

To whom it may concern at FRC:

We are keen to make a contribution to the above consultation exercise (*in the order of the questions as proposed*)

3.1 No

3.2 No

3.3 No

4.1 No. We consider that this extension could significantly reduce the usefulness and effectiveness of our actuarial staff. The proposed approach does not recognise the reality of practical day-to-day office work. We employ actuarial staff to carry out work that they can do because of their particular skills and experience. In the same way we employ underwriters, IT experts, claims staff, accountants and people in other disciplines. We rely on their skills and experience, and their general professionalism, to produce good quality work, not on the implementation of a set of rules governing every piece of work they do. The ability of an actuary to participate in meetings could be sorely restricted, if his contributions were all to be classed as actuarial work and all subject to restrictions on data and requirements on communication and assumptions as laid down in the draft standard. It is difficult not to regard such contributions as not being actuarial work when they are made by an actuary using his particular experience and skills to advance the discussion. The standard seems to envisage actuarial work as something that is done separately from any other work in a firm: the actuary is given an actuarial task, is given or derives data, carries out actuarial work, and then communicates his conclusions (describing the data, uncertainty, limitations, assumptions, who commissioned the work, its purpose and other information) to the user. This is not the situation in any office, where people from different disciplines work together on various tasks all the time. It may be appropriate for consultants, but not within a firm. The proposed standard does say that “nothing ... should be interpreted as requiring work to be performed that is not proportionate ...”. However, it is difficult to see how the principles can be obeyed for all actuarial work without either being grossly disproportionate or else removing the actuaries from smaller pieces of work and situations in which an actuary is one participant among many, and in which their contributions can be very valuable.

The proposals do seem to assume that users of actuarial work are naïve and require detailed explanations of many underlying principles and implications. This may be true when consultants are advising the trustees of pension funds. It is most unlikely to be true in insurance companies, where most users of actuarial work will be sophisticated insurance professionals, even if their specialisation is not actuarial. Also, actuaries who are employed by companies will frequently be working alongside the users of their work on a daily basis and will know them well. They will be able to judge what communications the particular users of their work need in any situation. In particular the users may be used to receiving similar work from their actuaries on a regular basis and need no more than an answer to a question; in this situation the actuary will know when it is necessary to supply more information than is requested and if none is needed then it should not be required. Apart from the result itself, it should be at the actuary’s discretion what is communicated; he will know what his user needs. If they need more, users will know to ask for it.

The remarks above should not be taken as meaning that when formal reports are appropriate, for example when proposing technical provisions, the principles are not appropriate and should not be applied.

- 4.2 It seems to be a reasonable definition.
- 4.3 The definitions appear to be sensible.
- 5.1 The principles are reasonable in themselves, but applying them in all situations in which work would be defined as actuarial will lead to the problems discussed in question 4.1. This should be borne in mind in interpreting the remaining responses in this section.
- 5.2 Although the situation has improved dramatically over the last twenty years or so, data in the London market is sometimes sparse, ill-defined or unavailable in the most directly relevant form. Actuaries sometimes have to deal with whatever data is available and perform valuable work on it; the work would be better if ideal data were available, but it is still valuable when data is restricted in quantity or quality. This principle, if strictly interpreted, could prevent an actuary from working on data that was not strictly fit for purpose in situations where his work could help users. This would not be a good thing.
- 5.3 The provisions seem reasonable.
- 5.4 The provisions seem reasonable.
- 5.5 The provisions seem reasonable.
- 5.6 These paragraphs may provide some protection against the problems mentioned in question 4.1. However, the need to apply the rules will in itself be a burden if an actuary needs to show that he has followed them in deciding which principles to apply so that any relief is partial at best. The apparent belief that actuarial work is always separate from other people's work does seem to underlie this section as it underlies the whole document.
- 5.7 No. It will require a compliance statement for almost everything an actuary does, however small or integrated into the work of others. It would, however, be an entirely appropriate part of a formal report.
- 5.8 Yes.
- 5.9 Yes.
- 5.10 Yes.
- 5.11 No.
- 6.1 We have no specific suggestions in this area. In general we would urge the FRC to be proportionate in their approach and suggest that in cases where material is not being prepared principally for users outside the actuary's employer it is generally sufficient to rely on the actuary's experience and professionalism, supported by The Actuaries' Code. In addition, TAS 100 will cover many of the situations in which formal reporting is appropriate.
- 6.2 See question 6.1.

6.3 Yes.

6.4 No.

7.1 No.

7.2 Yes.

8.1 No. See answer to question 4.1. Costs would be of two types: time taken to fulfil all principles where it was unnecessary to do so and lost work where would could not reasonably be performed in compliance with the principles and was therefore not done.

8.2 No, See previous answers.

We hope our contribution to this consultation is useful and please follow up on any specific points should you wish to do so.

Kind regards,

K W Jarvis  
Managing Director

***S.A.Meacock & Company Limited***