

KPMG LLP
People Services
1 Puddle Dock
London EC4V 3PD
United Kingdom

Tel +44 (0) 20 7311 3127
Fax +44 (0) 20 7311 3223
DX 38050 Blackfriars
alastair.mcleish@kpmg.co.uk
Mobile 07836 239560

Director, Actuarial Standards
Financial Reporting Council
5th Floor, Aldwych House
71-91 Aldwych
LONDON
WC2B 4HN

Our ref adm/0882jfg

14 June 2007

Sent by e-mail to
basapril07@frc.org.uk

Dear Sir

BAS – Preliminary Consultation paper towards a Conceptual Framework

I am pleased to enclose a response to your April Consultation Paper from KPMG. This has been prepared taking into account the views of our actuarial practices for pensions and assurance, and accounting colleagues.

Yours faithfully



Alastair McLeish
Partner, Head of UK Pensions

Our responses to the Board's specific questions are given below:

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

We agree with this priority. As already identified, the provision of actuarial advice is a very wide area, with indefinite boundaries. We would see the question of advice being addressed by a combination of the proposed communications standard, SAPT (possibly), and procedural or ethical guidance to actuaries from the actuarial profession.

2) 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, certainly.

3) 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 would urge the BAS to communicate with the appropriate legislators on this concept of prudence, as the term is embedded in Pensions Act 2004, in insurance legislation, and in European Directives. We note that today it is not regarded as good actuarial practice to have undefined amounts of prudence, and that where prudence is appropriate a defined/known amount of prudence should be added onto a specific best estimate

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

It is impossible to answer this question until some detail on the content of SAPT is known, and we see what will be involved in following it. The concept is an attractive one, but we suspect that its implementation may be difficult, to say the least. Also, there will inevitably be tension between setting it out as an over-arching concept, and applying it in specific situations.

It is not clear what the status of SAPT will be. Is it intended to be mandatory on either individual actuaries or entities? Or will it be, as seems to be implied by the paper, a guide to best practice, with voluntary disclosure?

- 5) 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**

The BAS has been tasked with developing such a generic standard, and so we believe that this should be attempted – even though it may be limited to a statement of principles, as mentioned in 1.7.8.

We are concerned at the concept of standard reports. This implies a level of standardisation that we would not expect to come from a principles-based approach. Further concerns with this are:

- if standard reports are too limited in scope, clients will end up paying for two reports instead of one (the standard report, and the further work particular to their needs)
- industry-wide standard reports could be seen as “commoditising” actuarial advice, and so downgrading its impact and importance to users
- preparing and maintaining a library of standard reports is a labour-intensive task, and it is not clear to us that the present resources of BAS would be sufficient for this.