

INSTITUTE AND FACULTY OF ACTUARIES

EXAMINERS' REPORT

September 2020

Subject CP1 - Actuarial Practice

Paper Two

Introduction

The Examiners' Report is written by the Chief 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.

Mike Hammer
Chair of the Board of Examiners
December 2020

A. General comments on the *aims of this subject and how it is marked*

1. The aim of the Actuarial Practice subject is that upon successful completion, the candidate should understand strategic concepts in the management of the business activities of financial institutions and programmes, including the processes for management of the various types of risk faced, and be able to analyse the issues and formulate, justify and present plausible and appropriate solutions to business problems.
2. This subject examines applications in practical situations 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.
3. 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.
4. 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.
5. Time management is important so that candidates give answers to all questions that are roughly proportionate to the number of marks available.
6. 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.
7. Candidates who give well-reasoned points, not in the marking schedule, are awarded marks for doing so.

B. Comments on *candidate performance in this diet of the examination.*

Paper 2 scored considerably lower than Paper 1 with the average scores being circa 14% different between the papers. Paper 2 was generally answered well by those candidates that had spent time considering the case study in detail and then structuring their answers accordingly but candidates that didn't seem to really struggle with parts of the paper with less than half marks being the average on some parts.

C. Pass Mark

The Pass Mark for this exam was 55.

878 candidates presented themselves and 364 passed.

Solutions

Q1

(i)

Generally with any consideration of running projects there needs to be an element of prioritisation to ensure the business remains focused and meets the aims and objectives of the company

The proposals should be assessed on their own merits and in total with respect to management long term aims for the business [2]

Ultimately it will want to work on proposals that maximise the profit for the company based on the level of capital required and with consideration on timeframes to deliver the proposals alongside the level of resource needed to achieve this [2]

So in order to prioritise it would need to understand the following:

- Likely return on capital and total profits expected of each proposal
- Costs and resources likely needed to be able to achieve this
- General risk assessment – whether that be in the actual proposal being discussed, the ongoing risks thereafter or risks around the business case profits expected from the proposal
- Whether the products fit within the company's risk appetite
- Whether the level of expertise is within the business or if they need to obtain this and how long this would take to acquire
- Timing of the delivery – i.e. when would it impact the business and the likelihood of any slippage concerns with project plans [3]

[Marks available 7, Maximum 3]

(ii)

General factors for launching new product

It can apply the Actuarial Control Cycle: Specifying the Problem, Developing the Solution and Monitoring the Experience. [1½]

It needs to allow for the general economic and commercial environment e.g. current state of the underwriting cycle. [1]

Other general factors

- Capital requirements
- Availability of capital
- Risk assessment
- Company's risk appetite
- Does the product give diversification and is this needed?
- Tax issues, including existence of any government incentive to offer a compulsory product

- Understand the target market and expected business mix
- Profit requirements
- Operational issues e.g. literature, systems, training etc
- Pricing the product, based on data it may already have which may need adjusting

[5]

Specific factors for this product

The making of the insurance compulsory may result in a significant increase in sales but the extent to which the market is already well-served needs to be established. The company will not only face competition from other established providers but also competition from new providers. [2]

It is able to use the expertise it already has in this area to gain an advantage in pricing, expense costs etc, but needs to consider whether it needs to supplement that experience if different risks are being taken on [1½]

Need to consider best way of investing the premiums. Greatest cashflow risk is in the early years when the premium will not be enough to cover the expected payment amount. [1]

How to market the product and attract new business, and are the current sales channels appropriate [1½]

It will need different products depending on a number of different products e.g. industry, age/condition of property, location. [1½]

Is there sufficient commercial properties in different locations to get diversification benefits or is the commercial properties all in the same place – hence if a fire was to occur there would be multiple claims. [1]

Will there be any specific regulation in place on the pricing to be offered and indeed if it is compulsory will the regulator insist on quotes for all companies – i.e. would the company have to offer a competitive price for high risk companies (e.g. firework factories). [1]

[Marks available 17, maximum 6]

(iii)

The theoretical premium can be calculated such that:

Value of premium = Value of benefit + Value of expenses + Contributions to Profit

Profit testing models can be used under different scenarios, either stochastic simulation or a set of deterministic scenarios. [1]

There have been significant payments this year but need to also analyse the experience over previous years to see if it is unusual e.g. beyond a Value at Risk (VaR) level [1]

Gather data to feed into the analysis from different sources e.g. reinsurer, trade bodies, consultancies etc [1½]

XYZ may conclude this is an abnormal event that will not be expected to occur again, therefore will ignore for the purposes of future pricing [1]

Hire an external resource to assist it e.g. actuarial consultancy [1]

Are certain industries more exposed to accidents and therefore should it review the underwriting for specific industries/locations etc [1]

Should consider whether risk management options are available to reduce the costs of claims if they occurred – e.g. could they reinsure more for a cost and then be loaded into the pricing of the product [1]

Company can perform a broader review of all experience and assumptions, including analysis of trends and random variation. The review can take place within the framework of the Actuarial Control Cycle [1½]

[Marks available 9, maximum 6]

(iv)

When faced with a risk, it can choose whether to:

- avoid the risk altogether;
- reduce the risk i.e. either reducing the probability of occurrence and/or the consequences;
- retain all the risk; or
- transfer part or all of the risk [2]

Avoid the risk

Have exclusions for things at the control of the company – e.g. fire safety [1]

Charge higher premiums/refuse to write business for the sector in which the factory operates, to reduce systemic risk of future accidents [1]

Reduce the risk

Important to distinguish between the broad range of risks accepted and the high impact but low probability risks, such as the explosion. [2]

Low probability high impact risks can only be diversified in a limited way. Looking at different industries could be one way of diversifying [1]

Enforce higher health and safety standards at factories to reduce the risk [1]

Lobby government/regulators to improve health and safety standards [1]

Greater underwriting of risks before writing business, including site visits or equivalent underwriting on the property of the company. [1]

Restrict the number of lives covered by the policy such that not exposed to one large company OR reducing exposure to one large events by adding in excess, exclusions etc. [2]

Tighter policy wordings [½]

Retain the risk

Can be mitigated by management control procedures such as disaster recovery planning. [2]

Transfer the risk

They can be passed to an insurer or reinsurer e.g. catastrophe insurance [1½]

[Marks available 16, maximum 8]

(v)

At a high-level, switching a significant investment will impact both the expected return and risk of the asset portfolio. [1]

Option A gives more control for the scheme over the investment than Option B e.g. using of voting rights [1]

Option A should be cheaper as no management charges are incurred. However, have to consider the cost of the pension scheme's investment team/advisers researching individual companies [2]

There is a risk of the electric company becoming insolvent, with extra contributions required from the company. Investing in option B would improve diversification and reduce concentration risk [2]

Option B would be more marketable if needed to sell quickly [1]

Able to benefit from the investment manager's specialist expertise [1]

Analysis of past performance – for option A, may be harder to get information if company is not listed. Option B will have data on past performance, both at an absolute level and also relative to a benchmark [3]

May benefit from government subsidies to encourage investment in Option A [1]

Company and scheme will need to consider reputational impact of choosing either investment [½]

Conclude, with reason, why one option may be better than the other [1]

[Marks available 13½, maximum 8]

(vi)

Admissible assets – regulations may not allow either of these assets to be include in the scheme's solvency calculations, thereby worsening the funding position [1]

Greater chance that external manager will be approved by regulators [1]

The scheme may believe Option A offers higher returns but at higher risk, so may set aside some capital to meet these risks [1]

Need to determine how much of an impact switching a significant investment will impact both the expected return and risk of the asset portfolio [1]

If the expected return is lower after the switch is made, this may need to be reflected in a lower discount rate, which would worsen the funding position. Similarly, if the expected return is the same but the overall level of risk is increased, the scheme may decide to reflect this in a lower discount rate [2]

Liquidity of both investments will become important should the funding levels fall below a particular level. If forced to sell Option A quickly, investor could choose to apply haircut to value as may not be able realise full value [1½]

Investing in either of these options will offer some diversification away from 'traditional' assets, reducing the expected volatility of the funding position. Option A gives more concentration risk, which leads to the possibility that liabilities are left unfunded if the company does not perform well. The volatility of funding position under option A may be higher than option B as a result. [3½]

Both options introduce 'keyman' risk for sourcing and monitoring the investments. There is also a risk that the scheme will not understand the investment and the risks that are associated with it [2]

[Marks available 13, maximum 8]

(vii)

Reduces the risk of incorrect diagnosis by the local doctor, either due to corruption/fraud, bias or incompetence. [2]

The company can ensure its own doctors are suitably trained to perform the assessment to its own standards [1]

Ensures that benefits are only payable for as long as necessary [1]

Can spot problems or recommend stopping the benefits sooner e.g. significant improvement in health over the 12 months [1]

Need to balance any expected benefits against the expected costs of hiring doctors [1]

If deemed to be too expensive to cover all cases, it can focus on the serious cases where more time and costs can be justified [1]

Main aim would be to reduce cost [1]

Could consider adding in exclusion clauses going forward [1]

Could stop offering cover if doctor says there is more risk [1]

Access to the data to enable pricing for future products, would all be in one source enabling easier analysis of the data to help pricing going forward [1]

Could use the doctors to improve the underwriting and application forms as well as doing the reviews, and they would be able to understand possible medical advances etc in the future again helping the pricing [1½]

Doctor could recommend cheaper treatment, or more regular check-ups. to reduce the costs further [1½]

[Marks available 14, maximum 8]
[Total marks available 91, maximum 47]

- (i) *This part was answered reasonably well, with most candidates coming up with sufficient ideas to score some marks*
- (ii) *This part was also answered reasonably well with sufficient ideas being discussed.*
- (iii) *Many candidates focused on only one idea, with only the stronger candidates mentioning things like hiring extra expertise, risk management options such as reinsurance and extra underwriting etc. A number of candidates focused on areas that such as details of modelling, pricing to compare with competitors etc which didn't answer the question being asked.*
- (iv) *This was generally well answered, however most candidates focused on one specific area in detail and missing the wider marks that were available.*
- (v) *Most answers for this part didn't go into enough detail, and very few conclusion/higher order skills being given to score higher marks*
- (vi) *This part was answered poorly with a lot of candidates just repeating what was mentioned in (v), the stronger candidates had clearly structured their answer to this part*
- (vii) *Those candidates that attempted this part picked up a lot of the obvious marks and scored well, stronger candidates picked up the wider points on how the doctors could be used, that is not just focusing on cost.*

Q2

(i)

- Reconciliation of the total number of policies and changes in policies, using previous data and movement data
- Reconciliation of the benefit/annuity p.a. amounts and changes in them, using previous data and movement data
- The movement data should be checked against any appropriate accounting data, especially with regard to benefit/annuity payments
- Checks should be made for any unusual values, such as impossible dates of birth, sexes, or start dates
- Consistency between the average annuity pa for the previous investigation should be sensible

- Random spot checks on data for individual policies
- Cross check against data from different sources e.g. proposal form

[6½]

[Marks available 6½, maximum 4]

(ii)

The main types of data checks that could be made with the policy valuation data:

- I – compare annuity pa with regular/annuity payments/claims in revenue account
- II – compare new annuity reserves with new single premiums in revenue account
- III - compare terminating annuity reserves with lump sum claims in revenue account [3]

Accounting data can help to check some of the valuation data, for accuracy and completeness. Check will be particularly valuable as accounts normally independent, also audited. [2½]

Examples of data that could be checked – annuity pa, escalation rates, purchase price (for new business), lump sum paid (for terminations). [1]

Examples of data that can't be checked – age, sex, postcode. [1]

The types of checks will depend on the granularity of the available data. Normally valuation data will be available policy by policy, but accounting data may be aggregated – may be possible only to look at in accounting groups eg company, fund level. [2½]

The period of investigation needs to be considered. Because annuities are normally paid at least annually, but frequency can vary within that eg monthly or annual, need to look at a whole year of accounting data. This could be based on policy years but may be easier to work in accounting/financial years. [3]

I – annuity pa cf annuity payments in a/cs

Most annuities will remain in force throughout, so this is an important check.

If accounts data aggregated, and working in accounting years, could compare average total annuity per annum at start and end of accounting year with annuity payments in accounts. This will be crude, because it assumes movements half way through the year (ons, offs, escalations) and an average escalation rate. But it should be reasonable/ballpark agreement and cause for further investigation if large discrepancy. [4]

If accounts data available to policy level, much deeper checks can be made, although there will be a trade-off between accuracy and speed of results. Depends on how much processing power is available as data volumes may get very large. Potentially for each policy, can look at the annuity pa compared with actual payments in accounts for the annuity. Will be able to allow for actual movement/escalation dates and actual amount of escalation. This check is also valuable because it will detect the netting off of errors that can occur at aggregate level. Practicalities will arise ... may need held from admin and accounts departments to understand what are true irregularities eg differences can arise if payments are suspended in accounts for some reason, or payments are just being set up/terminated/corrected/reversed in accounts. [4½]

II - new reserves with new single premiums

In theory, there should be a rough comparison between the two, but new business strain needs to be allowed for – ie premium allows for initial expenses, but reserve will not; premium will be on pricing basis, reserve on a more prudent basis. [1½]

An important test, as premiums tend to be large/chunky. You want to detect if mistimings are occurring (e.g. premium paid in accounting period but admin setup delayed, and no reserve gets set up – large release of surplus). Also, no simple errors have been made in setting up annuity e.g. valuation thinks its paid annually but accounts are paying it monthly. [2]

In practise, further difficulties may arise:

- Need to be able to detect genuinely new annuities from other “ons” e.g.
 - a brand new annuity from external will be comparable with an accounting premium
 - but a new annuity from internal may not have an accounting premium but will have a new reserve
 - often companies do not process an internal transfer as a claim on a maturing policy and a new annuity policy set up, but instead recycle the funds internally
 - it is possible to unravel this eg find out the release of reserve on maturing policy, and compare this with new annuity reserve but time consuming, and sometimes not feasible if new policy number is issued for the annuity
 - various ons will occur which are alterations ie not new business and have no premium in accounts eg
 - alterations from joint to single life
 - to guaranteed, following death

[4½]

III - Termination release of reserves of lump sum claims

Most terminating annuities will not generate a lump sum, so this is probably the least important check. (Could be more important in special situations eg large bulk surrenders/transfers being made.) Also, therefore, likely useful only where policy level data is available. [1½]

First, need to separate out small number of the annuity offs which are expected to generate a lump sum in the accounts, mainly:

- surrenders/transfers out
- commutations of small/trivial apa [1½]

The release of reserves for these cases should then be approximately in line with lump sums in accounts, allowing for valuation strain (lump sum on realistic not prudent terms, release of expense reserves). [1½]

[Marks available 34, maximum 13]

(iii)

Advantages

Avoids a potential clash of home and overseas TCF cultures if a strong TCF approach is used to overseas business. To embed a TCF culture involves convincing staff of the underlying

rationales and principles of TCF, and can take a long time to achieve, but can quickly be undone. If any of these rationales get put into question, it may disturb the approach expected to be used in home market. It is true that the practices of the overseas markets may result in some differences, but the principles of a strong TCF culture should still be adhered to. [4]

Having similar strong approaches should also mean less time and money being spent on alternative processes. [1]

It will mean that adverse publicity should not result from weaker standards overseas. [1]

It may be possible to derive some sort of positive publicity in the overseas market based on examples of how strong TCF can add value for consumers. If so, this may make consumers more trusting of a new overseas market, and hence shareholders can anticipate greater future profit streams. [3]

Longer term financial advantages:

- processes will be developed to prioritise issues in a risk based manner, reducing costs
- less complaints and redress, reducing costs
- greater retention of business, increasing profits
- lighter regulatory scrutiny [2½]

Disadvantages

There is a strong chance that TCF is not, initially at least, valued in the culture of an overseas market. A strong TCF culture can lead to various consequences that restrict profitability to shareholders:

- restricted product range/designs
- less business volumes sold
- charges made more transparent, possibly lower
- less ability to make low payouts to surrendering policyholders
- extra TCF costs will lead to higher prices for customers, which is not good in a developing country where incomes are low [5]

The company will prefer not to be out of line with its competitors by having an unduly strong TCF approach. [1]

How long these disadvantages hold is debatable. A longer term argument is that the market develops, attaches more importance to TCF, and will reward companies as described in the advantages above. The difficulty will be that most shareholders tend to be short termist in their dividend expectations. [3]

Some practices will differ between the home and overseas markets. The stronger the TCF culture, the more money and resources will need to be devoted to supporting processes eg MI. [1]

[Marks available 21½, maximum 5]

(iv)

Advantages to the customer

Country X's consumers may have access to the products that they want and need sooner. The process to buy the new products will be simpler. They may not view TCF as a priority [2]

May get cheaper product [1/2]

Advantages to the regulator

The overseas regulator will probably need to approve the company to write overseas. But the overseas market may not be developed to the point where TCF is considered important enough.

The overseas regulator is able to benefit from the high level of oversight provided by the home regulator, so it may be comfortable in not undertaking it themselves. [2]

Disadvantages to the customer

Consumers will be less protected and less aware of the benefits that TCF can bring. Ultimately, this means consumers will buy products that do not meet their needs, or pay more than they need to, leading to dissatisfaction with the insurer and possibly the industry [3]

Disadvantages to the regulator

Increased customer complaints to deal with if consumers treated badly. Reputation of regulator adversely impacted if perception is they are not sufficiently protecting consumers.

Overseas regulator may have to manage potential regulatory arbitrage having to oversee an influx of new companies attracted by the weaker TCF environment. [2]

[Marks available 9½, maximum 4]

(v) We could concede the simplicity and potential low cost of the idea, as well as its likely popularity among consumers, but the main message needs to be that you can't measure TCF by the level of happiness of customers, or their payout. [2½]

Give examples of this:

I. In times of good investment returns, a policyholder will get a high payout on certain types of policy, and they will probably be happy. But maybe the payout should have been even higher eg if excessive charges hadn't been taken, if investments had been made more in line with the risk strategy explained in marketing materials to policyholders.

II. On the reverse side of the same point, a policyholder could get a low payout and be unhappy, but it may be a fair payout based on low investment values at the time.

(credit for other reasonable examples, one in each direction)

[3]

Need to explain the general principle – Information asymmetry e.g. policyholder thinks annuity represent poor value but doesn't understand the benefits.. The policyholders know a lot less about the issues and ways policies should be managed than the company. In other words, policyholders don't know enough about the issues to be able to judge whether its TCF or not. [2½]

Other points that could be made:

- TCF issues get more complex as the product range increases, which is likely to happen in this case. Particularly areas where company has discretion.
- Constituency of policyholders is incomplete. You shouldn't look at just policyholders that are receiving payouts, but also:
 - continuing policyholders – eg giving too high payouts on claims could penalise continuing
 - policyholders who might have expected to be paid a claim but have been refused/declined
 - how fair have these been treated vs policy conditions [5]
- There is a potential for selection bias as likely that only those who are unhappy with respond. However, the negative feedback may generate improvements. Need to consider the size of the survey population, to ensure the results are credible. [1½]
- Timing is wrong – issues arise right through a policy's life (and indeed at the initial policy design/identify target market stage)
 - mustn't wait until a claim is paid to start looking at TCF issues – too late by then to take any corrective actions
 - Impossible to ascertain the satisfaction of a (now) dead policyholder who has just been paid a death claim. Also, the timing may be inappropriate to ask the policyholder's bereaved family [3]
- The survey results offer the regulator help to develop a TCF regime
 - Perhaps also offer some initial pointers to the characteristics of a strong TCF regime eg
 - culture/embedding behaviours to Directors/staff ...> leads to better outcomes for customers
 - imposing measurable principles/outcomes on the company, and getting MI reports to back these up, and occasional inspection visits
 - explain the importance of developing TCF as the market/product range evolves. [1½]

[Marks available 19, maximum 9]

(vi)

Two aspects to consider – large vs small, proprietary vs mutual.

large vs small

- likely larger amount of free capital already available (hence investment freedom, greater returns, ability to fund new bus strain/expansion, solvency, general strength/stability, ...)
- likely larger product range already available to offer overseas
- larger ability for sales distribution

- potential spare resources to devote to expansion project/greater ability to target best specialists to best areas
- bigger ability for mass advertising
- economies of scale eg reduced per policy costs, systems already set up that can be adapted for overseas business
- bigger bargaining power eg lower consultancy fees, better reinsurance deals
- likely established brand that could be used to market overseas [8]

proprietary vs mutual

- able to raise additional capital if needed to fund expansion
- limit liability to shareholders, not policyholders as in a mutual
- market scrutiny/deeper public reporting available – may be easier for regulator to take a view on quality of company [2½]

[Marks available 10½, maximum 8]

(vii)

As an external actuary, it will be important to research and understand the following aspects before making any decision: [½]

- financial significance of the two alternatives
 - it looks like overseas could be a big opportunity to increase long term profitability, whereas annuities portfolio likely only one part of overall operation, likely less of a financial issue unless very large losses
 - will try to work with the directors to progress this, particularly as there will be added value in being one of the early entrants to the overseas market
 - Presumably the company has enough capital to enter the overseas market, without threatening existing solvency, but the actuary should check on this, and intended sales volumes/types. Because overseas expansion will consume a lot of capital quickly, and even more if significant new business results [6]
- The company needs to consider the relative risk and returns of both options
 - Launching overseas carries its own risks e.g. operational, currency
 - Will require a certain level of expertise to successfully launch overseas, which may not be easily available
 - Relative capital efficiency of both options – will it require huge amounts of capital to start selling overseas?
 - Diversification benefits [4]
- existing plans of the Board
 - how disruptive would it be to disturb the existing plans, may be better to let them run their course
 - can both plans be run in parallel so that no decision is needed on relative priority [2]
- pressure from various parties/stakeholders
 - we already know the Board is under pressure to develop overseas, presumably from shareholders/market analysts, which may promote the urgency of this option
 - less clear is the pressure from other parties
 - home regulator
 - may be concerned about losses on immediate annuities

- it is a relatively straightforward business to run
- should a company be expanding when it appears not to be managing existing business
 - need to get to the bottom of what the cause of losses actually is
 - all the qn tells us is some opinions of the causes, which need to be verified
 - Need to look into various papers on the issue eg experience investigations on mortality/longevity improvements, data reports, new business strain on business volumes sold (or other reasonable examples)
- may press for data investigations if this is the cause, particularly if there are concerns about data issues elsewhere in the company
 - Company's reputation in the home market may suffer if it does not improve its annuity business [7½]
- overseas regulator
 - there is a possible dependency on sorting out the problems of the losses on annuities first
 - like the home regulator, may not be happy with a company venturing into new territory if it cannot be seen to be managing its home business first
 - this may apply even if the annuities portfolio is small [3]
- deadlines set by either regulator
 - eg likely to be some early submission dates for outline plans/intentions for overseas companies bidding process
 - may be able to separate out this preparatory work as a separate substream to work on, even if full scale work on the overseas project is to be delayed [1½]
- competitor actions
 - will be difficult to find out about whether competitors are planning to bid for overseas business, but likely all companies will want to get involved if a lucrative opportunity [1½]

[Marks available 26, maximum 10]

[Total marks available 127, maximum 53]

Of the 2 case studies, Q2 was answered less well, with many candidates not focusing their answers to the questions being asked, and also not using the information provided in the background to help.

- (i) This part was answered reasonably well*
- (ii) Most candidates answered this part very poorly with the average mark for this question less than 25% of the available 13. Very few picked up on any of the main three data checks and so missed out on the majority of marks. Many candidates didn't attempt this in any detail with not enough depth or breadth given to score many/any marks. Those candidates that did attempt in detail tended to focus on general points rather than focusing on the issue being asked.*
- (iii) This part was answered reasonably well.*
- (iv) This part was answered OK, but candidates that structured as advantages/disadvantages to customer/regulator scored better*
- (v) This part was answered poorly by many candidates with many candidates not understanding TCF. Those candidates that did well considered from a number of viewpoints and answered in more breadth to pick up the marks available.*
- (vi) This was answered OK with the average mark being around 50% of the 8 available. Those candidates that considered large vs small and proprietary vs mutual and structured their answer accordingly did well.*
- (vii) This part was answered less well than expected. Many candidates didn't really cover the home and overseas regulators and therefore missed out on a number of the marks available for this. Many candidates focused on the various costs and risks of the overseas project which whilst valid there were not that many marks available for going into detail on the individual options without comparison with the other.*

END OF EXAMINERS' REPORT