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Technical Actuarial Standard 100: Principles for Technical Actuarial Work

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Technical Actuarial Standard 100: *Principles for Technical Actuarial Work*

This standard should be read in conjunction with the *Framework for FRC technical actuarial standards*. Terms in **bold** are defined in the *Glossary of defined terms used in FRC technical actuarial standards*.

Purpose

Technical Actuarial Standard 100: *Principles for Technical Actuarial Work* (TAS 100) promotes high quality **technical actuarial work**. It supports the Reliability Objective that “**users** for whom **actuarial information** is created should be able to place a high degree of reliance on that information’s relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information”.

Scope of application

TAS 100 is applicable to all **technical actuarial work** within the geographic scope of FRC technical actuarial standards¹.

Technical actuarial work is work performed for a **user**:

- 1) where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement; or
- 2) which the **user** may reasonably regard as **technical actuarial work** by virtue of the manner of its presentation.

Technical actuarial work is not limited to work undertaken by an actuary.

Compliance

Members of the Institute and Faculty of Actuaries (IFoA) are required to comply with TAS 100. Wider adoption is encouraged. Other professional bodies, relevant regulators and contracting parties may require entities and individuals who are not members of the IFoA to comply with TAS 100.

Judgements concerning the application of this standard shall be exercised in a reasoned and justifiable manner.

Each of the principles and provisions in TAS 100 shall be followed where they are relevant to the work.

Departures from the provisions concerning **communications** to **users** are permitted if they are unlikely to have a **material** effect on the decisions of **users**.

¹ The geographic scope of the FRC’s technical actuarial standards 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 (paragraph 5.5 of the *Framework for FRC technical actuarial standards*).

Nothing in TAS 100 should be interpreted as requiring work to be performed that is not proportionate to the nature, scale and complexity of the decision or assignment to which the work relates and the benefit that **users** would be expected to obtain from the work.

Communications for **reserved work**, work in the scope of a **Specific TAS** and **technical actuarial work** which is central to a significant decision by the **user** shall include a statement confirming compliance with TAS 100.

Commencement date

This standard applies to **technical actuarial work** which is completed on or after 1 July 2017.

The Principles

Judgement

1. Judgement shall be exercised in a reasoned and justifiable manner; **material** judgements shall be communicated to **users** so that they are able to make informed decisions understanding the matters relevant to the **actuarial information**.

Data

2. **Data** used in **technical actuarial work** shall be appropriate for the purpose of that work so that **users** can rely on the resulting **actuarial information**.

Provisions

- 2.1 **Data** shall be relevant for the purpose of the **technical actuarial work**.
- 2.2 If **data** is insufficient or unreliable it shall be improved by adjusting or supplementing it to the extent that is proportionate.
- 2.3 **Data** used in **technical actuarial work**, the checks and controls that have been applied to that **data** and any actions taken to improve insufficient or unreliable **data** shall be **documented**.
- 2.4 **Communications** shall describe the **data** used in the **technical actuarial work**, the source of the **data**, the rationale for the selection of the **data**, whether checks and controls have been applied, any **material** uncertainty in the **data**, and the approach taken to deal with that uncertainty.
- 2.5 **Communications** shall state any limitations in the **actuarial information** resulting from the use of insufficient or unreliable **data** and provide an indication of their impact on the **actuarial information**.

Assumptions

3. Assumptions used, or proposed for use, in **technical actuarial work** shall be appropriate for the purpose of that work so that **users** can rely on the resulting **actuarial information**.

Provisions

- 3.1 Unless set by the **user**, a third party or by regulation, assumptions used in **technical actuarial work**, shall be consistent with each other and shall be derived from as much relevant information as is sufficient or, if there is insufficient relevant information, as is available.
- 3.2 Assumptions used in **technical actuarial work** shall be **documented**.
- 3.3 **Communications** shall state the **material** assumptions and describe their rationale.
- 3.4 **Communications** shall include a comparison of the assumptions with those used in the previous exercise carried out for the same purpose (if one exists) with an explanation of any differences, and description of any change in the rationale underlying the assumptions used.

- 3.5 **Communications** shall state when assumptions are set by a **user**, a third party or by regulation. **Communications** shall state whether any assumptions set by a **user** or a third party are not reasonable for the purpose of the **technical actuarial work** and provide an indication of their impact on the **actuarial information**.

Models

4. **Models** used in **technical actuarial work** shall be fit for the purpose for which they are used and be subject to sufficient controls and testing so that **users** can rely on the resulting **actuarial information**.

Provisions

- 4.1 An explanation of how a **model** is fit for the purpose for which it is used and what it does shall be **documented**.
- 4.2 Controls and tests that have been applied to a **model** shall be **documented**.
- 4.3 **Communications** shall explain the **methods** and **measures** used in the **technical actuarial work** and describe their rationale.
- 4.4 **Communications** shall include an explanation of any changes to the **methods** and **measures** used from the previous exercise carried out for the same purpose (if one exists).
- 4.5 **Communications** shall include explanations of any significant limitations of the **models** used and the implications of those limitations.

Communications

5. **Communications** shall be clear, comprehensive and comprehensible so that **users** are able to make informed decisions understanding the matters relevant to the **actuarial information**.

Provisions

- 5.1 **Communications** shall state its **users**, the scope and purpose of the **technical actuarial work** and who commissioned the work. Each **component communication** shall state its purpose and to whom it is addressed.
- 5.2 The style, structure and content of **communications** shall be suited to the skills, understanding and levels of relevant technical knowledge of their **users**.
- 5.3 **Material** information provided orally shall be confirmed in permanent form.
- 5.4 **Communications** shall include a comparison of results of calculations with the previous exercise carried out for the same purpose with an explanation of any differences (if one exists).
- 5.5 **Communications** shall:
- a) indicate the nature and extent of any **material** uncertainty in the **actuarial information** they contain; and

- b) state the nature and significance of each **material** risk or uncertainty faced by the **entity** in relation to the **technical actuarial work** and explain the approach taken to the risk.
- 5.6 **Communications** shall indicate any **material** changes or events that are known by a person responsible for the **communication** to have occurred since the effective date of the **data** and other information on which the **technical actuarial work** is based.
- 5.7 If a person responsible for a **component communication** becomes aware of any evidence of that **communication** not being understood by any **user**, that person shall provide clarification or information to correct the misunderstanding.
- 5.8 **Communications** shall not include information that is not **material** if it obscures **material actuarial information**.

Documentation

6. **Documentation** shall contain enough detail for a technically competent person with no previous knowledge of the **technical actuarial work** to understand the matters involved and assess the judgements made.

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Effective from 1 July 2017



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