

INSTITUTE AND FACULTY OF ACTUARIES

EXAMINERS' REPORTS

September 2019

Subject SA2 – Life Insurance

Specialist Applications

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
September 2019

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

The aim of the Life Insurance Specialist Applications subject is to instil in the successful candidates the ability to apply knowledge of the life insurance environment and the principles of the actuarial practice of life insurance to practical situations for a life insurance company.

The Examiners' Report covers more points than would be expected to get full marks. This is so that alternative approaches to questions by different candidates can be accommodated. Whilst candidates are expected to show knowledge of the relevant content of the Core Reading, it is much more important in this exam to tailor answers and apply that knowledge to the specifics of the question than it is in earlier exams.

Candidates who make well-reasoned points, which are not in the marking schedule will receive credit where appropriate.

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

The paper was well answered compared to recent sessions, which is reflected in the higher pass rate.

Some candidates should consider their exam technique; for example, some candidates went into too much detail given the number of marks available and where the command verb was "outline".

C. Pass Mark

The Pass Mark for this exam was 62

Q1

(i)

The company should take the following factors into consideration when assessing the suitability of a new product design:

- The level of profitability from the product, in line with the Company’s profit metrics [½]
- The marketability of the product [½]
- The target market for the product [½]
- The suitability to meet customer needs for the defined target market [½]
- The planned distribution method [½]
- The approach to remuneration [½]
- The level of competition for the product [½]
- The capital requirements of the product [½]
- and how these capital requirements are intended to be financed [½]
- The onerousness of any options or guarantees [½]
- The level of risk associated with the new product [½]
- and the sensitivity of profit to risks and other factors. [½]
- The level of reinsurance, and the reinsurance terms [½]
- The approach to underwriting [½]
- The extent of cross subsidies between different policyholders [½]
- Whether appropriate administration systems are in place [½]
- Whether planned service standards can be met [½]
- The cost of implementing the new products [½]
- Does the Company have the relevant expertise to operate the products? [½]
- Does the Company have, or have access to, relevant and credible data for use in pricing and reserving? [½]
- Any areas of concern relating to “Treating customers fairly” [½]
- The potential impact on the company reputation of launching the product [½]
- The impact on the company’s tax position of writing the product and the impact of the policyholder tax on sales volumes [½]
- Any legal or regulatory restraints relating to the product [½]

[Marks available 12, maximum 9]

(ii)

Insurance risks

- Both new products introduce a material level of morbidity risk [1]
- In particular the risk that the level of critical illness claims is much higher than expected... [1]
- ... or earlier than expected due to better diagnosis techniques [½]
- This risk is increased as the company has no relevant past claims data [½]
- The Company may not have the experience to be able to set appropriate assumptions... [½]

- ... or it may lack relevant industry data to set or benchmark assumptions [½]
- The ability to review premiums helps mitigate this risk but may not be applicable in practice. [½]

Mortality risk [½]

- Mortality risk (risk of higher deaths) affects both the products in different ways [½]
- Accelerated critical illness has a similar mortality risk to the existing life only product [½]
- Since the policy pays out on either death or critical illness the two risks are related – higher morbidity may in some cases only accelerate the claim event by a limited amount. [½]
- But the experience may be different due to different target markets [½]
- For standalone critical illness the mortality risk differs – the main risk is that policyholder lives continue to a point where critical illness cover can be claimed. [½]
- There is still a loss of premium income from death but this is less material [½]
- Both new products have a risk of higher than expected policyholder numbers lapsing [1]
- early in the contract, before initial expenses can be recouped. [½]
- At later durations lapses avoid the cost of claim so may be beneficial, so lower lapses may be adverse. [½]
- However longer term lapse rates are likely to be assumed to be low so this impact is less likely to be material. [½]
- There is also a risk existing policyholders lapse to purchase the new products [½]
- Instigating a 5 year review could have an unexpected impact on lapses if premium rates are changed [½]
- Lapses could be selective – i.e. those in good health lapse whilst those in early stages of illness remain - which would lead to anti-selection against the company. [1]
- Both products have a risk of higher than expected expenses, which would reduce profits [1]
- Initial setup costs (e.g. underwriting) could be higher than expected [½]
- Maintenance costs could be higher than expected [½]
- Development costs could be higher than planned [½]
- Expenses inflation could be higher than expected [½]

Market risk [½]

- Market risk is unlikely to be material on these products [½]
- However the company may have use bond to back liabilities which would introduce the risk of adverse credit spread movements [½]

Counterparty risk [½]

- Bonds also introduce the risk of counterparty default [½]
- There is a risk that financial advisers will default and retain the premiums paid [½]
- If reinsurance is put in place there is also the risk of reinsurer default taking place [½]

Liquidity risk

- Liquidity risk may occur in the case of large claims where sufficient capital is not available for payment at short notice. [½]

Business mix / volumes

- The products may not sell sufficiently well due to poor design or sales approach [½]
- Lower volumes could be due to competitors repricing [½]
- The lower volumes result in being unable to recoup development costs [½]
- Lower volumes will also lead to less contribution to fixed overhead costs from these policies [½]
- Higher new business volumes may result in higher than expected capital strain... [½]
- ... and a strain on the administration teams [½]
- The size of policy may be smaller than expected, reducing margins [½]
- The mix of business may be different than expected, and lead to a lower overall profit [1]
- The mix of policyholders may be different to that expected, for example, there may be more unhealthy lives [½]

Operational risk [½]

- There is a risk that customer service on the new product is poor [1]
- or there are administrative errors or data issue with the new product [½]
- or IT system failures [½]
- or the product is mis-sold by the financial adviser [1]
- All of which have reputational risk1 [1]
- and could result in a loss of sales volumes [1]
- Issues around product launch could be particularly damaging for the new products [½]
- Operational risk could result in regulatory intervention and/or fines [½]
- Risk of fraud by customers not disclosing known critical illnesses [1]
- Or from the actions of financial advisers [½]
- The expertise associated with the new product may introduce key person risk [½]
- There is a risk that underwriting standards are not correctly applied, meaning incorrect premiums are applied. [1]
- Policyholders do not understand the product... [½]
- ... and so the product does not meet the needs of the policyholder [½]

Conduct risk

- There is a risk that the company acts in a way that is seen as not in the best interest of customers [½]
- For instance, using a narrow claims definition and denying expected payment [½]
- Or poorly defining the conditions covered and so being liable for more claims than expected [½]
- Or through the increase of premiums at review date if this is seen as unfair / prohibitive [½]

Model risk	[1]
• There is a risk the pricing model has been incorrectly specified	[½]
• Or correctly specified but incorrectly built	[½]
• Or is inappropriately used or misinterpreted	[½]
• Leading to the new products being mis-priced	[½]

Regulatory risk	
• There is a risk that regulatory rules for this product may be altered	[1]
• or that tax rules may change, affecting profitability.	[½]

[Marks available 4½, maximum 21]

(iii)

The first line of defence is business operations, i.e. having a well defined control framework in day-to-day operations	[½]
The second line of defence is oversight functions (e.g. a standalone risk function)	[½]
The second line has responsibility for the production, implementation and monitoring of risk management policies and procedures.	[½]
The third line of defence is independent assurance providers (e.g. internal and external audit)	[½]

Third line activities involve the evaluation and challenge of the organisation's risk management processes. [½]

For the three lines of defence model to work effectively, there needs to be strong and effective communication between the three lines [½]

[Marks available, maximum 3]

(iv)

The company should have a clear risk appetite policy	[1]
Experience data – the company should make use of available industry data and external expertise when determining a premium for this product	[½]
Underwriting – the company should put appropriate underwriting at outset in place... ... and at the point of claim...	[1]
... to ensure that the claims are in line with the terms and conditions	[½]
Use medical investigations, nurse screening, or medical records to assess policyholder risk	[½]
Ensure that application forms are sufficiently detailed to avoid non-disclosure	[½]
Obtain medical reports on a random sample of healthy lives to avoid non-disclosure	[½]
Genetic testing could also be used, although there may be limits on its use.	[½]
Carry out an assessment as to whether the policyholder can afford the policy	[½]
Reinsurance – obtain a suitable reinsurance agreement to reduce the risk associated with individual claims	[1]
e.g. quota share or original terms reinsurance.	[½]
For particularly large policies the insurer may want to seek bespoke individual reinsurance	[½]
Reinsurers may also be able to help in providing experience data to aid in pricing and in underwriting.	[½]
Ensure reinsurance treaties are agreed and signed to avoid legal risk	[½]
Counterparty risk – Ensure exposure to individual counterparties is within risk appetite	[½]
Make use of collateral arrangements	[½]

Or other risk mitigation approaches (e.g. credit default swaps)	[½]
Take out key person risk insurance	[½]
Diversify the risk, for example, using other product lines	[½]
Promote ways for policyholders to stay healthy, such as discounted gym membership	
Invest in less risky assets	[½]
Perform a full ALM exercise to reduce liquidity risk...	[½]
... or arrange a liquidity facility with a bank	[½]
Outsource some functions to reduce expense risk...	[1]
...but noting that this introduces new counterparty risk	[½]

Regular monitoring information

By providing appropriate regular monitoring information to management the company can identify areas where it will decide to act to mitigate risks, e.g	[1]
<ul style="list-style-type: none"> • monitor the level of credit exposure and likelihood of default 	[½]
<ul style="list-style-type: none"> • monitor the solvency of the company against a defined risk appetite... 	[½]
<ul style="list-style-type: none"> • ... and carry out sensitivities 	[½]
<ul style="list-style-type: none"> • monitor the liquidity of the company and consider expected future claims outgo 	[½]

Monitoring of the new product	[1]
<ul style="list-style-type: none"> • monitor the business mix to assess whether it is in line with expectations 	[½]
<ul style="list-style-type: none"> • monitor claims experience to assess whether it's in line with expectations 	[½]
<ul style="list-style-type: none"> • monitor sales volumes 	[½]
<ul style="list-style-type: none"> • monitor competitor prices 	[½]
<ul style="list-style-type: none"> • monitor service standards 	[½]

If any elements are out of line with expectations the company may want to investigate further or reprice the product. [½]

Operational risk

Ensure there are suitable business recovery plans in place	[½]
Ensure there is appropriate governance and controls around customer data	[½]
Make use of control accounts to ensure different sources of data in the company reconcile	[½]
Put in place sufficient training for employees around the product and general company practices	[½]
Check that financial advisers are appropriately qualified and understand the product	[½]
Ensure that policy terms and conditions are clear, fair and not misleading	[½]
Carry out robust system testing and user acceptance testing before launching the product	[1]
Carry out robust testing and validation of the models	[½]
Monitor feedback from employees, customers, and financial advisers to identify and potential product issues.	[1]
Carry out surveys of lapsing policyholders to understand their reasons	[½]
Carry out a small pilot launch to test the market and systems	[½]
Have a dedicated team in place to combat fraud	[½]
Conduct risk – Embed a robust framework throughout the organisation to drive towards fair customer outcomes.	[½]

[Marks available 29, maximum 12]

(v)

The claim definitions the company uses may be out of line with the market or a policyholders general expectation. [½]

The product is too complex ... [1]

...Policyholders may be led believe they have cover for a condition when they do not, or only have cover for very severe elements of the condition [1]

Or the company interpretation of the claim definition may differ from that of the customer [½]

This is particularly an issue if claims definitions are ambiguous or difficult for the customer to understand [1]

The charges that apply are unclear [½]

Financial advisors may exacerbate the issue by misinforming the policyholder of the terms of the contract. [½]

For standalone cover there may be issues relating to the lack of payout on death – if the death was illness related there may be an expectation of payment that is not met. [½]

The service provided by the company might be poor... [½]

... for example, due to poor staff training or insufficient staff [½]

The company could demand levels of evidence to satisfy claim payment which are perceived as unreasonable [1]

Or introduce unreasonable delays into the claims settlement process [½]

Or unreasonable barriers into the process for surrendering a policy [1]

The company could introduce other contract terms that are considered unfair (e.g. a limited claim notification window) [½]

If permitted, the company may require use of genetic testing for certain conditions, which could act as a barrier to people with those conditions. This could be seen as unfair. [½]

If new conditions or variants of conditions arise the policyholder may expect them to be covered, however the insurer may not have the same view (and may take a different approach to other insurers in the same position). [½]

Or the company may add these conditions for new policyholders only [½]

If the company does alter contract terms, it may not be made clear to financial advisors and policyholders. [½]

Premiums may be increased to unreasonable levels after the first 5 year review. [1]

The company may not take sufficient care to ensure the policy meets the needs of the policyholders it is marketed to. [1]

Marketing and disclosure material may be unclear or misleading [1]

It may pursue an aggressive sales policy, providing financial advisors with excess remuneration in return for additional business. [½]

The high remuneration may come with a cost in terms of policyholder premiums. [½]

Remuneration may not disclosed in a way that is transparent to the customer [½]

Premium levels between different groups of policyholders may be set in a way that is perceived as unfair or discriminatory. [½]

The company may not put appropriate control functions in place, and this could lead to the customer being at risk of fraud, [½]

or company insolvency [½]

[Marks available 17½, maximum 8]

[Total 53]

- (i) *Well prepared candidates scored highly on this part, although as mentioned above, some wasted too much time on detail not required from an “outline”.*
- (ii) *The key to this question part was to consider the products set out in the question. For example, market risk is not likely to be as significant here as the insurance risks. Again, well prepared candidates scored well.*
- (iii) *Well prepared candidates scored well.*
- (iv) *Candidates who methodically went through the risks and set out ways to mitigate them scored well, especially those that put forward a number of mitigating actions for the more significant risks.*
- (v) *This question part was looking for students to apply their knowledge of the fair treatment of customers to the situation in question. Those who gained higher marks considered the general issues as well as the product in question and the specific issues with defining excluded claims and premium reviews*

Q2

(i)

Reason for lower profits

- Changes to the pensions rules (or any other valid reason)... [½]
- ... have led to a fall in new business volumes [1]
- ... Or due to uncompetitive prices [1]
- ... Or due to a fall in service standards [½]
- This would contribute to the trend in reduced IFRS profits [½]
- ... if new business were profitable under IFRS on day 0.5 [½]
- It could be due to higher new business if new business caused a strain under IFRS [½]
- But this is unlikely given the recent legislative changes [½]
- There may be a trend in any asset mis-match impact if the duration of liabilities is greater than the duration of assets [½]
- There may have been errors in previous years results that are subsequently corrected [½]

Volatility – non-economic experience

- The company may have experienced poor experience, causing losses to be made [1]
- For example lower deaths than expected [½]
- Or higher expenses [1]
- This could impact both the volatile results and/or the trend [½]

Volatility – assumptions

- The company may have changed its best estimate assumptions [1]
- Which impacts IFRS reserves and causes profits to be volatile in the year of change [½]
- Or it may have increased/decreased the margins again having a one –off impact on profits [½]
- With reduced/increased ongoing profits being made from the change in margins [½]
- There may be volatility through inflation impacts on expenses or benefits [½]

Volatility – development costs

- There may have been development costs allocated to the product to allow for [1]
- For example Solvency II [½]
- Or IFRS 17 [½]
- Possibly creating volatility in the profits [½]

Volatility – economic experience

- The company may have experienced defaults on its assets backing the annuity business [1]
- Or downgrades [1]
- Particularly if it invested in more risky or exotic assets [½]
- This could impact the volatility of the profits [½]

- The company may have changed its accounting policy to make the IFRS reserves more in line with Solvency II which may have impacted the profits made in the year of change [½]
- The company may have changed its asset mix ... [½]
- ... in order to meet the matching adjustment, [½]
- ... this would have a knock on effect on IFRS liabilities through the discount rate [½]
- The company may have made mis-match profits or losses which could have impacted the volatility of profits. [½]

Volatility – strategic decisions

- The company may have entered into a longevity swap [½]
- They may have had a one off impact on reserves as mortality assumption change to reflect the rates as per the longevity swap [½]
- Affecting the volatility of profits in the year that the swap is entered in to [½]
- Thereafter this may have an impact on the trend since now actual experience will equal expected, the company may have been making regular profits or losses from their experience depending on whether the best estimate itself allowed for any uncertainty in the assumption. [½]

[Marks available 14, maximum 12]

(ii)

The insurer will need to comply with regulations in the territory in which it plans to sell the new business. [1]

The regulations may be different to those in the UK, [1]

... for example, for cultural differences [½]

and in also in relation to those relevant to the products already being sold in the subsidiary. [½]

It may be necessary to report on two different reporting regimes [½]

The insurer will therefore need to understand the regulatory requirements [½]

There may be additional legislation which will impact the launch [½]

- for example, in relation to consumer protection. [1]
- and equality. [½]
- this may impact the product design... [½]
 - ... for example, there may be a premium or charge cap (any reasonable example) [½]
 - ... or there may be restrictions on the rating factors that may applied [½]
 - ... or restrictions on the type of underwriting that may be carried out [½]
- or sales channel [½]

There may be limits on the amount of overseas reinsurance [½]

The insurer may need to apply for authorisation to sell the new product [1]

- This could be a lengthy and costly process [1]

There may be a requirement to appoint a fit and proper person to perform a statutory actuarial role [1]

- For example they may require a WPA [½]
- There may be different business standards to adhere to. [½]
- For example there may be onerous compliance rules [½]
 - There may be restrictions on how the insurer can communicate with customers [½]
- Regulator may not understand the product design... [½]
 ... or it may wish to promote local products or government regulated products [½]
- Supervisory Reporting may be different– the requirements and timescales for reporting of financial and other information to the regulator. [1]
- Onerous reporting requirements may require systems development [½]
- Monitoring requirements, such as the information provided to the Regulator, may be different. [1]
- Valuation and Capital Requirements may be different [1]
- there may be rules around the valuation assumptions to use [½]
 - E.g. around yield curves, margins, market consistent versus real world, derivation of demographic assumptions, inclusion of persistency rates [½]
 - This may mean gathering more data (e.g. market data) [½]
 - there may be rules around the methodology to use [½]
 - E.g. the rules may require a [locked in basis] [½]
 - Or the zeroisation of negative reserves [½]
 - There may be asset admissibility rules [1]
 - This may require significant system enhancements [½]
- There may be minimum levels of capital requirements [1]
- This could increase the cost of capital [½]
- The Group may become subject to additional regulatory scrutiny. [½]
- If the addition of this new product makes it more important in terms of the market, or increases global interconnectedness such. [½]
- [Marks available 14½, maximum 12]

(iii)

- The overseas territory has experienced significantly higher growth than the UK [½]
 So regulations may be focussed on sales [1]
- Ensuring the sales process is robust [½]
 - And that the sales channel is appropriate [½]
 - That customer needs are considered in the sales process [½]
- In the UK the regulations around the sales process is well established , and companies have well established governance [½]
 The Government considers the development of the insurance industry as important [½]
 Therefore it may aim to ensure that the regulations do not create a barrier to entry... [1]
 ... so it may seek to have simpler regulatory requirements [½]
 For example it might aim to ensure that costs of compliance are not to high [½]
 There may be some products where there is compulsion to purchase [½]

The UK regulators are not concerned with developing the industry since it is already mature.	[½]
The regulator may take a different view regarding rules based or principles based regulation	[½]
The disclosure regulations may be less onerous	[½]
There may not be an approved persons regime	[½]
The overseas regulators may have a less developed Solvency regime and as such may be in the process of developing its regulations.	[½]
The regulator may adopt the Solvency II regime as it is already established...	[½]
... especially the standard formula approach	[½]
[Marks available 10, maximum 5]	

(iv)	
Cannot find the right product giving flexibility required	[½]
Cannot find a product which meets my needs	[½]
Complicated claim process	[½]
Too expensive	[½]
Complicated application process,	[½]
Unable to compare products	[½]
Already have life cover	[½]
The government / employer already provides complementary life insurance to me	[½]
Distrust of the financial services industry	[½]
Will rely on family support	[½]
[Marks available 5, maximum 3]	

(v)	
Term assurance may be sold with critical illness cover in terms of which the sum assured would be paid while the life insured is still alive but suffering from one of a predefined range of critical illnesses such as cancer.	[½]
There could be more variety in the pattern of cover – for example increasing, decreasing sums assured	[1]
The product may also be sold as a convertible term assurance, enabling the life insured to convert the policy to an endowment or whole life assurance before the end of its term, or to roll on as another term assurance.	[½]
It may also be sold as a flexible unit-linked policy with a small savings element,	[1]
...and it may be possible to increase the savings element	[½]
... or add additional risk coverages during the term of the policy	[½]
...or add savings to cover school fees	[½]
...or add some form of permanent health insurance (any reasonable example)	[½]
... or be able to make premium alterations or take premium holidays	[1]
... the savings element would allow the ability to switch unit-linked funds	[½]
... or be able to add dependents in the future	[1]
... or to have the option to renew without underwriting	[1]
Premium sizes may reduce contingent on whether the customer kept up regular exercise and health checks	[½]
[Marks available 9, maximum 3]	

(vi)

The insurance industry is relatively new and developing fast	[1]
It may give the company a competitive advantage	[1]
It has none of the legacy issues around data that other more mature companies have	[1]
New data can be recorded in new ways,	[1]
and can be stored and analysed much more quickly than in the past	[½]
This potentially gives the insurer the ability to process and draw useful conclusions from larger quantities of data, from variable sources, much more quickly than has been the case in the past.	[1]
Data science may be able to make sure that products are offered in a way that keeps pace with customers changing needs	[1]
In this way the customer may become a lifetime customer creating customer value, as opposed to simply being a policyholder	[½]
For example the company may be able to predict key lifestyle changes, and offer products proactively, keeping pace with the customer's needs	[1]
For example there may be stages where the customer may require income protection or critical illness.	[½]
Or they may require savings products for things such as school fees	[½]
Data science may be able to predict changes in disposable income (for example when children leave home, likelihood of career progression),	[1]
... and therefore may be able offer enhanced or alternative products which may previously been unaffordable.	[½]
Data science could help with product pricing...	[½]
... for example it may identify profitable market segments	[½]
Far more data on risk factors, may become available	[1]
Such as health...	[½]
... which could allow targeted underwriting	[½]
However, it may introduce ethical issues, such as data privacy...	[1]
... and it may increase the risk of cyber attack	[½]

[Marks available 15, maximum 6]

(vii)

Company taxation

This would be treated as non-BLAGAB	[½]
Since it is protection business	[½]
Non-BLAGAB is liable to corporation tax	[½]
...at the full corporation tax rate relevant in the overseas territory	[½]
...on its pre-tax trading profits according to the entity Companies Act accounts.	[1]
The accounts are likely to be prepared in accordance with IFRS or in accordance with local GAAP.	[½]
In the UK, the calculation of that profit requires consistency between the income and gains included in the revenue account for non-BLAGAB business (which increases profits) and the increase in policy liabilities (which will typically increase to reflect income and gains earned on the invested premiums) which reduces profits.	[½]
However local GAAP may take a different approach to valuing assets	[½]
Which may differ to the UK where gains per the accounts are taxable whether realised or unrealised, and dividends are not treated as exempt.	[½]
The pre-tax accounting profit will broadly comprise premiums + investment return (including change in value of assets) – claims – expenses +/- change in liabilities.	[1]

There may also be other items such as deferred acquisition costs (DAC), intangibles, and other income. [½]

Where losses arise on non-BLAGAB business, those losses can be used to offset taxable profits in other years subject to limits. [1]

Policyholder taxation

Premiums will come out of post tax earnings [½]

There is unlikely to be material surrender value [½]

...so there is unlikely to be taxed on claim [1]

[Marks available 9½, maximum 5]

(viii)

Whether the company has equivalence or not is relevant [½]

The overseas rules may allocate high levels of tax when the group wants to extract profits from the subsidiary. This may have an impact on any own funds that the group takes into account. [½]

Calculations of any deferred tax assets or liabilities may be complex if the tax calculations differ to the UK [½]

Consider any double taxation arrangements [½]

[Marks available 2, maximum 1]

[Total 47]

(i) Most candidates covered the possible impacts of new business volumes, worsening longevity and expenses. Few candidates went beyond this to cover other possible reasons such as assumption changes or strategic actions.

(ii) Those that scored well were able to apply their general knowledge of to the situation described.

(iii) This question proved to be a good differentiator, with well-prepared candidates considering possible differences in regulation based on the different aims of the regulators.

(vi) Few candidates were able to apply the Core Reading on data science to the example given.

(iv) (v) (vii) and (viii) were generally well answered.

END OF MARKING SCHEDULE