

Changes since the last update are highlighted with an orange border

Ref	Date added	Key Risk <small>A regulatory risk which has the potential to impact on the public interest, as relevant to actuaries and their work</small>	Description of risk	Practice area	Key examples	Impact <small>minor moderate major</small>	Likelihood <small>unlikely possible likely</small>	Overall risk status <small>Low Medium High</small>	Likelihood change <small>No change Increasing Decreasing</small>	Indicative timescale	Regulatory Board activity	Other IFoA / External activity	Residual risk status	Owner(s)	Possible next steps
HS01	N/A	Failure to appropriately promote and allow for climate change, biodiversity and sustainability risks	- actuaries do not sufficiently allow for climate-related risks in the work that they carry out, including appropriate catastrophe outcomes. - actuaries may not sufficiently promote risks to climate, sustainability and biodiversity within their organisations, and guard against greenwashing.	All	risk management, climate modelling, climate disclosures	Major	Likely	High	↑ increasing	Change from 0-10 years to 0-5 years	- Information Gathering exercise during 2021 (Review team report) - Risk alert published in April 2022 - Climate change non-mandatory guidance on the Actuaries' Code published January 2024 - Further Risk alert published June 2024 (scenarios)	- Sustainability and Climate Risk lifelong learning course - Sustainability Board curated library and practical guides on climate change / sustainability - IFoA Climate change statement - IFoA Biodiversity and nature-related risks statement - Significant thought leadership activity driven by Sustainability Board and other member-driven initiatives	High	RB with support from Sustainability Board	Given extensive actions by IFoA and other regulatory bodies, next steps may be better focused on assessing actuarial activity and how this has progressed in recent years.
HS02	N/A	Complex models insufficiently validated and understood, or poorly communicated	- complex models or emerging techniques are insufficiently validated and understood. - inappropriate balance of customer and commercial consideration through more extensive use of data, resulting in potentially unfair outcomes. - model limitations insufficiently communicated to, and understood by, senior management and boards.	All	Data science, machine learning, GI and health pricing	Major	Likely	High	↔ No change	0-2 years	- IFoA specific data science guidance published in 2021; currently being reviewed with updates planned (including to take into account recent AI advances) - GI Pricing Thematic Review report highlighted the risks around data science. - AI Risk Alert published September 2023 following July Board meeting AI deep dive - Data science and AI thematic review published February 2024 Board, webinar March 2024	- IFoA Lifelong learning offers certification in data science. - Wide consideration of issues by IFoA Data Science Community and range of other working parties. - TAS 100 requires models used in technical actuarial work to be fit for purpose & subject to sufficient controls. - FRC/GAD AI/ML research publication October 2023 - UK Dept for Science, Innovation and Technology white paper March 2023 - Various global initiatives (including EU and USA)	High	RB	There is significant UK and international government and regulator focus, and the AMS data science activity will review and summarise this. A paper will come to February 2024 Board to discuss any further potential actions.
HS03	N/A	Risk associated with multiple significant pensions developments over a short period of time	- a number of significant developments taking place in relation to pensions, with potentially material impacts for scheme members, sponsors, trustees and advisors (including actuaries). - challenging for actuaries acting as advisors to trustees and sponsors during this period of significant change.	Pensions	- DB funding code of practice - Fast track funding - CDC - Master trusts and superfunds	Major	Possible	High	↔ No change	0-2 years	- AMS Thematic review on corporate pensions advice published 2023 - Amended APS P1 from 1/3/2023 - CDC Scheme Actuary certification introduced in 2023 - Pension Scheme Design thematic review launching Q3 2024	- New TPR DB funding code of practice from 1/4/2024 - FRC consulting on TAS300 changes and introducing TAS310 (CDC)	Medium	RB with support from Pensions Board	Refreshed interaction with the IFoA Pensions Board may be a sensible next step to assess where highest risks sit.
HS04	N/A	Products which combine higher risk of adverse outcomes with significant actuarial involvement	- certain products combine a higher risk of adverse outcomes with significant actuarial involvement. - includes risk from product design and changes to products or benefits, where actuaries are instrumental in advice provided.	GI, Life	- equity release - DB to DC transfers or benefit exercises - funeral plan trusts	Moderate	Possible	Medium	↔ No change	0-2 years	- RB Chair worked with IFoA Policy team on the published Great Risk Transfer document in 2021 which touches on DB to DC aspect. - Recent thematic reviews on ERM and on Funeral Plan Trusts. - Watching brief on FCA Consumer Duty following deep dive at Feb 2023 Board	- Significant amount of activity on the part of the regulators on DB to DC transfers, including publication of further FCA guidance and joint guidance between the FCA and TPR - Funeral plans moved under FCA regulation during 2022 - Introduction of FCA Consumer Duty in 2023 likely to have a significant impact in this area - FRC TAS 200 consultation launched, with focus on consistency with FCA Consumer Duty	Medium	RB with support from Life Board & IFoA Policy Team	Professionalism material being developed. As the Duty beds in it would make sense to discuss with FCA at regular IFoA catch-up meetings.
HS05	N/A	Actuaries not appropriately allowing for significant changes in economic environment	- actuaries do not appropriately allow for significant changes in economic environment, particularly impacts on inflation and interest rates. - may impact on reserving, pricing and hedging activities, with implications for both organisations and consumers. - at times of significant cost-of-living pressures there is a risk of consumers not taking out, or lapsing, important insurance or savings products due to affordability. - stress testing activity may not sufficiently consider possible outcomes which could threaten liquidity and solvency of firms or pension schemes.	All	Inflation assumptions interest rate hedging, LDI	Moderate	Possible	Medium	↔ No change	0-5 years	- Significant movement in inflation considered by Board in second half 2022 leading to agreement for the drafting of a cross-practice area risk alert in August 2022. - AMS team reviewed LDI challenges, and how standards can mitigate future problems, for the July 2023 Board meeting.	- TPR, BoE and other market regulators taking steps to strengthen collateral arrangements and reporting of LDI investments. - DWP reported findings on LDI in July 2023.	Medium	RB, and practice boards - requires ongoing engagement.	Potential next steps could include: - investigate what activity there is within IFoA working parties on this topic - consider potential thematic review, thinking about what the particular scope might be
HS06	N/A	Risk of inaccurate pandemic modelling and future path of longevity as a result of the COVID-19 pandemic	- actuaries use data emerging from the pandemic in an inappropriate way. - insufficient development of pandemic 'Current risks' models to learn lessons from the recent experience, and improve on previous models	Life, Health and care, Pensions	Pricing Reserving and Funding Stress testing Capital modelling	Moderate	Possible	Medium	↔ No change	0-5 years	- Focus paper at 14 February 2024 Regulatory Board meeting	- The Continuous Mortality Investigation (CMI) published CMI_2022 (it's latest mortality projection model) in June 2023. - This model applies a default weighting of 0% to 2020/2021 data and 25% to 2022 data. - CMI encourages users to think carefully about the weighting they might apply in their use of the model.	Medium	RB, Regulation Team	Focus session arranged for February 2024 Regulatory Board meeting.

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