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Subject: BAS Conceptual Framework consultation
Date: 31 January 2008 17:48:31

I should like to make a few additional points to those which have been made elsewhere.

- Generally, I think it's a very well thought out document, but I would regard it as very much a work in progress, to be developed as experience is gained in putting together standards over the next few years.
- I think there is always a danger of setting a standard (and of course the regulatory brief or user need to which the task responds) with reference to the last war, or to the last major problem. In many of the areas in which actuaries work, the environment changes over time and there is a great need to look out for new insights which are needed either to tackle or prevent problems. So it is important that standards do not have the effect of embedding accepted wisdom or squashing maverick views.
- Uncertainty is an aspect which is covered in the document, but probably not to the extent justified. Some of the areas in which actuarial advice is most sought have a great divergence between the client's wish for certainty and our ability to provide it. And clients often hear what they want to hear. I would suggest that all standards relating to reporting require that meaningful information is given about what we do not know. (I am not suggesting precisely how this is done) For example, it is not possible to derive a mean value for a long tail general insurance liability from the available data alone. That data can never contain enough information, and the most important aspect of the uncertainty might be illustrated by questions such as "but how bad could it be"? In answering such questions we have to admit that we have to make judgements to fill in the gaps, and we should explain that we have done so. And in making our judgements, we should be aware of the human tendency to underestimate both the likelihood and the magnitude of both of: material changes from the status quo; and adverse scenarios. It is important to give advice at the appropriate level for the client, and help the client to make decisions if this is within the brief, but we should never leave clients in a false state of comfort. I suspect that that may have occurred in a number of areas in the past.
- One of the implications of the paragraph above is that, in areas of considerable uncertainty, that uncertainty cannot be removed by more sophisticated calculations. There will always be judgmental inputs as

to the parameters, and indeed the model itself. This is true whatever the nature of the parameters, economic or otherwise. We should beware of highly technical outputs being mistaken for precision.

- A question which is often asked is whether something is "sufficient" or how likely is to be so. In answering that question, we should bear in mind that an equally important question is often, "if it goes bad, how bad?"
- An example of the overall framework (regulatory brief as well as client's focus and standards) fighting the last war might come to pass in respect of pensions if we have material inflation over the next few years.

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