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Joint Forum on Actuarial Regulation (“JFAR”) – A risk perspective

We are writing in response to the invitation to respond to the discussion paper produced by JFAR, dated October 2014. We have chosen to respond in a letter that is written on behalf of PwC, rather than for our actuaries / other professionals to respond individually to the discussion paper. This letter is not confidential. We agree to its publication on the website(s) of the FRC and the Institute and Faculty of Actuaries (“IFoA”) if you wish.

We understand that JFAR aims to coordinate the identification of public interest risks to which actuarial work is relevant and the response to those risks. The discussion paper itself sets out how JFAR has identified certain public interest risks and goes on to give an initial perspective on how those risks should be assessed and mitigated.

We are supportive of the aims of JFAR and believe that the discussion paper makes a reasonable attempt to identify potential public interest risks at a high level. We concur, in general terms, with these efforts.

We do have the following observations on the discussion paper itself. Given the nature of the paper, we have kept our comments at a high level, rather than attempting to comment in detail:

- The discussion paper is, in our view, quite narrow in its assessment of the work conducted by actuaries, focusing on the traditional types of work that has been conducted by actuaries within corporates and on a consultancy basis. Within PwC, we see our actuaries operating much more widely, including the provision of consultancy services to banks and to non-Financial Services Sector.
- We believe that it would be particularly useful to see some recognition of the wider fields in which we are working to an increasing degree and where we expect significant expansion in the work of actuaries going forward. We do not see any specific services in those new areas that mean that the public interest risk will be clearly greater than for those identified in the discussion paper, but they are different and different considerations will therefore apply.
- It is, we think, important to recognise that in-house actuarial work is commissioned by insurers and that actuarial consultancy work in all fields is commissioned by clients in order to add some form of commercial value to the end-user. Some such work, by its

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nature, will inevitably involve some public interest risk. Whilst these risks may be capable of being identified and mitigated, it will not be possible to eliminate the risks themselves.

- There are many comments in the paper regarding communication. We regard these comments as crucially important. Whilst some actuaries will argue that the end-user of actuarial work product will never fully comprehend the nature of actuarial advice, we do not subscribe to this view. We believe that it is the responsibility of the actuary to ensure that his/her communications are understood fully by the end-users of their work product including members of the public as relevant.
- Finally, we want to reiterate the view that we have expressed on previous occasions that we believe that the public and other stakeholders gain considerable comfort regarding the quality of actuarial advice from the requirement on individual actuaries to exercise their professionalism as a matter of their own personal responsibility. We trust that any future proposals that derive from further work in the areas considered by the discussion paper will not detract from this position.

Please do not hesitate to contact Mark Allen on 0207-212-4631 if you would like to discuss any of the above comments or if you would like us to clarify any of the comments made.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Allen', written in a cursive style.

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