RB REGULATORY HORIZON SCANNING REGISTER

Definition of Key Risk: A regulatory risk which has the potential to impact on the public interest, as relevant to actuaries and their work

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Movement:
↓ likelihood is reducing
↑ likelihood is increasing
↔ No change in likelihood

Ref No.	Key Risk	Description of risk	Practice area	Source	Impact (minor / moderate / major)	Likelihood (unlikely / possible / likely)	Overall risk Status (H/M/L)	Movement	Likely Timescale	Suggested action/mitigation: Regulatory Board	Suggested action/mitigation: Other IFoA / External	Residual Risk Status	Responsibility for Action/mitigation	Comments	Recent changes/comments
HS01	**Choice of models, including the use of AI/machine learning**	Actuaries failing to use appropriately validated models, or adequately consider alternatives, contributing to errors or sub-optimal strategies/actions. The development and novelty of AI/ML techniques may lead to actuaries not being able to use them appropriately and/or misunderstanding customer behavioural impacts, resulting in public interest detriment. Additionally, actuaries may be responsible for appropriate and transparent choice of data, balancing customer fairness and commercial drivers. This will drive a need for appropriate communications to Boards, and ultimately regulators, as to the justification and validation of the data chosen. There is a risk that actuaries do not apply the right level of balance between customer and commercial elements. Examples: underwriting/pricing that inadvertently discriminates by sex/race/etc. Investment advice using only backward-looking risk models, given that all climate scenarios are different from the past. Regulatory changes that impact the ability to underwrite risk through restrictions on data that can be used and questions that can be asked. Restricted underwriting data could lead to higher prices for consumers, and/or lower profitability for firms, where less sophisticated risk assessment leads to higher uncertainty margins or increased selection risk.	Risk Management, Health and Care Life GI Pensions Investment	Risk Management Board,	Major	Possible	**High**	↔ No change in likelihood	Now and ongoing	RB issued joint guidance with the RSS on ethical use of data science to increase Member's understanding, including the ethics of using AI / IFoA specific data science guidance published Q1 2021 on Members' professional and regulatory obligations in relation to data science and working with AI models issued May 2019. GI Thematic Review report highlighted the risks around data science.	IFoA Lifelong learning offering certifiation in data science/Scrutiny of issues by IFoA Data Science MIG (regulation and ethics workstream). GI Machine Learning in Reserving working party conducting research into this topic. FRC's TAS 100 requires models used in technical actuarial work to be fit for purpose & subject to sufficient controls and testing so that users can rely on the resulting actuarial information / TAS 200/Various ICAT workstreams looking at models. Active Data Science MIG and community. This area also includes Health and Care practice area. FRC TAS 100 consultation launched June 2022 proposes updates on technical requirements related to the use of data, assumptions and modelling section to reflect recent updates to model governance. If this is introduced into TAS 100 this will help to mitigate against this risk.	**Medium**	RB	June 2022: A joint discussion paper from BoE/HMT/FCA/TPR is due shortly which could give important regulatory update regarding this issue.	June 2022: Residual risk status decreased from high to medium due to recent mitigating actions including the FRC's consultation on TAS 100 published in June and their proposed technical requriements relating to data, assumptions and modelling.
HS02	**Actuaries taking into account climate change risks, biodiversity and climate change disclosures**	Actuaries fail to take appropriate account of (possibly through lack of knowledge of), or communicate clearly, the impact of long term exposure to climate related risks in their work, leading to poor outcomes for users/the public and criticism/reputational issues for actuaries. Includes in particular, actuarial input to TCFD disclosures for insurers and large pension schemes, investment decisions and catastrophe/weather modelling. Additionally, actuaries may fail to take appropriate account of the need to take into account the importance, perils and impacts of global biodiversity risks.	All	Policy Team, Sustainability Board	Major	Likely	**High**	↔ No change in likelihood	Ongoing	Previous regulatory consultation on incorporating climate change into the IFoA regulatory framework concluded in early 2022 - a number of commitments made by the Regulatory Board. Initial non-mandatory Risk Alert published in 2017 and further updated Risk alert issued to all members in April 2022 / continued promotion of the risk alert ongoing/ non-mandatory guidance on the Actuaires' Code in relation to climate change and sustainability to be developed in Q3/4 2022/ CPD RPD Toolkit on how to consider this area within RPD discussions recently updated	IFoA signatory to Green Finance Education Charter (including regulatory aspect) / Scrutiny of climate change issues by JFAR including highlighted hotspot in JFAR Risk Perspectives. 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. working groups to support understanding of climate, biodiversity, nature-related risks alongside impact of climate commitments on actuarial work . FRC issued consultation on TAS 100 in June 100 with proposals included to consider this area within its requirements.	**Medium**	RB with support from Sustainability Board	Timescales both immediate (0-5 years) in regards to anticipating regulatory action, and long term (10, 20, 30 +) in regards to real-world impacts.	June 2022: Updates included within actions for Regulatory Board as well as external actions, including recent FRC TAS 100 consultation proposals to include this area within its requirements.
HS03	**UK Funeral Plan Trusts transitioning to FCA supervision**	Potential risks in the transition to FCA supervision of UK pre-paid funeral plan trusts, actuaries having potentially been involved through pricing and/or valuation work. Some trust providers may fail to obtain FCA authorisation or may choose not to apply and in the transition period, seek to extract surplus funds from the Trusts. This could raise risks for the Trust members, and reputational risks for the actuarial profession.	UK Trust based pre-paid funeral plans	FRC/Funeral planning Member Interest Group (MIG)	Major	Possible	**High**	↔ No change in likelihood	2020-22	Previously held discusions between the FCA, FRC and Funeral Plans MIG throughout 2020/21. The Board issued a 2021 Risk alert regarding the transitional risks and concerns in the interim period FCA supervision take effect in July 2022. 2021 AMS Thematic Review published in early 2022. Reg board considered its response to the findings of the AMS report in April 2022 and agreed to update the current APS Z1 and accompanying guidance, as well as highlight areas of interest to other regulators in light of recent Safe Hands issue.	FRC's TAS 400 promotes high quality actuarial work in relation to funeral plan trusts - opportunity to feed into post-implementation consultation on TAS400 by July 2022 / FCA engaging in discussions about risks / issue raised in 2021 JFAR Risk Perspective/ FCA published final rules in July 2021 in light of feedback received/IFoA Funeral plan MIG held a roundtable in 2021 to discuss issues of new FCA rules. FRC published a call for feedback on TAS 400 with a deadline on 8 July, which the Funeral Plans MIG has provided input for the IFoA's response. FCA supervision takes effect 29 July 2022.	**Medium**	RB		June 2022: FRC published a call for feedback on TAS 400 and the Funeral Plans MIG have input into the IFoA response. Work to begin to review the current APS Z1 and guidance ongoing. Risk status to be reviewed once FCA authorisation takes effect after 29 July 2022.
HS04	**TPR proposed 'fast-track' DB scheme funding route**	Proposed fast-track funding basis is inappropriate for certain schemes but increased competition/fee pressure reduces opportunities for actuaries (applying professional judgment) to devise bespoke methodologies for their clients which would be better for those clients/public interest, and/or actuaries do not appropriately highlight limitations where a fast-track approach is adopted.	Pensions	Sustainability Board	Major	Possible	**High**	↑ likelihood is increasing	2022-25	RB deep dive on topic with TPR Executive in attendance at November 2021 meeting. AMS Thematic review on corporate pensions advice will touch on this area. The initial findings to be presented to board at Nov 2022 meeting, full report at Feb 2023 meeting.	IFoA Policy Team monitoring situation and awaiting outcome of tPR consultation on DB funding, expected in 2nd half of 2021./early 2022. RB to liaise with Pensions Board and policy team once TPR's final consultation is published.	**Medium**	RB with support from Pensions Board	Aim of fast track funding is to create a single basis for a majority of schemes. Not clear how risks such as climate change and the specific circumstances of individual schemes will be allowed for. Risk that the more challenging elements of risk to codify get ignored although the risks remain. RB could work with tPR/Pensions Board to highlight issue and find ways to address professional judgement within a fast-track framework. Risk status should be updated once TPR consultation outcome known.	
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	Regulatory Board	Moderate	Possible	**Medium**	↔ No change in likelihood	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.	This is raised in the JFAR's 2021 Risk Perspective document, of which the IFoA is a signatory. Also 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. The IFoA Policy team have now published their Great Risk Transfer document, which touches upon some of these risks, but, more specifically, this is a topic that is raised in the JFAR's latest Risk Perspective document, of which the IFoA is a signatory. 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. It therefore seems that there is (and continues to be) a lot of activity to raise awareness already and it isn't clear that there is a need for the Board, at this stage, to take any further steps. It will, however, continue to be monitored and will be captured on the horizon scanning register.	
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 in likelihood	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/The Financial Servies bill will implement further changes including those regulatory related and a UK version of the Solvency II regime.	**Medium**	RB, ICAT, Regulation Team	Summer 2020 the new financial services bill. PRA continuing to carry out a lot of work in this area. Likelihood trend may be decreasing.	June 2022: To be reviewed further for November Board meeting.
HS07	**Equity release mortgages**	Role of actuaries in advising on ERM product design and/or key very long-term assumptions/modelling (e.g. longevity, 'no negative equity' guarantees and climate risk). There is a risk of poor pricing outcomes for consumers and/or poor economic outcomes for product providers., as well as reputational risks for the profession.	Life	Policy Team	Moderate	Possible	**Medium**	↔ No change in likelihood	0-5 years	Discussed by RB in May 2019 (facilitated by member of the Life Board). Board conducted a deep dive on ERMs by RB in July 2021. Seeking update from the ERM working party on current active. AMS ERM Thematic Review is currently published and ongoing. Board to consider later in 2022.	Awaiting outcome of research conducted by Equity Release Mortgages Working Party / Ongoing dialogue with PRA (through Policy Team). Virtual meeting took place in spring where PRA was interested in WP's plans for future research/ERM WP issued a call for model outputs in June 2021/ risk highlighted in JFAR Risk Perspective 2021/ FCA pricing intervention took effect early 2022. FCA likely to monitor impact of intervention in due course to understand if having intended consequences; impact not clear as at end Q2 2022. Pricing rules changed from Jan 2022 (ie superseding CMA and FCA)	**Medium**	RB with support from Life Board & IFoA Policy Team	AMS Thematic review on ERM now published and ongoing	June 2022: Updates to reflect FCA action and AMS Thematic review.
HS08	**Fairness in general insurance pricing**	Role of actuaries in pricing of GI products and related public interest issues including loyalty penalties, ethical use of data, recent FCA report on GI Home and Motor pricing practices etc. There is a risk that actuaries have been a key element of historical pricing issues and that they are viewed as too slow to act in terms of changes to drive fairer outcomes. Proposed FCA changes may mean even more focus on traditional actuarial areas of data selection/analysis and modelling and there is a risk that there is insufficient balance between customer and commercial perspectives.	GI	Regulatory Board	Moderate	Possible	**Medium**	↔ No change in likelihood	0-5 years	Standards Framework (in particular Actuaries' Code which requires members to act with integrity) . Reg Board conducted deep dive on this risk in 2021, with the FCA in attendance. AMS Thematic Review report published on GI Pricing for UK Home and Motor Insurance.	CMA proposals to combat issues of loyalty penalties / Area of focus for industry regulators including FCA (including report on GI Home and Motor pricing practices) / Policy Team conducting project on fairness in pricing /FCA published policy statement on GI pricing in May 2021/FCA pricing intervention took effect early 2022. FCA likely to monitor impact of intervention in due course to understand if having intended consequences; impact not clear as at end Q2 2022. Pricing rules changed from Jan 2022 (ie superseding CMA and FCA actions in col M)	**Medium**	RB with support from GI Board / IFoA Policy Team	Risk is stabilising with all activities to mitigate against the risk progressing. Organisations will be in the process of implementing the FCA policy statement.	June 2022: Updated to reflect FCA action.

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**	↑ likelihood is 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.	
HS10	**Introduction of CDC Pension Schemes**	New form of scheme being implemented with significant input from actuaries in scheme design, implementation and subsequent operation. Consumer impact if any issues arise with the implementation of CDC schemes.	Pensions	Policy Team	Moderate	Possible	**Medium**	↔ No change in likelihood	0-5	Regulatory Board CDC Pension Schemes Working Party in place and working on proposals. Board to consider a consultation on CDC Pension Scheme proposals at their July 2022 meeting, to consult on new PC and revised APS1. Reg board inputed into TPR CDC code consultation in March 2022.	Actuaries on DWP group advising on legislation.	**Medium**	RB with support from Pensions Board	Likelihood depends on uptake of CDC Schemes. Currently Royal Mail is only employer to be adopting this type of Scheme.	June 2022: Updated to reflect ongoing work and propsoals to be considered by the Board in July. To be reviewed depending on outcome of upcoming regulatory consultation.
~~HS11~~	**~~Uncertainty over Scottish Independence~~**	~~There is a risk that actuaries inadequately consider or prepare for a potential Scottish Independence outcome. This may mean that actuaries fail to provide an appropriate level of thought-leadership or advice to organisations, clients or consumers (e.g. potential impact on future regulatory environment; impact on pensions provision/legislation), thus damaging the reputation of the profession to act in the public interest on key matters.~~	~~All~~	~~Scottish Board~~	~~Moderate~~	~~Possible~~	**~~Medium~~**	~~↔ No change in likelihood~~	~~Ongoing~~	~~Scrutiny of Scottish independence related issues and implications for the public interest by the RB.~~	~~Scottish Board on alert to assess issues that may affect actuaries and the IFoA/ RB to keep alert.~~	**~~Medium~~**	~~RB, Scottish Board, Management Board, Council, Policy team~~	~~Board to consider any future look into this topic.~~	June 2022: This risk has been deleted because there has been no change to this risk since the first Scottish referendum , and despite talk of IndyRef 2, this would not be constitutionally vaiid because the UK Government is unlikel not grant it.
HS12	**Uncertainty around requirements for Scheme Actuary appointments to Master Trust schemes**	Issues relate to uncertainty over whether more than one Scheme Actuary appointment should/can be made to a Master Trust and about whether there ought to be specific requirements applying to someone that is SA to a MT. Concerns also raised by the PCC about their capacity to make decisions on applications relating to new pensions arrangements like this and how it interacts with previous guidelines on volume of SA appointments.	Pensions	Regulatory Policy Team / individual pensions practitioners / PCC	Moderate	Likely	**High**	↑ likelihood is increasing	Ongoing	Consider as part of PC Scheme review / consider guidance for members advising Master Trusts / consider further changes to APS P1 to reflect new roles	TPR raised issue at JFAR / continue discussions with TPR and Pensions Board. Consultation on Master trusts, as part of CDC consultation, expected by summer 2022.	**Medium**	RB, Regulatory Policy Team, Pensions Board, JFAR	Board to consider any future look into this topic and whether to combine this with risk HS11 above to reflect the complexities around Scheme Actuary appointments.	June 2022: This risk to be reviewed ahead of November meeting.
~~HS13~~	**~~Scenario analysis~~**	~~Actuaries will often be involved in the design and operation of scenario analysis and/or stress testing in their organisation (or as advisers to organisations). There is a risk that in setting the relevant scenarios and tests actuaries do not consider sufficiently extreme "tail-risk" and hence users of the information are not provided with an appropriate range of potential outcomes on which to base decisions.~~ ~~Examples: climate change, geopolitical scenarios, pandemics, market shocks/disconnections (investment or product related)~~	~~Risk Management~~ ~~Life~~ ~~Pensions~~ ~~Investment~~ ~~GI~~ ~~Health~~	~~Risk Management Board~~	~~Moderate~~	~~Unlikely~~	**~~Low~~**	~~↑ likelihood is increasing~~	~~Now and ongoing~~		~~PRA: Climate Biennial Exploratory Scenario (CBES) by the Bank of England - uses three scenarios to explore the two key risks from climate change.~~	**~~Low~~**	~~RB to keep watching brief.~~	~~Board to consider if thi+N22:P22s is a risk they wish to look further into (such as a Deep dive or information gathering exercise) or to seek further information on how this is reflected in other parts of the IFoA, such as education.~~	June 2022: this risk has been deleted as there has not been any change to it for a while. The risk also replicates some of the other existing risks in the register, which are more specific and focused.
HS14	**Risk of inaccurate pandemic modelling and future path of longevity as a result of the COVID-19 pandemic**	Potential impact upon regulatory compliance by actuaries in all practice areas during and after the pandemic (due to lack of capacity, pressures on resource, financial pressures, lack of access to CPD, illness) // poor or no contingency planning by actuaries in reserved and other critical roles to cover periods of unexpected illness. Actuaries need to think about how to improve their pandemic modelling.	All	Regulation Team	Moderate	Unlikely	**Low**	↓ likelihood is decreasing	Ongoing	Regulatory Risk Alert previously issued on COVID-19 and member communication issued to address issues of regulatory compliance & contingency planning.	Scrutiny of Covid related issues and implications by IFoA generally / consideration by Regulation Team and IFoA Covid 19 Task Force (ICAT) of whether there are public interest implications / Specific ICAT pensions workstream looking at contingency planning for Scheme Actuaries/ Free CPD webinars introduced for all IFoA members.	**Low**	RB, ICAT, Regulation Team	IFoA Communities Team coordinating ICAT including workstreams covering pricing/modelling/investments. Regulation exec reviewed scoping documents to identify workstreams of particular regulatory interest. ICAT is due to be closed as a separate project and active work being moved into practice areas. A handful of workstreams which do not fit within the practice areas are becoming ICAT version 2. Head of ICAT 2 volunteer to attend February meeting of the Board to discuss further.	June 2022: Risk changed to reflect lasting effects of the COVID-19 pandemic.
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 in likelihood	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 between PRA/FCA and members involved in this area of work held in May and Board updated on this at their July meeting. Awaiting feedback from PRA from June 2022 event about whether this issue needs further investigation, or whetehr it has been resolved. This risk will reviewed and will be removed if risk is resolved.		**Low**	RB, Regulatory Policy Team, Pensions Board, JFAR		June 2022: Updated to reflect recent PRA and FCA meetings.
HS16	**The impact of increasingly high inflation on GI reserving and the impact of consumers and market confidence because of external conditions.**	Due to increasingly high inflation because of rising prices in the UK, there is a risk to general insurance reserving after years of benign inflation in many classes, as this is intrinsically projected forward by chain-ladder based techniques.	GI	Members of the GI board	Moderate	Posible	Medium	↑ likelihood is increasing	Ongoing	GI Board member attending the July Reg Board meeting to conduct a deep dive on this topic.	GI board have published an article in the January/February 2022 member newsletter. Regular engagement with the GI board to establish whether this needs to be esclated. Likely to decrease in the medium term.	Medium	RB, GI, Life, board - requires ongoing enagegment with board		June 2022: Updated to reflect upcoming deep dive.