



**BOARD FOR ACTUARIAL STANDARDS**

**STRUCTURE OF NEW BAS STANDARDS (AND  
IMPLICATIONS FOR ADOPTED GNs):**

**CONSULTATION PAPER**

**APRIL 2008**

## FOREWORD BY THE CHAIRMAN

The FRC's Plan & Budget for 2008/09 emphasises that the BAS is currently in the process of finalising the conceptual framework and implementing a plan for the transition from existing actuarial technical standards to a new book of actuarial standards. Until adequate progress on these two tasks has been made, there will continue to be significant concerns about the achievement of the FRC's strategic objectives in respect of the needs of users of actuarial information. We took a major step towards achieving the first task with the publication last month of our exposure drafts of the BAS Conceptual Framework for Technical Actuarial Standards and the BAS Scope & Authority of Technical Standards. This paper now describes the considerable progress we have made towards achieving the second task, ie the planning for the transition to a new book of standards.

I cannot stress enough how important I regard the programme of work set out in this paper, in terms of both its success and its timeliness. Our earnest hope is that, at the end of it, we will have a book of principles-based standards cast in terms that users of actuarial information as well as actuaries can understand and find readily accessible. I would like to draw your attention to two particular features that we have incorporated with that end in mind.

The first feature is the development of generic standards, applying across the main areas of actuarial practice. This is primarily intended to address the finding of the Morris Review: that the existing actuarial standards, as a body, are inconsistent between different practice areas and lack coherence. We also believe these generic standards will help users to understand some of the basic principles underlying the actuarial reports they see.

The second noteworthy feature is the way we intend to organise our standards, which we hope will make it easier for users (as well as actuaries) to find the principles that are relevant to them. We are particularly interested in hearing from anyone who uses actuarial information (such as Finance Directors and Chairs of pension trustee boards) whether the structure and numbering system described in this paper might make a book of actuarial standards more user-friendly.

The impact assessment and cost benefits analysis on the pacing of the timetable have been omitted from this paper; we are committed to being open and consultative, and each of the new standards outlined here will be exposed to its own consultative process. This will normally be a three-stage process, involving publication of a consultation paper and then an exposure draft before the final standard is issued. The consultative process largely determines the time span before we can issue definitive standards (and exposes us to the possibility that risks may materialise in the meantime); nevertheless I believe this is a necessary and worthwhile route to take on our journey towards a new book of BAS standards that will genuinely serve the needs of users.

I also believe that, by publishing our plans and informing both actuaries and users of our intentions, this paper will in itself contribute to the mitigation of the risks that face the FRC in the achievement of its overall objectives. The proposals here will shape the future of actuarial standards for years to come and I look forward to reading your responses.

Paul Seymour  
April 2008

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# 1 INTRODUCTION & SUMMARY

## INTRODUCTION

1.1 The Financial Reporting Council (FRC) has as one of its strategic goals that:

Users of actuarial information can place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility.

1.2 In sections 1 and 2 of the *Exposure Draft of the Conceptual Framework* the BAS explains that it will be initially developing technical standards, which will be called Technical Actuarial Standards ("TASs"), as a key component of achieving this goal. Individual TASs will be:

- generic to all work falling within the range specified in a Schedule to the Scope & Authority of Technical Standards ("generic TAS"); or
- limited to a specific, defined context ("specific TAS").

Furthermore, the TASs will be written in a manner which favours principles over prescriptive rules.

1.3 The purposes of this paper are:

- to set out the Board's views on the contents of the new set of actuarial standards that it will be writing over the next three years; and
- to invite comments on the contents from respondents.

## STRUCTURE OF BOOK OF STANDARDS

1.4 The BAS is proposing that by December 2010:

- the BAS book of standards will consist of eight or nine TASs as outlined in the table in paragraph 1.5; and
- all the adopted Guidance Notes (GNs) will have ceased to apply.

1.5 The following table summarises the proposed new book of standards. The details are discussed in sections 2 and 3, including the issue of whether the work of actuaries providing information on insurance contracts and on pension costs for inclusion in financial statements is better dealt with under a separate standard (which would be a ninth TAS) or within the relevant specific standards.

Standard	Proposed content
Data	Generic standard covering: <ul style="list-style-type: none"> <li>• requirements for testing the adequacy of data provided</li> <li>• steps to take to address any insufficiency of the data</li> </ul>
Modelling	Generic standard covering: <ul style="list-style-type: none"> <li>• assumptions used in modelling cash flows</li> <li>• principles of modelling required to derive cash flows from the data and assumptions</li> <li>• mechanisms by which risk and uncertainty are reflected in the assumptions and the model</li> </ul>
Reporting	Generic standard covering: <ul style="list-style-type: none"> <li>• matters to be included in a report, eg objectives, methods, assumptions, outcomes etc</li> <li>• clarity of exposition</li> </ul>
Long term insurance	Specific standard covering: <ul style="list-style-type: none"> <li>• reserved roles of Actuarial Function Holder, With Profits Actuary, Appropriate Actuary, Syndicate Actuary (for life business written at Lloyd's)</li> <li>• practice area specific aspects of generic matters, eg assumptions and reporting</li> </ul>
General insurance	Specific standard covering: <ul style="list-style-type: none"> <li>• reserved role of Syndicate Actuary and unregulated role of actuaries advising general insurers on reserving and capital adequacy</li> <li>• practice area specific aspects of generic matters</li> </ul>
Defined benefit pension scheme funding	Specific standard covering: <ul style="list-style-type: none"> <li>• regulated role of Scheme Actuary advising trustees and unregulated role advising employers</li> <li>• practice area specific aspects of generic matters</li> </ul> <p>Currently no proposal to have a standard for defined contribution schemes, except in respect of illustrations</p>
Pre-paid funeral plans	Specific standard covering the work of any actuary appointed by the trustees of a pre-paid funeral plan exempt from FSA regulation
Business rearrangements	Specific standard covering Part VII transfers, schemes of arrangement, attribution of orphan estates and the protection of beneficiaries in the context of M&A activity

## REMAINDER OF PAPER

- 1.6 The rest of this paper discusses the possible content of the proposed generic standards (section 2) and specific standards (section 3), and the proposed structure of future BAS standards (section 4). As the distinction between generic and specific standards is new to UK actuaries, more detail is given on generic standards (for data and modelling but not reporting, which is covered in an exposure draft published simultaneously with this paper) to enable the reader to better understand the likely scope of such standards.
- 1.7 The BAS has adopted 37 GNs that were originally issued by the Actuarial Profession. These GNs cover various aspects of actuarial work in life insurance, pensions and other fields. Some of them are designated Practice Standard (which effectively means that they are mandatory) and others as

Recommended Practice. Section 5 of this paper discusses the possible implications for each of these adopted GNs and section 6 the transition from the existing set of GNs to the new set of BAS standards.

- 1.8 In particular, there are 12 GNs with little or no content within the scope of TASs. These would be disapplied without further consultation in the course of the transition to TASs.

#### **RESPONSES TO THIS CONSULTATION PAPER**

- 1.9 Details of how to respond to this paper are set out in Section 7, *Invitation to Comment*. Comments should reach the BAS by **18 July 2008**. We are particularly keen to attract responses from users of actuarial information and other stakeholders.

## 2 GENERIC STANDARDS

### INTRODUCTION

2.1 The BAS considers that the three main areas of actuarial work (pensions, life insurance and general insurance) share many basic concepts that should be covered in generic standards. Paragraph 3.19 of the *Exposure Draft of the Conceptual Framework* identifies the following common ingredients of actuarial calculations:

- the nature and objective of the calculation,
- the data provided,
- the assumptions made,
- the cash flows allowed for, and
- the risks taken into consideration.

2.2 By definition, the nature and objective of the calculation would seem to exclude generic treatment, but the other four ingredients all appear suitable for generic standards, even if more detail needs to be added to them in the specific standards. Of these four, data appears to be capable of treatment in a separate standard, albeit with areas of potential overlap with other standards, but the other three ingredients are so inter-related that we consider they should be treated together in one standard. The BAS therefore proposes to develop three generic standards, covering respectively:

**Data**, including requirements for testing the adequacy of data provided and steps to be taken to address any insufficiency of the data;

**Modelling**, including assumptions used in modelling cash flows, principles relating to deriving models from the data and assumptions, and mechanisms by which risk and uncertainty are reflected in the assumptions and the model; and

**Reporting**, including matters to be included in a report, such as objectives, methods, assumptions and outcomes, and clarity of exposition.

2.3 An Exposure Draft of the generic reporting standard is being issued simultaneously with this paper. The reporting standard is therefore not discussed further in this section.

2.4 Before discussing the data and modelling generic standards we first discuss the overriding principles of materiality and proportionality that apply to both of them.

### MATERIALITY AND PROPORTIONALITY

2.5 An item of information is material if its impact is such that its misstatement or omission might reasonably be expected to influence the decisions of users of that information. Whether or not any item or error is material will depend on its size and nature, judged in the particular circumstances of its omission or misstatement. It will usually be a combination of factors, rather than any one in particular, that will determine materiality.

- 2.6 The BAS proposes that the data and modelling generic standards, and where appropriate specific standards, should include principles relating to materiality.
- 2.7 The BAS is committed to proportionate regulation, and in developing its standards will consider principles concerning the need to weigh the effort to improve the quality of data or the accuracy of models against the benefits to the user of the additional effort.

#### **GENERIC DATA STANDARD**

- 2.8 In order to produce and apply a model, data needs to be considered and judgements made about the relevance of the observed data to the future environment. The BAS intends to consider principles concerning the following issues in the course of developing its generic data standard:
- the tests that should be carried out on the data,
  - the materiality of any anomalies in the data, and
  - the explanations or qualifications that should be made, if the actuary has any material reservations about the data.
- 2.9 There are circumstances in which the overall volume and quality of the data will largely determine the actuary's choice of method; in general, more sophisticated models require greater volumes of reliable data. However, the relationship between the data and the choice of method is particular to the matters under consideration and is therefore an issue that the BAS will normally address in specific, not generic, standards.

#### **GENERIC MODELLING STANDARD**

- 2.10 In order to perform their calculations, actuaries frequently build models of financial systems and then run their models on various assumptions as to the factors influencing those financial systems (and hence the models). The BAS proposes that its generic modelling standard will include principles relating to:
- assumptions used in modelling,
  - means of deriving models from the data and assumptions, and
  - mechanisms by which risk and uncertainty are reflected in the assumptions and the model.

#### **Assumptions**

- 2.11 As discussed in paragraph 3.39 of the *Exposure Draft of the Conceptual Framework*, every risk relates to something which cannot be known with certainty. So, for every (material) risk which might affect the outcome of the actuarial calculation, there needs to be an assumption to address that risk. For some actuarial calculations it is the pension scheme trustees, insurance company board of directors, or some other person or body that decides (after taking actuarial advice) the assumptions to be used. For other actuarial calculations the choice of assumptions is part of providing the results of the calculations. In developing its principles, the BAS will take into account the different arrangements.

- 2.12 The major risks associated with typical areas of actuarial work are, by nature, economic, demographic or (in the case of general insurance) liability-driven. There may also be other types of risk that TASs should address. Since all insurers and pension schemes invest in the same markets and experience the same general inflationary pressures (at least within the UK or any particular territory), the BAS will consider principles concerning the issues surrounding the determination of economic assumptions (including yields and volatilities on various asset classes, inflation rates, and so on) in the course of developing the generic modelling standard.
- 2.13 In the case of demographic assumptions such as mortality and persistency, the issues that the BAS will consider are likely to include:
- the relative weights the actuary should give to the entity's own experience and to the experience of the total population, depending on the size of the entity's population and on the length and reliability of its experience; and
  - the characteristics the actuary should take into account in adjusting for the particular features of the entity's population, and how those adjustments might be quantified.
- 2.14 Although the BAS intends to consider many issues regarding assumptions at a generic level, there are others, such as liability-driven assumptions for general insurance, that will be addressed in specific standards.

#### **Best Estimate / Prudence**

- 2.15 Some regulations require prudent assumptions for certain calculations. For other calculations, best estimates are required, or assumptions are required to be market consistent. For still others, nothing is stated about the type of assumptions they should be. "Prudence" and "best estimate" are often not defined in the relevant regulations or are defined, at best, in very general terms.
- 2.16 A best estimate is, by its nature, independent of the context of the calculations being performed whereas the meaning of prudence depends partly on the nature and objective of the calculations.
- 2.17 The BAS intends, therefore, to consider appropriate principles on best estimate for inclusion in the generic modelling standard, but any appropriate principles on prudence are more likely to be addressed in specific standards.

#### **Models**

- 2.18 Because of the complexity of the relationships between the various model parameters, the models built and used by actuaries can be extremely complex. However when building or choosing a model, it is important to consider the objectives for the creation and use of the model and not to complicate it unnecessarily. The generic modelling standard will therefore take into account the principle of materiality, as described in paragraphs 2.5 and 2.6 above. It is also likely to refer to the principle of parsimony, ie that the number of parameters in the model is limited to the minimum necessary. However, in general the choice of models and the use of other methods are too specific to the models available for a given task to be covered by a generic standard, so the BAS will address them in specific standards.

- 2.19 Any model, however it is derived, will be an imperfect representation of reality. Its reliability is lessened by many sources of error, including the following:
- uncertainty in how well the model matches the underlying reality (known as model risk);
  - uncertainty in the values of the parameters used in the model (known as parameter risk);
  - variability, if a stochastic model is being used, due to the randomness of the model's output (sometimes known as process error);
  - errors in the data; and
  - expert judgment used in making the choices or decisions that are involved in developing the model.
- 2.20 The BAS will consider principles concerning sources of error in models for inclusion in the generic modelling standard.

### **Mechanisms for reflecting risk and uncertainty**

- 2.21 Risk may be categorised in different ways in order to provide decision-makers with an understanding of the nature and extent of the associated risks. In developing the modelling standard, the BAS will consider principles concerning the analysis of risk and uncertainty.
- 2.22 Stochastic models provide a useful mechanism for quantifying risks where probabilistic analysis is possible, but not all matters of uncertainty are susceptible to probabilistic analysis and hence to quantification by stochastic models.
- 2.23 Scenario analysis, which involves making changes to one or more assumptions or components of a model and investigating the impact on the outputs of the model, is often a useful technique. For example, scenarios can be used to investigate combinations of assumptions that have rarely or never occurred before but which would be challenging to deal with. It can also be informative to consider outcomes which would be difficult to deal with. Scenarios that would lead to these outcomes can then be constructed and further explored in order to examine the resilience of the overall system.
- 2.24 The BAS will consider the principles of setting scenarios for various types of actuarial information for inclusion in the generic modelling standard, either to illustrate the implications of an event outside the standard ranges or to illustrate uncertainty where it is not possible to derive probabilities.
- 2.25 The BAS will also consider principles concerning the extent to which it is appropriate that steps taken to mitigate risks should be allowed for, taking into account that in some cases such mitigating action is reversible.

### **Scenario generators**

- 2.26 Scenario generators are often used to analyse quantifiable risks in actuarial models of, for example, the future cash flows of an insurance fund or pension scheme. They are used to generate multiple sets (usually thousands) of assumptions, which are then used in multiple runs of the model. The most frequently used are economic scenario generators (ESGs), but there are also

models which some actuaries describe, to a greater or lesser extent, as mortality (or longevity) scenario generators.

2.27 The building of scenario generators is a specialist activity for which the BAS has no plans to develop standards. The BAS does, however, intend to consider principles concerning aspects of their use, including, for example:

- the calibration of scenario generators;
- the validation of output from scenario generators to ensure that it is fit for purpose; and
- the use of scenario generator output in actuarial models.

As discussed in this section, the BAS believes that there are some basic concepts, common to the main areas of actuarial work that fall within the scope of BAS standards, and that these concepts should be covered in generic standards on data, modelling and reporting. Paragraphs 2.8 and 2.9 discuss the possible content of a generic data standard and paragraphs 2.10 to 2.27 that of a generic modelling standard. An exposure draft of a generic reporting standard is being published simultaneously with this paper.

**The BAS welcomes respondents' views on the proposals for generic standards and their contents. The BAS is particularly interested in whether respondents think that the three proposed standards between them cover the principal concepts that are common across the main areas of actuarial work that fall within the scope of BAS standards.**

**Proposals for specific standards follow in section 3, which therefore provides an opportunity for commenting on concepts that are not appropriate for generic standards.**

## 3 SPECIFIC STANDARDS

### INTRODUCTION

- 3.1 The BAS has reviewed all the regulation of which it is aware that requires entities to commission work of an “actuarial” nature (it would not be feasible for the BAS to review the work that might be covered by contracts or other legal obligations). The work in question includes both work that must, by regulation, be performed by an actuary (reserved work) and that is usually, but not necessarily, performed by an actuary. The BAS limited its review to areas in which actuaries are traditionally involved.
- 3.2 The work required by regulation falls into six categories, which are set out below. The first four relate to business areas in which actuaries have traditionally been involved. The other two arise from regulatory requirement that are not limited to any particular business area.
- a) Long term insurance – reserving and capital adequacy for life insurers and friendly societies, and work concerning with profits business. Much of this is reserved work, although some of the work normally carried out by actuaries, such as work on Individual Capital Assessments (ICAs), is not reserved.
  - b) General insurance – reserving and capital adequacy for general insurers. There is little reserved work in this area other than for Lloyd’s syndicates and for certain US business, but actuaries are playing an increasing role.
  - c) Funding advice and other work for pension funds, mainly in respect of defined benefit schemes. Much of this is reserved work.
  - d) Pre-paid funeral plans. These are exempted from regulation by the FSA if they meet certain conditions, which include the requirement to be assessed by an actuary every three years.
  - e) Business rearrangements, including Part VII transfers, schemes of arrangement, attribution of orphan estates and protection of beneficiaries in the context of M&A activity. Other than for friendly societies the work is not reserved for actuaries.
  - f) Accounting for insurance contracts and for pension costs. Some work is reserved for actuaries but the majority is not.
- 3.3 There are two major projects in progress that are likely to have a considerable impact on the regulation that requires actuarial work. One is the EU’s Solvency II project, which will change the prudential regulation of all EU insurers; the other is the IASB’s project on accounting for insurance contracts, which will change the financial statements of all insurers that report under IFRS. The BAS is monitoring developments in both projects (and in both cases has recently responded to a consultation), but neither is sufficiently well advanced for us to include the possible implications for our standards.
- 3.4 The BAS invites views on whether issues arising from different group structures can be incorporated into the proposed specific standards, or whether a separate standard might be required. These issues might, for instance, concern the determination of capital requirements at a group level. The types of group structure that could give rise to such issues might include:

- composite insurers, which write both long term and general insurance business within one company;
  - insurers that write business in the UK and other territories, either as branch business or through subsidiary or sister companies; and
  - groups that include insurance and other types of business, such as banking.
- 3.5 The BAS does not propose to develop a separate standard for post-retirement medical plans. Matters concerning them will be addressed in the appropriate standards such as those on pensions or accounting.
- 3.6 Paragraph 18 of the *Exposure Draft of the Scope & Authority of Technical Standards* explains that work carried out by an actuary as the holder of a unique post, such as the Government Actuary, the Lloyd's Actuary or the PPF Appointed Actuary, is not Reserved Work as defined in that document. The BAS has no plans to address such work in its new standards.

### **LONG TERM INSURANCE**

- 3.7 Insurance companies, friendly societies and Lloyd's syndicates are all subject to extensive FSA regulation in respect of life and health insurance business and they all use similar calculation methods and measures. The BAS therefore proposes to develop a combined standard on the reserved roles of:
- Actuarial Function Holder,
  - Appropriate Actuary, and
  - Syndicate Actuary (for life business written at Lloyd's).
- 3.8 The standard will address the calculation methods and measures appropriate to reserving and capital adequacy, together with aspects of generic matters (data, modelling and reporting) that are specific to long term insurance. As well as the work specifically reserved for actuaries, the standard will also cover actuarial advice in respect of the work on ICAs and on projection of capital adequacy required of life insurers by regulation.
- 3.9 At this stage the BAS is minded to include in one standard both work to do with reserving and capital adequacy and the rather different work of the With Profits Actuary. In the course of developing the standard, the question of whether a separate standard for the work of the With Profits Actuary would be more appropriate will be considered.

### **GENERAL INSURANCE**

- 3.10 Although the only roles in general insurance that are performed exclusively by actuaries are those of the Lloyd's Actuary and the Syndicate Actuary, the BAS believes it should develop a standard that can be applied more widely in the area of general insurance. General insurance companies and Lloyd's syndicates are subject to extensive FSA regulation, as are life insurers, but the details of the methods and measures are significantly different, so the BAS will develop a separate standard for this work.
- 3.11 The standard will address the calculation methods and measures appropriate to reserving and capital adequacy, together with aspects of generic matters (data, modelling and reporting) specific to general insurance.

- 3.12 The standard will cover information for inclusion in the annual returns to the FSA and to Lloyd's, including overseas business. Two of the adopted GNs (GN18 and GN33) address annual filings to US regulators (the International Insurers Department of the NAIC and various state insurance departments). However, the definition of geographical scope proposed in the *Exposure Draft of the Scope & Authority of Technical Standards* would mean that reporting to US regulators would not be addressed in the new standard.

#### **DEFINED BENEFIT PENSIONS SCHEMES: FUNDING ADVICE**

- 3.13 The BAS believes it should develop a standard for defined benefit pension scheme funding that can be applied to both the regulated role of the Scheme Actuary and the unregulated role of actuaries advising employers. Pension schemes are subject to a different regulatory environment from insurance companies, so the BAS will develop a separate standard for this work.
- 3.14 The standard will address the calculation methods and measures appropriate for funding advice, together with aspects of generic matters (data, modelling and reporting) specific to pensions.
- 3.15 The standard will also address other certificates and advice reserved for the Scheme Actuary (or for a suitable actuary in the case of schemes not required to have a Scheme Actuary), such as:
- contracting-out certificates,
  - claims to the National Insurance Fund in respect of insolvent employers,
  - Freezing Orders,
  - PPF applications,
  - PPF levy valuations,
  - certification of Recovery Plans and Schedules of Contributions,
  - Actuarial Equivalence Statements,
  - Cash Equivalent Transfer Values and Insufficiency Reports,
  - Cash Equivalents of Protected Rights,
  - pensions on divorce,
  - transfers without consent, and
  - winding up and deficiency calculations.
- 3.16 There is currently no proposal to have a BAS standard for defined contribution schemes, other than to retain the content of TM1 (which covers Statutory Money Purchase Illustrations) and, possibly, GN34 (which covers projections of defined contribution pension scheme benefits not required by regulation). Illustrations and benefit projections are discussed further in paragraphs 5.24 to 5.26.

#### **PRE-PAID FUNERAL PLANS**

- 3.17 Pre-paid funeral plans resemble life insurance from the point of view that the benefits are payable on death. However, the BAS considers that they should

not be addressed in the specific standard for Long Term Insurance because they are exempt from regulation provided they meet certain conditions (including the requirement that their assets and liabilities be “determined, calculated and verified” by an actuary at least once every three years). In contrast, life offices are subject to extensive FSA regulation (and to FSA monitoring and supervision) in respect of reserving and capital adequacy. In particular, funeral plans are not required to produce ICAs and capital adequacy projections (see paragraph 3.8 above). The actuary also has a monitoring role.

## **BUSINESS REARRANGEMENTS**

- 3.18 The BAS proposes to develop a standard addressing Part VII transfers, schemes of arrangement, attributions of orphan estates and the protection of beneficiaries (such as policyholders or pension scheme members) in the context of M&A activity. This standard is likely to relate to a variety of entities (both insurers and pension schemes), but the regulatory requirements are sufficiently similar that the BAS considers they can be included in one standard. A principal focus of the standard is likely to be the role of actuaries in advising whether the beneficiaries could be disadvantaged by proposed rearrangement schemes.
- 3.19 Although Skilled Person reports (under s166 of the Financial Services and Markets Act 2000 or under s71 of the Pensions Act 2004) can be required in respect of situations other than rearrangements, the BAS believes it is appropriate to address such work in this standard to the extent that the work involves actuaries.

## **ACCOUNTING**

- 3.20 The BAS is considering how to incorporate in its standards the information that actuaries provide for inclusion in financial statements. The *Exposure Draft of the Scope & Authority of Technical Standards* proposes that the geographic scope of TASs will be limited to work done in relation to the UK operations of entities and any overseas operations which report into the UK within the context of UK legislation or regulation. Consequently, an accounting TAS would address actuarial information for:
- a) Financial reporting under UK GAAP;
  - b) Financial reporting under IFRS to the extent that UK companies report under it – companies listed on the London Stock Exchange (or any stock exchange in the EU) are now required to report under IFRS (this is a requirement of an EU regulation rather than any UK regulation, but the UK is subject to EU legislation and regulation); and
  - c) Embedded values for life insurers complying with the CFO Forum’s European Embedded Value Principles – several UK insurers are party to the CFO Forum.
- 3.21 Many UK companies produce additional financial statements, in respect of both insurance contracts and pension costs, under US GAAP (either because they have shares or debt listed on the New York Stock Exchange or because they have a US parent). Actuarial information for financial reporting under US GAAP will not be addressed in BAS standards.
- 3.22 Since the same standard setters set accounting standards for both insurance contracts and pension costs, a single BAS standard might facilitate the

application of accounting standards by actuaries to both insurers and pension schemes. Significant developments are taking place in relation to accounting standards, such as the move away from a deferral and matching approach and towards a market-consistent value-based approach (which has led the IASB to issue discussion papers on possible changes to accounting for both insurance contracts and pension costs), and the increasing convergence of the various sets of accounting standards (eg IFRS and US GAAP). These developments may affect the actuarial information more than the differences between insurance contracts and pension costs. Hence the BAS may well be better able to handle the relationship between the developing accounting standards and its own standards, if its standards on information for accounting purposes are gathered together in one specific standard.

- 3.23 An alternative to a single BAS standard on accounting information is to put the relevant material in separate modules (see paragraphs 4.5 to 4.10) in the specific standards for long term insurance, general insurance and pensions. The relevant sections could then be identified and collated or modified as required. The BAS invites views on which structure would be more helpful to users.

This section describes proposals for five or six specific standards, covering long term insurance, general insurance, funding advice for defined benefit pension schemes, pre-paid funeral plans, business rearrangements and, possibly, accounting.

**The BAS welcomes respondents' views on the proposals for specific standards and their contents. The BAS is particularly interested in views on whether:**

- **issues arising from different group structures can be incorporated into the five standards or whether a separate standard is needed;**
- **matters concerning post-retirement medical plans should be addressed in the appropriate specific standards;**
- **Skilled Person reports should be addressed in the specific standard on business rearrangements; and**
- **actuarial information for financial statements should be addressed in a separate specific standard.**

## 4 STRUCTURE OF THE NEW BOOK OF STANDARDS

### POSSIBLE STRUCTURES

- 4.1 There are several possibilities for the detailed structure of the standards, best illustrated with reference to a subject such as mortality.
- 4.2 One possible structure would include a single generic mortality standard, covering all the related issues such as data requirements, the role of mortality as an assumption in modelling, modelling for mortality, and reporting requirements. On that basis, the reporting standard (say) would then either not mention the reporting of mortality or else repeat it (requiring two standards to change if there were to be a revision to mortality at a later date). Other major assumptions, such as investment returns, would require similar treatment as would, possibly, assumptions such as morbidity, lapses, propensity to claim etc. This could result in quite an extensive *ad hoc* series of standards.
- 4.3 Another possible structure would split the treatment of mortality between various standards. Mortality is an assumption and so the means of determining mortality assumptions would be addressed in the generic standard on modelling, potentially occupying a significant element of the standard (probably a chapter of its own). Any reporting requirements for mortality would appear in the generic reporting standard, and data requirements, if any, would appear in the generic data standard. Specific elements would appear in the specific standards as appropriate. A practical problem with this structure is that it might be very unwieldy to add new content to the standards. The practical issues involved in amending an existing standard (such as re-numbering sections and changing cross references) are more complex than simply adding a new standard.
- 4.4 The main criteria for a structure are, firstly, that users of actuarial information should find it easy to find their way through the standards and, secondly, that practitioners can be sure that they have addressed all the relevant matters in a piece of work, preferably without extensive cross-referencing in the documents. The BAS believes that neither of the proposals above meets these criteria.

### PREFERRED STRUCTURE

- 4.5 The BAS believes that the following structure meets the criteria set out in paragraph 4.4. Standards would be grouped by topic on different levels; so there would, for example, be a top-level specific defined benefit standard, with more detailed defined benefit standards (that could almost be seen as chapters of the top-level standard) grouped with it. The grouping would be reflected in the numbering system: for generic the top-level standards would have letters, with any more detailed standards starting with the same letter.
- 4.6 This structure is similar to one already used by the Auditing Practices Board, which has worked well in practice.
- 4.7 We have set out below how the preferred structure might appear with the top-level standards outlined in paragraph 1.5, and three examples of more detailed standards (relating to mortality and investment returns). For the

avoidance of doubt, these examples are purely illustrative – any proposals for more detailed standards will be subject to separate consultation.

### **Illustration of top-level and sample lower-level standards**

#### **Generic standards**

- D Data
- M Modelling, risk and uncertainty
- R Reporting

#### **Specific Standards**

- 100 Long term insurance
  - 105 Mortality assumptions in life office reserving
- 200 General insurance reserving and capital adequacy
- 300 Defined benefit pension scheme funding; advice to trustees and to employers
  - 301 Investment returns in pensions
  - 305 Mortality assumptions in pensions
- 400 Pre-paid funeral plans
- 500 Business rearrangements

4.8 This structure would enable actuaries and users to bring together either all the standards on an assumption such as mortality, or all the standards on a functional aspect such as reporting. So, depending on whether mortality assumptions were being determined, or reports being written, the relevant parts of the book of standards could be brought together. This might not work in all cases; for instance, if an actuary were working on a report on pension scheme funding, the 300 series of standards might contain relevant matter that was not easily separated from the matter on, say, data. Nevertheless, the BAS believes this structure would be the most helpful to actuaries and users, and invites respondents to submit their views on these alternatives.

4.9 As discussed in paragraph 3.23, this type of structure would give some flexibility for dealing with actuarial information provided for accounting purposes, which could be included as either:

- A specific standard (number 600) with more detailed standards for long term insurance, general insurance and pensions respectively; or
- Detailed standards under each of the practice area specific standards (ie under 100, 200 and 300 respectively)

4.10 The BAS will also investigate how TASs might be structured on its website to be most helpful to users. This might include considering the feasibility of a personal book of standards along the lines of the FSA's 'Build your own handbook' tool, which enables registered users to build, view and manage personal handbooks, containing just the rules and guidance the authorised

person needs. The FSA's personal handbooks are updated automatically and takes into account future agreed rule changes.

This section describes a preferred structure for the BAS book of standards. Paragraph 4.4 proposes two criteria that the structure should meet. Paragraphs 4.5 to 4.9 describe how the criteria would be met by the preferred structure.

**The BAS would welcome views on the two criteria as well as on the preferred structure and its ease of use.**

## 5 IMPLICATIONS FOR ADOPTED GUIDANCE NOTES

### INTRODUCTION

5.1 The BAS has reviewed the 37 GNs that were adopted from the Actuarial Profession. The results of the review are summarised in this section, together with the implications for each GN, grouped by practice area. They indicate that

- 7 GNs have content that is within the scope of the three proposed generic standards;
- 23 GNs (including five of the category above) have content that is within the scope of the six proposed specific standards;
- 2 GNs have no content that is within the scope of BAS standards, but are specifically mentioned in regulations; and
- 10 GNs either have no content that is within the scope of BAS standards and are not specifically mentioned in regulations, or will be in that situation after forthcoming regulatory changes by the DWP and the FSA take effect.

### GENERAL INSURANCE GNS

5.2 There are five General Insurance (GI) GNs, of which four (GN12, GN20, GN33 and GN50) are Practice Standard (ie compulsory, indicated by an S in the tables in this section) and one (GN18) is Recommended Practice (ie recommendations only, indicated by an R). Two of them (GN18 and GN33) concern work performed by UK actuaries for UK insurers in order to meet overseas regulatory requirements (see also paragraph 3.12).

5.3 Under the BAS's proposals, there would be just one specific standard for GI once the proposed generic standards on reporting, data and modelling were in place. The specific standard would address issues concerning the formal Statements of Actuarial Opinion that regulators require, and would incorporate content from four GNs (GN12, GN18, GN20 and GN33). Content from all five GNs would be incorporated into the generic standards.

### Summary

5.4 The following table shows the proposed treatment of the GI GNs, including anticipated timings. The basis of the anticipated timings (together with the timings shown in the other tables in this section) is discussed in paragraphs 6.6 to 6.10.

GN	Class	Title	Treatment	Time-table
12	S	General Insurance Business - Actuarial Reports V4.0	Incorporate in generic standards and GI specific standard	2Q 2010
18	R	UK General Insurance Companies writing US Regulated Business V2.1	Some content incorporated in generic standards, and GI specific standard. Other content out of scope.	2Q 2010
20	S	Actuarial Reporting Under the Lloyd's Valuation of Liabilities Rules V7.0 (BAS Amendment 1)	Incorporate in generic standards and GI specific standard	2Q 2010
33	S	Lloyds Syndicates writing US business V4.0	Some content incorporated in generic standards, and GI specific standard. Other content out of scope.	2Q 2010
50	S	General Insurance Principles and Practice V1.0	Incorporate in generic standards	2Q 2010

## LIFE INSURANCE GNS

5.5 There are 15 Life Insurance GNs, of which nine are Practice Standards and six are Recommended Practice. Under the BAS's proposals, three GNs (GN39 and GN42 Practice Standard, and GN22, Recommended Practice) would cease to apply in the course of the transition to TASs. Twelve GNs have content that would be incorporated into specific standards, including one (GN 47, Recommended Practice) that also has some content that would be absorbed into the generic modelling standard.

### Specific standards

5.6 Content from ten GNs (GN1, GN2, GN8, GN40, GN41, GN43, GN44, GN45, GN46 and GN47) could be incorporated into a single specific standard, mainly addressing the reserving and capital adequacy roles in life insurers. Two of the nine (GN2 and GN46) are Recommended Practice, but some of the material seems suitable for promotion to TAS status.

5.7 One GN (GN7, Recommended Practice) would be absorbed into an accounting specific TAS if a separate standard is developed, or else into the long term insurance standard (see the discussion in paragraphs 3.22 and 3.23).

5.8 One GN (GN23, Recommended Practice) would be absorbed into the business rearrangements specific standard.

5.9 GN41 concerns discretion in with profits business and therefore has significant differences from the other GNs, which address reserving and capital adequacy roles. As discussed in paragraph 3.9, the BAS currently believes that it would be better to integrate all the life insurer roles in one standard, and is therefore proposing to incorporate its content into the specific standard on long term insurance business.

## Summary

5.10 The following table shows the proposed treatment of the Life Insurance GNs, including anticipated timings.

GN	Class	Title	Treatment	Time-table
1	S	The Prudential Supervision in the UK of long-term insurance business V6.2	Incorporate in long term insurance specific standard	1Q 2010
2	R	Financial Condition Reports V1.1	Incorporate in long term insurance specific standard	1Q 2010
7	R	Role of Actuaries in Relation to Financial Statements of Insurers and Insurance Groups writing Long-term Business and their Relationship with Auditors V3.1	Incorporate in accounting specific standard	4Q 2010
8	S	Additional Guidance on valuation of long-term insurance business V7.1	Incorporate in long term insurance specific standard	1Q 2010
22	R	Disclosure - FSA Rules V2.2	Disapply from November 2008 when abridged content will be incorporated into FSA rules	4Q 2008
23	R	Life Insurance Company Takeovers V1.1	Incorporate in business rearrangements specific standard	4Q 2010
39	S	Reserved roles in long-term insurance business V2.1	Disapply. Out of scope (relates to auditing process)	3Q 2008
40	S	The Actuarial Function Holder V2.0	Incorporate in long term insurance specific standard	1Q 2010
41	R & S	The With-Profits Actuary V2.0	Incorporate in long term insurance specific standard	1Q 2010
42	R & S	The Reviewing Actuary V2.0	Disapply. Out of scope (relates to monitoring)	3Q 2008
43	S	The Appropriate Actuary V2.0	Incorporate in long term insurance specific standard	1Q 2010
44	S	Mathematical Reserves and Resilience Capital Requirement V2.0 (BAS amendment 1)	Incorporate in long term insurance specific standard	1Q 2010
45	S	Determining the With-Profits Insurance Capital Component V2.0 (BAS amendment 1)	Incorporate in long term insurance specific standard	1Q 2010
46	R	Individual Capital Assessment V2.0 (BAS amendment 1)	Incorporate in long term insurance specific standard	1Q 2010
47	R	Stochastic Modelling of Economic Risks in Life Insurance V2.0 (BAS amendment 1)	Incorporate in long term insurance specific standard and generic modelling standard	1Q 2010

## PENSIONS GNS

5.11 There are 14 Pensions GNs, of which eight are Practice Standard and six are Recommended Practice. Under the BAS's proposals, eight GNs would cease to apply in the course of the transition to TASs. Six GNs have content that would be incorporated into specific standards, one of which (GN9, Practice Standard) also has some content that would be absorbed into the generic reporting standard.

### Cease to apply

5.12 Eight GNs would cease to apply (GN3, GN11, GN19, GN49 and GN51, Practice Standard and GN4, GN13 and GN17, Recommended Practice). The BAS is discussing with the DWP how the purposes for which GN19 and GN49 were originally introduced will best be served in the future (see also paragraphs 5.20 to 5.23).

5.13 In the cases of some GNs that have no content within the scope of BAS standards, the GNs act as a link between certain regulatory requirements and the Profession's peer review requirements. These links may need to be restored in some way when the GNs cease to apply, but the peer review requirements are not within the Scope & Authority of the BAS.

### Specific standards

5.14 Five GNs (GN9, GN16, GN26, GN28 and GN34) would form the basis of a single standard on defined benefit pension scheme funding. Two of the five (GN26 and GN34) are Recommended Practice, but some of the content may be suitable for promotion to TAS status (see also paragraph 5.26).

5.15 Another GN (GN36, Recommended Practice) would be incorporated into the accounting specific TAS if a separate standard is developed (see paragraphs 3.22 and 3.23). Otherwise it would be incorporated into the pensions specific standard.

### Summary

5.16 The following table shows the proposed treatment of the Pensions GNs, including anticipated timings.

GN	Class	Title	Treatment	Time-table
3	S	Contracted-out Pension Schemes where Wind-up commenced before 6 April 1997 V3.4	Disapply. Anticipated to be obsolete (all such schemes went into wind-up at least 11 years ago)	3Q 2008
4	R	Insolvency of Employers Safeguard of Pension Scheme Contributions V2.4	Disapply. Out of scope (it covers interpretation of legislation)	3Q 2008
9	S	Funding Defined Benefits - Presentation of Actuarial Advice V8.0	Incorporate in pensions specific standard and reporting generic standard	1Q 2010
11	S	Retirement Benefit Schemes - Transfer Values V9.2	Disapply from October 2008, when new DWP regulations take effect	3Q 2008

GN	Class	Title	Treatment	Time-table
13	R	Statements Required in Connection with FAS 87, 88 and 132 V3.3	Disapply. Out of scope (it consists of explanatory comments made by the staff of FASB)	3Q 2008
16	S	Retirement Benefit Schemes - Transfers Without Consent V3.1 (amendment 1)	Incorporate in pensions specific standard	1Q 2010
17	R	Accounting for Pension Costs under Statement of Standard Accounting No 24 V1.0	Disapply. Obsolete (SSAP24 no longer in use)	3Q 2008
19	S	Retirement Benefit Schemes - Winding-up and Scheme Asset Deficiency V4.7	Disapply. Out of scope (it covers interpretation of legislation)	3Q 2008
26	R	Pension Fund Terminology V2.1	Incorporate in pensions specific standard	1Q 2010
28	S	Retirement Benefit Schemes - Adequacy of Benefits for Contracting-out V2.1	Incorporate in pensions specific standard	1Q 2010
34	R	Illustration of Defined Contribution Pension Scheme Benefits V1.1	Incorporate in pensions specific standard. See also paragraph 5.26	1Q 2010
36	R	Accounting for Retirement Benefits under FRS 17 V1.0	Incorporate in accounting specific standard	4Q 2010
49	S	Occupational Pension Schemes - Scheme funding matters on which advice of actuary must be obtained V1.0	Disapply. Out of scope (it covers interpretation of legislation)	3Q 2008
51	S	Retirement Benefit Schemes - Modification of Subsisting Rights Without Consent V1.1	Disapply. Out of scope (it relates to alerting trustees)	3Q 2008

## OTHER AREAS

- 5.17 There are three GNs that fall outside the three traditional areas of pensions and insurance. All three are Recommended Practice.
- 5.18 Under the BAS's proposals, the content of two of the GNs (GN21 and GN38) would be incorporated in TASS. The third (GN10) would cease to apply.
- 5.19 The following table shows the proposed treatment of these GNs, including anticipated timings.

GN	Class	Title	Treatment	Time-table
10	R	Valuation of Reversions and Life Interests V3.1	Disapply. Out of scope (not required by regulation or by legal contract)	3Q 2008
21	R	Post-Retirement Medical Plans V2.0	Incorporate in pensions specific standard	1Q 2010
38	R	Pre-paid funeral plans V1.0	Incorporate in pre-paid funeral plans specific standard	3Q 2010

**GNS MENTIONED IN REGULATIONS**

- 5.20 Historically, seven GNs (GN9, GN11, GN19, GN26, GN27, GN28, and GN49) were mentioned in statutory regulations as imposing additional requirements on actuaries.
- 5.21 Of those seven, four are no longer relevant in this context or will have ceased to be relevant by 31 October 2008. GN9 and GN26 are no longer mentioned in regulations. GN11 will cease to be mentioned in regulations in October 2008. GN27 (Retirement benefit schemes - minimum funding requirement) was not adopted by the BAS but was retained by the Profession.
- 5.22 This leaves three adopted GNs that will continue to be mentioned in regulations: GN19, GN28, and GN49. So long as the regulations continue to refer to these GNs, they must remain in existence with that name and covering the same scope. There is, however, no reason why such GNs could not have two names, eg "BAS standard 315, also known as GN49".
- 5.23 The BAS has agreed with the DWP that the new deficiency regulations will refer to "relevant BAS standards" rather than to any specific standard or GN, although the winding-up regulations continue to make specific reference to GN19. The DWP is due to begin a deregulatory review later this year; it is possible that GN19, GN28 and GN49 will cease to be mentioned in regulations as a result. If so, GN19 and GN49 would be disappplied by the BAS, as their contents are outside the BAS's scope. The contents of GN28 would be incorporated into the pensions specific standard.

**TM1 AND OTHER WORK FOR ILLUSTRATIONS**

- 5.24 Technical Memorandum 1 (TM1) is not an actuarial standard, although the BAS is responsible for its maintenance. It is a set of rules (not principles) for producing annual projections which, by law, are sent to the members of money purchase pension schemes. Although BAS is responsible for writing these rules, the work that uses them is not normally performed by actuaries.
- 5.25 GN22 is a similar standard for illustrations at point of sale for life policies (including personal pension policies), but it concerns only one aspect of illustrations (the assumptions for charges and expenses). With effect from November 2008 its salient points will be incorporated into the FSA Handbook (which will cease to refer to GN22). The BAS and the FSA will liaise to ensure that TM1 and the FSA Handbook are kept in step (the more so as the FSA Handbook will apply to post-sale illustrations and not just to the point-of-sale illustrations covered by GN22, and so will overlap with TM1).
- 5.26 GN34 applies to projections of defined contribution pension scheme benefits. It does not apply to illustrations produced in accordance with regulation, such as the regulations that require TM1 to be followed and the FSA requirements discussed in paragraph 5.25. The work to which it applies is therefore not Required Work, as defined in section 4 of the *Exposure Draft of the Conceptual Framework of Technical Actuarial Standards*, and would only come within the scope of BAS standards if the BAS were to designate it so. This matter will be considered further when the BAS comes to develop a specific standard for pensions.

This section describes the implications of the proposed book of standards for the adopted GNs. The BAS proposes to incorporate the content of some GNs into new TASs, and to disapply others without taking any content over into the new book of standards.

**The BAS would welcome any general comments that respondents may have on the proposed treatment of the adopted GNs. Respondents are asked to note that eleven GNs (GN3, GN4, GN10, GN11, GN13, GN17, GN19, GN39, GN42, GN49 and GN51) would cease to apply from the third quarter of 2008, and a twelfth (GN22) from 1 November 2008; respondents are asked to indicate any particular problems that these disapplications might entail.**

## 6 IMPLEMENTATION OF THE NEW BOOK OF STANDARDS

### INTRODUCTION

- 6.1 The generic standards and the specific standards need to be well integrated. Ideally, and in the absence of any time constraints, all the standards would be developed as a complete set and released at the same time. This would ensure that the generic standards cover the principles that are common across all the fields addressed by standards, with no duplication between different specific standards or between generic and specific standards. However, this would mean a long delay before any TASs appeared. The alternatives are to develop the generic standards first, followed by the specific standards, or vice versa.
- 6.2 Developing the generic standards first would make the avoidance of duplication between generic and specific standards a simple matter. Work on the specific standards would not begin in earnest until the generic standards existed at least in outline. The existence of generic standards would facilitate consistency across the specific standards, which could build on a set of common principles.
- 6.3 Developing the specific standards first could help identify the common ground between them. However, it would be difficult to avoid duplication. Therefore taking this approach would be likely to require early revision of the specific standards to take account of the generic standards once they had been developed.
- 6.4 The BAS prefers the first approach, developing generic standards first. Consistency and coherence across the new standards is vital, so much of the work of identifying the commonalities across fields will have to be performed towards the outset of the process whichever standards are the first to be developed. Developing the generic standards first would mean that by the time of the development of the specific standards the content of the generic standards would be clear.
- 6.5 A related issue is the relationship between the generic standards. There will inevitably be areas of potential overlap; for instance, the way in which the available data (or lack of it) might influence the making of assumptions. This seems to indicate that the generic standards should be developed in parallel. However, the range that they will cover is potentially very large: as discussed in paragraph 4.2, the types of assumption alone are quite extensive.

### DEVELOPMENT PROCESS

- 6.6 The BAS believes that the structure outlined in section 4 will facilitate the initial process. The three generic standards would be developed at least partially in parallel. Development of the specific standards would start once consultation papers had been published on the generic standards. If extra granularity is required, the modularity of the structure means that it would not be necessary to amend existing standards – extra granularity could be introduced by adding in a new, specific standard at the correct place in the series. The specific standards could be thought of as chapters in the top-level standards, as shown in paragraph 4.7.

- 6.7 The BAS believes it will be possible to work on the generic reporting standard in isolation, and issue it according to the timetable shown in paragraph 6.10. The generic data and modelling standards are more interrelated, and we believe they should be developed in parallel. The BAS recognises that this third standard, on modelling, is the most complex of the three.
- 6.8 It is envisaged that, as standards are developed and incorporate material from relevant GNs, those GNs will be reviewed and disapplied in part or in entirety as appropriate. The adopted GNs will thus be run down in stages over the three year period over which the new book is introduced.
- 6.9 The BAS intends to consult fully on the proposed standards as they are developed. As part of the process of consulting on each new TAS, we will indicate the content that is being migrated from GNs and the implications for the GNs in question.
- 6.10 The following outline timetable indicates the expected publication date of each consultation paper (CP), exposure draft (ED) and final standard (TAS), together with the expected date that each of the adopted GNs will cease to apply. The timetable assumes that a specific accounting standard is developed (see paragraphs 3.20 to 3.23). In addition, the precise treatment of GN19, GN28 and GN49 will depend on future decisions of the DWP (see paragraphs 5.20 to 5.23).

Quarter	Development of new standards	Adopted GNs that will cease to apply
2Q 2008	Reporting ED	
3Q 2008	Data CP Reporting TAS	GN3, GN4, GN10, GN11, GN13, GN17, GN19, GN39, GN42, GN49, GN51
4Q 2008	Modelling CP	GN22
1Q 2009	Data ED Modelling ED	
2Q 2009	Data TAS Long term insurance CP Pensions CP GI CP	
3Q 2009	Modelling TAS	
4Q 2009	Long term insurance ED Pensions ED GI ED	
1Q 2010	Long term insurance TAS Pensions TAS Bus. Rearr. CP Accounting CP Funeral Plan ED	GN1, GN2, GN8, GN9, GN16, GN21, GN26, GN28, GN34, GN40, GN41, GN43, GN44, GN45, GN46, GN47
2Q 2010	GI TAS	GN12, GN18, GN20, GN33, GN50
3Q 2010	Bus. Rearr. ED Accounting ED Funeral Plan TAS	GN38
4Q 2010	Bus. Rearr. TAS Accounting TAS	GN7, GN23, GN36

- 6.11 As the new standards are developed, the BAS will continue to liaise with relevant bodies. The timetable will be adjusted as necessary to coordinate external developments with the BAS's own development work; relevant external developments are likely to be those that address regulation of pension schemes and insurers, such as the EU's Solvency II project (and its implementation in the UK by the FSA), accounting standards (such as the IASB's Insurance Contracts project) and the Actuarial Profession's ethical standards.

This section indicates a possible timetable for the production of the new book of standards.

**Respondents should note that the timetable is an indication only, and that the details will inevitably change as the implementation proceeds. However, the BAS would welcome respondents' views on the overall timetable and the order in which standards will be developed.**

## 7 INVITATION TO COMMENT

### QUESTIONS

- 7.1 The BAS invites the views of those stakeholders and other parties interested in actuarial practice who wish to comment on the content of this document. In particular the BAS would welcome views on the following issues:
- 1 Do respondents have any views on the proposals for generic standards and their contents, as set out in section 2? In particular, respondents are asked to comment on whether the proposed generic standards between them cover the principal concepts that are common across the main areas of actuarial work that fall within the scope of BAS standards.
  - 2 Section 3 describes proposals for specific standards and their contents. In that context,
    - a) Do respondents think that issues arising from different group structures can be incorporated into the proposed specific standards or that a separate standard is needed?
    - b) Do respondents agree that matters concerning post-retirement medical plans should be covered in the appropriate specific standards?
    - c) Do respondents agree that Skilled Person reports should be covered in the specific standard on business rearrangements?
    - d) What views do respondents have on whether there should be a separate specific standard covering actuarial information for financial statements?
  - 3 Section 4 describes criteria that the structure of the new book of standards should meet, and proposes a structure.
    - a) What views do respondents have on the two criteria?
    - b) What views do respondents have on the preferred structure and its ease of use?
  - 4 Do respondents have any comments on the proposed treatment of the adopted GNs that is described in section 5?
  - 5 Do respondents foresee any particular problems entailed by the disapplication of the following GNs:
    - a) GN3, GN4, GN10, GN11, GN13, GN17, GN19, GN39, GN42, GN49 and GN51 in the third quarter of 2008?
    - b) GN22 on 1 November 2008?
  - 6 Do respondents have any comments on the overall timetable proposed in section 6, or on the order in which standards will be developed?
- 7.2 In addition to the specific questions listed above, the BAS invites respondents' views on any other aspects of the proposed new book of standards. To ensure that the significance of their point is fully appreciated by the BAS, respondents are asked to indicate how their comments would

affect the contents of the new set of actuarial standards and the timetable for implementation.

## RESPONSES

- 7.3 For ease of handling, we prefer comments to be sent electronically to **basstructure@frc.org.uk**.

Comments may also be sent in hard copy form to:

The Director  
Board for Actuarial Standards  
5<sup>th</sup> Floor, Aldwych House  
71-91 Aldwych  
London  
WC2B 4HN

- 7.4 Comments should reach the BAS by **18 July 2008**.
- 7.5 All responses will be regarded as being on the public record unless confidentiality is expressly requested by the respondent. If you are sending a confidential response by e-mail, please include the word “confidential” in the subject line of your e-mail.

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