



Board for Actuarial Standards – Insurance

The ABI's response to the BAS's exposure draft

Introduction

1. The ABI is the voice of the insurance and investment industry. Its members constitute over 90 per cent of the insurance market in the UK and 20 per cent across the EU. They control assets equivalent to a quarter of the UK's capital. They are the risk managers of the UK's economy and society. Through the ABI their voice is heard in Government and in public debate on insurance, savings, and investment matters.
2. The ABI is grateful for the opportunity to comment on the Board for Actuarial Standard's (BAS)'s Exposure Draft: *Insurance*.

ABI comments

Overall comments

3. We suggest that more needs to be done to operationalise the scoping of non-reserved work, and that more guidance and examples could be given generally. This would help achieve consistency of application. We also suggest that the commencement date should be at least a year after the TAS's publication, to allow time for proper preparation.

Detailed comments

Scope

4. We continue to be concerned that the ED's extension of scope beyond reserved work is not clear enough. The ED gives examples of non-reserved work to which the ED applies, but there is no clearly stated principle that governs this selection, and the ED only gives only one example of non-reserved work which is out of scope. This may result in the TAS being applied to work that the BAS did not envisage or in the TAS not being applied where the BAS would have wanted it to be. And, because compliance with TASs is assumed and only non-compliance is to be reported, we wonder if this approach sufficiently informs the user.
5. This concern applies particularly to work carried out within insurers, where internal reporting may not take formal form or carry caveats, where the work may be ad hoc and at short notice, and takes into account that work may be carried out by actuaries that is not actuarial in nature.
6. The BAS's approach relies in effect on judgement being applied on whether a piece of non-reserved work is addressed by the TAS's purpose. Yet the TAS's

purpose refers only in very general terms to 'information'. We suggest that, at the least, the TAS's purpose be refined to make reference instead to 'actuarial information' or 'actuarially-based information.'"

7. We welcome that the TAS emphasises the role of judgement to assess whether a particular piece of non-reserved work is within scope. But we suggest that guidance be given on criteria to be used in making these judgements, which might be added more examples of non-reserved work that is not within scope.

General principles

8. We consider that some principles would be better included instead in the BAS's generic TASs. We support the BAS's intention to review its suite of TASs on their completion to see what changes of this sort should be made so as streamline the TASs overall.
9. Further consideration should also be given to expanding the guidance and including more examples. Although we agree with the BAS's principles-based approach, we consider that this would help to operationalise the TAS and to encourage consistency in the application of its principles.
10. We note that the ED refers (as does the Modelling TAS) to a 'neutral' estimate rather than a 'best' estimate. But it does not explain the relationship between a 'neutral' estimate and the 'best' estimate that is used in insurers' tax, solvency and accounting regimes, and we suggest that it should do so.
11. It is not clear why the ED has a specific requirement to report on the extent of liquidity risk in aggregate reports for work supporting the assessment of the amount of regulatory capital. We consider that it is for the regulator to decide on its specific reporting requirements.

Commencement date

12. We continue to suggest that there should be a minimum of a year between the publication of a TAS and its application date. This would mean that the BAS's proposed commencement date of 1 April for its insurance TAS is too soon. We are not aware either that there are issues that the TAS would cover that would require a shorter than normal commencement period, or that users have said that that's what they need.

Association of British Insurers
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