TO : BOARD OF ACTUARIAL STANDARDS

AXA LIFE RESPONSE TO CONSULTATION PAPER ON ACCOUNTING TAS

Please note that this response includes input from our accounting as well as actuarial team.

Main points

As currently drafted there are very few principles which could not be covered by the Insurance TAS.

However we would support the concept of an Accounting TAS in order to reduce the requirements imposed by Generic TASs, limiting them to those already imposed by the relevant Accounting Standards. (The proposals as drafted do not achieve this aim). The Accounting TAS should act to support the requirements of Accounting Standards, and we suggest that the BAS could work with the Accounting Standards Board to improve the disclosure requirements these impose.

Responses to specific questions

Introduction (Q1)

Different issues arise with the provision of actuarial information for use as part of accounts as opposed to forming the whole or most of a report. This makes the interpretation and application of the Generic TASs problematic.

In addition existing Accounting Standards already impose quite stringent risk disclosure and impact requirements. At best TAS will duplicate these requirements and at worst will conflict with them.

Therefore the main function of any additional TAS should be to **reduce** (or at least interpret) the requirements of the Generic TASs when applied to the provision of accounting information.

Purpose (Q2)

There seems to be confusion over who the ‘user’ of this actuarial information is. It needs to be clarified whether it is those responsible for preparing the accounts or the ‘users’ of the accounts.

The accounting disclosure requirements and the audit of the accounts (by a team that will include an actuary) already covers the main aims of TAS.

It is up to the actuary providing the information and the compiler of the accounts to work together in order to satisfy the requirements of the regulations. The application of full TAS requirements to the actuarial data provided is unnecessary and possibly unworkable.

Generic TASs seem to be set up to deal with the provision of actuarial information to users in Reports whose sole/main purpose is to present that information, and don’t seem easy to apply to numbers provided for inclusion in other reports or accounts. Some ‘exemption’ from or scaling back of the TAS R requirements would seem to be needed for the Generic TASs to be applicable here.

Provision of actuarial information to auditors – again full Generic TAS requirements are inappropriate here. It should be noted that actuaries are embedded in audit teams.

General

Materiality for accounting purposes is covered by an auditing standard and the TAS would need to recognise this.

Scope (Q3)

It is difficult to separate out actuarial information for accounts and regulatory returns as in the proposed Scope (para 4.6). In practice these reports are closely connected (e.g. There is a requirement to disclose Realistic Balance Sheet Results in accounts). TAS needs to recognise this.

Most of the work proposed is Required, so extends the Scope of the Generic TAS. Therefore the same objection applies as for TAS I – that it would be highly desirable to delay extending the Scope until TAS has 'bedded' in for Reserved work

Ultimately it seems reasonable that TAS should apply to externally reported actuarial information; subject to a reduction in the application of full Generic TAS requirements as referred to above.

Our main concerns on bringing the items proposed into scope is that
- TAS R is hard to apply
- different considerations should apply to liabilities that are effectively extracted from other TAS'd reports

IFRS Reporting/Companies Act Reporting

There appears to be a drafting error in the CP here as it should refer to 'Statutory Reporting' rather than 'IFRS Reporting'? Most UK subsidiaries report on a UKGAAP basis. Statutory reporting, governed by the ABI SORP, covers IFRS and UKGAAP reporting and this should be referred to. There should be a distinction between IFRS reporting for non-UK group accounts and UKGAAP reporting for UK Companies Act Accounts.

The provision of long-term liabilities for Companies Act Accounts (mentioned under IFRS in the CP) is Reserved work as Companies Act 2006 requires an actuary (the Reporting Actuary) to calculate these.

We had previously interpreted the Insurance CP as implying IFRS to be out of scope of TAS (as not a UK requirement?). The Scope needs to make clear whether IFRS reporting (for a non-UK group) is in scope for a company which is reporting on basis different to that it uses for UKGAAP.

Deferred Acquisition Costs should be included under this heading.

Preliminary Statements (Q4)

These should be produced to the same standards as the accounts.

Data (Q8)

We agree that no principles should be proposed, as all covered by TAS D/TAS R

Assumptions (Q9)

Principle B6: The requirement for the aggregate report to include an indication of fitness for purpose.

This may cause presentational problems

Principle B10: Requirement not to make an adjustment to any assumption to compensate for a shortcoming in another assumption.

This reduces flexibility in assumption setting

Modelling (Q11)

Principle B11: Seek information on materiality levels for accounting purposes and reflect in models

This is desirable in giving some flexibility in tailoring models to give results of the required level of accuracy. Guidance would be needed on interpreting materiality when applying to actuarial information?

Reporting (Q13)

Principle B12: Where selection method is prescribed by regulation, indicate where assumption fills within a permitted range.
This would require extra work and this additional information may be confusing and would be of little interest to compilers of the accounts.

Guidance Notes (Q16)

There may be a need to replace the specific and helpful guidance given by the existing GNs that are absent from higher level principles of TAS.

Stewart Calder
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