



# **The Actuarial Profession**

making financial sense of the future

## consultation response

**FSA Consultation Paper 09/9:  
With-profits funds – compensation and  
redress. Further consultation, feedback on  
CP08/11 and draft Handbook text  
Comments from the Actuarial Profession**

**May 2009**

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Retail Policy and Conduct Risk  
Financial Services Authority  
25 The North Colonnade  
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London  
E14 5HS

Sent by e-mail to: cp09\_09@fsa.gov.uk

22 May 2009

Dear Mr Hicks

**FSA Consultation Paper CP09/9 With-profits funds – compensation and redress - Further consultation, feedback on CP08/11 and draft Handbook text**

Thank you for providing the Actuarial Profession with the opportunity to comment on this consultation. Our comments are given below.

The Actuarial Profession is pleased that the proposals contained in CP09/9 remove the retrospective nature of the change in practice regarding compensation and redress, which was a particularly contentious feature of the original proposal set out in CP08/11. We remain unconvinced that overall the change is beneficial, but clearly companies can adjust their practice in the light of the new requirements.

There is, however, one aspect of the proposed rules which we do consider worthy of comment. This concerns the treatment of compensation payments in respect of non-profit policies written within a 90/10 with-profits fund.

In the absence of any special arrangements existing with other shareholder owned entities within the group, there would seem to be no conflict of interest between shareholders and with-profits policyholders in the operation of this business and in our view all profits and losses should accrue to the with-profits fund. Where a conflict does exist, for example if sales are made through a separate company which receives commission from the with-profits fund, then we agree that any mis-selling liability should fall on the sales company.

We are happy for this response to be placed on the public record.

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If you have any questions or would like to discuss any of these matters further, please do not hesitate to contact us as per details below.

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Yours sincerely

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## **Appendix**

### **The Actuarial Profession**

Actuaries provide commercial, financial and prudential advice on the management of a business's assets and liabilities, especially where long term management and planning are critical to the success of any business venture. They also advise individuals, and advise on social and public interest issues.

Members of the Profession have a statutory role in the supervision of pension funds and life insurance companies. They also have a statutory role to provide actuarial opinions for managing agents at Lloyd's.

The Profession is governed jointly by the Faculty of Actuaries in Edinburgh and the Institute of Actuaries in London. A rigorous examination system is supported by a programme of continuing professional development and a professional code of conduct supports high standards reflecting the significant role of the Profession in society.