INSTITUTE AND FACULTY OF ACTUARIES

EXAMINERS' REPORT

September 2018

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.

Mike Hammer
Chair of the Board of Examiners
December 2018

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

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

2. 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.

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

Question 1 was of a technical nature, whereas question 2 was more practical.

In question 1, there were different ways to answer the question. Candidates were awarded marks if they made well-argued points even if these differed from the marking schedule. For example, the marking schedule for 1 (i) is written on the assumption that the unit-linked charges are a percentage of fund. Different conclusions would be drawn if the charges were of a different form. Candidates gained the marks if they appropriately argued from this different view point.

There was a mix of questions. Some were more straightforward and most candidates scored well. Some were more challenging.

In general, candidates scored better on question 2. It appeared that candidates lacked some basic knowledge in question 1. For example it was evident that a number of candidates did not know the definition of "own funds" or assumed that annuities could be surrendered.

C. Pass Mark

The Pass Mark for this exam was 58

Solutions

The marks shown here are out of 200, so represent 0.5/100.

Q1 (i) *With questions such as these, it is not possible to set out a solution that covers every possible situation. Marks were awarded marks for sensibly argued outcomes, even if they contradicted the marking schedule below.*

Equity Risk

Equity risk will be driven by the unit linked business. [1]
Equity risk is unlikely to affect the annuity portfolio as closely matched with fixed-interest assets… [1]
and equities would not be allowed in the matching adjustment portfolio. [1]
The risk arises when equities fall, and charges on the unit linked contracts reduce. [2]
Which increases the BEL under stress [2]
Any surplus funds invested in equity will also reduce in an equity stress. [1]

Property Risk

Property risk will be driven by the unit linked business. Since properties would not be allowed in the matching adjustment portfolio. [1]
The risk arises when property values fall, and charges on the unit linked contracts reduce. Which increases the BEL under stress. [1]
Any surplus funds invested in property will also reduce in a property stress. [1]
The outcome is likely to be smaller for property than for equities, as the property holding is likely to me smaller. [1]

Yield Curve/risk free

An increase in the yield curve rates results in annuity BEL reducing. [2]
The value of fixed interest assets backing the annuities will also reduce. [2]
As these are well matched there should not be a significant impact from the annuity business. [2]
However it could be that assets reduce by more than the BEL if there is some mismatch which could contribute to the capital. [1]
For the unit-linked business the impact on the charges will depend on their form (monetary or percentage of funds). If they are percentage of funds, then their value will be unchanged. [1]
The value of charges less expenses will be discounted at a higher rate and this will result in a decrease in the BEL. [2]
This is will contribute to the undiversified SCR. [1]
Any surplus funds invested in fixed interest will also reduce as yields increase. [1]

Credit spreads

An increase in spreads will reduce the value of assets. [2]
It is likely that there are significant bonds in the annuity matching adjustment portfolio. [1]
Not all of the spread will feed through to the BEL discount rate under stress. [1]

Hence much of the SCR in respect of credit spreads will come from the annuity business. [1]
Any surplus funds invested in fixed interest will also reduce as spreads widen. [1]

Counterparty
This is very small, as not much exposure to counterparties… [1]
…as no reinsurance or derivative use. [1]
For example: custodian services or administration outsourcing. [1]
(award for any suitable example)

Expenses and expense inflation
Expense risk will be driven by expenses both in respect of annuities and unit linked liabilities. [1]
Company is exposed to expense risk if it is not able to vary policyholder charges as expenses vary [1]
Similarly for expense inflation. [1]

Persistency
This is the risk of the unit linked policyholders will surrender their policies which results in reduced income from charges. [2]
The firm writes large volumes of unit-linked business so this is a material risk [1]

Mass Lapse
This is the risk of the unit linked policyholders will surrender their policies which results in reduced income from charges. [1]
For example, fixed costs may not be covered by charges. [1]

Longevity
This is the risk that the annuity policyholders live longer than expected. [1]
This may also include the risk that the base assumption is too high. [1]
The large volume of annuities will result in high longevity risk…. [2]
…as the longevity risk is not hedged. [1]

Mortality
There is a small death benefit risk on the unit linked business which is driving this SCR. [1]

Operational Risk
This is based on the standard formula and as such is based on a percentage of earned premiums [1]
..and technical provisions [1]
[Max 26]

(ii) The company will need to justify being able to sell new business after a 1:200 event. [1]
…at the levels assumed [1]
…and at the level of profitability assumed [1]

Under the biting scenario, equities are expected to fall [1]
Justification would therefore need to be made as to why people would but unit linked products when markets are low. [1]
The profits would also need to take account of the stresses applied to expenses and lapses. [2]
[Max 6]

(iii) The loss absorbing capacity of deferred taxes could, for example, include a reduction in any base balance sheet deferred tax liability… [1]
… as this would no longer be fully payable in a stressed scenario. [1]
Profits from previous years can be used to offset losses [1]
[Max 2]

(iv) Interest rates rising results in more capital required pre-diversification as in isolation this stress is onerous for the firm. [1]
Similarly, mortality worsening results in more capital required pre-diversification as higher mortality results in fewer UL policies on the books, and lower charges received. [1]
Post diversification the capital required from each of these stresses is negative due to diversification:
- Mortality worsening has a negative correlation with longevity (ie people living longer is more onerous for annuities) [1]
- Interest rates up has a negative correlation with other market stresses. [1]
- Interest rates up has a negative correlation with other non-market stresses. [1]
[Max 4]

(v) The dominant risks are
equity, [1]
credit spreads, and [1]
longevity. [1]
Since these give the highest diversified capital. [1]
[Max 4]

(vi) *As for part (i), award marks for sensibly argued outcomes, even if they contradict the marking schedule below.*

Increase in interest rates:
Impact on SCR:

Equity Risk – There will be no impact on the SCR in respect of any surplus assets held in equities [1]
…..the projection rate and discount rate for unit linked charges will be higher, [1]
this would have minimal impact on the equity stress in relation to the unit linked charges since the fund is rolled up and discounted at the same rate. [2]

Spreads – the spread SCR is the difference between the change in assets and liabilities after an increase in spreads. [1]
An increase in interest rates reduces the value of fixed-interest assets on the balance sheet [2]

..and so this reduces the spread stress on fixed-interest assets. [1]
The reduction in liabilities is also less as the liabilities start from a smaller starting position [2]
..but this is a smaller impact than assets due to matching adjustment restrictions. [1]
So overall the SCR reduces. [2]

Longevity – SCR reduces [1]
….as the liabilities have reduced with the higher yield curve. [1]

Overall the SCR reduces [2]

Impact on own funds:
The value of any surplus fixed interest assets will fall. [2]
…this will decrease the own funds. [2]
The decrease in the value of annuity liabilities goes down due to the higher discount rate [1]
…which is broadly offset by the reduction in matching assets [1]
….so no material impact on the own funds. [1]
Unit linked assets and unit liabilities are unaffected [2]
……but projected charges may be higher as the yield curve increases [1]
……this is offset by the increased discount rate [2]
…….but expenses are also discounted at a higher rate [2]
……so own funds increase [2]
(If candidates start from a position of positive non-units reserves, then award marks for a sensibly constructed argument.)
The components of the SCR driving the risk margin is unlikely to change [1]
…since interest rates are unlikely to contribute to the non-hedgeable risks [1]
However the discount rate used in the calculation of the risk margin will increase [1]
…… which will reduce the risk margin and increase own funds [1]
…….potentially significantly [1]
Overall the impact depends on the relative impact on the surplus assets, risk margin, and unit linked TP. [2]
…but since the undiversified interest rate stress is an upward stress, the own funds are likely to reduce. [1]

Increase in equities:
Impact on SCR:
Equity Risk – The SCR will increase [2]
….. due to there being higher exposure to equities. [2]
….there may be a second order impact if this data impacts the calibration of the stress, the direction would depend on the company's calibration assumptions. [1]

Spreads – there will be no material impact on the spread stress [2]
…….since fixed interest assets are unaffected. [1]

Longevity – there will be no impact on this stress [2]

….since the annuity liabilities are not backed by equities

Overall the SCR is likely to increase. [2]

Impact on own funds:
The value of any surplus equities will increase. [2]
…this will increase the own funds. [2]
There will be no impact on the annuity liabilities or matching assets. [1]
Unit linked assets and unit liabilities both increase and offset (so there is no impact on own funds) [1]
……but projected charges will be higher [2]
……due to higher unit values [1]
…… so the BEL will reduce [1]
……so own funds increase [1]
The risk margin is unlikely to change [1]
…since equities are unlikely to contribute to the risk margin [1]
Overall we would expect the OF to increase. [2]

High lapse:
Impact on SCR:
Equity Risk SCR– This will reduce [2]
…..since there are fewer equities (once sold) held due to the lapses. [1]

Spreads – no impact as this did not affect the annuity business. [2]

Longevity – no impact as this did not affect the annuity business. [1]

Overall the SCR reduces [2]

Impact on own funds:
Unit linked assets and unit liabilities both fall by the same amount [1]
……but projected charges less expenses will be lower due to there being fewer policies in force [2]
……this decreases own funds [1]
The risk margin will decrease due to the lower SCR (increase OF) [1]
….since the risk margin is based in insurance risks [1]
….and the risk margin can be released for policies no longer in force [1]
Any surrender profits would increase OF. [1]
Overall the OF could increase or reduce depending on the relative sizes of the above effects. [2]
[Max 40]

(vii) The company may increase its best estimate assumption [1]
It may also change its SCR calibration [1]
…as this event could invalidate the assumed 1:200 stress. [1]
Alternatively the company may wait to see whether this is a one off event. [1]
The company may perform an investigation into whether other Group Schemes are at risk of lapsing. [1]

This could involve analysing the various Scheme's charges against competitor's charges. [1]
…or contacting Schemes to discuss whether they are happy with the terms. [1]
Any analysis would consider any surrender penalties. [1]
The company is likely to consider retention activities or improvements to product design. [1]
(any sensible examples)

[Max 6]

(viii) This is the risk of loss, resulting from

- inadequate or failed internal processes, [0.5]
- People [0.5]
- and systems, or [0.5]
- from external events. [0.5]

- the risk of mis-pricing, [0.5]
- transactional processing failures, [0.5]
- poor service standards… [0.5]
- … leading to reduced new business, and [0.5]
- administrative errors. [0.5]
- … such as unit-pricing errors. (*any sensible suggestion)* [0.5]

For the annuity business this will include inadequate analysis of in-force business. [1]

For Group Pension products, the risks to the insurer will be similar, in principle, to those for individual personal pensions, [1]
except that in addition, there will be the particular risks that administration may prove more complicated… [1]
… and expensive than expected, [1]
and the sales process may be more at risk to the possibility of mis-selling. [1]
Also, the insurer may also end up with greater concentrations of risk in certain areas… [1]
… and industries than if it had sold just individual personal pension business. [1]

More general issues are:

- Fraud [1]
- Inadequate models [1]
- Regulatory/tax changes [1]

[Max 8]

i. This was generally well answered, although some candidates struggled more with the economic risks.
A number of students gave reasons why, for example, equities would reduce, or longevity got worse, without linking the stresses to why the undiversified capital increased. Some answered the question as if the question were asking about diversified capital.

ii. *Very few candidates identified that the main issue, which was that it would be necessary to justify the ability to write new business in a stressed environment.*

vi. *Candidates who scored well recognised that the question asked for a sensitivity test to the balance sheet to be carried out. For example, the increase in equities sensitivity required that the balance sheet to be recalculated with an increase in equities, and then the SCR and own funds were to be calculated* ***from that revised balance sheet****. The increase in equities was not one of the stresses to be used to determine the SCR.*
A number of candidates discussed correlations between the various risks, as opposed to the impact on the undiversified capital of a sensitivity. Those who did better recognised that the impact of the sensitivity on own funds could be inferred from the undiversified SCR of the same risk.

viii. *This sought to identify the risks that would need to be considered in determining the capital required for operational risk, taking into consideration the products written by the company.*
Some candidates only considered the model risk of moving from standard formula to an internal model. Whilst a part of the solution, this does not answer the question as a whole.

Q2 (i)

Need to replace lost new business… [1]
… and lost profit. [1]
These may be attractive in the market [1]
The aging population may mean this market is expanding [1]
Both current and proposed products target older customers. [1]
The main risk for these products is mortality. [1]
The company already has experience in assessing mortality/longevity risks for older lives. [2]
Thus it may have a competitive advantage. [1]
As it writes impaired life annuities, it will also have experience of underwriting… [1]
… which may be of relevance for the inheritance tax product. [1]
For the annuity business, longevity is the main concern. [1]
For these products, early death is the main concern. [1]
So these products will provide some diversification of mortality risk. [2]
So the SCR may reduce. [2]
For the inheritance tax product, the company may be able to use its current distribution approach. [1]
But there are opportunities for an alternative, simpler distribution channel. [1]
[Max 8]

(ii)

The initial sum assured might be set at the (expected) level of inheritance tax at outset… [1]
… but it is unlikely that, over time, the sum assured will match the inheritance tax due at the time of death. [2]
There may be a change in the way inheritance tax is calculated… [1]
…For example, due to a change in the inheritance tax rate change. [1]
Or a greater accumulation of wealth with age. [1]
Or assets held increasing in value at a different rate than the national index [1]
e.g. property [1]
There is therefore a risk that the sum assured is lower than the inheritance tax due [2]
And it may not be possible to change the existing policy / the existing policy is not flexible [1]
The value for money reduces the longer they live. [1]
The policyholder's health may have deteriorated… [1]
… making it impossible or expensive to increase the sum assured (or purchase an additional policy). [1]
Alternatively, changes may make the policy unnecessary… [1]
… increased spending over time erodes the tax liability [1]
… and so the policyholder may have to surrender the policy... [1]
… and the surrender value may represent a poor return on the premiums paid. [1]
So there is a risk that the product no longer meets the needs of the policyholder. [1]
There is the risk that the policyholder has been mis-advised… [2]
… such as the inheritance liability was mis-calculated. [1]
… and so could have got a better product from a different company… [1]
… or the product does not best meet the needs of the policyholder. [1]

The policyholder may have been misled to believe that the benefit would indemnify the inheritance tax liability. [1]

There is the risk that the company becomes insolvent… [2]
… and so does not pay the benefit on death. [1]
This may be exacerbated if the company cannot successfully find a new strategy to replace the loss of annuity business. [1]
The policyholder may not be able to afford to continue to pay the premiums [2]
e.g. due to accident or sickness *(either)* [1]
or redundancy or reduced income at retirement *(either)* [1]
[Max 16]

(iii) The in-force policyholders use financial advisers and will most likely have purchased their annuities from the proceeds of a pension arrangement…
… thus they are likely to be reasonably affluent… [1]
… and financially sophisticated. [1]
… and so the product is not likely to meet their needs [1]
They are also likely to be above retirement age [1]
On average perhaps in their 70s [1]

It is unlikely that the guaranteed over 50s product would be a suitable product for financial advisers to sell. [2]
As the premiums will be low… [1]
… and so the level of commission would not justify the effort. [1]
The product would appeal to customers who would like a simple product that is easy to understand. [1]
Due to the maximum sum assured, premiums are likely to be low. [1]
The most effective method of distribution for this product is likely to be direct marketing. [1]
This would imply that the likely target market for this product will probably of lower socio-economic group to the annuitants… [1]
… and less financially sophisticated. [1]
… less likely to have savings and so may be concerned about funeral costs. [1]
There is the risk of anti-selection if advisors are used, given the absence of underwriting. [1]
[Max 8]

(iv) Conduct risk is the risk that firm behaviour will result in poor outcomes for customers. [2]

There could be poor control of distribution. [2]
Marketing literature may be unclear or misleading. [1]
The different target market indicates that a new distribution channel is likely to be used… [1]
… so there is increased risk of mis-selling. [2]
… or the product design not meeting the customers' needs. [1]
There could be poor servicing [1]
e.g. benefit payments may be late or delayed. [1]

e.g. customer queries may not be answered in a timely manner. [1]
Administrative errors could be made… [1]
… if staff are insufficiently trained. [1]
e.g. premiums may not be collected/registered correctly. [1]
The company could mis-price the new product and overcharge customers. [2]
The company could over-estimate the potential anti-selection (due to having no underwriting) and overcharge customers. [1]
There could be complaints from customers who have survived so that premiums paid are close to, or exceed, the sum assured. [1]
The company could be accused of exploiting the lack of knowledge (or financial sophistication) of the target audience (information asymmetry). [2]
The company might not keep pace with regulatory requirement changes… [1]
Or with customer needs / market conditions [1]
e.g. in relation to the benefit amounts *(any example)* [1]
The company could change its strategy again shortly after launching the product (e.g. if annuity volumes pick up again)… [1]
… and it may not invest in looking after the few guaranteed over 50s policies that were sold [1]

[Max 12]

(v) **Profitability**

The company needs to consider profitability. [1]
The product will need to meet the company's defined profit criterion. [2]
This might be in the form of a level of present value of profits… [1]
… at the chosen risk discount rate… [1]
… expressed as a percentage of sales volume. [1]
Or a required return on capital. [1]
Or a pay back period. [1]

Capital measures are likely to be important due to high new business strain. [2]
In order to test profitability, the company will need to make assumptions about future experience [1]
Particularly mortality rates [2]
Which would have to take into account the lack of underwriting [1]
And the specific target market [2]
Also expenses, investment returns, inflation, surrenders [2]
Need to include a contribution to overheads [2]
Start with best estimate assumptions [1]
The company does not have any existing experience for this product [1]
So may have to obtain external assistance [1]
And increase the risk/pricing margins / include high margins [1]

Model points would be required for the pricing exercise [1]
Reflecting expected age profile [1]
And gender profile (if pricing according to gender is permitted in this country) [1]
And expected premium sizes [1]
And an estimate of new business volumes [1]

If the basis on which the company publicly reports its new business profitability differs from the chosen pricing basis, then it should also investigate the level of profitability under the reporting assumptions. [2]

Marketability and competitiveness

The company will need to ensure that the product is attractive/marketable. [1]
And that it is competitive. [2]
It needs to identify the key competitors in this market. [1]
And investigate the features/price of their products. [1]
The key will be to identify the direct marketing strategy that provides the highest volume of business for a given marketing spend. [1]
Extensive market research may be needed. [2]
Or a significant number of test pilots might be carried out. [1]
It could adopt a similar strategy as market leaders in the market… [1]
… and aim to compete on price. [1]
It will need to decide on an advertising strategy. [1]
The company might try to identify a niche market that it believes is untapped by competitors. [1]
This might enable a higher premium to be charged than competitors. [1]
But would also limit potential sales. [1]
The company may need to test how sensitive the market is to price. [1]
It may decide to compete on other areas e.g. servicing levels. [1]
Consider the competition's approach to underwriting to reduce anti-selection. [1]

Suitability to meet customer needs for defined target market
The product should meet the customer needs. [2]
The main aim here is to provide value for money. [1]
This becomes harder for those that survive a long period. [1]
This could be addressed by limiting the premium payment period… [2]
… to a specified term… [1]
… or to a specified age. [1]
This would, however, increase the premium… [1]
… which would make it less marketable. [1]
The company needs to decide whether to allow policyholders any flexibility if their needs change [1]
e.g. to increase the sum assured for an additional premium [1]
Need to consider existing customers as they may see worse service if resources are diverted to the new product. [1]
The brand may not be known in this market. [1]

Distribution method and remuneration

The company needs to decide which distribution method to use. [1]
Direct marketing methods are likely to be used. [2]
The company needs to determine the optimal use of the various direct marketing methods: [1]
… TV/radio [1]
… press [1]

… magazine [1]
… internet [1]
It may want to focus on generating leads to call centres. [1]

The company would have to consider how to remunerate these call centre staff. [1]
Commission or bonuses for sales are likely to increase sales. [1]
But would also increase the risk of mis-selling. [1]
There may be a marketing advantage to confirming non-incentivised sales staff. [1]

Financing / capital requirements
The company needs to consider the financing/capital requirements of the launch. [1]
And whether it has available sufficient capital… [2]
… or whether it will have to raise more capital [1]
Capital strain will increase if sales volumes are high. [1]
It will need to meet the development costs. [1]
And the ongoing upfront costs, which are likely to be high. [1]
If the supervisory reserving basis is prudential, then there may be reserving costs in addition. [1]
If the reserving is instead done on a best estimate basis, the initial reserves may be zero/negative. [1]
But some additional solvency capital requirement is still likely to be needed. [1]
Overall, initial strain for this product is likely to be high. [1]

Onerousness of any options or guarantees
The company needs to consider the onerousness/cost of the guarantees provided. [2]
The premiums and benefits are guaranteed and are likely to be reasonably understood. [1]
But the lack of flexibility may mean that the company should use higher pricing margins. [1]

Sensitivity of profit
The company should test the sensitivity of profit… [2]
… to changes in parameter… [1]
… in order to assess the impact of parameter mis-estimation. [1]
Profit is likely to be very sensitive to mortality assumptions. [1]
Especially, the selective effect early on. [1]
Profitability is also likely to be very sensitive to the levels of volumes (due to the development costs). [1]

Extent of cross-subsidies
The company needs to consider the extent of any cross-subsidies. [2]
In order to keep the product simple, the company might use the same premium rate for all sums assured [1]
Which could result in cross-subsidies from large to small policies [1]

However, due to the narrow range of sums assured permitted, there is less likely to be a significant difference in premium size… [2]
… and so expense cross-subsidies are not likely to be significant. [2]
Having premium rates differing by age (rather than age bands) and gender (if permitted) will also result in reduced cross-subsidies. [2]

Administration systems
The company will have to consider the implications for its administration systems/IT systems/valuation systems… [1]
… particularly whether the existing system can be adapted to use for this product. [1]
The company will need to decide whether to develop a new system [1]
Or whether to outsource administration. [1]

Service standards
The company will have to consider service standards [1]
This is a relatively simple product and so providing a suitable service is not likely to be difficult. [1]
However, the service standards would have to take into account the lack of financial sophistication of the target market… [1]
… and that the target market is likely to be older. [1]
Staff will have to be trained in administering the new product. [1]
New literature will have to be produced. [1]
Ilustration systems will need to be amended. [1]

Company reputation and treating customers fairly
The company needs to ensure that it treats its customers fairly. [2]
And that it maintains is reputation. [1]
The target market is potentially considered to be as a relatively vulnerable group. [1]
Clear and non-misleading communications are key … [1]
… especially pointing out that the death benefit may be lower than premiums paid. [1]
Customers must not face unreasonable barriers to exit. [1]
A surrender value approach needs to be set… [1]
… which must be fair to those continuing and those surrendering. [1]
Similarly an approach to setting paid-up benefits needs to be determined [1]

Reinsurance
The company has limited its mortality risk through the sum assured range offered. [1]
It is possible that the company might still consider reinsurance… [2]
… in order to get expert advice on the market. [1]
If so it is likely to be coinsurance … [1]
…on a quota share basis… [1]
… in order to make it worthwhile for the reinsurer. [1]
The cost of the reinsurance would need to be factored into the pricing. [1]

Underwriting philosophy

In the absence of formal underwriting… [1]
… the company should consider other approaches to limit the anti-selective effect. [1]
e.g. could consider reducing the sum assured in the first few years… [1]
… to, say, premiums paid (or a multiple). [1]

Taxation, legal and regulatory constraints
Pricing needs to allow for the current tax rules. [1]
The company may wish to ensure that the product is tax efficient [1]
The new product may be taxed on a different basis to the existing product. [1]
And compliant with legislation and regulation [1]
e.g. restrictions on rating factors (such as gender) [1]
e.g. price caps [1]
Any known future changes to legislation/regulation should be taken into account [1]

[Max 60]

i-iv *Candidates that applied the their knowledge to the products and situations set out in the question scored well.*

v *The candidates who scored well went through the list of considerations in the Core Reading, applying them to the product set out in the question.*

END OF EXAMINERS' REPORT