INSTITUTE AND FACULTY OF ACTUARIES

EXAMINERS' REPORT

April 2013 Examinations

Subject CA1 – Actuarial Risk Management

Paper Two

Introduction

The Examiners' Report is written by the Principal Examiner with the aim of helping candidates, both those who are sitting the examination for the first time and using past papers as a revision aid and also those who have previously failed the subject.

The Examiners are charged by Council with examining the published syllabus. The Examiners have access to the Core Reading, which is designed to interpret the syllabus, and will generally base questions around it but are not required to examine the content of Core Reading specifically or exclusively.

For numerical questions the Examiners' preferred approach to the solution is reproduced in this report; other valid approaches are given appropriate credit. For essay-style questions, particularly the open-ended questions in the later subjects, the report may contain more points than the Examiners will expect from a solution that scores full marks.

The report is written based on the legislative and regulatory context pertaining to the date that the examination was set. Candidates should take into account the possibility that circumstances may have changed if using these reports for revision.

D C Bowie
Chairman of the Board of Examiners

July 2013

General comments on Subject CA1

This subject examines applications in practical situation of the core actuarial techniques and concepts. To perform well in this subject requires good general business awareness and the ability to use common sense in the situations posed, as much as learning the content of the core reading. The candidates who perform best learn, understand and apply the principles rather than memorising the core reading.

The examiners set questions that look for candidates to apply the principles specific to the situation set out in the questions, having read the question carefully. Many candidates gain few marks by writing around the subject matter of the question in a more general fashion. Detailed specialist knowledge is not required and nor is very detailed development of particular points.

Good candidates demonstrate that they have used the planning time well to understand the breadth of the question and to structure their answer – this is a big advantage in making points clearly and without repetition. This also enables candidates to use the later parts of questions to generate ideas for answers to the earlier parts.

Time management is important so that candidates give answers to all questions that are roughly proportionate to the number of marks available.

Comments on the April 2013 paper

The general performance was about the same as that in September 2012. Questions 1 & 3 were on average less well answered.

The comments that follow the questions concentrate on areas where candidates could have improved their performance. Candidates approaching the subject for the first time are advised to use these points to aid their revision.

1 (i) Risk budgeting is the process of establishing how much risk should be taken and where it is most effective to take the risk (in order to maximise return).

It can be done at an organisational level i.e. the whole company, or down to a portfolio level

(ii) The risk budgeting process for investment risks has two parts:

- The first part is deciding how to allocate the maximum permitted overall risk between total fund active risk and strategic risk.

- The second part is allocating the total fund active risk budgets across the component portfolios.

The key focus when setting the strategic asset allocation is the risk tolerance of the stakeholders in the fund. This is the systematic risk they are prepared to take on in the attempt to enhance long-term returns.

The key question on active risk is whether it is believed that active management generates positive excess returns.

Risk budgeting is, therefore, an investment style where asset allocations are based on an asset's contribution to the portfolio as well as on the asset's expected return.

A risk budgeting strategy can free the manager to look for alternative investments that might increase the expected return on the portfolio.

The constraint is that the total risk of the portfolio must stay at or below a target level, so increased attention is paid to low correlation investments.

Allocations to such investments can reduce the total risks of the portfolio through diversification.

Most candidates knew the bookwork definition and some of the basics of allocating risk budgets, but few were able to develop this sufficiently to score well in part (ii).

2 (i)

- Smoker status – and how many cigarettes each day
- Weight and Height such that BMI can be calculated
- Alcohol consumption
- Any current medical conditions (e.g. Diabetes)
- Current Blood Pressure
- Medical History – any conditions relevant
- Any medication currently taken and how much and for how long
- Family History – any conditions relevant
- GP details so that records can be accessed

- Previous occupation – may give rise to health problems
- Address

(ii) **Legislation and Regulation**

In some countries annuity purchase is compulsory
Will need to consider the ways that this product is sold – for a complicated product like this it will need to be an advised process
Will also need to understand if there are any regulations around how annuity products can be priced – e.g. pricing by gender may not be allowed

State Benefits

Will need to consider if the state gives members any additional benefits – and also whether offering an enhanced annuity means that the member will get less state benefits (depending on how much it is means tested)

Tax

The tax treatment of this product will be similar to a standard annuity – however if the additional benefits moves the member from one tax bracket to another this will need to be considered

Accounting standards

It is likely that this product will have the same requirements as a normal annuity – i.e. they will need to be reported in the company accounts. There may be a requirement to disclose the percentage of business that uses different mortality assumptions (and/or an explanation of the different underwriting that leads to an average assumption will need to be explained)

Capital Adequacy

Will need to consider what capital stresses will need to be made to obtain the capital levels required for this type of product

Corporate Governance

Will need to consider whether this product changes the corporate governance of the company

Risk Management requirements

Will need to consider the operational and business risk for this product

Competitive Advantage and Commercial Requirements

Will need to consider the position in the underwriting cycle – this will determine the profit levels that this product could make

Will also need to consider what competitors are offering in particular around similar enhancements

Changing cultural and social trends

There may be a trend towards giving up smoking so an enhancement might be offered and then the annuitant subsequently gives up and this could mean that the member lives longer than underwritten for. There is also a moral hazard where someone could temporarily take up smoking
The offer of enhanced annuities in retirement may be considered to promote unhealthy lifestyles

Technological Changes

May have a problem of medical advances meaning some of the uplifts given for certain diseases might be overstated in the future
New tech may significantly improve the process of obtaining information from medical records (if a national register is easily sourced), and this might also reduce the possible moral hazards of filling in the forms incorrectly
Also need to know the impacts on the other business the company is writing (in particular the other annuity business)

This question was generally well answered. Good candidates made their answer relevant to the enhanced annuity product.

3 (i) Market risk is the risk relating to changes in investment market values or other features correlated with markets, such as interest and inflation rates.

Liquidity risk is the risk that, although solvent, a company does not have sufficient financial resources available to meet its obligations as they fall due.

Liquidity risk can give rise to market risk.

For example, the value of an asset depends on the ability to sell an asset in an orderly way.

A trading company may well have sufficient assets, probably largely stock and work in progress, to cover its liabilities, but if those assets cannot be realised, then the company may not have sufficient cash to pay creditors, who can force it into liquidation, and possibly to cease trading.

Insurance companies, benefit schemes and other financial institutions also have to manage exposure to liquidity risk. Insurance companies need to balance holding cash versus bonds and stock market assets. In general, bonds and stock market assets can be sold in the market to raise cash when required provided they can be sold in an orderly way without moving market prices.

In financial markets, liquidity risk is where a market does not have the capacity to handle (at least, without potential adverse impact in the price) the volume of an asset to be brought or sold at the time when the deal is required. This causes additional market risk for other holders of the asset.

In general, the liquidity and market risk for larger markets will be less than for smaller markets.

Small issues or indivisible assets have less liquidity and more market risk.

(ii) 1. A weather catastrophe can give rise to very large claim outgo

2. A large number of surrenders can make an insurer a forced seller of assets to meet the claim outgo

Most candidates defined market risk and liquidity risk but the discussion on the differences between them was often weak. Part (ii) was well answered.

4 (i)

- To correct perceived market inefficiencies and to promote efficient and orderly markets
- To protect consumers of financial products
- To maintain confidence in the financial system
- To help reduce financial crime

(ii) A regulator has responsibilities around both maintaining confidence in the financial system and protecting consumers of financial products.

To provide protection to consumers a regulator will want to ensure that insurance companies hold sufficient capital.

However, there is a balance, the more capital required to be held the higher the cost of holding that capital and so the higher the cost of financial products.

There are a number of elements that contribute to the risk that an insurance company represents. A regulator will often use a number of objective measures as it is difficult for a single measure to capture all aspects of risk.

To be effective a regulator needs to decide on which insurance companies to focus on and the level of intervention.

A regulator will use more than one measure of capital requirements because this provides a basis for deciding on the level of intervention that balances protecting consumers with maintaining confidence in the financial system. Early intervention can provide an insurance company with time to take more gradual action helping maintain confidence in the financial system. However, by having more than one measure of capital the regulator has an objective basis for deciding when more extensive action is required in favour of protecting consumers versus allowing the insurance company to trade with greater freedom.

(iii) A multinational insurance company operates across a number of countries and so will be subject to different regulatory regimes in different countries.

The different solvency regimes will have differences in the inbuilt prudential margin, to a greater or lesser extent, depending on the regulatory regime.

The level of inbuilt prudential margin often varies by product between regulatory regimes and these differences make comparisons across regulatory regimes difficult.

An economic balance sheet is based on a risk based capital assessment. An economic balance sheet shows the market values of a provider's assets (MVA) and market values of a provider's liabilities (MVL) and the provider's available capital, which is defined as the difference between the MVA and MVL. The available capital is then compared with the economic capital requirement to assess the provider's solvency status.

The value of a multinational insurance company using an economic balance sheet as a starting point for capital requirement assessment is that it starts with assets and liabilities both being assessed on the same, market consistent, basis across all the countries.

The insurance company's economic balance sheet can apply the same approach to determining capital requirements across all the countries. This allows the multinational to compare all insurance companies across all countries on a consistent basis.

The economic balance sheet can also allow for diversification across the group as if it was a single large insurance company.

The insurance company can control the methodology used for the economic balance sheet and therefore can capture the specific risk profile and make it appropriate for the insurance group. The insurance company has control over the level of sophistication within the economic balance sheet, and this allows it to trade off cost, complexity and time-consumption.

The economic balance sheet can allow it to apply a consistent basis when deciding where to allocate capital to provide the optimum trade off between risk and reward.

Part (i) was well answered bookwork. In part (ii) most candidates outlined why there may be more than one measure of capital requirements and referred to Solvency 2, but only the stronger candidates linked this to the regulatory aspect (and the points they had made in part (i)). Part (iii) was poorly answered: many candidates gave a general answer about the advantages of using an economic balance sheet without focus on the multinational insurance company.

5 (i) (a) Selling the product directly will use existing distribution and so will minimise costs. Admin systems and staffing is already in place. But this is a new area for the insurer so may be lacking expertise and data.

They will have more control over how the product is sold and who to.

Cheaper option in terms of initial outlay i.e. capital costs but ultimately could result in extra work and mispriced policies.

(b) The insurance company will benefit from the travel agent's existing distribution channels. They may also have the data and experience the insurance company needs.

They will have less control over how the product is sold and who to.

Possibly low initial capital outlay but a sharing of profits. There may be some cultural issues (eg related to selling practices) and possibly a risk to their reputation.

(ii) Data will be required to calculate expected claims and an exposure period and thus a risk premium and possible loadings.

Policy data

- Dates on cover
- Policy limits and excesses
- Distribution channel
- Exposure measure e.g. number of people covered, length of stay
- Rating factors e.g., age, sex (depending on country), state of health
- Reason for travel
- Destinations covered
- Winter sports, hazardous pursuits covered
- Coverage and exclusions

Claims data

The company will not have their own data so will need data from reinsurer or industry data if this is available

- Amount(s) of claim
- Frequency of claim
- Currency
- Reason for claim e.g. flight cancellation
- Trends e.g. inflation, underwriting data

Other pricing data

- Expenses, direct and indirect
- Investment return

- Reinsurance premiums
- Competitors' premiums
- Inflation e.g. medical
- Business mix/volume of business

(iii) The insurance company will need to work with the airline. There will be different cultures and there will also be time and costs involved.

Travel insurance can be sold when the tickets are booked with the airline. It can also be sold when the passengers are on board.

Likely to be single trip policies i.e. for that holiday rather than an annual policy.

Potentially lower premium higher volume compared to annual policies.

Hence lower brand loyalty, the consumer is choosing the company for the flight/holiday not for the insurance.

No lapse issue.

Highly competitive in travel industry, although there may be less competition for any policies sold on board.

But potential for cross selling once have policyholder details.

Large pool of data for experience analysis.

Change in the nature of the target market. Holiday makers buying flights rather than holidays hence many travellers may not have considered purchasing insurance.

Captive market and cheaper advertising. i.e. just an announcement in-flight

This product is likely to be of shorter duration. And to reduce risks the amount of cover available is likely to be limited e.g. just medical, possessions and cancellation and there may be many exclusions e.g. pre existing conditions and dangerous pursuits

The premium structure will need to be fairly simple and easy to calculate. Could use a standard premium with standard adjustments for health, reason, country, duration etc. For example there could be a standard premium for certain flights (depending on their destination) and then this could be adjusted depending on reason for travel and age band selected.

Short questionnaire and limited underwriting. Ultimately this is a cheaper model but there is less rating and more risk of miscategorization of risk (and broader risk groups) and so have to allow extra margins. Less risk of anti selection. The target market is already en route.

Lower cost i.e. processing and paperwork involved is much less. No glossy policy documents.

Policy wording as regards international boundaries. If the policy is taken out once the flight is airborne, the policyholder is no longer in their country of residence. Impact on policy wording, may involve lawyers and so increase cost

Payment risk. The payments will be made to the airline so there may be a credit risk as the policyholder is on risk immediately.

There will be a concentration risk in using one airline.

Part (i) was well answered. Part (ii) was also generally answered well, though weaker candidates did not consider all of policy/claims/other pricing data. Part (iii) was answered poorly: only stronger candidates made points specific to the question.

6 (i)

- Administration
- Accounting
- Statutory Returns
- Investment
- Financial Control, Management Information
- Risk Management
- Setting Provisions
- Experience Statistics
- Experience Analyses
- Premium Rating, Product Costing , Determining Contributions
- Marketing

(ii) **Asset Data**

- Check that the asset still exists on the given date of the valuation
- Check that the asset is still owned by the scheme at the date of valuation
- Check that the correct market value of each of the assets has been recorded correctly (and check the decimal places of the MV have been recorded correctly)
- Check that the asset value has been calculated correctly (if not market values)
- Check that the data is complete – i.e. there are no missing assets
- Check that an asset has not been recorded twice or more times
- Check that only the appropriate assets have been included
- Check that there is consistency between investment income implied by the market data and the corresponding totals in the scheme's accounts
- Check that any assets purchased or sold in the period since the last valuation have been correctly input/included

Liability/Scheme info data

- Check that the data is complete – i.e. there are no missing members, and that spouses liabilities have been included correctly once the member has deceased
- Reconcile the total number of members (by status between current employees /deferreds/pensioners) and any changes in the membership over the period
- Check that the members benefits (pensions) have been correctly recorded
- Check that any benefits that escalate over time have been correctly increased
- Checking both average increases for each class and min/max individual increases
- Check consistency between the salary related increases to members benefit and the membership data and the corresponding figures in the accounts
- Check for unusual values – for example impossible dates of birth, retirement ages or start dates or pensions/salaries.
- Check the movement data against appropriate accounting data, especially with regard to benefit payments
- Random spot checks on data for individual members
- Check that any members that have transferred their benefits have been correctly paid
- Check that all planned events have occurred

(iii)

- The asset values may have increased significantly more than expected – may have been lucky in the investment decisions that have been made.
- One or two of the assets may have made significant gains and these have been realised.
- There may have been significantly more members that have died compared to the assumptions of the scheme, and death benefits are lower than the valuation reserve.
- May have had very low escalations (salaries and/or pensions) compared to the assumptions adopted in the scheme valuation
- There may have been options available and those chosen have been to the benefit of the scheme.
- The scheme may have paid significantly lower transfer values than the true value to the member and hence created a surplus in the scheme.
- The scheme may have changed some of the assumptions– these may be due to changes in market conditions or based on the experience of the scheme.
- The rules of the scheme or government regulation may have changed such that the liabilities have significantly reduced –e.g. a change in the inflation assumptions.
- May have had changes to the tax regulations around returns made on assets – e.g. no tax on dividends held within a pension scheme.
- Trustees may have decided to not offer any discretionary benefits compared to what might have been assumed in the assumptions.

- Company may have made contributions to the scheme despite the existing surplus.
- The previous surplus may have been very small so ten times this level is not a significant change
- The surplus may be volatile if the scheme is small.
- If scheme closure took place since the previous valuation, this may have been a source of surplus.
- Errors may have been made in the calculation of the previous surplus.
- Data audit since last valuation removing incorrect benefits/members.
- Assumptions may be deliberately prudent, so expect an improvement in the funding position.

(iv) Winding up funding level probably won't be the same as the reported valuation position.

The valuation basis may not have targeted the wind-up position

Even if it did, this won't be the same as an actual insurance quote for buying out all benefits and dealing with wind-up expenses

Surplus position will have changed since the valuation date

Also, some of the benefits may change on wind-up

The scheme was closed to future accrual, but some may have still been linked to future salary increases?

What happens to any future options such as exchanging pension for cash at retirement?

Do the trustees have power to trigger a wind-up?

And do they have power to use surplus for benefit improvements, or do rules require surplus refund to employer?

If benefit improvements are to be made, the trustees will need to decide how to fairly allocate between members, allowing for any requirements in the scheme rules or legislation

Trustees should also urgently consider investment strategy so as to lock into the current funding position

Winding up the scheme could potentially improve the security of the members' benefits. This would depend on the covenant of the sponsor.

Well prepared candidates scored very well on parts (i) and (iii). In part (ii), most candidates outlined many relevant checks for liabilities but far fewer checks on assets. Part (iv) was reasonably well answered: most candidates realised that the winding up funding level was likely to be different from the latest valuation position, but few commented on how the suggestion might affect members' security of benefits.

7 (i) The individual will probably own substantial amounts of property. Therefore property insurance will be needed.

Specialist cover (damage and/or liability) will be needed to cover items such as:

- Overseas property
- Commercial property (e.g. held as investments)
- High performance cars
- Boats
- Planes
- Musical equipment
- Image rights/reputation/copyright infringement etc.

The individual receives revenue from music and related sales and some form of insurance may be needed for example failure of distributors or producers.

There may also be product liability issues e.g. surrounding influencing behaviour of fans etc.

Substantial revenues are likely to arise from the tours and they will be large-scale operations where the individual may be acting as an employer. Insurance will be required to cover:

- Employers liability i.e. injuries to road crew etc
- Public liability i.e. injuries to audience members or damaged hotel rooms
- Property damage to sets or equipment
- Cancellation or low ticket sales cover due to illness etc
- Cover against dishonest acts of employees e.g. embezzling ticket money
- Events that could stop touring career e.g. critical illness or accident cover

Health insurance may be needed, and for example specific cover for hands/voice required to perform.

As the individual probably has significant assets and guaranteed future revenues (old songs viewed as "pensions"), life assurance and specific pensions savings may not be that relevant.

However, pensions policies may be attractive due to tax advantages and so advice will be needed.

There may be loans outstanding relating to purchase of properties. Life cover may be needed as a condition of such loans. These loans may also have an impact of the nature of savings required.

Much of their income may be from overseas – hence the most appropriate tax regime needs to be considered.

Much of the specific savings may be tailored to provide funds for transfers to dependents e.g. trusts for children, avoidance of inheritance tax. (i.e. better to arrange affairs so that no tax is payable rather than have life cover to pay tax bill)

Alternatively, savings may be targeted to provide funds on specific events e.g. when too old to tour or when copyright runs out on old material.

In any event, there are still likely to be significant revenues to invest with no specific purpose. Advice will be needed based on the individual's risk appetite in terms of security versus high potential returns.

Alternatively, if consumption is high, advice may be needed on striking a balance between spending and saving.

(ii) There are two areas here:

- Efficiency: This will focus on costs and returns.
- Adequacy: This will focus on the correct level and range of cover/provision and particular policy details.

Efficiency

It will be important to know how much the musician is paying the management company for their services and how these charges are applied.

To the extent that any fees are included in a general management charge, a full breakdown of all charges split by reason will be needed.

This may enable the adviser to consider other services provided or look at where revenue is coming from or going to.

A particular concern is the extent of changes involving the management company: Who exactly is providing the advice and are they qualified or experienced enough to do it well? Are there clear procedures and guidelines to follow (if so, are they too generic) or are decisions left to junior staff?

In particular, the changes may mean that staff responsible don't know the client well enough and aren't familiar with their specific needs.

It is likely that initially, this musician was a significant client for the company but with changes of ownership, he could be less relevant and hence not get the appropriate level of service.

Being managed via a large company (as looks likely here) could work in the musician's favour as expertise and a lot of similar clients could enable good deals to be struck. Alternatively, there may be cosy and expensive arrangements with providers favoured by the management company.

If expertise is lacking, the management company may employ brokers or third parties so adding in an extra layer of expense.

It will also be necessary to check that all record keeping is correct. Can then investigate potential fraud or inefficiencies.

Adequacy

For each insurance policy, the advisor will need to investigate the level of premium and whether it looks reasonable compared to market rates.

However, given that this individual will have specific needs, care must be taken to consider like with like.

The particular features of the policy must provide the cover the musician needs i.e. does it match the risks in terms of amount and scope.

To this extent, particular focus will be needed on any exclusion clauses and on maximum payouts (or potential under-insurance).

It will be important to ensure that correct information was supplied when taking out the policy. Crucially, status as a rich musician must be clear. It is likely that individual underwriting will be done and so wrong information could cause problems with claims. This may be especially relevant to property loss e.g. levels of security, homes unoccupied or particular contents held in property.

There may be many things to cover in many locations. Hence, are lots of policies held or would it be more effective to group and combine policies?

Touring will not be continuous. Hence it will be necessary to consider whether policies relating to tours should be arranged as and when needed or if an ongoing recurring policy would be more efficient.

When looking at premiums, the adviser should investigate whether commission is being paid to the management company – raising the possibility of double charging.

For the savings arrangements, the advisor will need to investigate whether all the musician's specific needs (outlined in (i)) are being addressed? That is, are those liabilities or objectives being matched?

It will be important to make sure the level of risk taken is in line with the musician's risk appetite.

Is the amount of cash held appropriate to the needs of the musician?

In particular, many specific needs are term related and so savings should be set up with this in mind.

Likewise, currency will be a major factor. The musician may have obligations and needs in many locations e.g. property loans or residences in several countries.

The musician is likely to have sources of revenue in many different currencies. It will be necessary to investigate whether hedging will be required if these sources don't match the desired savings by currency.

Similarly, many savings (pensions and trusts) will have advantageous tax treatment. It will be important to ensure that full use in being made of all such allowances – such allowances may vary be country and so each source of revenue will need to be considered.

Linked to this, it may be possible to set up arrangements that move sources of revenues to exploit tax loopholes – the adviser may be able to give some general advice but detailed tax planning would be beyond their remit. The musician would, however, need to ensure that using a particular tax saving vehicle did not lead to unwanted negative publicity.

Clearly a key issue will be performance of investments/savings vehicles. This will apply both to specific matching vehicles and to more general savings.

Many of the investments are likely to be in the form of managed funds from investment companies. It will be relatively easy to compare performance of such funds against their peers.

It will be necessary to look at any charges or commissions payable under these funds both to see they are reasonable per se and to see if double charging is occurring.

Directly held assets are less likely (but if funds are large, they could be held as an individual portfolio with an investment company) and will be harder to evaluate.

But a measure of performance against an appropriate index for each class (allowing for the risk appetite adopted) should be possible.

In addition to looking at tax benefits on setting up specific vehicles, tax paid on investments will be important. Given the size of fund and likely tax rates, there may be plenty of opportunities to invest in a tax efficient way.

When looking at the portfolio as a whole, it will be necessary to consider whether the level of diversification is suitable – both by asset and by manager.

(iii) (a) Essentially, the musician could arrange for such future income to be securitised. That is, the musician could issue a tradable bond to investors in the market.

The musician would receive a lump sum representing the market's view of the value of future revenues.

Investors would receive coupons (and possibly capital) linked to the levels of future revenues.

Each nominal unit of the bond would be entitled to the same proportion of the total revenues and this would be specified in the terms of the issue.

In this way, the risk of uncertain future revenue is passed to the bondholders as such revenue is in effect paid to them.

However, given the potential volatility and large downside risk, future risks will be factored into the price investors are willing to pay. In effect, the musician sells the risk as a risk premium in the amount they receive. That is certainty now against future volatility.

(b) The most important issue will be to specify exactly what income is covered by the arrangement.

There will be lots of sources e.g. from new media some of which may not have been devised yet. It will be necessary to define whether the income is from all sources or from a list of specific sources.

Similarly, there may be confusion over the types of revenues that will be covered i.e. what exactly is classed as coming from the musician's previous work.

Likewise, sources of revenue will be from many different countries and in some of these it may not be possible to assign revenues in this way depending on the ownership/royalty structure.

It will be necessary to consider the situation with new material. That is will the revenues relate to existing material only.

It will be necessary to consider the term over which payments will be made.

The tax position of the musician will need to be considered: will gross or net revenues be passed over. Net implies a lot more uncertainty for investors.

Similarly, expenses will be incurred in administering the arrangement – will there be an explicit deduction to cover them or will the musician pay them from other resources?

Will also need to consider the currency. Will the income be received in different currencies or will it be converted?

Candidates who focused on the specific situation described in the question scored well in parts (i) and (iii). Part (ii) was not as well answered: very few candidates considered potential issues with the insurance arrangements despite having mentioned them in part (i), and many candidates gave generic answers about suitable savings arrangements.

END OF EXAMINERS' REPORT