



Financial Reporting Council

Technical Actuarial Standard for Insurance

Consultation Paper

February 2024

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1. Introduction

Background

- 1.1 The Financial Reporting Council (FRC) is the UK's independent regulator responsible for issuing and maintaining technical actuarial standards.
- 1.2 [Technical Actuarial Standard 200: Insurance](#) (TAS 200) was issued in December 2016, becoming effective for technical actuarial work completed on or after 1 July 2017.
- 1.3 To maintain the quality of technical actuarial work, it is important to ensure that the technical actuarial standards are up to date, and appropriate for the work being carried out. The FRC keeps the Technical Actuarial Standards (TASs) and other actuarial standards under regular review and aims to reconsider each TAS in detail at least once every five years.
- 1.4 The FRC published a [Call for Feedback](#) in May 2022 as part of the post implementation review of the sector specific TASs, which includes TAS 200. In February 2023, the FRC published a [position paper](#) including the summary of feedback in relation to TAS 200.
- 1.5 The FRC has also conducted informal outreach with the regulated community between May 2022 and December 2023. The information gathered from this outreach was used to inform policy decisions.

Context

- 1.6 There have been a number of key regulatory developments that affect technical actuarial work carried out for insurance since TAS 200 was issued in December 2016.
- 1.7 The Financial Conduct Authority (FCA) has given focus to insurance company customer outcomes, including:
 - Introduction of a new [Consumer Duty principle](#) to the [FCA Handbook](#) that requires firms to act to deliver good outcomes for retail customers. The rules and guidance came into effect on 31 July 2023 for new and existing products or services that are open to sale or renewal, and comes into effect on 31 July 2024 for closed products or services.
 - In addition, the FCA will consult on detailed rules to implement a new [value for money \(VFM\) framework for defined contribution workplace pensions](#), some of which are administered by insurers.
 - Issue of a [policy statement on general insurance pricing practices](#).
- 1.8 In light of the above, the FRC is proposing an additional provision in TAS 200 given the implications for technical actuarial work.
- 1.9 The current version of TAS 200 was published shortly after the commencement of the Solvency II regime. Following the UK's departure from the EU, HM Treasury and the Prudential

Regulatory Authority (PRA) have been conducting a review of Solvency II and some reforms were implemented at year-end 2023 with implementation of the remaining reforms expected in 2024. The FRC is not proposing changes to TAS 200 in light of the new regime.

- 1.10 In early 2022 both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) published updates to their approaches to Part VII transfers of insurance business to provide greater clarity to firms and independent experts regarding their expectations when they assess an insurance transfer and review the independent expert's report. The FRC is proposing revisions to existing provisions with the aim of improving the quality of advice in this area.
- 1.11 Another recent significant development was the publication of the insurance contract accounting standard IFRS 17, which became effective in January 2023, replacing IFRS 4. The FRC is not proposing changes to TAS 200 in light of the new accounting standard.
- 1.12 In March 2023, the FRC published [TAS 100 v2.0](#) following its periodic review of technical actuarial standards. In this consultation, certain changes are proposed to the structure and language of TAS 200 to better align with TAS 100 v2.0.
- 1.13 Regulators, including the PRA and FCA, have given increased focus to the implications for the industry of climate change. As an example, the [Bank of England's March 2023 report](#) set out the Bank's thinking on climate-related risks and regulatory capital frameworks, including those of PRA-regulated firms. The implications of climate change for the quality of technical actuarial work were considered in the development of the revised TAS 100 v2.0, which includes a new requirement that actuarial practitioners must consider all relevant material risks, including climate change, which they might reasonably be expected to know about at the time of carrying out their work. The FRC does not propose to make further changes to TAS 200 in respect of climate change.

Purpose and audience

- 1.14 The aim of this paper is to consult on proposed amendments to TAS 200. Our consultation has been written for those carrying out or reviewing technical actuarial work in relation to insurance, and for those who rely on such technical actuarial work.
- 1.15 Section 2 of this paper describes the proposed changes to TAS 200. Section 3 contains our impact assessment in relation to the proposed changes and Section 4 summarises the questions asked in this consultation. Annex 1 contains the exposure draft of the proposed revised TAS 200.
- 1.16 The FRC is grateful to all those who provided input to us as part of the Call for Feedback and outreach programme.

How to respond

1.17 Comments should be sent electronically to APT@frc.org.uk. Comments may also be sent in hard copy form to:

The Director of Actuarial Policy
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

1.18 Comments should reach the FRC by 10 May 2024. It is advisable to send your response electronically.

1.19 All responses will be regarded as being on the public record unless confidentiality is expressly requested by the respondent. A standard confidentiality statement in an email message will not be regarded as a request for non-disclosure. If you are sending a confidential response by email, please include the word 'confidential' in the subject line of your email.

1.20 The FRC will publish non-confidential responses on its website (with personal details redacted). A summary of the consultation responses will be published, either as a separate document or as part of, or alongside, any decision.

2. Proposed changes to TAS 200

Overall approach to the revision of TAS 200

- 2.1 The FRC proposes to retain the principles-based approach to TAS 200 as a principles-based approach leaves room for practitioners to apply judgement and proportionality. Feedback received also supported this approach.
- 2.2 The key proposed changes to TAS 200 relate to:
- the introduction of a new provision to support practitioners in considering the implications for technical actuarial work of the FCA's Consumer Duty principle, as well as an extension of the scope to include technical actuarial work supporting the tasks of the Actuarial Function and insurance transactions.
 - the removal of provisions where they are sufficiently addressed in TAS 100 v2.0, including all 11 provisions under the 'Core Provisions' section and 2 existing provisions (as well as 2 sub-provisions) under the 'Provisions for specified work' section out of a total of 23 provisions in the existing standard.
 - a revision to provisions to rectify known gaps in the quality of technical actuarial work relating to insurance transformations, audit, and assumptions setting.
- 2.3 These changes are described in more detail in the remaining sections of this paper.
- 2.4 In addition, the FRC proposes changes to TAS 200 in line with TAS 100 v2.0 as highlighted below:
- Actuaries working in insurance will be familiar with the use of the term 'must' in the context of insurance regulation in the UK. The FRC aligned TAS 100 v2.0 with this terminology by replacing 'shall' with 'must', which allows mandatory requirements ('must') to be distinguished from regulatory expectations ('should'). In some instances it was deemed appropriate to replace 'shall' with 'should' indicating a policy decision to change a mandatory requirement to a regulatory expectation. The FRC proposes to adopt the same approach for TAS 200. In particular, the FRC proposes to revise most provisions from a mandatory nature ('shall') to a regulatory expectation ('should'), which means that the FRC expects these provisions to be followed but there may be occasion when – for documented good reason – the practitioner may adopt an alternative approach. The FRC has published [guidance](#) to assist practitioners in applying proportionality when complying with the requirements of the TASs.
 - As set out in the consultation on TAS 100, the FRC proposes appending a glossary of the defined terms applicable to TAS 200 to the standard itself which would allow practitioners to reference the definitions more easily. This is part of the process of replacing the stand-alone glossary which currently houses all terms relevant to the suite of Technical Actuarial Standards with a relevant glossary for each TAS.

- The FRC proposes changes to the structure of the standard to bring out more clearly those provisions related to communications. The proposal is that these will now appear at the end of the relevant provisions and are marked as related to communications. Further, where a requirement for further analysis or consideration is embedded within a communications provision, the FRC proposes to make that analysis or consideration explicit as a separate provision.
- The FRC proposes further minor changes to TAS 200 to be consistent with TAS 100 v2.0, including replacing references to 'user' with 'intended user'.

Consumer duty

- 2.5 The Financial Conduct Authority (FCA) has introduced a new [Consumer Duty principle](#) (Principle 12) to the [FCA Handbook](#) that requires firms to act to deliver good outcomes for retail customers. The Consumer Duty requirements came into effect on 31 July 2023 for new and existing products or services that are open to sale or renewal, and comes into effect on 31 July 2024 for closed products or services.
- 2.6 The Consumer Duty is expressed in terms of four desired outcomes relating to governance of products and services, price and value, consumer understanding and consumer support. It is principles-based and there will be an element of judgement involved as to how firms apply the rules in practice.
- 2.7 While the responsibility for compliance with the FCA's Consumer Duty requirements rests with insurers' senior management, the FRC considers that the implications of the FCA requirements could be significant for practitioners carrying out technical actuarial work in many areas, for example:
- In setting their assumptions, the FRC considers practitioners carrying out valuation work or work assessing capital needs will need to consider the potential actions that an entity may take in response to Consumer Duty requirements, such as re-pricing an in-force portfolio, and the impact this may have on policyholder behaviour, premiums, charges or other terms and conditions.
 - The [FCA requirements](#) make specific reference to the sale and purchase of product books. The FRC considers that practitioners undertaking technical actuarial work in relation to insurance transactions, such as providing advice on the price or terms of a transaction, will need to be mindful of potential or unforeseen consequences of acquiring a product book. For example, a product considered for purchase may have very similar benefits to one existing in the purchasing entity but with different pricing and the margins of one or both products may be amended following the purchase (e.g. in response to a fair value assessment).
 - The FRC considers that practitioners engaged in technical actuarial work in relation to insurance transformations, particularly in the role of an independent expert, will need to consider how the transformation might impact the different groups of policyholders, particularly those displaying characteristics of vulnerability. The FRC considers that the

practitioner will need to consider whether the transformation may trigger actions by an insurer in response to Consumer Duty requirements and, if so, how those actions might impact policyholders.

- When expressing an opinion on the overall underwriting policy of an entity, [regulations](#) require the Actuarial Function to at least consider the sufficiency of premiums taking into consideration underlying risks and the effect of legal risk, among other things. The FRC considers that practitioners carrying out technical actuarial work in this area will need to consider whether the underwriting policy is consistent with Consumer Duty requirements when assessing those risks.
- The FRC considers that practitioners carrying out technical actuarial work supporting pricing frameworks will need to consider the risk to product profitability if the recommended product pricing, terms or conditions result in adverse customer outcomes that require remedial action or compensation.

2.8 Given the above, the FRC proposes to introduce a provision P1.1 for practitioners to consider whether to make allowance for material impacts arising from actions that may be taken by the entity (e.g. insurer) to fulfil regulatory obligations relating to customer outcomes, in support of the risk identification principle of TAS 100 v2.0. The actions to be considered include both actions already agreed by the entity and plausible actions which could reasonably be expected. The FRC considers the approach of introducing one provision applicable for all work within the scope of TAS 200 in keeping with the principles-based approach to TASs, instead of more detailed requirements specifically for each type of technical actuarial work.

2.9 The FCA Consumer Duty requirements oblige insurers to communicate information to retail customers in a way that is clear, fair and not misleading. There are two cases where practitioners could be involved in communications to retail customers:

- Practitioners may have a direct role in communicating information to retail customers, such that the retail customers are the intended users of the technical actuarial work. It will be clear that the FCA requirements will be applicable to those communications. The FRC considers that the requirements of the Communications Principle (Principle 7) of TAS 100 v2.0 (with the intended users being the retail customers) are sufficient and does not propose further provisions.
- Practitioners may also be asked to provide actuarial advice or expert input in relation to information to be provided to retail customers. In this case, the intended user is whoever requested the advice or input (for example a colleague within the entity or a governance committee). The intended user's needs will include the preparation of information which meets the Consumer Duty requirements. The FRC considers that practitioners will comply with the requirements of the Communications Principle (Principle 7) of TAS 100 v2.0 and in doing so, will consider the relevant material risks to this work, as required by the Risk Identification Principle (Principle 1) of TAS 100 v2.0. This will include the risk associated with the intended user's need to comply with the Consumer Duty requirements. The FRC considers that the two provisions are sufficient and thus the FRC does not consider that further provisions are necessary.

Question 1

Do you agree with the proposed new provision in relation to Consumer Duty? Do you consider that more specific requirements would be more appropriate?

Question 2

Do you consider that a specific requirement concerning communications to retail customers is required?

2.10 The FRC considers that the impact of Consumer Duty will be an important consideration for practitioners carrying out technical actuarial work to support the tasks of the Actuarial Function or in connection with insurance transactions (i.e. Merger & Acquisition work or risk-transfer transactions). The FRC therefore proposes to bring technical actuarial work in those two areas into the scope of TAS 200 so that practitioners carrying out technical actuarial work in those areas will be expected to comply with the newly introduced provision above. The FRC considers the newly introduced provision to represent current good practice and so does not consider this extension to the scope of TAS 200 to be onerous. It is not proposed to introduce further specific provisions in relation to those areas of work; only those provisions applicable to all work in scope of TAS 200 will apply.

Question 3

Do you agree that the proposed new provisions in relation to Consumer Duty should be applied to 1) technical actuarial work to support the tasks of the Actuarial Function, and 2) technical actuarial work in connection with the merger, acquisition or disposal of insurance companies or portfolios or risk-transfer transactions?

Solvency UK

2.11 The PRA issued two consultation papers in [June](#), and [September](#) 2023, alongside draft [HM Treasury regulations](#), proposing reforms to the Solvency II prudential regulatory framework for insurers and reinsurers.

2.12 The changes, some of which were implemented at year-end 2023 with the remainder expected in 2024, will bring more regulatory flexibility and judgement, especially in the use of internal capital models, allowance for risk in discount rates and in the choice of assets to match annuity liabilities.

2.13 The FRC considers that the proposed Solvency UK regime increases the reliance on the judgement of actuaries and therefore poor-quality technical actuarial work could have a greater impact. However, the FRC considers the general principles set out in TAS 100 v2.0, covering risk identification, judgement, data, assumptions, models, documentation, and communication are an adequate and proportionate way to support the provision of high-quality technical actuarial work.

2.14 The FRC does not propose to amend TAS 200 in respect of the proposed Solvency UK reforms.

Question 4

Do you agree that no further amendments are required to TAS 200 in light of the proposed Solvency UK reforms? If not, please provide further information.

Provisions for all work in scope of TAS 200

Removal of Provisions 1 to 11

2.15 Since TAS 200 was published in 2016, the FRC has published TAS 100 v2.0, which came into effect on 1 July 2023. In TAS 100 v2.0, the FRC introduced Application statements, which set out regulatory expectations designed to clarify a principle or a supporting provision within a principle. In light of the changes to TAS 100 v2.0, the FRC reviewed whether it is possible to eliminate or significantly simplify the existing requirements in TAS 200.

2.16 Provisions 1 to 11 in TAS 200 set out various requirements against the TAS 100 Principles, namely Judgements, Data, Assumptions, Models and Communications. TAS 200 Provisions 2 to 8, 10, and 11 have now been sufficiently addressed within the respective Application section in TAS 100. TAS 200 Provision 1 has now been sufficiently addressed in TAS 100 Provision 1.1. TAS 200 Provision 9 has now been sufficiently addressed by TAS 100 Provision 5.2. Given this, the FRC proposes to shorten and simplify TAS 200 by removing Provisions 1 to 11 from TAS 200.

Question 5

Do you agree with the proposed removal of TAS 200 Provisions 1 to 11? If not, please provide further information.

Provisions in relation to assumptions

2.17 Notwithstanding the above, there are two specific areas in relation to Assumptions specific to insurance that the FRC considers TAS 100 v2.0 has not sufficiently addressed.

2.18 Provision P4.2 of TAS 100 v2.0 requires that, unless set by the intended user, a third party or by regulation, assumptions used by practitioners must be consistent with each other and must be derived from as much relevant information as is sufficient. In addition to assumptions being internally consistent within a piece of technical actuarial work, it is also important that practitioners consider whether assumptions are consistent between pieces of work carried out for different purposes within the same entity. This was evident, for example, from the [PRA's thematic review of general insurance reserving and capital modelling](#), which highlighted the need to maintain feedback loops between claims, reserving, capital modelling and underwriting/pricing functions. The FRC proposes to introduce new provisions P1.2 and P1.4

requiring practitioners to consider the consistency of assumptions with those used in technical actuarial work for other purposes within the same entity and to communicate any material inconsistencies.

- 2.19 Feedback from stakeholder outreach suggests that practitioners sometimes do not respond to emerging experience and fail to take account of a pattern of over or under estimation over multiple time periods. The FRC proposes to introduce a new provision P1.3 in support of the Assumptions Principle, requiring practitioners to consider whether there is a consistent pattern of actual experience exceeding or falling short of that assumed in previous exercises. The proposed new provision P1.3 may apply to a range of technical actuarial work in scope of TAS 200: for example, in the context of capital requirements (if solvency coverage consistently falls short of projections due to over-optimistic business plans), in pricing work (if claims inflation consistently exceeds assumptions) or in audit work (if management's planned reductions in expense overruns consistently fail to materialise). There is a degree of overlap between the proposed new provision and Provision 12 of the existing TAS 200 in that both consider the relationship between previous assumptions and subsequent experience. However, Provision 12 considers only the relationship over a single time period in relation to valuation work and requires an explanation of material differences as might be provided, for example, as part of an analysis of movement in reserves. Therefore it is proposed to retain the existing Provision 12 in relation to valuation of insurance contract assets and liabilities.
- 2.20 The new provisions P1.2 to P1.4 are considered to represent current good practice, where applicable, in relation to technical actuarial work in scope of TAS 200 and so the FRC considers that applying these to all work within the amended scope should not be onerous.

Question 6

Do you agree with the proposed new provisions P1.2, P1.3 and P1.4? If not, please provide further information.

Valuation of insurance contract assets and liabilities

- 2.21 Provisions 12 and 13 of TAS 200 apply equally to technical actuarial work to support prudential regulatory balance sheets, financial statements, opinions on Lloyd's provisions and confirmations required under the General Insurers' Technical Provisions (Appropriate Amount) Regulations 2009.
- 2.22 The FRC proposes to simplify the presentation of TAS 200 by amalgamating the items under a single heading 'Valuation of insurance contract assets and liabilities', with clarification of the meaning of the term in the Scope section of the standard. Our intention is not to extend the scope but to simplify its presentation.
- 2.23 Application statement A7.1 of TAS 100 v2.0 includes requirements for communicating the level of prudence, where applicable, in actuarial information, as well as defining terminology such as 'best-estimate', 'central estimate' or other similar terms. The FRC considers that this is sufficient to cover the requirements for communicating the relationship between an estimate

and best-estimate and the derivation of any adjustment for risk in the estimate as required by Provision 13 of TAS 200. It is therefore proposed to remove that provision.

- 2.24 Provision 12 of TAS 200 requires communications to explain any material difference between actual experience emerging and that assumed in a previous exercise. The FRC proposes minor changes to require practitioners to identify and communicate the causes of those differences as set out in provisions P2.1 and P2.2 of the exposure draft.
- 2.25 In the [Call for Feedback in May 2022](#) the FRC asked how TAS 200, in particular the provisions in relation to financial statements, should be updated to address the challenges posed by the implementation of IFRS 17. The FRC has considered the responses received, together with subsequent outreach, and considers that the principles-based nature of the TASs allows sufficient adaptability for additional provisions in respect of IFRS 17 to be unnecessary.

Question 7

Do you agree with the proposed changes to provisions in relation to the valuation of insurance contract assets and liabilities? If not, please provide further information.

Prudential regulatory capital requirements and the Own Risk and Solvency Assessment

- 2.26 The FRC considers Provisions 14 and 15 continue to be fit for purpose and proposes minor changes in provisions P3.1 to P3.3 of the exposure draft.
- 2.27 The FRC proposes to adapt the wording of Provision 14 to emphasise that the requirement relates only to material items as set out in provision P3.2 of the exposure draft.
- 2.28 Provision 15 (a) requires practitioners to describe how the projection period has been determined and how material time dependent risks have been allowed for. This requirement is now set out more explicitly in provisions P3.1 and P3.3 of the exposure draft so that practitioners are required to consider whether the projection period is sufficient to capture those risks before communicating how the projection period has been determined and how material time dependent risks have been allowed for.
- 2.29 To help simplify our standards, the FRC proposes to remove Provision 15 (b) relating to communicating material limitations of the projection methodology as it is considered that this is covered adequately by Application A7.6 (c) and (d) of TAS 100 v2.0.

Question 8

Do you agree with the proposed changes to provisions in relation to prudential regulatory capital requirements and the ORSA? If not, please provide further information.

Insurance transformations

- 2.30 Technical actuarial work is often required in relation to insurance transformations, including the transfer of insurance business under Part VII of the Financial Services and Markets Act 2000 (FSMA) which is subject to approval by the court under Section 111 of FSMA.
- 2.31 Under Part VII, an independent expert is required to provide a scheme report accompanying an application to the court requesting approval of an insurance business transfer scheme. Such an independent expert is a practitioner who has the skills to produce such a report and is typically a qualified actuary.
- 2.32 Provisions 16 and 17 of TAS 200 set out the requirements for technical actuarial work in this area, which include that insurance transformations' communications should cover the impact on different classes of policyholders' benefits, the impact under the proposed and alternative material assumptions, and the changes in material risks.
- 2.33 In early 2022 both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) published updates to their approaches to Part VII transfers of insurance business to provide greater clarity to firms and independent experts regarding their expectations when they assess an insurance transfer and review the independent expert's report. Such expectations are set out in the [PRA's Statement of Policy](#) (January 2022) and the [FCA's guidance](#) (February 2022).
- 2.34 As the report of the independent expert will be relied upon by the court as well as by policyholders, reinsurers, others affected by the scheme and by the regulators, it is important that the independent expert approaches their work with a questioning mindset. To address this, the FRC proposes to introduce a provision P4.6 that when planning and performing technical actuarial work in relation to insurance transformations, practitioners should consider whether circumstances exist that may cause data, models, reports or other information received to be insufficient, inaccurate or subject to bias.
- 2.35 The PRA's Statement of Policy paragraph 2.33 (3) (a) states that the independent expert should also consider whether it is necessary to conduct their own stress and scenario testing or to request the firm(s) to conduct further stress and scenario testing. In doing so, practitioners sometimes limit their considerations to stresses and scenarios that are within the scope of those used to determine prudential capital requirements. In support of the Risk Identification Principle of TAS 100 v2.0, the FRC proposes to introduce a provision P4.4 requiring that practitioners should consider whether the transformation changes the material risks to policyholders' benefits. This may include the use of stresses and scenarios outside the scope of prudential capital requirements. The proposed provision builds on the existing communications Provision 17 (d).
- 2.36 The PRA's Statement of Policy paragraph 2.33 (2A) states that the independent expert should analyse and conclude on how groups of policyholders are affected differently by the scheme. Provision 17 of the existing TAS 200 requires communications to include sufficient information to allow intended users to understand how different classes of policyholders might be affected by the scheme. However, a class of policyholders may not be homogeneous and may

experience different outcomes from the transformation. For clarification, the FRC proposes to extend that provision to also communicate whether classes of policyholders include subgroups who are affected differently by the transformation. This is set out in provision P4.7a of the exposure draft.

2.37 Additionally, the FRC proposes to make a number of changes to simplify, clarify or amplify the existing provisions:

- to recast Provision 16 into two provisions P4.1 and P4.2 of the exposure draft and to reword Provision 17 (b) (provision P4.7b of the exposure draft) to give greater clarity to the intent of the provisions.
- to remove Provision 17 (c), which the FRC considers to be duplicative of the other sub-clauses in Provision 17.
- to extend the Provision 17 (f) to refer to material disadvantages as well as advantages to encourage more balance in communications.

2.38 The FRC also proposes to clarify the scope of technical actuarial work relating to schemes of arrangement or Part VII transfers, by stating that this relates to providing an opinion on those transformations. It is also proposed to exclude the definition of 'insurance transformation' (as defined in the current stand-alone glossary) from the TAS 200 v2.0 glossary as the meaning should already be clear from the description of scope.

Question 9

Do you agree with the proposed changes to provisions in respect of insurance transformations? If not, please provide further information.

Audit and assurance

2.39 When carrying out technical actuarial work to support the provision of an audit opinion, it is critical that the actuarial specialists and/or actuarial experts plan and perform their work with professional scepticism. As set out in the letter titled [Feedback on the actuarial aspects of insurance entity audits](#), the FRC has observed that some actuaries performing audit work have not been effective in challenging the technical actuarial work carried out by the insurer.

2.40 There were also instances where the FRC concluded that the actuaries performing audit work did apply an appropriate level of professional scepticism, but this was not made sufficiently clear through evidence in the technical actuarial working papers or actuarial reports within the audit file.

2.41 Provision 19 requires that practitioners carrying out technical actuarial work to support an audit opinion shall plan and perform their work with professional scepticism. The exercise of professional scepticism underpins the professional judgement exercised by the practitioner in their audit work and provision P6.1 (a) of TAS 100 requires the supporting justification to be

included in documentation. The FRC proposes to introduce a new provision P5.2 requiring that the exercise of professional scepticism must be evident from the documentation.

Question 10

Do you agree with the proposed changes to provisions in respect of audit and assurance? If not, please provide further information.

With-profits discretion

- 2.42 To simplify and shorten our standards, the FRC proposes to remove Provision 21, which requires the documentation of work performed to confirm that the information needs of policyholders have been taken into account when reporting to them on the exercise of discretion. The FRC considers that the provision, which relates to with-profits actuaries' opinions on communications under SUP 4.3.16B of the [FCA Handbook](#), is already covered by the requirement to document judgements and their supporting justifications under provision P6.1 (a) of TAS 100 v2.0.
- 2.43 In addition, the FRC proposes to insert the word 'material' into Provisions 22 and 23 (as per provisions P6.1, P6.2, and P6.3 of the exposure draft) to indicate that proportionality is intended in the standard.

Question 11

Do you agree with the proposed changes to provisions in relation to with-profits discretion? If not, please provide further information.

Pricing frameworks

- 2.44 Technical actuarial work to support pricing frameworks is within the scope of application of TAS 200 and so must comply with the TAS 200 provisions that apply to all work in scope of TAS 200 (i.e. the 'Core Provisions'). There are currently no specific provisions relating to that area of work. Irrespective of being within the scope of TAS 200, technical actuarial work to support pricing frameworks must comply with TAS 100, as is the case for all technical actuarial work (within the geographic scope).
- 2.45 In the [Call For Feedback in May 2022](#), the FRC invited comments on whether further specific considerations may be warranted, such as judgement around the allowance for expenses and return on capital in the determination of the technical price.
- 2.46 In response, some concerns were raised that the inclusion of pricing frameworks in the scope of TAS 200 was problematic for practitioners engaged in general insurance pricing work, particularly in the London Market where the actuary is typically supporting an underwriter-led decision. In particular, the FRC received feedback that the application of TASs was

burdensome where there was pressure to process business efficiently and where pricing models were more complex, individualised and dynamic.

- 2.47 Although that feedback was received in the context of TAS 200, which explicitly lists pricing frameworks within its scope, the concerns expressed apply more generally to the application of the TASs, particularly TAS 100. The inclusion of pricing frameworks within the scope of TAS 200 places few additional requirements on pricing practitioners over the principles set out in TAS 100, which applies to all technical actuarial work in the geographic scope.
- 2.48 The [FCA's policy statement on general insurance pricing practices](#) and the subsequent introduction of the Consumer Duty principle highlight the need for pricing practitioners to be mindful of customer outcomes and the implications of regulatory obligations in that area. The FRC considers the proposed new provision P1.1 in relation to customer outcomes to be relevant to technical actuarial work in relation to pricing frameworks.
- 2.49 In addition, the FRC considers that the proposed new Core Provisions P1.2 and P1.4 in relation to consistency of assumptions and provision P1.3 relating to patterns of emerging experience are also relevant to technical actuarial work in that area.
- 2.50 For these reasons, the FRC considers it essential for technical actuarial work in support of pricing frameworks to continue to remain in scope of TAS 200, and does not propose to amend the scope of TAS 200 in that regard.
- 2.51 The FRC proposes to incorporate the definition of pricing frameworks into the TAS 200 glossary, with minor modifications from that in the existing glossary to align to changes made to TAS 100 v2.0.

Question 12

Do you agree that technical actuarial work to support pricing frameworks should remain in scope of TAS 200? If not, please provide further details.

3. Impact Assessment

Benefits

3.1 The majority of the proposed changes to TAS 200 relate to:

- proposed changes in light of the introduction of the FCA's Consumer Duty principle.
- proposed removal of a number of provisions where they are adequately covered in TAS 100 v2.0.
- proposed revision to provisions to rectify known gaps in the quality of technical actuarial work relating to insurance transformations, audit, and assumptions setting.

3.2 The benefits of the proposed changes are: improvement in the quality of technical actuarial work, principally through better risk identification, consideration of assumptions and communication to users.

3.3 In particular:

- The proposed changes in relation to the FCA's Consumer Duty principle promote high quality technical actuarial work which would support intended users (e.g. insurers) to act to deliver good outcomes for retail consumers.
- The proposed changes encourage practitioners engaged in insurance transformations to adopt a questioning mindset resulting in higher quality actuarial information to the stakeholders involved in the transformation, including the FCA/PRA, the court, as well as policyholders, reinsurers and others affected by the scheme.
- The proposed changes encourage practitioners engaged in audit to document the exercise of professional scepticism which will result in higher quality in audits of insurers.

3.4 A better alignment of TAS 200 with TAS 100 v2.0 and the removal of now redundant requirements will benefit the users of the standard, namely the practitioners who are required to comply with the standard by efficiency gains in applying a more streamlined and fit for purpose standard.

One-off costs

3.5 It is recognised that there will be an element of one-off cost associated with reading the revised TAS 200 and updating processes and procedures. However, as the number of provisions applicable to each area of work within scope is small, the FRC considers that the updates required to processes and procedures will not be significant.

3.6 It is recognised that the proposed extension of scope to include technical actuarial work supporting insurance transactions or the tasks of the Actuarial Function will generate some one-off costs. However, those areas of work are already in scope of TAS 100 and the FRC considers the cost of adapting existing procedures to incorporate the small number of

TAS 200 provisions that will be applicable to those areas of work will not be significant. Further, the FRC's stakeholder outreach indicates that many practitioners supporting the tasks of the Actuarial Function already consider their work to fall within the scope of TAS 200 as the underlying areas of work are within scope.

Ongoing costs

- 3.7 While it is proposed to add a small number of further provisions into the standard, this is balanced by removal of 13 out of 23 existing provisions that overlap with TAS 100 v2.0 and it is not considered that there is an overall expansion of requirements.
- 3.8 One of the key proposed changes to TAS 200 is being introduced in response to the introduction of the FCA's Consumer Duty principle. The FCA expects that the application of the principle will be embedded in insurance companies' policies and practices. The FRC considers that the proposed new TAS 200 provision relating to Consumer Duty will not create an additional burden for practitioners over and above the costs of implementing the Consumer Duty principle itself.
- 3.9 While it is proposed to extend the scope of the Standard to include technical actuarial work supporting insurance transactions or the tasks of the Actuarial Function, technical actuarial work in those areas is already in scope of TAS 100. Additionally, as mentioned above, many practitioners supporting the tasks of the Actuarial Function already consider their work to fall within the scope of TAS 200. The FRC does not consider that the proposed provisions, which it is considered reflect current good practice, will result in significant additional work for practitioners.

Question 13

Do you agree with our impact assessment? Please give reasons for your response.

4. Summary of consultation questions

1. Do you agree with the proposed new provision in relation to Consumer Duty? Do you consider that more specific requirements would be more appropriate?
2. Do you consider that a specific requirement concerning communications to retail customers is required?
3. Do you agree that the proposed new provisions in relation to Consumer Duty should be applied to 1) technical actuarial work to support the tasks of the Actuarial Function, and 2) technical actuarial work in connection with the merger, acquisition or disposal of insurance companies or portfolios or risk-transfer transactions?
4. Do you agree that no further amendments are required to TAS 200 in light of the proposed Solvency UK reforms? If not, please provide further information.
5. Do you agree with the proposed removal of TAS 200 Provisions 1 to 11? If not, please provide further information.
6. Do you agree with the proposed new provisions P1.2, P1.3 and P1.4? If not, please provide further information.
7. Do you agree with the proposed changes to provisions in relation to the valuation of insurance contract assets and liabilities? If not, please provide further information.
8. Do you agree with the proposed changes to provisions in relation to prudential regulatory capital requirements and the ORSA? If not, please provide further information.
9. Do you agree with the proposed changes to provisions in respect of insurance transformations? If not, please provide further information.
10. Do you agree with the proposed changes to provisions in respect of audit and assurance? If not, please provide further information.
11. Do you agree with the proposed changes to provisions in relation to with-profits discretion? If not, please provide further information.
12. Do you agree that technical actuarial work to support pricing frameworks should remain in scope of TAS 200? If not, please provide further details.
13. Do you agree with our impact assessment? Please give reasons for your response.



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