

The Actuarial Profession  
making financial sense of the future

## Current issues in actuarial standards

Louise Pryor  
Board for Actuarial Standards

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## What is the BAS?

- Responsible for setting technical actuarial standards
  - An operating body of the FRC
  - Created following Morris Review
  - Ethical standards remain with the Profession
  - Enforcement/monitoring remain with the Profession
- FRC Strategic Goal:
  - Users of actuarial information can place a high degree of reliance on the information's relevance, transparency, completeness and comprehensibility

Introduction

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## How the BAS operates

- Board has 14 members, including Chair and Director
  - Around half are actuaries
- Standards are developed through a process of informal and formal consultation
  - Informal: working groups, expert groups ...
  - Formal: consultation paper followed by exposure draft

Introduction

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## What have we done recently?

<http://www.frc.org.uk/bas/publications/consultation.cfm>

- Conceptual framework for actuarial standards (including scope and authority)
  - Consultation Nov 07 – Jan 08, Exposure draft Mar 08 – May 08
- Actuarial mortality assumptions
  - Discussion March 08 – June 08
- Structure of new BAS standards
  - Consultation April 08 – July 08
- Generic reporting standard
  - Consultation Nov 07 – Jan 08, Exposure draft Apr 08 – July 08
- Promoting actuarial quality
  - Consultation May 08 – September 08

<http://www.frc.org.uk/publications/pubs.cfm>

Introduction

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## Conceptual framework

- Technical Actuarial Standards (TASs)
- Initially focus on areas where work has to be done
  - Always by actuaries (reserved roles)
  - Often by actuaries
- Mandatory
  - No recommended practice or guidance

Conceptual framework

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## TASs

- Principle based
  - Rationale will be explained
- Generic and specific
  - Generic: applicable across a broad range of work
  - Specific: applicable to a narrowly defined field
- Scope
  - Generic standards will to apply to any area for which there is a specific standard

Conceptual framework

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## Mortality discussion paper

- Issues very complex
  - Can't predict the future: past not necessarily a good guide
  - Many influences on future rates
  - No consensus among experts on long term trends

Mortality

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## Initial conclusions

- Separate, explicit assumptions for current mortality and future changes
- Evidence based scheme specific assumptions possible and desirable for current mortality
- Evidence based scheme specific assumptions probably impossible for future changes
- Decisions have to be made, in spite of uncertainty
  - Importance of good information on which to base decisions

Mortality

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## Principal questions

20 June  
[basmortality@frc.org.uk](mailto:basmortality@frc.org.uk)

- How significant are the various effects of over- and underestimation of future mortality?
- Would (scenario based) benchmarks be helpful?
- What, if any, standards should the BAS set?
- Should the most recent published tables be used?
- Are there any arguments, with supporting evidence, that objective scheme specific assumptions are possible for future changes?

Mortality

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## Structure of new BAS standards

- 3 generic
  - Reporting, data, modelling
- 5 or 6 specific
  - Long term insurance, general insurance, pensions, business rearrangements, pre-paid funeral plans, information for financial statements
- Will be developed during 2008-10

Structure

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## Timetable

|      | Consultation Paper     | Exposure Draft         | TAS                    |
|------|------------------------|------------------------|------------------------|
| 3Q08 | Data                   |                        | Reporting              |
| 4Q08 | Modelling              |                        |                        |
| 1Q09 |                        | Data, modelling        |                        |
| 2Q09 | Life, GI, pensions     |                        | Data                   |
| 3Q09 |                        |                        | Modelling              |
| 4Q09 |                        | Life, GI, pensions     |                        |
| 1Q10 | Bus. rearr, accounting | Funeral plans          | Life, pensions         |
| 2Q10 |                        |                        | GI                     |
| 3Q10 |                        | Bus. rearr, accounting | Funeral plans          |
| 4Q10 |                        |                        | Bus. rearr, accounting |

Structure

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## Proposed treatment of adopted GNs

- Will cease to apply over the period 2008-10
- Some are out of the BAS's scope or no longer relevant (3Q08)
  - 3, 4, 11, 13, 17, 19, 49, 51
- Some will be incorporated into new TASs
  - Pensions, reporting (1Q10): 9, 16, 26, 28, 34
  - Accounting (4Q10): 36

Structure

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## Principal questions

18 July  
basstructure@frc.org.uk

- Do generic standards cover the principal concepts?
- Separate TAS for actuarial information for financial statements?
- Any particular problems with ceasing to apply the adopted GNs in 3Q08?

Structure

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## TAS R

- Generic reporting standard
- Emphasise user, not producer
- Major changes from GN9:
  - Applies to all information, not just final report
  - The totality of the information must comply (needn't be repeated)
  - Stresses the importance of the information on which decisions are based
  - All material information must be written down

Reporting

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## Principal questions

18 July  
basreporting@frc.org.uk

- Definition of *Report*:
  - Information handed over in permanent form
- Approach to repeat and compound information
  - Information provided for each decision must comply
  - Final comprehensive report not necessarily required
  - Can refer to previous report for repeated calculations

Reporting

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## Promoting actuarial quality 30 September

[actuarialquality@frc.org.uk](mailto:actuarialquality@frc.org.uk)

- Paper produced jointly with the Professional Oversight Board
- Nature and scope of actuarial practice
- Key drivers of actuarial quality

Quality

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