

Minutes of an Actuarial Council conference call held on Thursday 7 April 2016

Present:

Olivia Dickson	Chair of Council
Rosemary Beaver	Council Member
David Hindley	Council Member
Joanne Livingstone	Council Member
Dominic Veney	Council Member
Des Hudson	IFoA Observer

Staff

Francesca Carter	Council Secretary
Robert Inglis	Project Director, Actuarial Policy Team
Melanie McLaren	Executive Director, Codes & Standards
Ann Muldoon	Director, Actuarial Policy Team

Apologies were received from Martin Burke, Angela Darlington, Ashok Gupta, Howard Jacobs and Martin Miles (Council Members).

1. Finalisation of Framework and TAS 100 feedback and Specific TAS consultation

- 1.1 Ann Muldoon (AM) introduced the final proposed changes to the Framework for Technical Actuarial Standards (TASs), TAS 100 and the related Feedback Statement and also to the Specific TAS consultations. AM reported that, subject to the advice of the Council, the documents would be presented to the FRC Board on 14 April 2016 for approval.

TAS 100 Compliance Statement

- 1.2 AM introduced the proposed wording for the TAS 100 compliance statement. The Council noted that the wording had been subject to considerable thought and debate to ensure it appropriately captures the intended scope and does not inadvertently include non-significant work due to over-compliance by actuaries; and that the wording had been discussed with colleagues in the enforcement division who were supportive.
- 1.3 AM clarified that whilst TAS 100 and the Framework were not being issued for formal consultation, publication would provide an opportunity for a fatal flaw review.
- 1.4 The Council supported the proposed text and commented that it is straightforward, clear and practicable.

TAS 200 – Scope of application

- 1.5 The Council noted a member of the Codes & Standards Committee (CSC) had raised a challenge in respect of the application of the TASs. The Council noted a member of the Codes & Standards Committee (CSC) had raised a challenge in respect of the application of the TASs. The member had highlighted that there is a risk that a user could make an incorrect assumption that a non-actuary who asserts compliance with a TAS in respect of a piece of technical actuarial work is also bound by ethical standards. Whilst the Council acknowledged the risk the Council supported the view of the executive that no action is necessary at this point. The Council noted that, in circumstances where the FRC becomes aware that a regulator requires compliance with a TAS, the FRC would advise the regulator of this risk.

Other changes to TAS 100, the Framework and the Glossary

- 1.6 The Council supported removal of the term 'sufficiently' in the requirement that models must be 'sufficiently fit for purpose'
- 1.7 The Council supported the introduction of a description of the Glossary into the Framework document.
- 1.8 The Council considered a proposed definition of 'best estimate', noting that the definition had been developed in response to a request from the Council and draws upon the definition as set out in Solvency II, IFRS and other auditing and accounting standards. The Council also noted that, as the term is defined in a number of other legislative processes that underpin the specific TASs, the proposed definition would only be applicable in relation to core provision 9 of TAS 200.
- 1.9 Whilst the Council accepted the rationale for limiting application of the wording to core provision 9, the Council considered the approach to be confusing. Following detailed discussion the Council advised that the definition be removed from the glossary and that the consultation should ask respondents whether it is necessary to define 'best estimate' and also ask whether there should be a requirement to explain what is meant by 'best estimate' when it is used.

TAS 300 – Cash flows and Investment Work

- 1.10 The Council supported the proposed amendment to the text in the provision concerning cash flows.
- 1.11 The Council supported the updated rationale for excluding investment work from the scope of TAS 300, noting that the text is consistent with the rationale as set out in TAS 200.

TAS 200 - amendments

- 1.12 The Council supported a number of other amendments to TAS 200 that had been circulated by email on 31 March.
- 1.13 The Council discussed the proposed wording in respect of risk modeling. Whilst it was noted that Solvency II establishes the risk function as owners of internal models it was suggested that responsibility for developing models will vary from insurer to insurer. Accordingly, it was advised that the first half of the relevant sentence referring to the risk function be removed.

Other amendments

- 1.14 The Council supported
 - Introduction of the word 'technical' in to the titles of the Framework and glossary.
 - Insertion of the word "risk" in various reference to the public interest.
 - A number of changes made to 'tidy up' the wording of the documents.
- 1.15 AM undertook to update the documents to reflect the advice of the Council prior to presentation to the FRC Board. The Council thanked AM and her team for their work in putting the documents together.