

# Towards a conceptual framework

Board for Actuarial Standards



## What is the BAS?

- Created following Morris Review
- An operating body of the FRC
  - Agreement between HMT, Profession and FRC
  - Responsibility for setting technical actuarial standards
  - Ethical standards remain with the Profession
- Strategic Goal:  
Users of actuarial information can rely on the information's relevance, transparency, completeness and comprehensibility



## How will the framework affect actuaries?

- Focus on the users of actuarial information
- More clarity around:
  - *Nature and objective* of calculations
  - *Valuing vs planning*
  - *Measure vs method*
  - Communicating probabilities
- Generic reporting standard (for work in scope)
  - build report around the components of calculations
  - undiscounted cash flows
  - probability assets are sufficient to meet liabilities



## Why is a framework necessary?

- Existing standards lack coherence and consistency, and aren't comprehensive
- Need a framework including objectives and characteristics of technical standards:
  - Scope
  - Enforceability
  - Characteristics
- Framework for *standards* not for actuarial work



## Scope of framework

- Work performed as the result of regulation or a legal obligation to a beneficiary should be in scope of framework
  - Other areas only if justified by an impact assessment
- The BAS will write standards only for areas of work that are within scope
- Topic-specific standards (as now) and generic standards for all work within scope



## Enforceability of standards

- Compulsory (with reasonability override)
  - Work that has to be done by an actuary
- Comply or explain
  - Work that could be done by a non-actuary
- Non-actuaries free to comply with standards
- Principle based (not rule based)



## Applying concepts to standards

- Standards will address:
  - *Methods or measures* permitted in relation to *nature and objective* of calculations
  - *Data* considerations
  - Limits on *assumptions*
  - Principles for estimating *cash flows*
  - *Risks* to be taken into account
  - *Links* between risks and assumptions



## Consultation questions (1)

- Do categories A-E provide a meaningful way of scoping BAS standards?
- Which of B, C, D should be within scope?
- Any practical problems with enforceability
  - Compulsory when it has to be an actuary
  - Comply or explain otherwise



## Consultation questions (2)

- Pros and cons of generic standards as a mechanism for coherence and consistency across fields
- Advantages and disadvantages of principle-based and rule-based



## Consultation questions (3)

- Is the list of components of actuarial calculations complete?
- Should actuarial quantification of liabilities include a probabilistic assessment of whether assets will be sufficient?
- Will the generic reporting standard assist users?



Finally...

- Responses to **basnovember07@frc.org.uk** by 31 January

