



Financial Reporting Council

Technical Actuarial Standard 200: Insurance

version 2.0 – Exposure Draft

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Introduction

1.1. Terms in bold are defined in the Glossary of defined terms used in Technical Actuarial Standard 200, appended to this Standard.

Purpose

1.2. Technical Actuarial Standard 200: Insurance (TAS 200) promotes high quality **technical actuarial work** in relation to insurance, supporting the **reliability objective**:

To allow the **intended user** to place a high degree of reliance on **actuarial information**, practitioners must ensure the **actuarial information**, including the communication of any inherent uncertainty, is relevant, based on transparent assumptions, complete and comprehensible.

Scope and compliance

TAS 200 is applicable to the following **technical actuarial work** in the **geographic scope** of FRC technical actuarial standards:

Valuation of insurance contract assets and liabilities

Technical actuarial work to support:

- the preparation of an **insurer's** balance sheet for prudential regulatory purposes¹.
- the preparation of an **insurer's financial statements** and the reporting of a parent company's interest in the **insurer** in its **financial statements**¹.
- a Lloyd's Statement of Actuarial Opinion.
- the confirmation required under the General Insurers' Technical Provisions (Appropriate Amount) Regulations 2009.

Prudential regulatory capital requirements and the Own Risk and Solvency Assessment

Technical actuarial work to support the calculation of an **insurer's** prudential regulatory capital requirements and **technical actuarial work** undertaken as part of its Own Risk and Solvency Assessment.

¹ Other than **technical actuarial work** preparing information on its own **pension schemes** for the purpose of complying with financial reporting standards.

Insurance transformations

Technical actuarial work concerning:

- providing an opinion on schemes of arrangement.
- providing an opinion on Part VII transfers.
- supporting the role of policyholder advocate in an inherited estate reattribution.
- changes to the principles in the Principles and Practices of Financial Management.
- reporting on policyholder benefit reductions under section 376 of the Financial Services and Markets Act 2000.

Audit and assurance

Technical actuarial work to support the provision of an audit opinion on an **insurer's financial statements** and the reporting of a parent company's interest in the **insurer** in its **financial statements**.

Technical actuarial work to support the provision of an auditor's assurance opinion on an **insurer's** prudential regulatory reporting.

With-profits discretion

Technical actuarial work to support the exercise of discretion concerning with-profits life insurance policies.

Pricing frameworks

Technical actuarial work to support **pricing frameworks**.

Actuarial Function

Technical actuarial work to support the tasks of the Actuarial Function as set out in the prudential regulatory framework.

Insurance transactions

Technical actuarial work in connection with the merger, acquisition or disposal of insurance companies or portfolios or risk-transfer transactions.

- 1.3. TAS 200 v2.0 applies to **technical actuarial work** in scope and completed on or after DD MM 20YY.
- 1.4. Work in the scope of TAS 200 is also in the scope of Technical Actuarial Standard 100: General Actuarial Standards (TAS 100). This Standard should, therefore, be read in conjunction with TAS 100. Each of the provisions in TAS 200 must be followed where they are relevant to the work.

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- 1.5. In applying judgement to the application of this Standard, it is important to be guided by the **reliability objective**.
 - 1.6. Practitioners are encouraged to have regard to the relevant guidance that accompanies the TASs and, in particular, the guidance on proportionality, to inform how they will comply with this Standard.
 - 1.7. TAS 200 must be applied by all members of the Institute and Faculty of Actuaries (IFoA) carrying out work in its scope. Wider adoption is encouraged and other relevant regulators and contracting parties may require entities and individuals who are not members of the IFoA to comply with this Standard.
 - 1.8. **Actuarial information** that is **material** must include a statement by the practitioner confirming compliance with TAS 100 and TAS 200. Any **material** caveat, qualification or limitation in that statement must be justified to the **intended user**. The evidence demonstrating compliance must be available to the **intended user**, if requested.

General Provisions

- 1.9. This Standard consists of provisions which use defined terms 'must' and 'should'. The provisions which use the term 'must' set out mandatory requirements. The provisions which use the term 'should' set out regulatory expectations. Practitioners must have regard to these regulatory expectations; divergence may be acceptable but **material** deviations must be justified. The justification must demonstrate how compliance with the relevant provisions has been achieved despite not meeting regulatory expectations.

Provisions

1. Provisions for all work in scope of TAS 200

Risk identification

- P1.1. Where **technical actuarial work** relates to products that are within the scope of regulatory obligations relating to customer outcomes, practitioners should consider whether to make allowance for **material** impacts on policyholder behaviour, premiums, charges or other terms and conditions arising from actions that may be taken by the entity to fulfil those regulatory obligations. Practitioners should consider actions that have already been agreed and plausible actions which could reasonably be expected. Practitioners should include their considerations in their **documentation**.

Assumptions

- P1.2. Practitioners should consider the consistency of assumptions with those used in **technical actuarial work** for other purposes, such as business planning, pricing, reserving or capital modelling, within the same entity.
- P1.3. Where there is a consistent pattern of actual experience exceeding or falling short of that assumed in previous exercises, practitioners should consider whether the assumptions are appropriate and should include their considerations in their **documentation**.

Communications

- P1.4. Practitioners' **communications** should describe any **material** inconsistencies between assumptions used in the **technical actuarial work** and those used in **technical actuarial work** for other purposes, such as business planning, pricing, reserving or capital modelling, within the same entity.

Provisions for specified work

2. Valuation of insurance contract assets and liabilities

- P2.1. Where there was a previous exercise carried out for the same purpose, practitioners should assess whether there are **material** differences between the actual experience emerging since the previous exercise with that assumed in that previous exercise and identify the causes of those differences.

Communications

- P2.2. Where a practitioner has identified a **material** difference between the actual experience emerging since a previous exercise for the same purpose and that assumed in that previous exercise, the practitioners' **communications** should explain the difference and its causes.

3. Prudential regulatory capital requirements and the Own Risk and Solvency Assessment

P3.1. Where **technical actuarial work** includes projections, practitioners should consider whether the projection period is sufficient to capture **material** time dependent risks.

Communications

P3.2. Practitioners' **communications** for **technical actuarial work** that include stressed scenarios and use assumptions about the dependencies of risks should:

- a. explain any **material** differences between the balance sheet being stressed and that prepared for prudential regulatory purposes;
- b. describe any **material** changes to the management actions assumed in the stressed scenarios from those assumed in preparing the balance sheet for prudential regulatory purposes; and
- c. describe any **material** changes between assumptions about the dependencies used in the stressed scenarios and those used for prudential regulatory purposes and if there are no changes explain why.

P3.3. Practitioners' **communications** for **technical actuarial work** that includes projections should describe how the projection period has been determined and how **material** time dependent risks have been allowed for.

4. Insurance transformations

P4.1. Practitioners should identify the impact on different classes of policyholders' benefits of adopting the insurance transformation, considering all groups of policyholders who may be **materially** affected by the transformation.

P4.2. Unless set by the **intended user**, a third party or by regulation, assumptions used in **technical actuarial work**, should take account of how the insurance transformation affects the different parties. The extent to which assumptions have taken account of those affects should be described in the practitioner's **documentation**.

P4.3. Practitioners should consider the impact of the insurance transformation on policyholders' benefits determined using alternative **material** assumptions.

P4.4. Practitioners should consider whether the insurance transformation gives rise to changes in the **material** risks to the benefits of different classes of policyholders. Considerations may include assessing the significance of the changes using stresses and scenarios relevant to the nature and time horizon of the relevant risks. These may differ from those that are within the scope of those used to determine prudential capital requirements.

P4.5. Practitioners should consider whether there are any **material** changes to the cash flows to policyholders resulting from the insurance transformation.

P4.6. When planning and performing **technical actuarial work**, practitioners should consider whether circumstances exist that may cause **data**, **models**, reports or other information received to be insufficient, inaccurate or subject to **bias**.

Communications

P4.7. Practitioners' **communications** should include sufficient **actuarial information** to enable **intended users** to understand how different classes of policyholders might be affected by an insurance transformation. The information provided should include:

- a. how the different classes of policyholders have been defined and whether the classes include subgroups of policyholders who are affected differently by the insurance transformation;
- b. the impact on different classes of policyholders' benefits of adopting the insurance transformation and how those impacts might change when applying alternative **material** assumptions;
- c. any changes in the **material** risks to the benefits of the different classes of policyholders;
- d. any **material** changes to the cash flows to policyholders resulting from the insurance transformation; and
- e. any **material** advantages that might be gained or **material** disadvantages that might be incurred by any classes of policyholders.

5. Audit and assurance

- P5.1. Practitioners must plan and perform **technical actuarial work** with **professional scepticism**, recognising that circumstances may exist that cause the **financial statements** or prudential regulatory information to be materially misstated.
- P5.2. Practitioners must ensure that the exercise of **professional scepticism** is evident from the **documentation**.
- P5.3. Practitioners must include the initial scope of the **technical actuarial work** and the reasons for any variances from the initial scope in their **documentation**.

Communications

P5.4. Practitioners' **communications** should state the nature and extent of any reliance on **data** prepared by another party and the conclusions of the **technical actuarial work** including any concerns on **material** deficiencies or limitations.

6. With-profits discretion

- P6.1. Practitioners advising or reporting on the exercise of discretion should identify the **material** effects of the exercise of discretion proposed or taken on policyholders' benefits, on amounts allocated to shareholders, if any, and on any with-profits estate affected.

Communications

- P6.2. Practitioners' **communications** advising or reporting on the exercise of discretion should describe the **material** effects of the exercise of discretion proposed or taken on policyholders' benefits, on amounts allocated to shareholders, if any, and on any with-profits estate affected.
- P6.3. Practitioners' **communications** for work that requires projecting cash flows under alternative scenarios should describe how any **material** changes in the assumptions about the exercise of discretion in the alternative scenarios considered are consistent with the fair treatment of the policyholders affected.

Glossary of defined terms used in TAS 200

Must	Statements using the word 'must' set out mandatory requirements.
Should	Statements using the word 'should' set out regulatory expectations and are intended to assist in compliance with mandatory requirements.
	Deviation may be acceptable but material deviations will need to be justified. The justification must demonstrate how compliance with mandatory requirements has been achieved despite not meeting regulatory expectations.

Terms in **bold** in the text of this TAS 200 are used with the definitions set out below. These terms may also be used in the other TASs with the same meaning.

actuarial information	The output of technical actuarial work , including output from a model designed for direct use by the intended user .
bias	A disproportionate weight in favour of or against something.
communications	Actuarial information which meets the reliability objective and is provided to an intended user to assist the intended user in making informed decisions.
data	Facts or information usually collected from records or from experience or from observation. Examples include membership or policyholder data , claims data , asset and investment data , operating data (such as administrative or running costs), benefit definitions, and policy terms and conditions.
documentation	Physical or digital material that provides evidence that serves as a record of facts, opinions, explanations of judgements, or other matters. It is not necessarily provided to an intended user .
financial statements	Statements that are intended to give a true and fair view of an entity's financial position at the

	reporting date and profit or loss (or income and expenditure) for the reporting period.
geographic scope	The intended geographic scope of the TASs 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. This definition of scope applies regardless of the location or domicile of the person carrying out the work.
insurer	An undertaking or group of undertakings effecting or carrying out contracts of insurance or reinsurance.
intended user	A person or group of persons whose decisions communications are intended (at the time they are provided) to assist.
material	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.
model	A simplified representation of some aspect of the world.
	The model produces a set of outputs from inputs in the form of data , assumptions and parameters. Inputs and outputs may be qualitative or quantitative.
	The model is defined by a specification that describes the matters that should be represented, the inputs, and the relationships between the inputs and the resulting outputs.

	The model is implemented through a set of mathematical formulae and algorithms (e.g. a computer program).
pension scheme	An occupational or personal pension scheme established under UK legislation or other arrangement to pay pensions established under UK pensions legislation.
pricing framework	The set of product pricing principles and the methodologies, assumptions and models implementing those principles that support an insurer's premium rates or product charges.
professional scepticism	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
reliability objective	To allow the intended user to place a high degree of reliance on actuarial information , practitioners must ensure the actuarial information , including the communication of any inherent uncertainty, is relevant, based on transparent assumptions, complete and comprehensible.
technical actuarial work	Work performed for the intended user : (i) where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement; or (ii) which the intended user could reasonably regard as technical actuarial work by virtue of the manner of its communication .



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