



## **Actuarial information used for accounts and other financial documents**

### **The ABI's Response to BAS's consultation paper**

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#### **Introduction**

1. The ABI is the voice of the insurance and investment industry in the UK. Its members constitute over 90 per cent of the insurance market in the UK and 20 per cent across the EU. They control assets equivalent to a quarter of the UK's capital. They are the risk managers of the UK's economy and society. Through the ABI their voice is heard in Government and in public debate on insurance, savings, and investment matters.
2. The ABI is grateful to the *Board for Actuarial Standards (BAS)* for the opportunity to respond to its invitation to comment on its consultation paper, *Actuarial information used for accounts and other financial documents*

#### **ABI comments**

3. We are not convinced that there is sufficient rationale for this TAS. As below, we question its purpose and its scope, and we consider that its principles are best covered instead by the BAS's other TASs.
4. We expand on these concerns, and set out others, in our answers to the BAS's 'invitation to comment' questions in the annex to this letter.

Association of British Insurers  
January 2010

## Invitation to comment

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### *Introduction*

**Question 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.*

1. We are not convinced that there is sufficient rationale for this TAS. As below, we question its purpose and its scope, and we consider that its principles are best covered instead by the BAS's other TASs. We are not aware of any particular benefit to users of actuarial information, nor to practitioners. We consider that the work that actuaries do in relation to information that goes into the accounts to be simply a sub-set of their normal work, and we note that auditors are subject to auditing standards that cover the use of experts generally, including actuaries.

### *Purpose of TAS*

**Question 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? ?*

2. We do not see that this TAS has a separate enough purpose. We consider that:

- Purpose 2.7.a. is effectively covered under the BAS's generic standards; and
- Purpose 2.7.b. is misplaced because it is not for the BAS to determine the presentation and disclosure requirements for accounts. IFRS disclosure requirements can only be issued by the IASB, and the UK GAAP's only by either the ASB (or as an ASB endorsed amendment to the ABI SORP) or as part of company law.

### *Scope of TAS*

**Question 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? (paragraph 4.6) If respondents believe that the scope should be different they should set out their preferred approach with reasons.*

3. We do not follow the BAS's criteria for delineating the scope of its TAS. It is not clear why work solely for the use of regulators is excluded – or, to put it another way, it is not clear why all other work for accounts and other financial documents isn't also within the scope of other TASs, just like that for regulators;

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

4. We consider that such work is more appropriately covered in the BAS's generic or other specific TASs.

**Question 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?*

5. We consider that such work is more appropriately covered instead in the BAS's generic or other specific TASs.

**Question 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?*

6. We agree.

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

7. No.

#### **Data**

**Question 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?*

8. No.

#### **Assumptions**

**Question 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?*

9. We consider that all of the BAS's proposed principles are more appropriately covered in its generic or other specific TASs.

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

10. No.

### **Modeling and calculations**

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

11. We question why a materiality principle is proposed for an accounts TAS, for the general reasons stated in paragraph 2 above. Further, we are concerned that the question may reflect a misunderstanding that there is a single generalized level of materiality in accounts that can be supplied to the actuary by those preparing the accounts. We reaffirm that for accounts and other financial documents as well as for modeling and reporting generally, materiality is relative to the needs of users.

**Question 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?*

18. No.

### **Reporting**

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

20. We consider that both of the BAS's proposed principles are more appropriately covered in its generic or other specific TASs.

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

21. No.

### **Transition from adopted Guidance Notes**

**Question 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?*

23. We consider that such a matter is for the Actuarial Profession's ethical standards rather than the BAS's technical standards.

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

24. No.