



28 April 2009

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Board for Actuarial Standards
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Dear Louise

Exposure Draft: Actuarial Reporting

Thank you for the opportunity to comment on the second version of this exposure draft. I am pleased to provide the response of the Chaucer Actuarial Team.

Chaucer Syndicates is a managing agent at Lloyd's of London and our response therefore reflects general insurance, specifically Lloyd's, issues.

In general we find a number of positives in the Reporting Standard. However, there are some areas where we have reservations, particularly with regard to our comment on C.2.4. Specific comments are:

C.2.4

"Component reports issued after the relevant decisions have been made by users cannot contribute to compliance with this standard except as described in paragraph C.2.7."

It is not clear how this will apply to a Statement of Actuarial Opinion (SAO) and the actuarial report that supports that SAO. Paragraph 3.5 seems to suggest the actuarial report that supports the SAO may be submitted after the key decisions have been made and still comply with the standard. This seems at odds with C.2.4.

As it stands it would be impossible for a full SAO report to be available prior to the decision makers setting the level of booked reserves. Indeed, Lloyd's presently require this report some 2 months after the SAO has been submitted for this very reason.

C.2.4 would suggest a change in current processes to enable compliance with the new regime. The aggregate report would consist of a series of documents which cover the whole process and each of which comply with the standard. As a result, what otherwise might be a short report summarising results may effectively balloon so that the standard is satisfied. Our comment on C.3.3 is an example of this.

Our view is that the SAO and its supporting report are key aspects of the reserving process which should contribute to compliance with this standard. We would welcome clarification on these points and believe there may be merits in opening up a dialogue between Lloyd's and the BAS on this.

Similar considerations arise with ICA work. Again key business decisions will usually be made prior to a full report being produced and C.2.4 would then suggest the report could not contribute to compliance with the Reporting Standard.

C.3.3

“An aggregate report shall include statements of its purpose, its users and who commissioned the work. A component report shall include statements of its purpose and to whom it is addressed.”

An aggregate report may consist of a number of component reports, and these component reports may include items such as e-mails and presentations. The requirement for every component report to include a statement of purpose and a statement of the intended audience seems onerous and not practicably workable. In some cases, including this information may obscure the actual message being conveyed.

As such, we feel the extent to which such information should be included in a component report should be left to the judgement of the Actuary, based on the merits of what is being conveyed.

C.3.10

“An aggregate report shall include an indication of any material changes or events that are known by any person responsible for the aggregate report to have occurred between the effective date of the data and other information on which it is based and the date of the last component report.”

We think this is useful information to include in a report and, as such, a good addition to the Reporting Standard. We note the wording allows a qualitative response which we think is appropriate here.

C.5.4

“An aggregate report shall include, for each source of material risk or uncertainty faced by the entity in relation to the work being reported on, statements of the nature and significance of the risk, and an explanation of the approach taken to the risk.”

Again we believe this is useful information to include in a report and a good addition to the Reporting Standard.

C.5.9

“An aggregate report shall include an indication of the nature of any future cash flows being quantified, including their timing.”

We believe the decision to include this information should be based on the nature of the work underlying a report. For example, when calculating undiscounted best estimate reserves, the methods used do not require explicit consideration of future cash flows. In such instances, we feel that including anything other than the briefest of comments on cash flows may detract from the key messages being conveyed. Indeed, such calculations could be onerous to the Actuary and may well not be of interest or use to the reader.

C.5.18

“An aggregate report that includes the results of calculations that are performed at regular intervals shall include an indication of the projected results from future corresponding calculations.”

We believe this would add value in some instances, and our preference would be for such an analysis to be included at the discretion of the Actuary. We feel to make such an analysis compulsory could be burdensome in some cases, and may lead to very approximate calculations simply to fulfil the Reporting Standard requirements.

Proposal 3.5

This covers the timings for introduction of the Reporting Standard in relation to SAOs and their supporting reports. As is noted in the standard, the proposed implementation date of 1 April 2010 falls in the middle of the period in which the supporting SAO reports are produced. This may lead to some SAOs being prepared under the existing regime and some under the new Reporting Standard.

To prevent this from happening, and to give more time for processes to be developed, we would suggest moving this date back to 1 May 2010 at the earliest.

Yours sincerely

Philip Singh FIA

On behalf of the Chaucer Syndicates Actuarial Team