

Ref	Key Risk	Description of risk	Practice area	Key examples	Impact	Likelihood	Overall risk status	Likelihood change	Indicative timescale	Suggested action/mitigation: Regulatory Board	Suggested action/mitigation: Other IFoA / External	Residual risk status	Owner(s)	Comments	Recent changes/comments
	minor moderate major				unlikely possible likely	Low Medium High	No change Increasing Decreasing								
HS01 HS08	Complex models being insufficiently validated and understood, and/or insufficiently communicated	There is a risk that complex models are insufficiently validated and understood. There may be insufficient balance of customer and commercial outcomes through more extensive use of data, resulting in unfairness in pricing. Model limitations may be insufficiently communicated to senior management and boards.	All	Data science, machine learning, GI and health pricing	Major	Possible	High	↔ No change	Now and ongoing	IFoA specific data science guidance published in 2021. GI Thematic Review report highlighted the risks around data science. AMS team planned thematic review during 2023.	IFoA Lifelong learning offers certification in data science.Scrutiny of issues by IFoA Data Science MIG . GI Machine Learning in Reserving working party conducting research into this topic. TAS 100 requires models used in technical actuarial work to be fit for purpose & subject to sufficient controls. FRC/GAD AI/ML questionnaire for actuaries during Q1/Q2 2023	Medium	RB		
HS02	Actuaries taking into account climate change risks, biodiversity and climate change disclosures	There is a risk that actuaries do not sufficiently allow for climate-related risks in the work that they carry out. Additionally actuaries may not sufficiently promote risks to climate, sustainability and biodiversity within their organisations.	All	risk management, climate modelling, climate disclosures	Major	Likely	High	↔ No change	Ongoing	Risk alert published in April 2022. Further guidance on the Code to be developed by the Board (spring 2023) .	Sustainability and Climate Risk course / Sustainability Board curated library and practical guides on climate change / sustainability Thought Leadership series of webinars / creation of Sustainability Research Thought Leadership Sub-committee and ambitious research agenda. Biodiversity and Natural Capital Working party established developing think pieces, webinars, blogs, case studies and other educational resources.	High	RB with support from Sustainability Board		February 2023: Work on non-mandatory guidance (including case studies) progressing, with the aim of publication by May 2023.
HS04 HS10 HS12	Significant Pensions developments requiring appropriate governance	There are a number of significant developments taking place in relation to pensions, each of which may result in sub-optimal outcomes if not developed and governed appropriately.	Pensions	CDC, Master trusts, Fast track funding	Major	Possible	High	↑ increasing	2022-25	AMS Thematic review on corporate pensions advice will touch on this area. Consider reviewing PC requirements / consider guidance for members advising Master Trust	New funding regulation and guidance published by TPR.	Medium	RB with support from Pensions Board	CDC Scheme Actuary proopsals approved in November 2022 and revised PC Scheme, plus amended APS P1 will come into force on 1 March 2023. Thematic review on corporate pensions to be completed in March 2023.	
HS05	DB to DC transfers	Risk of poor outcomes for scheme members/public interest by consumers making inappropriate DB -> DC transfers Risks around actuaries' role in providing advice/communications (either to members themselves or to trustees or sponsors) that members have regard to in making those decisions.	Pensions		Moderate	Possible	Medium	↔ No change	0-5 years	Discussed by RB during deep dive in Feb 2020. RB Chair worked with IFoA Policy team on the published Great Risk Transfer document in 2021 which touches on this risk.	Significant amount of activity on the part of the regulators, including publication of further FCA guidance and joint guidance between the FCA and TPR	Medium	RB with support from Pensions Board / IFoA Policy Team	Increased focus by trustees and sponsors on reducing risk may lead to more actuaries advising on scheme-wide transfer offers, with the potential for member detriment. There has also been a significant amount of activity on the part of the regulators, including publication of further FCA guidance and joint guidance between the FCA and TPR.	
HS07 HS03	Products which combine higher risk of adverse outcomes with significant actuarial involvement	There are certain products which combine a higher risk of adverse outcomes with significant actuarial involvement.	GI, Life	equity release, funeral plan trusts	Moderate	Possible	Medium	↔ No change	0-5 years	Recent thematic reviews on ERM and on Funeral Plan Trusts. Deep dive on Consumer Duty to take place in 2023.	Funeral plans move under FCA regulation during 2022. Introduction of FCA Consumer Duty in 2023 likely to have a significant impact in this area.	Medium	RB with support from Life Board & IFoA Policy Team	AMS Review published	AMS Reviews published . February 2023: the ERM report was published on 7 December 2022 after Reg Board discussion
HS14	Risk of inaccurate pandemic modelling and future path of longevity as a result of the COVID-19 pandemic	There is a risk that actuaries use data emerging from the pandemic in an innappropriate way. There may also be insufficient development of pandemic models to learn lessons from the recent experience, and improve on previous models	Life, Pensions	Pricing Reserving and Funding Stress testing Capital modelling	Moderate	Unlikely	Low	↓ decreasing	Ongoing	Risk Alert and member communications issued to highlight various potential issues, including challenges in assumption setting.	Scrutiny of Covid related issues and implications by IFoA member groups, including IFoA Covid 19 Task Force (ICAT) of whether there are public interest implications. The Continuous Mortality Investigation (CMI) is consulting on proposals for the next version of its Mortality Projection Model. The consultation focuses on the high mortality rates seen in England & Wales in 2022 and the extent to which these should be reflected in the model.	Low	RB, ICAT, Regulation Team		Suggested update in early 2023 when more knowledge is gained from Winter 2022/23.
HS13 HS16 HS17	Actuaries not appropriately allowing for significant changes in economic environment	There is a risk that actuaries are not appropriately allowing for significant changes in economic environment, particularly as it impacts inflation and interest rates. This in turn may impact on reserving, pricing and hedging activities, with implications for both organisations and consumers. Stress testing activity may not sufficiently consider possible outcomes which could threaten liquidity and solvency of firms or pension schemes	All	Inflation assumption,s interest rate hedging, LDI	Moderate	Possible	Medium	↑ increasing	Ongoing	A member of the GI board was invited to present to Regulatory Board at the July 2022 meeting. Regulatory board agreed for the drafting of a cross-practice area risk alert including GI. AMS team to prepare review of practices by actuaries for May 2023 meeting	Discussion regarding economic uncertainty and LDI following September 2022, with separate risk alert being proposed by GI board. This was not taken forward by Regulatory Board. TPR, BoE and other market regulators taking steps to strengthen collateral arrangements and reporting of LDI investments.	Medium	RB, GI, Life, board - requires ongoing engagement with board	Risk alert published in August 2022, with significant media interest at the time on the IFoA's response.	

Suggested for Removal															
HS15	Perceived conflicts of interest and the availability of independent experts for Part VII transfers	There has been concern raised by the PRA through the Joint Forum on Actuarial Regulation (JFAR), regarding the role of actuaries as Independent Experts in Part VII transfers. This is because of a lack of availability of experts in Part VII transfers, meaning an increased risk that conflicts of interest will arise and experts may be too conflicted to be instructed.	GI	JFAR/PRA	Moderate	Possible	Low	↔ No change	Ongoing	Issue discussed at July meeting of the Reg Board. Action was to follow up with a meeting with PRA and find out what these issues are. While the IFoA cannot regulate further on this issue, it does concern actuaries professional reputation.	Meeting with PRA, FCA, FRC on 3rd March 2022. Discussed issues - next step is a proposed meeting with actuaries working in this field. Issue was discussed at April 2022 reg board meeting. Outcome was for more awareness by actuaries on perceived conflict of interests, through support and guidance by the PRA. IFoA being kept aware of activities in this area.	Low	RB, Regulatory Policy Team, Pensions Board, JFAR	Added to horizon scan in April 2022. Joint roundtable with PRA/FCA and IFoA held in June 2022 to address these perceived conflicts of interest and the availability of independent experts.	November 2022: Suggested removal due to Board and Exec activity on it this year
HS09	GI reserving	Role of GI actuaries in relation to insurance firms' reserving policies. Concern raised by PRA in its Nov 2019 'Dear Chief Actuary' letter that firms could be taking an overly optimistic/biased view in relation to reserve assessments. Public interest risk in terms of reserving if undue commercial pressures are being brought to bear on actuaries.	GI	PRA	Moderate	Possible	Medium	↑ increasing	0-5 years		GI Board & IFoA Policy Team to discuss reserving issues when they next meet with PRA (date TBC).	Medium	RB with support from GI Board / IFoA Policy Team	Current issues relating to reserving driven by concerns over inflation (with impacts arising from Brexit, covid-19 and more recently the war in Ukraine). Given uncertainty over future inflation, interest in reserving likely to be driven by setting of suitable future inflation assumptions/ consideration of inflation exposure. Former concerns over overly rosy/ commercial reserve setting now overshadowed by concerns over inflation uncertainty	November 2022: Suggested removal due to overlap with HS16.
HS06	Regulatory changes to the Financial Services Bill as a result of Brexit	Potential for divergence from EU rules leading to uncertainty in terms of the extent and nature of the regulatory framework as it relates to actuarial work, particularly for insurance. This could lead to a lessening of EU wide protections for the public. There is a risk that actuaries do not adequately engage in proposed regulatory changes, in particular to protect the public interest.	All	Policy team	Moderate	Possible	Medium	↔ No change	0-5 years	Scrutiny of Brexit related issues and implications for the public interest by the RB.	IFoA Policy Team continue to monitor changes to Regulatory framework / respond to consultations as appropriate / continue to monitor and review.	Medium	RB, ICAT, Regulation Team	Financial Services and Markets Bill currently going through Parliament	November 2022: Suggest removal as organisations where actuaries work and IFoA have been responding to PRA consultations on this.

Risk matrix

Likelihood ↑ What is the chance it will happen?	Likely	Medium	High	High
	Possible	Low	Medium	High
	Unlikely	Low	Low	Medium
		Minor	Moderate	Major
		Impact → How serious is the risk?		

Likelihood scale

Frequency	Description	Measure
Likely	Higher than average chance it will occur	50% plus
Possible	Reasonable probability it will happen	11-50%
Unlikely	Unlikely, but not impossible to occur	0-10%

Impact scale

Frequency	Description	Measure
Major	Significant regulatory impact	Significant member/public/stakeholder concern Significant impact on public trust in the profession Significant impact on the IFoA's ability to regulate in the public interest
Moderate	Moderate level of regulatory impact	Moderate member/public/stakeholder concern Limited short-term impact on public trust in the profession and reputation of IFoA Limited short-term impact on IFoA's ability to regulate in the public interest
Minor	Minor or negligible regulatory impact	Minor or no member/public/stakeholder concern No impact on public trust in the profession No impact on IFoA's ability to regulate in the public interest