

Standard Life Assurance Limited

Dear Miss Trickett

Thank-you for the opportunity to comment on the Oversight Board's paper on "Monitoring and Scrutiny of Actuarial Work".

In a nutshell, we feel this is a good paper which is well argued and we are generally content with the proposals as they affect life insurance actuarial work. We have restricted our comments to the general sections 1-2, 6 and chapter 3 on life insurance. I hope this is in order.

In terms of the specific questions asked in the paper, our answers are the following.

Q1. Yes, we agree with your conclusion that there is enhanced independent scrutiny of actuarial advice since the Morris Review reported in March 2005. This has certainly been the case in Standard Life where, in addition to audit and regulatory review, several years ago, the Board approved the introduction of a formal framework of external peer review of certain actuarial work.

Q2. Yes, we agree that, at the present time, there is only limited monitoring of compliance with professional standards. While the UK Actuarial Profession may not monitor my compliance and that of my colleagues, a certain amount of compliance review is incorporated in our business processes around the statutory valuation and other actuarial work. In addition, of course, as the paper makes clear, aspects of the audit and regulatory review cover compliance with professional standards in some respects.

More could certainly be done to increase the extent of monitoring of compliance with professional standards. However, any enhancement could potentially be costly for firms and so would need to be justified by a robust cost/benefit analysis in order that firms saw it as a worthwhile expense.

Q3(i). Yes, we feel that Strategy 1 will achieve the required enhancement, without increasing costs substantially.

Q3 (ii). N/a

Q3 (iii). All four options could, depending on how they were taken forward and implemented, prove helpful in this regard.

Option 1A is clearly a good idea, although we suggest that more emphasis be put on covering the material through CPD rather than through the actuarial exams - actuaries will get more out of this type of development once they

have gained some meaningful work experience (beyond that required for attaining Associateship or Fellowship).

Option 1B also sounds potentially useful and could fit well with the increasing emphasis on enterprise risk management within firms, by strengthening the operational risk control framework. Just what statistics might be published under Option 1C and how meaningful and helpful they might be remains to be seen.

We would need to understand more of what is envisaged under Option 1D before we could comment further.

Q3 (iv) The joint initiative with the ABI regarding guidance over when external peer review might be considered should prove useful. It's not clear what more the Profession could be expected to do, over and above playing a part in the 4 options listed.

Q7. As mentioned above, we already have a program of external peer review. What increased costs we might have as a result of whatever further monitoring is implemented, will depend in part on the impact the changes have on the cost of external actuarial advice and review. Another factor that will influence the costs of monitoring and scrutiny is the scope and content of the new standards BAS is working on. Thus, it is difficult to be certain of what additional cost we might have. Nevertheless, it would seem reasonable to assume that any increase will not be huge and also prove to be money well spent.

I hope these comments are helpful and wish you well in your important work.

Regards

David Hare
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Standard Life Assurance Limited