspects of actuarial work where this has been a recent area of focus, for example in the support of audits. TAS 200 does not stipulate what is a minimal level of testing that should be performed over data that is used by actuaries, but rather focus on the documentation on various aspects of the data used. In our experience, we consider the provisions of TAS 200 relating to data are appropriate.

Question 7: What aspects of TAS 200 have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.

As TAS 200 has codified existing good practice, which we believe we were already complying with, its implementation has not caused us any material difficulties for work that we perform as actuaries.

If there is an area where the application of the TAS has caused some challenges, it is in those areas where actuaries are working as part of a multi-disciplinary team with other professionals. In these cases the technical actuarial work is often only one small part of a much broader piece of work to get to a conclusion or recommendation and the 'User' of the technical actuarial work may become unclear. In some cases we have determined that the 'User' of our work are other members of the multi-disciplinary team, not the ultimate client.

For example, in an audit setting we determine that the user of our actuarial work is the audit partner, even though we may report some of our findings to the client's audit committee. In this situation it is the audit partner deciding what part of our findings he or she would like to communicate and though he or she would seek our assistance to present these findings, it does not make the client a user of our work.



The situation is not dissimilar in a deals context looking at mergers and acquisitions. We work as part of a multi-disciplinary team performing valuations and highlighting various risks of a transaction in a project led by a Transactions partner who will often make the decision on the key elements to report to the client.

Newer examples include climate modelling and IFRS 17, where actuaries are working with restructuring and sustainability professionals or accountants and insurance professionals to produce an output that is not purely actuarial. In these situations the users of the technical actuarial work can be seen as the other members of the project team, not the ultimate client.

Whilst these situations are varied and new examples are emerging, the principle of proportionality and the requirement to consider one's user are key to allowing actuaries to apply the TAS to the specific circumstances of their work.

We discuss this further in Questions 29-31.

AREAS OF SPECIFIED WORK IN TAS 200

Question 8: To what extent have the Provisions 12 to 23 of TAS 200 been effective in supporting high quality technical actuarial work in the specified areas?

Please see our response to Question 6.

Question 9: Have you observed difficulties with the quality of technical actuarial work in support of pricing frameworks? Would further additional requirements help clarify the FRC's expectations in this area?

In respect of pricing in the Non-Life Insurance sector, as with all other areas, it is important the user understands the context and uncertainty around the estimate provided. However, there is huge variety in the scope and nature of pricing work and we do not believe further additional requirements within the TAS framework would provide any significant assistance to pricing actuaries or their users.

Within the Life and Pensions sector we do not perform a large number of assignments on pricing frameworks and do not have significant comments on difficulties that might arise.

Question 10: Are there other areas of insurance-related technical actuarial work, beyond the areas covered in Provisions 12 to 23 of TAS 200, where you would welcome further technical actuarial standards?

We observe that we are increasingly managing risks where past experience may no longer be an appropriate guide to future assumptions, for example economic, climate and political risk. This requires more reliance on scenario testing where the scenarios are not based on historical data but other sources such as scientific models, e.g. climate models. It would be helpful to expand guidance to cover how scenarios should be set and communicated to users and the limitations in their use. It would also be helpful to differentiate such scenarios from assumptions based on past data to reflect their different nature and variability.



AUDIT AND ASSURANCE

Question 11: Does TAS 200 currently give sufficient direction on the nature of professional scepticism, what that involves, and how that should be demonstrated?

TAS 200 provides a good reminder to apply professional scepticism when undertaking technical actuarial work. We note that professional scepticism has also been discussed in the recent publication from the FRC on Professional Judgement Guidance³ (June 2022). We believe additional sources, such as the aforementioned recent FRC publication, are more appropriate for giving direction on the nature of professional scepticism, what that involves and how it should be demonstrated.

However, if it is viewed that further direction on the nature of professional scepticism is required, such as an optional list of considerations (which by definition would be non-exhaustive) or an aide memoire so that relevant aspects have been properly considered when applying professional scepticism, we would not suggest this be included within the current TAS framework, rather this could be covered in separate optional guidance for practitioners.

There is an ever-increasing regulatory focus on the quality of audits and the level of challenge needed when performing audit work. We have very wide experience of applying professional scepticism over many years and with a large variety of clients. We have processes in place to ensure we adequately question and challenge the information we are auditing and we document this thoroughly. This is subject to annual reviews by the FRC. Whilst helpful to have a high level comment covering the application of professional scepticism in TAS 200, it is not essential to the performance of our work.

INSURANCE TRANSFORMATIONS

Question 12: Do Provisions 16 and 17 of TAS 200 in relation to insurance transformations provide sufficient clarity in setting out the FRC's expectations of technical actuarial work in this area? Are there further additional requirements which should be considered?

We consider the guidance relating to insurance transformations to be at an appropriate level. The provisions for communication focus more on the prudential considerations and there may be some benefit in highlighting the conduct aspect of the role, including the need to consult with professionals more versed in this area as it will often be outside an actuary's core expertise. More detailed guidance is, however, provided by both the PRA and the FCA regarding their expectations of individuals performing the role of independent expert and we don't believe additional provisions within the TAS would add a great deal.

Question 13: What changes should be made to TAS 200 to better reflect the PRA and the FCA's expectations of the Independent Expert's work in a Part VII transfer?

We believe that TAS 200 does not need to repeat guidelines provided by the PRA or FCA in relation to the Independent Expert's work in a Part VII transfer. Perhaps a simple note to consider any guidance set out by the relevant regulator would be appropriate.

³ [FRC Professional Judgement Guidance](#)



IFRS 17

Question 14: How should TAS 200, in particular the provisions in relation to financial statements (Provisions 12 and 13 of TAS 200), be updated to address the challenges in respect of the implementation of IFRS 17?

The adoption of International Financial Reporting Standard 17 (IFRS 17) from 1 January 2023 (following endorsement in the UK this year) will represent the largest single change ever in how insurers account for their insurance contract liabilities. It will significantly impact the information provided to the users of financial statements and how results are reported. For instance:

- The pattern of profit emergence will be impacted by the introduction of the Contractual Service Margin.
- Profits will be reported at a much more granular level, allowing users to see the relative level of profitability over time and by product.
- The interaction with the solvency position may be less aligned.

This will require a significant level of extra communication by the providers of financial statements in the early years of its adoption. However, this is only one example of a change that the providers of financial information will need to adapt to.

IFRS 17 is an example of a new area of actuarial work where we foresee additional complications for the actuary in determining the boundaries to which the TAS standards apply. For example:

- Many models actuaries will input to will not be exclusively actuarial models. Such actuaries may not take responsibility for multiple other model inputs and may not have oversight of the full outputs.
- Similarly, due to the complexity of IFRS 17 and the dependency of many more areas of the financial statements on potentially actuarial driven estimates, actuaries may be required to support communicating results which are broader than actuarial modelling outputs.
- The user of IFRS 17 outputs may not be easy to define and as such actuaries may face difficulties in applying specific aspects of the TAS communication principles.

Whilst we conclude that specific additional guidance is not needed for IFRS 17, the above provides examples of actuarial work where (i) the scope of actuarial vs non-actuarial work may be initially unclear; and (ii) the end user is difficult to define, as described in our response to Question 7.

We believe TAS 200 is sufficiently adaptable and principles-based to cover this transition without the need for additional guidance.



4. TAS 300: PENSIONS

OVERARCHING QUESTIONS ON TAS 300

Question 15: To what extent has TAS 300 been effective in supporting high quality technical actuarial work in the pensions sector?

Our comments regarding the application of TAS 300 to pensions work are essentially the same as those in Question 6 above relating to application of TAS 200 in insurance work; it has effectively codified existing good practice.

On a point of detail, we note that the information in paragraph 12(a) of TAS 300 is not included in the information required to be included in the scheme funding report as set out in Appendix A. We consider that this information would be helpful to users of the scheme funding report, including the governing body and also the relevant employer(s) who, for example, may use the scheme funding report as a basis for preparation of their corporate pensions accounting calculations.

Question 16: What aspects of TAS 300 have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.

Again, our comments regarding TAS 300 are essentially the same as those in Question 7 above regarding TAS 200, including the points regarding work supporting audits and in other multi-disciplinary teams.

SCHEME FUNDING AND FINANCING

Question 17: How are recent or anticipated changes in the regulatory framework requirements in relation to scheme financing changing the nature of advice and support provided by practitioners? What changes should be made to TAS 300 to reflect these?

Changes to the regulatory framework continue to evolve and therefore it is difficult to comment with certainty at this stage. Other than ensuring the communications continue to address all relevant legislative and regulatory issues, we do not envisage fundamental change being required. The points raised in the consultation to date are within the range of matters we already address as required.

On a point of detail, there may be matters relating to the introduction of Collective Defined Contribution plans (e.g. maintaining intergenerational fairness) which need to be addressed given the anticipated role of the scheme actuary in such schemes.

FACTORS FOR INDIVIDUAL CALCULATIONS

Question 18: How has the development in pensions freedoms in recent years impacted on your technical actuarial work for actuarial factors? What changes should be made to TAS 300 to reflect these?

The principles set out in paragraphs 17 and 18 of TAS 300 are broad and are likely to remain appropriate to our work in relation to pensions freedoms.



Question 19: Are there other areas of pensions-related technical actuarial work where you would welcome further technical actuarial standards?

Please see our response to Question 17 above.



5. TAS 400: FUNERAL PLAN TRUSTS

Question 20: To what extent has TAS 400 been effective in supporting high quality technical actuarial work for funeral plans trusts?

Our comments regarding the application of TAS 400 to funeral plan work are essentially the same as those in Questions 6 and 15 above relating to application of TAS 200 in insurance work and TAS 300 in pensions work; helpful in codifying good practice, especially as this is an area with evolving regulation and a smaller peer group of practitioners.

As we commented in our response to the 2020 consultation on TAS 400⁴, we believe explicit reference to the Asset Adequacy Report was helpful and we suggest this is updated to reflect the introduction of the Solvency Assessment Report.

Question 21: What aspects of TAS 400 have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.

In our 2020 consultation response we noted that there are some areas where the actuary needs to rely on the opinion of a third-party (e.g. regarding wholesale funeral costs). Paragraph 13 of TAS 400 calls for the actuary to “...state the actions taken by the actuary to satisfy themselves of the experience and competence of the third-party to provide such an estimate...”. In practice, we understand this information is typically provided by the associated funeral plan provider based on their market experience, in which case it may be helpful for TAS 400 to clarify that this is expected (i.e. the suggestion is not that there should be an independent third-party providing this information).

Question 22: What are your views on the timings of the changes to TAS 400 given the timings of the change in authorisation and supervision regimes?

Prompt review of TAS 400 in light of authorisation changes and introduction of FCA supervision would be welcomed to address the impact on the actuary’s role, for example in determining best estimate assumptions.

Question 23: Do you think that TAS 400 should create a standard terminology to be used for funeral plan valuation reports?

That would be helpful, along with ensuring consistency with FCA terminology.

Question 24: What are your views on whether TAS 400 should apply to technical actuarial work for Burial Societies?

We do not have experience of work with Burial Societies.

⁴ [TAS 400 Feedback Statement \(July 2020\)](#)



6. ASORP 1: FINANCIAL ANALYSIS OF SOCIAL SECURITY PROGRAMMES

Question 25: To what extent has ASORP 1 been effective in supporting high quality technical actuarial work in the social security sector?

Question 26: What aspects of ASORP 1 have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.

Question 27: Do you consider the definition of work which falls in the scope of application of ASORP 1 is clear? What changes should be made to the definitions set out in ASORP 1 to improve clarity?

Question 28: Have you observed an increased variety of technical actuarial work which falls into the scope of application of ASORP 1, for example since the pandemic? What changes should be made to ASORP 1 to reflect the new types of work and practices?

We do not have any feedback on ASORP 1 and therefore have not included responses to Questions 25-28.



7. OTHER TOPICS

Question 29: What changes should be made to the existing sector specific TASs to reflect these developments?

The last few years have seen actuaries move into a wider range of work. As stated above, we believe that the TASs have supported the provision of high quality technical actuarial work, and it is important that actuaries moving into wider fields can apply their professional judgement in considering the application of the core TAS principles to their work.

Question 30: Would there be greater coherence in the requirements in relation to technical actuarial work in the fields of investment and finance by setting them out in their own standard?

One of the strengths of the TASs is that they are principles-based and applicable to a wide range of situations. We discuss this further in our response to Question 31. In our view creating further specific standards increases the risk of confusion and inconsistencies and is not currently needed.

Question 31: 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?

We are observing an increasing use of actuaries and their risk modelling skills in less traditional areas such as banking, asset valuation (e.g. equity release mortgages), risk consulting, healthcare and commercial and government consulting. For actuaries working in these less traditional areas, users may value the technical, modelling or analytical skills that an actuary may bring to an issue, but have limited or no understanding of what the title 'actuary' means, particularly if the work is not presented as technical actuarial work. For these areas there are no sector specific TASs, and our view is that further standards are currently not required.

We observe that we are increasingly managing risks where past experience may no longer be an appropriate guide to future assumptions. We have discussed this in our response to Question 10.

In the area of modelling, as a firm we have developed guidance that is more specific than the TASs around the development and use of models to reflect the specific nature of our business, the specific technologies we employ and the requirements of our clients. This may be an area where the TASs could potentially be enhanced.

In addition, we also observe actuaries increasingly performing non-traditional roles in traditional areas. For example, performing the role of Chief Risk, Finance or Underwriting Officer for insurers.

By definition, we wouldn't capture all new areas where an increasing number of actuaries are performing technical actuarial work. We believe it would be difficult to set standards in new and developing areas and do not feel further standards are necessary. The principles-based nature of the current TASs can be adapted and applied by practitioners to these new areas covering data use, method setting and communication requirements.