

UK Financial Reporting Council - update

Risk

The FRC published a discussion paper in October identifying risks to the public interest to which actuarial work is relevant to the risk or to its mitigation – *Joint Forum on Actuarial Regulation: A risk perspective*.

This was a result of collaboration between the FRC and the IFoA and the regulators who have an interest in the quality of actuarial work, the Prudential Regulation Authority (the prudential regulator responsible for insurance), the Pensions Regulator (the prudential regulator for occupational pensions) and the Financial Conduct Authority (the consumer protection and market conduct regulator).

We are now analysing the feedback we received.

We will be working with the IFoA to develop a joint response to these risks. We expect that this will focus on raising awareness through debate and discussion among UK actuaries under the auspices of the IFoA.

We will also use the feedback to consider how our technical actuarial standards can be better targeted.

Standards

We consulted in November revising our Generic Technical Actuarial Standards on Data, Modelling and Reporting. The aim is to consolidate and refine the existing standard set. The consolidated standard is written so it can be followed for any piece of actuarial work. The benefit to users of the proposed changes is that a wider range of actuarial work will meet minimum quality standards. For practitioners, the benefit is an improved, shorter and simpler set of standards.

One by-product of the proposed changes, if they are implemented, is that we expect to be able to say that the UK technical actuarial standards are substantially consistent with the technical component of ESAP 1.

We are now analysing responses and will provide feedback in the summer.

Survey of confidence of perceptions of actuarial quality

Every two years we survey users of actuarial work to assess levels of confidence on key aspects of actuarial information and the profession.

This year we surveyed:

- 51 Insurance Executives and 23 Insurance non-executive Directors,
- 50 Pension Scheme Trustees and 26 Pension Scheme Managers; and
- 100 others including Investment Managers, Auditors, Company Directors, journalists and other stakeholders.

Overall the results were good with high overall confidence in the relevance and reliability of actuarial information (over 92% of insurance and pensions users are very or fairly confident in both relevance and reliability).

Similarly 98% of pensions and insurance users were confident in the competence and integrity of UK actuaries.

However there are some issues on the communication of actuarial information.

- Over 20% of insurance users lacked confidence in the clarity of actuarial information.
- Over 20% of pensions and over 33% of insurance users were concerned that actuarial information was either unclear or ambiguous, and suggested that the language used was not as plain as it might be.
- Almost 40% of pensions users and 55% of insurance users thought that actuarial information is presented in a more complex way than is strictly necessary.

Oversight of the IFoA

The FRC continues to oversee the IFoA's regulatory activities in the UK. This includes the areas of training & education, cpd, discipline and ethical standard-setting.

Over the last year we have given a relatively high level of input into the IFoA's development of its new Quality Assurance Standard for firms and its new cross-practice standard on Work Review. The IFoA's review of the Actuaries' Code later this year is another matter upon which we will engage with the IFoA.

We have fed into the IFoA's development of a competency regime for Solvency II roles (ie practising certificates).

We have taken an interest in two IFoA disciplinary cases which relate to compliance with the Technical Actuarial Standards (TASs) set by the FRC.

We have also reviewed significant amounts of the IFoA's new training material on professionalism.