

# **INSTITUTE AND FACULTY OF ACTUARIES**

## **EXAMINERS' REPORT**

April 2013 examinations

### **Subject SA2 – Life Insurance Specialist Applications**

#### **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 SA2**

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 within the marking scheme. 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.

## **Comments on the April 2013 paper**

The April 2013 paper was unusual in that it had three question parts that required significant calculation. The marking schedule contained substantial notes to markers to help provide consistent marking. The first two of the calculation questions, Q1 (i) and (ii), required the candidates to derive and then analyse the surplus. The limited information provided in the question meant that some approximate methods had to be used. The candidates that performed the best on these question parts were those that thought about all the information provided and considered how they might use it. As a result, candidates had to use wider thinking to answer these questions, rather than simply applying knowledge. The other calculation question, Q2 (ii), was more straight forward. Candidates with good knowledge and understanding of that part of the core reading scored well.

- 1** (i) The surplus will be the difference between the assets and liabilities at the end of 2012.

Working throughout in £k and first ignoring new business:

Assets at the end of the year can be estimated by rolling forward over the year by the actual yield i.e.  $5,200 \times 1.06$ .

The assets at the end of the year will be reduced by the amount of maturing assets (or coupons) matching the annuity payouts and expenses.

The annuity benefit payments made and expenses incurred =  $400 \times (1 - q)$   
= 396.

So remaining assets at year end (before yield change) =  $5,200 \times 1.06 - 396$ .

The change in yield means that asset values will have fallen.

We are not told the average term of the assets at the end of the year, so will assume it is 13 years.

Therefore asset values at the end of the year will have been reduced by a factor of  $(1.06/1.07)^{13}$ .

Total assets at year end therefore =  $(5,200 \times 1.06 - 396) \times (1.06/1.07)^{13}$   
= 4,528.

Still ignoring new business, consider now the liabilities at the year end:

The valuation rate of interest is assumed to be the maximum permissible, i.e. 97.5% of the risk-adjusted rate of interest.

The risk deduction is  $(6\% - 5\%) \times 0.4 = 0.4\%$

So the risk-adjusted rate of interest =  $[6\% - 0.4\%] = 5.60\%$

So original valuation rate of interest =  $5.60\% \times 0.975$   
= 5.46%

The expected reserves can be calculated by first rolling forward the reserves to the end of the year at the valuation rate of interest  
i.e.  $5,200 \times 1.0546$ .

And then need to deduct the expected annuity and expense payments in the year, so liabilities at the year end before any assumption changes  
=  $5,200 \times 1.0546 - 396$ .

The risk deduction is  $(7\% - 5\%) \times 0.4 = 0.8\%$

So the risk-adjusted yield at year end =  $[7\% - 0.8\%] = 6.20\%$

So new valuation rate of interest =  $6.20\% \times 0.975$   
= 6.045%

Therefore liabilities at the year end will be reduced by a factor of  $(1.0546/1.06045)^{13}$ .

Total liabilities at year end (before mortality assumption changes) therefore  
 $= (5,200 \times 1.0546 - 396) \times (1.0546/1.06045)^{13}$   
 $= 4,735$ .

And after mortality assumption changes  $= 4,735 \times 1.03 = 4,877$ .

Now need to consider new business. We have been told that the contribution to surplus is a loss of 50.

So the total surplus arising over the year is  $4,528 - 50 - 4,877$   
 $= (399)$ .

Note that we do not have enough information to calculate any mismatch/resilience reserve, but it is possible that there would be some additional mismatch/resilience capital requirements arising at the year end, given that the duration of the liabilities has changed due to the change in mortality assumptions.

(ii) Again, working in £k:

**Release of margins:**

The expected unwind/release of the default assumption (noting that there were no actual defaults during the year)  
 $= 40\% \times (6\% - 5\%) \times 5,200$   
 $= 21$

Expected unwind/release of the valuation rate of interest margin of 2.5%  
 $= .025 \times 5.60\% \times 5,200$   
 $= 7$

**Impact of basic yield movement:**

The impact on assets from the movement in yields is the difference between the expected value of assets and actual  
 $= 4,528 - (5,200 \times 1.06 - 396)$   
 $= (588)$  loss.

The impact on liabilities from a 1% movement in yields is the difference between the expected and actual values,  
i.e. a decrease from expected 5,088 to  $5,088 \times (1.0546/1.0646)^{13}$  ( $= 4,500$ )  
 $= 587$  profit

So the overall impact of the yield movement is  $(588) + 587$   
 $= (1)$

Although matched, there is a second order effect of a yield change on assets being different to liabilities, due to the starting yield on liabilities having defaults applied.

**Impact of credit spread widening:**

We can calculate the impact of the spread widening as a loss of yield of 40% of 1%, i.e. from 6.46% to 6.06%.

The reserves on 6.06% (before mortality assumption changes)  
 $= 5,088 \times (1.0546/1.0606)^{13}$   
 $= 4,726$   
and so the impact of the spreads widening is  $4,500 - 4,726 = (226)$

There is also an impact due to the 2.5% additional margin on the yield, i.e. to 6.045% (before mortality assumption changes)  
 $= 5,088 \times (1.0546/1.06045)^{13}$   
 $= 4,735$   
and so the impact of the 2.5% yield margin is  $4,726 - 4,735 = (9)$   
*[This could be shown separately, included with the credit spread effect or included with the basic yield movement impact above]*

**Expense surplus arising** = 0  
since actual was as valuation basis

**Mortality surplus arising** = 0  
since actual was as valuation basis

**Impact of mortality assumption change:**

The impact of the mortality assumption change is to increase the year end reserves by 3% of 4,735 = **(142)**.

**Impact of new business:**

New business contribution **(50)**.

Total = **21 + 7 - 1 - 235 - 142 - 50 = (400)**

Which agrees the overall total surplus arising, allowing for rounding differences.

Any increase in liabilities due to additional mismatching/resilience capital requirements would be an additional item in the analysis.

(iii) **Risk Capital:**

There may be additional risks for which capital has to be held which are not adequately covered by the Pillar 1 capital requirements.

It may be required to hold a higher level of capital under Pillar 2 of Solvency I through its own calculation of the Individual Capital Assessment (ICA).

And/or the regulator may have imposed an additional Individual Capital Guidance (ICG) requirement.

Or for the company's own economic capital measures.

For example:

*Credit Risk*

This is a major risk for this company, because it invests mainly in bonds of credit ratings lower than risk-free. It therefore needs to hold capital to cover the risk of defaults and downgrades.

*Insurance risk*

This is another major risk for this company. It would include the risk that the company has estimated the current base mortality incorrectly, and/or the improvement assumptions could prove to be incorrect.

These issues are exacerbated by the writing of impaired life annuities.

The base mortality could be incorrect due to model risk, or due to data being interpreted incorrectly (e.g. too much reliance placed on spurious data).

The assumptions for improvements in mortality are difficult to set and involve a lot of expert judgement and could for example be invalidated by medical advances.

*Operational risk*

There are possibly additional operational risks due to the outsourcing arrangements.

*Liquidity risk*

This is unlikely to be a significant risk for this company, given that the assets are matched to the outflows.

There may also be group risk, depending on the corporate structure, and risks attaching to the company's pension scheme.

**Working Capital:**

To fund new business strain.

To fund overheads/development costs.

The company may have strategic objectives which require capital, such as acquiring other companies or blocks of business.

**Ongoing Solvency:**

As well as demonstrating that capital requirements can be met at a designated valuation date, insurance companies have to ensure that they remain solvent at all times.

Capital raising can be difficult and takes time to implement.

This might for example be the case if it is a period of particularly significant economic volatility.

The introduction of Solvency II may mean that further capital is required, and so the company may wish to pre-empt this by holding more capital now.

**Other reasons:**

The company may be trying to target or retain a high credit rating, which would be beneficial for its borrowing costs.

The company may wish to demonstrate a high level of financial strength in order to reassure or attract customers.

The shareholders of the company may have a very low risk appetite.

The company may choose to hold additional capital to support the share price and/or smooth dividend payments.

- (iv) The company wants to assess with a high degree of certainty the assets it needs now in order to be able to meet all cashflows as they fall due.

It will be necessary to decide the risks that are to be modelled.

The base asset and liability valuations would be on a realistic basis.

The company then needs to decide on an appropriate confidence level for the “value at risk” assessment.

If this is as prescribed for Solvency II, then the model could be used as the internal model.

The level is likely to depend on the factors previously described, e.g. desire for a high credit rating.

It will need to decide whether to use stochastic modelling or stress tests to make this assessment.

It will be necessary to determine and calibrate the distribution for each of the stochastic variables.

The company may not have the appropriate data for this, so may require external help.

The company is likely to assume a stochastic model to project forwards its credit risk.

The scenarios would be calibrated to “real world” assumptions.

Volatility assumptions would be required.

The company would have to use an appropriately high number of simulations; likely thousands.

The company might also use stochastic modelling for the base mortality, and for the improvement trend.

However, given the uncertainty in the longevity assumptions, it should also consider stress tests and scenario tests.

For the latter it would be useful to consider how improvements have developed in the past and why these have occurred.

In determining the projected mortality assumptions, the company would need to consider the standard annuitants and impaired annuitants separately.

In fact, there may also be different classes of impaired annuitants requiring separate consideration.

For the impaired life annuities, the best estimate may need to assume that the heavier mortality experienced earlier on will become lighter over time, and how this higher mortality runs off will need to be stress tested.

Interaction between the two types of lives needs to be considered,

The company also needs to consider the time period over which it wishes to assess its capital requirements.

For example, it could assume a one-year period or a “business plan” type period (e.g. 3–5 years) or a full run off.

It is easier to hedge credit risk through capital markets than it is to hedge longevity. Therefore the company may wish to do a full run-off calculation for its economic capital.

If the company decides to do a one-year calculation, it will need to consider how views on future improvements can change over a one year period.

Back-testing of how significantly reserves have changed in one year over the past would be considered.

The company would need to consider any correlations and dependencies between variables and how they may be modelled (e.g. correlation matrix or with copulas).

For example there may be a correlation between credit risk and expenses, or expenses may increase if people live longer.

Credit risk and longevity are possibly uncorrelated, but there may be higher deaths during times when the economy is very weak.

Overall, the asset and liability projections need to be dynamically linked.



Particularly the valuation basis for the realistic reserves, which should be linked to simulated/stressed yields.

Expected new business should be allowed for, in line with business plans.

**Practical considerations**

Decide whether to use full data or model points.

Consider the time it will take to build the model and the resources available.

The model will need a robust validation process.

This is a small company and so these issues will be particularly pertinent.

The model should comply with TAS M.

- (v) There would be a one-off increase in the technical provisions due to the loss of the implied liquidity premium that the company is currently taking credit for.

This could be of the order of £1m based on  $4.877 \times (1.0645/1.05)^{13}$ .

There will be a slight offset to this due to the small credit spread on the rates, but this will not be particularly significant.

This increase in technical provisions is large relative to the existing liabilities and there may be further capital requirements on top of this.

There will be no change to the value of assets.

However, moving technical provisions to swap rates will mean that the company is more exposed to spread widening on the actual assets held since none of the spread widening would be counted towards the yield. So it may now be mismatched.

Capital requirements in respect of stresses on spread widening will therefore increase significantly.

The company currently invests partly in gilts. Even though these may be considered “risk-free”, it is possible that the yields on gilts are higher or lower than the risk-free swap rates.

The company could therefore end up in the situation where, even if they were 100% invested in “risk-free” gilts, the proposal could create a higher or lower liability with no corresponding movement in the assets.

Additional capital may also need to be held in respect of changes in the shape of the swap yield curve relative to the gilt yield curve.

The free assets of the company will reduce, and overall the proposal could make the company insolvent.

- (vi) If the rule could make the company insolvent then it will need to take action to improve its balance sheet.

It may decide to reassess the assets in which it invests. For example, it may move out of corporate bonds. However, if a lot of companies sell bonds at the same time, this could impact the price.

Other restructuring may be considered, for example entering into swap arrangements.

It may have to raise additional capital, for example through a rights issue or a subordinated loan.

However, the company may already hold economic capital at a similar level and therefore the impact may not be as serious.

Whatever the chosen action, a likely impact is that immediate annuity premiums will have to increase.

The company may even decide that it no longer wishes to sell this type of business, or it may diversify into other products.

The company may also have to change its models to take account of the allowance for the yield curve.

*Part (i) – This question part (and part (ii)) required students to apply their knowledge of analysing surplus, the valuation regulations, and also required some ability to make high level estimates where exact information is not available. Most students were able to define what the surplus over the year was, either in terms of revenue approach (i.e.  $\text{surplus} = \text{premium} - \text{expenses} - \text{annuity payments} + \text{investment return} - \text{increase in liabilities}$ ) or balance sheet (i.e.  $\text{change in assets} - \text{liabilities}$ ) approach.*

*Those that gained the better marks were those who recognised that the change in yield had an impact on both assets and liabilities in the same direction, but of a different order due to the allowance for credit risk and prudential valuation margins. Those that gained most marks also made an attempt at estimating the impact of the yield changes. A disappointingly high proportion of students failed to take account of the required 2.5% prudential valuation margin on the risk-adjusted yield. Those students that split the calculations by asset class lost no marks for this approach.*

*Some students attempted to determine the overall surplus by calculating first the individual sources of surplus. This clearly overlaps with part (ii) and so would not be the obvious way to proceed. Further, there is a high risk of not determining the total surplus if a particular source is overlooked.*

*Part (ii) – Most students managed to consider all of the areas affecting part (i) and bring them into the part (ii) analysis of surplus.*

*The better students worked methodically through the key sources of surplus, using insights from (i) and attempted to get the same answer as in part (i), with a commentary where the total surplus analysed differed materially from that calculated in part (i).*

*Part (iii) – This question was answered well by those students who were well prepared and who acknowledged the fairly high mark allocation. Those who gained good marks on this question part were those who had studied carefully and understood this part of the syllabus.*

*Part (iv) – The question was asking about the modelling considerations for the economic capital calculations. Some students focussed too much on discussing assumption setting, without covering the wider modelling considerations adequately. Disappointingly few delved further into the fact that there were impaired annuities, which would require special treatment. Some students overlooked that the question was about a company that has only ever sold without profits annuities and discussed management actions relevant to with profits business. Most students considered correlations and dependencies, but missed relatively straightforward marks by not elaborating on what these might be in this specific situation. Some students discussed whether a cashflow or formula approach was relevant, but should have realised that the latter would not constitute an economic capital model.*

*Part (v) – Many students gained good marks in this question part. Those who gained more marks than the average noted that the company would now be mismatched and also may have additional capital requirements. Only the better students estimated the potential impact or considered the likely materiality of the change.*

*Part (vi) – Most students recognised the need to change asset allocation, and raise capital, with those who gained more marks expanding into suggestions of how the latter could be done.*

- 2** (i) The policy is non-qualifying and so policy benefits are taxed in the hands of the policyholder.  
So there is a potential tax liability on surrender, partial surrender, maturity, and also benefits paid on death.  
The premium is paid out of net of tax earnings, i.e. the premium does not qualify for tax relief.  
Tax is not payable on the premium.  
Tax is charged on the excess of the benefit over the premium paid.  
On death, the excess is calculated using the surrender value applicable immediately prior to death as the benefit amount.  
In the case of a partial surrender, the excess is calculated as the amount received over 5% per annum of the premium.  
On final surrender, the taxable amount is the total gain less what has already been taxed under partial surrenders.  
If the latter exceeds the total gain, tax relief can be claimed against other income.  
The tax rate that applies is the policyholder's marginal rate of tax less the lower rate of tax (charged on savings), as the basic rate of tax has been paid through the "I-E" calculation.

*Well prepared students were able to gain full marks on this bookwork-based question part.*

- (ii) **2013**  
BLAGAB is determined on an "I-E" basis.

$$I-E = 100$$

The company is a proprietary company and so is subject to the minimum profits test.

Adjusted "I-E" = the "I-E" plus the share of dividend income.

This equals  $100 + 0 = 100$

This is compared with the Life Assurance Trade Profits

$LATP - \text{adjusted "I-E"} = 200 - 100 = 100 > 0$  (or alternatively simply that  $LATP > 100$ )

So the minimum profits test bites.

The E is restricted so that the two amounts are the same.

So the E is restricted by 100 which is carried forward to the next year's tax calculation.

The taxable amount is therefore 200.

As the minimum profits test bites, this is all taxed at the corporation rate of tax.

$$BLAGAB \text{ tax} = 200 \times 24\% = 48$$

OLTB is taxed on a trading profits basis

The trading profits are calculated as:

Premium + investment income + increase in value of assets – expenses – benefits paid – increase in liabilities – losses carried forward

Gives taxable trading profit = 50

OLTB is taxed at the corporation rate of tax

$$OLTB \text{ tax} = 50 \times 24\% = 12$$

$$\text{Total tax liability for 2013} = 48 + 12 = 60k$$

## 2014

BLAGAB

$$I-E = 600$$

$LATP - \text{adjusted "I-E"} = 250 - 600 = (350) < 0$  (or alternatively simply that  $LATP < 600$ )

So the minimum profits test does not bite.

The taxable amount is therefore 600.

As the minimum profits test does not bite:

The element of the minimum profits not derived from dividend is taxed at the corporation rate of tax.

The balance is taxed at the policyholder rate

$$\text{Tax} = 250 \times 24\% = 60$$

$$\text{Plus } (600 - 250) \times 20\% = 70$$

$$BLAGAB \text{ tax} = 130$$

OLTB

Taxable trading profit = 15

$$OLTB \text{ tax} = 15 \times 24\% = 3.6$$

$$\text{Total tax liability for 2014} = 130 + 3.6 = \text{£}133.6k$$

(iii) **BLAGAB**

Expenses have fallen from 2013 to 2014.

The magnitude of the fall is significant, particularly when considering that 100 of the E in 2014 is carried forward XSE from 2013.

The reduction in expenses could be due to:

- A cost-cutting exercise or improved cost efficiency.

- Exceptional costs in 2013, for example due to regulatory changes, which have been significant during that period, e.g. Solvency II Higher XSE carried forward into 2013 than into 2014.

- A reduction in new business volumes so lower acquisition costs
- High acquisition expenses from business written seven years ago having run off

In contrast, investment contribution I has risen.

This is most likely to be due to strong economic performance.

The overall increase in I relative to E could also have been due to a material shift in business mix, through high volumes of investment business being sold.

The LATP profit has increased, but not by as much as would be implied by the increase in I-E.

This could suggest that reserves have been strengthened, or perhaps variable charges have been reduced in line with the fall in expenses.

**OLTB**

Most of the figures have increased, particularly premiums and reserves.

The reserves have increased by more than the premium, possibly due to strengthening of the reserving basis.

The size of the company is quite small, however it seems to be growing rapidly. Such a company would need to grow in order to achieve economies of scale to cover large fixed costs.

It is possible that the company took a while to adapt to the Retail Distribution Review but managed to gain significant growth in sales. (*Or any other sensible "real world" example*).

Investment earnings and expenses have moved in the same way as for BLAGAB, reflecting similar possible reasons.

The OLTB business moved into profit in 2013 (noting the loss brought forward), which could be due to better pricing, or increased variable charges, or better actual experience.

The OLTB profit was lower in 2014, which would be consistent with a strengthening of reserves.

Or it may be due to higher new business strain, given the portfolio growth, although this is to some extent contradicted by lower expenses

### Impact on future taxation

In 2013, the company was XSE and in 2014 it was XSI.

The impact on the future taxation basis, and in particular whether it will stay XSI, will depend on how the various factors develop in the future.

If it is a growing company, then the 2014 result might suggest that the company has achieved a critical mass of business, so its BLAGAB business could now remain XSI.

Having returned the OLTB business to profit, the company will be aiming to maintain it as profitable, so the 2014 basis could be the norm going forward. However, if the 2014 result is due to exceptional investment returns, then the position going forward is less clear.

If the profit trend continues, then the OLTB may start to generate carried forward losses.

*Part (i) – Again, well prepared students gained full marks here. Some did not read the question correctly and adjusted the “E” figure for carried forward XSE, and some simply did the calculations without any explanation of their workings. The latter was explicitly required by the question, and it also meant that the potential loss of several marks if a simple calculation error occurred. Those who did not do so well did not appear to have studied the relevant part of the syllabus or considered how the tax principles described in the core reading would be applied in practice.*

*Part (ii) – Most students were able to suggest some possible reasons for the key movements in I and E and profits. The better students were those who gave greater elaboration on why this may have happened, including bringing in how changes in the reserving basis and new business levels could have had an impact.*

- 3** (i) The investment amount, and hence unit fund, will be lower  
All fund-based items will therefore move downwards in proportion to the movement in premium.

The impact on profit cashflows will be:

- + Fund-based charges: will be lower due to lower unit fund
- + Surrender penalties: will be lower as expressed as a % of the unit fund
- Fund based expenses such as investment fees: will be lower
- Other expenses incurred: should be unchanged
- + Tax relief on expenses: will be lower to the extent that they are fund-based
- Commission: no longer charged
- + Tax relief on the commission: no longer received

However, the overall impact of commission will be offset by the loss of the commission clawback.

- Any mortality costs if death benefits exceed the value of the unit fund: if the death benefit is expressed as a % of unit fund then this will be lower.

However if the death benefit is expressed as a fixed minimum guaranteed amount then this will be higher.

– Cost of holding non-unit reserves: will be higher due to likely higher non-unit reserves, due to the reduction in fund-based charges with no corresponding reduction in expenses.

The fund-related profit items will have reduced by a relatively small amount in percentage terms, i.e. equal to the commission as a percentage of the premium, which for a single premium product is likely to be relatively low e.g. 5%.

However the removal of the commission will be a very significant increase to the amount of profit, which will likely far outweigh the impact of the fixed expenses now being proportionately greater and the loss of the tax relief on the commission, especially as the value of this is deferred.

The impact on profit output will likely be most significant for model points with higher premiums and older ages.

- (ii) Much of the charging structure will have been developed to recover the initial commission.  
Such features might have included a higher fund charge in the early years and/or significant surrender penalties on early lapse.  
These will no longer be needed to the same extent so are likely to be reduced.  
But there will still be some need due to initial administration costs.  
The capital efficiency would also be increased if these features remained in the design to some extent.

Reducing the surrender penalties is likely to change the experienced lapse rates.

Also, RDR itself may alter the persistency experience.

So it may be appropriate to introduce other features to improve persistency, such as loyalty bonus units.

These changes are likely to make the product appear more attractive to potential customers.

But the fact that the customer will not be able to get tax relief on the advisor fee may mean that they are worse off overall.

The company will no longer be able to compete on commission terms, so it may need to focus more on having competitive product terms.

It will still be necessary to compare with the approach to be adopted by competitors.

The company would not wish to be out of line with the market, which could lead to a significant reduction or increase in new business volumes, leading to more problems covering fixed expenses.

Or conversely it could lead to the administration department being swamped, with the associated potential for reputational or brand damage.

Higher volumes might also offset the beneficial impact of the per policy reduction in capital strain.

*Part (i) – Several students did not read correctly what the question was asking for and so did not restrict their answer to explanation of the output of the pricing model for this particular product, assuming a lower premium and no commission. Of those that did answer the*

*question, only a few made comments about cashflows other than the fund charge, commission and surrender penalty. This question required some thinking about how the model would work and those who did well, did so by setting out clearly the model components and methodically went through how each of those (including the non-unit reserve) might change. Some students that considered the non-unit reserves incorrectly related them to the commission which was a day 1 expense as opposed to a projection of charges and future expenses, and consequently made the incorrect observation that the non-unit reserves would reduce.*

*Part (ii) – Disappointingly, a number of students failed to state that, because commission was no longer an expense, then charges could be reduced. Those that did, and who also went on to counteract this with the impact of potentially lower volumes and changes to persistency meaning that not all of the savings might be fed through, gained good marks. Most considered the implications of competition and those who did better also noted that commission was no longer a differentiator.*

## **END OF EXAMINERS' REPORT**