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By e-mail: basreporting@frc.org.uk

Dear Louise

Exposure Draft - Reporting Actuarial Information

In response to the above paper, issued in March 2009, we are pleased to give our comments. These represent the views of the actuarial practices within our UK firm.

Overall, we welcome the draft standard as a good attempt at a high-level standard. We would expect much more detail to be included in Specific TASs.

On implementation, we are concerned that too early an implementation will effectively be retrospective regulation – it should not be allowed to affect work already carried out under, e.g. valuations which are part-complete at date of implementation. We would therefore press for a later implementation, or at least some transitional arrangements to ease its introduction.

We would make the following points on the draft TAS which we believe need to be addressed:

- 1 Scope - Reserved Work.** The definition of reserved work is still not very clear. There may be work which is required to be done by an actuary, not because required by regulation or other legal statute but because it required by, for example, policy conditions, the principles and practices of financial management or demutualisation scheme documentation. It appears that all such work is classified as Reserved. At present reports prepared for these purposes would not always be expected to include all of the items set out in TAS R. The BAS should be more specific in its description of reserved work.
- 2 B.2.1 Material.** We are concerned about the definition of materiality. We believe it is correct for an actuary to consider the user's perspective, but the current wording goes even further than putting the onus on the actuary to place themselves in the position of the user – it requires them to know (with certainty) how the user will understand the information and use it to make decisions. This is in practice impossible in every situation.

- 3 **C.3.1** As written, this is not in accord with C.2.11, and places an impossible duty on an actuary, since he/she cannot control the actions of users. The last part of it should be rewritten as "... its relevance to the decisions which it is expected it will assist."
- 4 **C.3.3.** We do not think that it is practical for each and every **component report** to include a statement of its purpose and to whom it is addressed. Whilst this will be straightforward much of the time, if there are for example extended e-mail chains or a series of presentations, it may not be easy to top and tail every such part in the desired way. Even if that could be done the user would be presented with tedious repetition- although it will be obvious as to what is intended.
- 5 **C.3.10** We understand the sentiment behind this new requirement, but would request that further consideration be given to its wording. Given that the final date of an "aggregate report" is by your definition the date of the last "component report", is it meant that each and every component report should include an indication of material changes since the date of the previous "component report"? Or is it intended that there should be a "final component report after the last component report" to catch up on developments?
- 6 **C.4.4** Is the second sentence necessary? – it only gives an example of what is contained in the first sentence.
- 7 **C.4.8** This is a very cumbersome sentence. Isn't it just trying to say that "any description which does not have a unique definition, and which is material, shall be sufficiently defined."?
- 8 **C.5.15** The requirement to provide a reconciliation in every such circumstance will be onerous, and unduly expensive for users. For instance, this will impose extra work in statutory areas where it is not at present required – for example, Pension Protection Fund s179 valuations, and transfer value insufficiency reports – for no apparent benefit to a user. Also, it is inevitably an approximate exercise when the previous report was carried out by another actuary. Therefore we believe that this requirement must be qualified by "where appropriate"- otherwise it will provide much more than "sufficient information to enable users to judge the relevance of the contents of the reports".
- 9 **C.5.18** The requirement to provide an indication of the projected results from future corresponding calculations, in each and every case, will also be onerous, and unduly expensive for users. For instance, required reports such as FRS17 accounting calculations, or Pension Protection Fund s179 valuations, do not at present carry such requirements, and users may not view the benefits of extra calculations and costs as worthwhile. Another example would be reports from a model which is designed to track inter-valuation experience – users would regard it purely as a monitoring device, with no predictive powers. Again, we believe that such a requirement must be qualified by "where appropriate".

We make these comments regarding C.5.15 and C.5.18 notwithstanding the commentary about proportionality and materiality in paragraphs 3.28 et seq. At the very least, an explicit link from these paragraphs in the Standard to paragraph B.1.2 is required.



Finally, and in addition to our comments on proportionality and materiality, for many aspects of consulting work the precise content of a report is a subject for negotiation when contracts are drawn up. A prescriptive (and expensive) list of contents over which there is no choice will not sit well with some users. A better system would to have the facility to opt out of parts of the TAS with the consent of clients. It should be a requirement that if this is done the contents as prescribed by the TAS R should be discussed with clients.

If you have any questions regarding our response, please contact Gordon Sharp, whose details are at the top of this letter.

Yours sincerely

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