



The Actuarial Profession

making financial sense of the future

Consultation response **Financial Reporting Council**

Draft Plan & Budget and Levy Proposals 2011/12

February 2011

About the Actuarial Profession

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.

Baroness Hogg
Chairman
Financial Reporting Council
Aldwych House
71-91 Aldwych
London WC2B 4HN

21 February 2011

Dear Baroness Hogg,

Financial Reporting Council: Draft Plan & Budget and Levy Proposals 2011/12

Thank you for inviting comment on your proposed major activities and projects. We are pleased that your four major outcomes will focus on serving the public interest and developing a strong voice, as these closely align with the Profession's own priorities and planned development. We also welcome the plan's emphasis on good corporate governance and value for money.

In the overview section, it is stated that "during 2011/12 the BAS will start to assess the effects of the standards on both users and practitioners". As set out in Sir Philip Mawer's letter of 27 August to Jim Sutcliffe, the Profession supports the FRC's planned assessment of the current programme of TASs and their possible reshaping in the light of this review, rather than simply moving to an extension of the current TAS regime. The direction of travel indicated here is welcomed.

We also note the reference to the monitoring of progress achieved by the Actuarial Profession in response to the Professional Oversight Board's recommendations concerning quality control at actuarial firms. The Profession is responding positively to those recommendations and is currently developing policy in this area, with our three Executive Committees (Professional Regulation, Qualifications and Member Support) fully engaged.

We are pleased to see reference to your planned contributions to the EU Solvency II project and development of a European approach to actuarial standards; we encourage such contributions and are keen to work with you on the shaping of EU policies.

Our responses to your specific consultation questions are as follows.

1) Do you have any comments on the proposed major activities and projects?

We appreciate the difficulties of determining plans in an environment that holds a level of uncertainty. The plan seems to set out a comprehensive list of priorities which are flexible enough to account for change. We are pleased to see that the focus is on promoting good governance, as this is most important in ensuring a healthy working environment.

We support the priorities set out for the Board of Actuarial Standards. With regard to the objective "work with Government and other regulators to ensure consistency between BAS standards and other

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regulatory requirements", we infer that this includes an element of influencing to ensure that BAS standards apply to the work undertaken and not the individual carrying it out.

With regard to the Accountancy and Actuarial Disciplinary Board, we would welcome greater clarity on whether the measures to be looked at relating to the AADB's powers and resources rest on the possibility of investigatory powers and staffing issues. If so, is this, in some part, due to the increased number of cases?

2) Do you have any comments on our draft budget and funding projections for 2011/12?

We welcome the prudent approach taken and the drive to absorb costs.

The actuarial disciplinary case costs are budgeted to fall from £0.8m to £0.4m. we would welcome clarity on whether these amounts factor in or take account of after the event insurance on case costs.

3) Do you have any comments on our proposed levies for 2011/12?

If obtaining statutory investigatory powers looks probable, we would welcome clarity on whether the FRC will also look to place its levies on a statutory footing.

We look forward to our next meeting with FRC colleagues on 7 March. As ever, the Profession stand ready to work with you to achieve our mutual aims.

Yours sincerely



Derek Cribb
Acting Chief Executive