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Dear Sir

Towards a Conceptual Framework

Standard Life welcomes the opportunity to comment on BAS's initial consultation on its intended structure for technical actuarial standards.

There are two key themes that we wish to emphasise:

- i) It will be particularly important that the technical standards set by BAS should focus on the core regulatory and public reporting activities of actuaries and that they should not impose unnecessary restrictions or costs or other activities performed by actuaries. Standard Life employs many actuaries performing a wide range of roles, in many cases not directly related to the regulatory role of the actuary, and it would be unwelcome for BAS to impose additional restrictions on these activities.
- ii) There is a risk that BAS could be over-prescriptive in setting the style and content of certain reports to be prepared by Actuarial Function Holders or With Profits Actuaries. Each Board of Directors is likely to have varying information needs and the style and content that is most appropriate is likely to vary according to the situation and the membership of each Board. It will therefore be important that BAS is not over prescriptive as this might actually lead to less effective communication rather than an improvement.

In addition to these points I attach some more detailed comments in relation to the consultation paper.

Yours sincerely

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APPENDIX

- 1.4.16 We note the envisaged development of standards for the measurement and communication of different levels of prudence. We would expect these standards to recognise the existence of current generally accepted practices, for example in relation to Pillar 1 reporting where there already exists an established regulatory framework. We would also expect these standards to recognise the role of sensitivity analysis in complementing any prudence in a given measure.
- 1.5.5 We accept the principle that the measurement of value should not contain any comment on, for example, the investment strategy. However, it will be important to recognise that a number of existing reporting processes, for example in regulatory peak valuations under Pillar 1 of FSA reporting, produce different results according to the backing investments. It will be important for BAS standards and regulatory standards to move in parallel in such areas.
- 1.5.9 The distinction between variability and uncertainty is useful. We note that the degree of variability itself is often uncertain, particularly in the extreme tail events that are analysed in estimating exposures to risk. In such circumstances we question whether the exposure can be measured with any great reliability. This does not mean that actuarial methods are flawed but that there are limitations on the credibility of the outputs, which users should be made aware of.
- 1.7.7-8 We would expect the BAS to recognise that information provided to, for example, a Board of Directors must meet that Board's requirements. The prescription of a set of standard reports runs the risk that the Board's specific requirements will not be met, and that as a result actuarial advice may not have appropriate influence.
- 1.7.10 We accept the principle that where uncertainty is greater, as in risk measurement, a range may be more appropriate than a single figure. However, we hope that in framing the standards, the BAS will have regard to the additional workload placed upon actuaries and will choose the most efficient means of providing users with the information they require.

In accordance with 2.1, we do not comment on section 2, except to note it is incorrect to state that actuaries have tended to focus almost entirely on age. Actuaries have typically considered many factors in addition to age in assessing mortality, for example: sex, smoker-status, group or individual business (in case of annuitants), post-code, etc.