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Dear Mr Bankhead

Feedback on “Preliminary Consultation Paper Towards a Conceptual Framework”

Following your invitation in the consultation paper published earlier this year we are writing to respond to the specific questions raised on behalf of Deloitte in the UK. This response incorporates the views of colleagues covering the life and general insurance practitioners in our Actuarial and Insurance Solutions team and the pensions and compensation practitioners in Deloitte Total Reward and Benefits team.

Our responses to the specific questions raised are as follows:

Question 1: Whether the BAS priority should be to focus on standards that relate to actuarial information, over the other issues discussed (section 1.2).

Yes, we support an initial focus on standards relating to actuarial information. We believe that the introduction of the concept of “actuarial information” is useful and that the provision of consistent and high quality actuarial information to decision makers will be of great benefit.

In due course, once these initial standards are established, our view is that it would be useful to consider the extent to which these may be built upon and extended to cover the relatively more complex issues of actuarial advice. We believe that the input of stakeholders as to the value that they would receive from the further development of standards will be particularly important when deciding the way forward.

Question 2: Whether the needs of those who rely on actuarial information should be the primary foundation on which actuarial standards are developed as discussed (section 1.4.1).

Yes, we believe that the needs of those who rely on the information should be the primary foundation for development.

Our view is that that development of the proposed standards will enable users to be confident that the information that they receive has been prepared to a minimum quality standard and is focused on their basic needs.

However, it will also be important to recognise that the development of the proposed standards for actuarial information will not of itself ensure that the users of actuarial information are equipped to make the decisions necessary for them to discharge their responsibilities. We anticipate that actuaries and the users of their information will still need to draw upon their experience and knowledge of the particular circumstances and challenges of each individual situation to ensure that appropriate actuarial advice is provided, received and acted upon. Provision of actuarial information alone will not be sufficient.

Question 3: Whether prudence should be regarded as decision-makers' attitude to risk (evidenced by the risks they accept or avoid) and is not an element of measurement, as discussed (section 1.4.12 et seq).

We recognise that the concept of “prudence” has been open to differing interpretations when applied to different areas of actuarial work, by individual actuaries and by decision-makers. We therefore welcome the opportunity to provide a clearer foundation within which actuaries and the users of actuarial information and advice can operate, and a better understanding of levels of prudence which may be included.

Question 4: Whether the concept of SAPT will provide a useful means of distinguishing high quality actuarial information (section 1.7).

We believe that the concept of SAPT and mandatory compliance with the relevant standards will ensure that all actuarial information will meet a certain minimum requirement.

Although we are confident that the standards for SAPT can be pitched at an appropriate level our view is that for users to have confidence that the standards have been met will require clarity in respect to the way that the standards are upheld. In particular, users will need to understand how aspects such as peer review, CPD, investigations and complaints are dealt with.

Furthermore, we note that the ultimate objective is for decision-makers to be equipped to make effective and timely decisions and that the provision of actuarial information, while very important, is but one of the prerequisites for this.

To some extent quality depends on training and development of actuaries in more general areas of “professionalism”, eg. understanding client circumstances and the environment effecting those, and communications. (See below)

Question 5: Whether the BAS should develop a generic communication standard (as recommended by Morris – see sections 1.7.8 and A1.14) as well as detailing specific communication requirements and standard reports in each SAPT standard. If so, which of the six items from the Morris listing are applicable to every report containing actuarial information?

In all areas of our practice we strive to provide our clients with clear and focused communications that meet their needs, regardless of the medium chosen. We recognise that a key objective underlying the Morris recommendation for a generic communication standard was to improve the ability of decision-makers to take timely and appropriate decisions and we strongly support this.

However, we are mindful of the diverse nature of the work of the actuarial profession and we remain unconvinced that a generic standard should be applied to all work carried out by actuaries, regardless of its nature, simply because it is performed by an actuary. We are, however, supportive of developing specific communication standards that would be suitable for application to the formal reports produced by actuaries in reserved roles. These standards could perhaps also be extended to apply to other significant areas of work where feedback from users indicates that this would provide them with enhanced value.

For reporting as outlined above, we support the development of communication standards or principles covering the first five of the six items from Morris. We have concerns that the last item, covering the relative importance of risks and the ability of clients to bear them, requires particular care. This is because we feel that the relative importance of risks and the ability of clients to bear them are primarily statements of belief of the client which it may be more appropriate for the client to document for themselves.

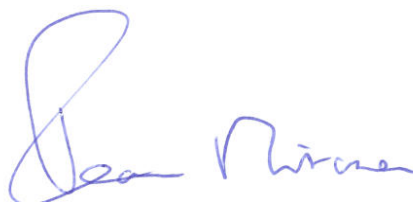
We would like to thank you for the opportunity to provide comment on the work of the Board and confirm that we are very happy for you to continue to seek our views and contribution both via your working parties and informally. Please feel free to get in touch with either of us at any time.

Kind regards

Yours sincerely



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