

The Director
Board for Actuarial Standards
5th Floor, Aldwych House
71-91 Aldwych
London WC2B 4HN

25 February 2010

Dear Sir

BAS CP – Transformations

On behalf of ILAG, I have pleasure in submitting the following comments on the above consultation paper.

ILAG is a trade body representing members from the Life Assurance and Wealth Management industries. ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.

In response to the questions and subject matter of the CP:-

1. Do respondents agree that the benefits of a separate transformations TAS outlined in 1.24 outweigh the benefit of one fewer Specific TASs?

We are not completely convinced that a separate TAS is necessary. We think it might make more sense to have a specific section on “transformations” within the respective Insurance and Pensions TAS’s. (nb. on this basis we have not attempted to answer every further question in the CP as all our subsequent comments are influenced by our response to Q1).

3. Do respondents agree that the areas of work listed in paragraph 4.56 should be within the scope of the transformations TAS?

We believe that there is a need for Standards in this area as the issues being addressed are very important.

We think it is right that actuarial work done in connection with Schemes of Arrangement should be within scope of Standards, but again we consider this could be achieved by appropriate wording in the Insurance TAS (4.23 – 4.26 and 4.28).

Tel: 01428 607191
Mobile: 07984 019811
doug.thow@ilag.org.uk

We think it is right that the work of an Independent Expert in a Part VII transfer (4.29 - 4.30) or a reattribution and the actuarial work done in support of a Policyholder Advocate (4.35 - 4.38) should be subject to BAS Standards. However we believe that this could be accommodated within the proposed Insurance TAS with a dedicated section on Insurance Transformations which states the additional principles required to be applied to such work.

However, we do not believe that all changes to the PPFM should be brought within the scope of this or the Insurance TAS. The Insurance TAS already proposes to bring work done in advising an insurer on the exercise of discretion within scope and it seems to us that this is more than sufficient, and there is no need to regard changes to the PPFM as a Transformation (4.43 – 4.46).

We also think the case in respect of the inclusion of the Skilled Person reports is less clear. These are almost invariably commissioned by the FSA who are not unsophisticated users of information. We suggest that if the FSA has decided that the Skilled Person role requires an actuary then they should ensure that the work done is up to the standard they require. They could of course do this by asking for the work to conform with the Standards in the Generic (or for that matter the Insurance) TAS's. We are concerned that automatically bringing actuarial work done as a Skilled Person within scope could make firms more likely to consider using a non-actuary for the role wherever this was possible (4.49 - 4.51).

4 Should the areas of work listed in paragraph 4.57 be within the scope of the transformations TAS?

Where there is with-profits business involved we consider that all work of the WPA in support of a Part VII transfer (4.33 - 4.34) or reattribution of an inherited estate (4.39 - 4.42) should be specifically brought within the scope of the Insurance TAS.

5. Do respondents agree that the areas of work listed in paragraph 4.58 should not be within the scope of the transformations TAS?

We recommend that the work of the AFH in producing numbers and recommendations in connection with a Transformation should be *included* specifically within the Insurance TAS. We do not think it is sufficient to say that the AFH work is implicitly in scope because of the need to advise on capital requirements. All work of the AFH in support of a Part VII transfer should be within scope (4.31- 4.32).

8. Do respondents have any comments on the proposal concerning data that is presented in paragraph 5.4?

9. Are there any other data issues which respondents consider should be covered by principles in the transformations TAS?

We believe that the proposed standards generally make sense. We agree that data needs to be looked at from a different angle for the purpose of a transfer.

10. 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 6.5, 6.7, 6.10, 6.13 and 6.19?

11. Are there any other principles on the selection of assumptions which respondents believe should be in the transformations TAS?

We also agree in general with the proposed standards on assumptions.

Our one concern is the requirement to include the range of plausible material assumptions. In general those assumptions will have been agreed by the parties to the transaction and it is for the Expert to say whether they are reasonable. We don't think the process will be helped by the expert being required to perform calculations on alternative bases for illustration purposes, not least because this could have serious cost implications for all parties.

I hope that these comments are useful to you.

Yours faithfully

Doug Thow
Technical Analyst