



The Actuarial Profession

making financial sense of the future

consultation response

Financial Reporting Council- Actuarial Stakeholder Group Survey of the needs of principal users of actuarial services

Response from the Actuarial Profession

September 2007

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By email: a.colban@frc.org.uk

28 September 2007

Dear Ms Colban

Actuarial Stakeholder Group Survey of the Needs of Principal Users of Actuarial Services
Response of the Actuarial Profession

The Actuarial Profession welcomes the opportunity to comment on the subject report, published in July this year. We were interested to learn that the FRC had conducted such a survey, since the Profession had commissioned similar customer research during 2005 and 2006¹.

The Profession's research identified the need for actuaries to develop their communications skills and business awareness – similar findings to those of the Stakeholder Group Survey. In this context, the Profession is developing communications material in its core education syllabus and continuous professional development programme to enable actuaries to acquire the relevant communications skills. However, it will never be easy to communicate complex financial matters to those with a limited understanding of the concepts involved and, as Sir Derek Morris identified in his report on the Actuarial Profession, part of the solution lies in better training for users of actuarial advice.

We note too the reported stakeholder concern about mortality projections. The Profession also has concerns in this area, and we welcomed the recent decision of the Board for Actuarial Standards² to conduct a review of the assumptions about mortality made in actuarial calculations, following discussions with the Profession, the Financial Services Authority and The Pensions Regulator. If and when a standard emerges from this process, we shall, as agreed, require our members to comply with it. In the meantime, the Profession is continuing to develop tools and information to help actuaries to project future mortality improvements. There will, of course, continue to be fundamental uncertainty around future levels of mortality improvement, and this will remain an area where it is easier to criticise with the benefit of hindsight than to make accurate projections or develop robust standards.

Although we are comfortable with some of the broad messages in the report, we are also surprised by the robustness of some of the detailed conclusions, which are, by the report's own admission, based on findings that are not statistically significant. Moreover, some of the stakeholder commentary

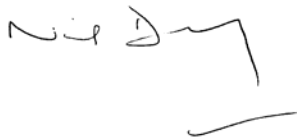
¹ See <http://www.actuaries.org.uk/files/pdf/news/strategyreview20050915.pdf>

² See <http://www.frc.org.uk/bas/press/pub1364.html>


suggests that not all stakeholders were particularly well informed³. Finally, we note that two separate research consultancies were used, which begs questions about consistency of approach, methodologies etc.

We appreciate that this was meant to be a 'quick and dirty' study to enable the FRC to obtain early insight into stakeholder thinking. Perhaps the published report could have been more reflective of the nature of the project? As it is, we are concerned about the publication of the full findings, the way they were presented, and the resulting press coverage given, all of which has been generally unhelpful to the Profession.

Yours sincerely



Nick Dumbreck
President, Institute of Actuaries



Stewart Ritchie
President, Faculty of Actuaries

³ For example, at the top of page 51 there appears to be a NED from a general insurance company that thinks his company is valued like a with-profits life office.