

Institute and Faculty of Actuaries

Approval report

Subject	Horizon Scanning Register
Regulation Board meeting	17 November 2020
Author	IFoA Executive
International Issues Considered	Yes

A: Executive summary

1. Summary

1.1 This paper provides an update on recent changes to the Regulation Board's (the Board's) Horizon Scanning Register (the Register).

1.2 The Board is invited to note the update and i) approve the process note setting out the purpose of the Register, ii) provide a steer on the content of the Register, and iii) provide a steer on which topics the Board would like to focus on over the coming year.

B: Background

2. Horizon Scanning Register

2.1 A sub-group of the Board (the Chair, Nicola Bevan, Frank Devlin and Marcia Cantor-Grable) and the Executive (Elena McLachlan) met virtually in late July to discuss the Register, in particular whether the ratings for each of the existing risks was appropriate and whether any additional topics ought to be added to it.

2.2 A number of changes have been made to the Register following that meeting. A copy of the updated Register is included as **Appendix 1**.

2.3 A further meeting of the sub-group is being arranged to follow the Board's November meeting. Any proposed changes to the Register following the meeting of the sub-group will be shared with the Board at its February meeting.

2.4 The Board indicated at its last meeting that it would be helpful if a process document could be created setting out the purpose of the Register and how it is intended to be used. This has been developed by the Executive and is included as **Appendix 2**.

2.5 The changes made to the Register since the last Board meeting are set out in the table below:

Risk	Change
All	Actions/mitigations separated out to make it clearer whether they are owned by RB or others.
All	Actions/mitigations updated where possible with recent developments (further updates awaited).
Actuarial Regulation Review (post Kingman)	Impact rating changed from 'severe' to 'moderate' following suggestion from RB that there is not a high risk to the public interest from the review and that any changes are designed to enhance public welfare.

	Likelihood changed from 'likely' to 'possible'. Overall risk status changed to 'medium'.
GI Reserving	New risk added to cover the issues identified in the PRA's 'Dear Chief Actuary' letter of Nov 2019 (for Board consideration and approval).
Funeral Plan Trusts	New risk added on actuarial advice in relation to Funeral Plan Trusts and in particular whether anything should be done by the Board in the transition period to FCA supervision of UK pre-paid funeral plan trusts (for Board consideration and approval).
Biodiversity	New risk added based on paper from Sustainability Board's Biodiversity and Natural Capital Working Party (for Board consideration and approval).

2.6 The first two of the new risks added to the Register (GI Reserving and Funeral Plan Trusts) have been identified by the Board as issues of regulatory public interest. The third has been submitted by the Sustainability Board's Biodiversity and Natural Capital Working Party. A paper setting out the Working Party's rationale for its proposed inclusion is included as **Appendix 3**.

2.7 The Board is asked to note the updated Register and provide a steer on:

- i. whether all of the risks listed are appropriate for a Register of this nature. In particular the Board's steer is sought on whether the Register should focus on a shorter horizon, for example only on those risks with a likely timescale of 1-2 years;
- ii. whether there is anything further, in addition to its programme of deep dives, that might assist the Board in relation to the Register, for example regular briefing papers from the Practice Boards / IFoA Executive on specific risks within the Register; and
- iii. which risks the Board would like to focus on over the coming year, in addition to those in relation to which a deep dive is already planned.

3. Deep Dives

3.1 There are currently two regulatory risk deep dives scheduled to take place in 2021. The topic of GI pricing will be considered by the Board at its meeting in February 2021, with a discussion on Equity Release Mortgages scheduled for the Board's meeting in May.

3.2 A note on proposals for topics for discussion for the February deep dive on GI pricing is included in the Executive update (Paper 4. Appendix 7).

3.3 The Board is invited to identify topics for risk deep dives in Q2 2021. It is suggested that two potential topics might be:

- The role of GI actuaries in relation to insurance firms' reserving policies (following PRA's 'Dear Chief Actuary' letter in Nov 2019); and
- Implications for actuaries from TPR proposed 'fast-track' DB scheme funding route.

4. Next steps

4.1 In light of any steer provided by the Board, the Executive Team will carry out work to further refine the Register in advance of the next Board meeting.

4.2 A copy of the updated Register will be shared in the usual way with the IFoA's Policy and Actuarial Monitoring Teams, Chief Risk Officer and Corporate and IFoA Practice Boards, all of whom will be invited to share with the Board any feedback on existing risks or additional topics or issues the Board may wish to consider for inclusion in the Register.

C: Decision

5.1 The Regulation Board is asked to note this update and:

- i) approve the definition and process document or otherwise provide a steer on its proposed format and content;
- ii) note the changes that have been made to the Register since the Board's July meeting; and
- iii) provide a steer on:
 - whether the Register contains the right risks (and number of risks), including whether the Register should focus only on those risks with a likely timescale of 1-2 years;
 - whether there is anything further, in addition to its programme of deep dives, that might assist the Board in relation to the Register; and
 - which risks the Board would like to focus on over the coming year, in addition to those in relation to which a deep dive is already planned.

D: Appendices

Appendix 1: Updated Horizon Scanning Register

Appendix 2: Register process document

Appendix 3: Paper from Biodiversity and Natural Capital Working Party