PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Plumtree Court
London EC4A 4HT
Telephone +44 (0) 20 7583 5000
Facsimile +44 (0) 20 7822 4652
pwc.com/uk

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

8 January 2010

Dear Louise

Consultation on the proposed Accounts Standard

PwC is pleased to comment on the proposals for the Accounts Standard. PwC is a global professional services firm with a large presence in the UK. Our UK pensions and insurance practices employ over 300 staff who prepare actuarial numbers, audit actuarial work and provide ongoing advice to clients on actuarial matters.

We previously commented accounting work could be included within a distinct standard on financial reporting. On reflection, a standalone Accounts Standard does not appear in our view to be necessary. Where additional guidance is necessary (see our later comments) this could be covered as an additional section in the relevant pensions, insurance and/or other relevant specific standards.

We feel that the scope of any guidance should be restricted to information prepared by actuaries for disclosure in audited financial statements and should include US GAAP requirements previously covered within GN13 and GN21.

There are a number of other points we would like to highlight:

1. The statement in paragraph 2.7b seems to require actuaries to consider a wider range of stakeholders than their client. This creates a duty of care issue as it refers to a wider audience than the addressees of the actuarial report. This is rarely appropriate. In addition, the wide user group stated cannot be expected to have the specific skills necessary to understand the underlying detail of the expert's work. It is unrealistic to expect the actuary to get them beyond a relatively high level of understanding.

2. We do not think that the aggregate report should include an indication of the fitness for purpose of the assumptions used in any calculations (paragraph 6.9). Under current accounting standards, selecting or approving key assumptions is the responsibility of the directors of the company and it is the role of the auditor to evaluate fitness for purpose.

3. We agree materiality should be taken into account (paragraph 7.4), but an indication of materiality levels should be sought from the auditor and directors of the company.

4. We do not agree with the proposed principle for pension schemes on comparison with Scheme Funding exercises (paragraph 8.6). We believe that this would create unnecessary additional costs especially where there are many UK and overseas pension schemes in multinational companies. There is also some practical difficulty where measurement dates are not comparable and scheme funding and accounting numbers are prepared by different actuaries.

5. We suggest the guidance requires the actuary to comment on how the relevant accounting standard has been interpreted. Examples of this include the choice of actuarial assumptions, the treatment of accounting events and the choice of accounting policies. This is of particular use in areas where application of the relevant accounting standard is subjective and open to a range of possible treatments.

6. Throughout the consultation paper, the focus has been on the pensions and life insurance industries with little recognition of the general insurance industry. Whilst we have mentioned this point in our responses to some of your specific questions, this is a much wider issue throughout the paper and we have not attempted to address all areas where greater recognition of general insurance issues and examples is required.

The Appendix contains our comments on the specific questions raised in the consultation paper and includes those items raised above.

Please contact me if you would like to discuss this further.

Yours sincerely

Brian Peters
Partner and Actuary (Pensions)

BAS Accounts Standard Consultation Questions

1. Should there be a separate TAS for actuarial information used for accounts and other financial documents? Respondents are asked to consider the benefits to the users of actuarial information (including the preparers of accounts and auditors) and to practitioners complying with BAS standards.

   No. As mentioned in our cover note, to the extent any additional guidance is necessary this could be covered as an additional section in either the pensions and/or insurance specific standards. We have answered the questions below as though this additional guidance were in a pensions or insurance specific standard.

2. Will the proposed purpose of the TAS on actuarial information used for accounts and other financial documents that is set out in paragraph 2.7 help to ensure that users of actuarial information can place a high degree of reliance on its relevance, transparency of assumptions, completeness and comprehensibility?

   We agree with the purpose stated in paragraph 2.7a. However, we believe paragraph 2.7b creates a duty of care issue as it refers to a wider audience than the addressees of the actuarial report. This is rarely appropriate. In addition, the wide user group stated cannot be expected to have the specific skills necessary to understand the underlying detail of the expert's work. It is unrealistic to expect the actuary to get them beyond a relatively high level of understanding.

3. Do respondents agree that the proposed scope of the accounts TAS should be the provision of actuarial information for the preparers or auditors of any accounts or related financial documents which are required by statute or other regulations (including stock exchange listing rules) but excluding those produced solely for the use of regulators? If respondents believe that the scope should be different they should set out their preferred approach with reasons.

   Yes, but it should not include interim financial statements. However, the definition of scope needs to be more precise. In particular, there are references to "actuarial information" and "actuarial work". Some items of information relevant to the accounts are produced by actuaries and some by non-actuaries. In addition, much more clarity is required about the rationale for the inclusion or exclusion of different "financial documents".

   We do not believe that a TAS should cover the audit work done by an actuary as this is already covered by International Standards on Auditing (UK and Ireland).

4. Do respondents agree that provision of actuarial information for preliminary statements of annual results should be in the scope of the accounts TAS?

   Yes, provided they are subject to later audit.

5. Do respondents agree that provision of actuarial information for material which is made publicly available, but which is not required by any formal rules or regulations, should be in the scope of the accounts TAS?

   No

6. Do respondents agree that provision of actuarial information for internal budgeting exercises for management should not be in the scope of the accounts TAS?

   Yes.

7. Is there any other work which respondents believe should be within the scope of the accounts TAS?

   Yes. Work in relation to US GAAP requirements and post-retirement medical plans previously covered within GN13 and GN21.

   Similarly and from an insurance perspective, additional consideration may need to be given to how this TAS can, should or should not apply to, or exclude those elements where the company reports on a consolidated group basis and for those companies where the signing actuary is not governed by UK standards, but the Company is.

8. Are there any data issues specific to accounts and other financial documents which respondents believe should be covered by principles in the accounts TAS?

   No

9. Do respondents have any comments on the proposals concerning assumptions that are presented in section 6, and in particular on the principles proposed in paragraphs 6.6, 6.9, 6.10, 6.13 and 6.17?

   6.6 – This point should already be covered under the relevant Insurance and Pensions TAS

   6.9 – We do not think that the aggregate report should include an indication of the fitness for purpose of the assumptions used in any calculations (paragraph 6.9). Under current accounting standards, selecting or approving key assumptions is the responsibility of the directors of the company and it is the role of the auditor to evaluate fitness for purpose.

   Where appropriate, the report should make clear the extent to which the assumptions used are the actuary's own recommendations and which are at the direction of management.

   6.10 – We welcome this.

   6.13 – We welcome this.

   6.17 – We agree that assumptions should not be adjusted to compensate for shortcomings in another assumption (although facility to depart from this on the grounds of materiality if essential in some cases).

10. Are there any other principles on the selection of assumptions which respondents believe should be in the accounts TAS?

    Yes. The uncertainty around the selection of key assumptions should be understood. This can be demonstrated by some form of sensitivity analysis.

11. Do respondents have any comments on the proposed principle regarding materiality levels for accounting purposes in paragraph 7.4?

    We agree that materiality should be taken into account, however the actuary should not decide on materiality levels in isolation. Consultation with the Company and its auditors should be sought.

12. Are there any specific issues relating to modelling and calculation work for actuarial information provided for accounts and other financial documents which respondents believe should be covered by principles in the accounts TAS?

There are some items which ought to be included for the benefit of users. On pensions, we would suggest the guidance require that actuaries comment on how the relevant accounting standard has been interpreted. This includes an adequate description of how assumptions are derived, the methodology used in calculations, the treatment of accounting events and policy decisions. This is of particular use in areas where application of the relevant accounting standard is subjective and open to interpretation.

13. Do respondents have any comments on the proposed principles on reporting in paragraphs 8.4 and 8.6?

    8.4 – This seems reasonable.

    8.6 – We do not agree with the proposed principle for pension schemes on comparison with Scheme Funding exercises. Under current accounting standards, it is not a requirement for the actuary to provide any explanation of the differences between scheme funding and accounting measures. We believe that this would create unnecessary additional costs especially where there are many UK and overseas pension schemes in multinational companies. There is also practical difficulty where measurement dates are not the same and scheme funding and accounting calculations are prepared by different actuarial houses.

14. Are there any other principles on reporting which respondents believe should be in the accounts TAS?

    No

15. Do respondents have any views on whether accounts TAS should require the user to be given an indication of the time constraints for actuarial work in relation to reporting pension costs for company accounts?

    Yes, in line with GN36.

16. Do respondents have any comments on the proposed transitional arrangements from the adopted GNs to TASs described in section 9?

    No