The Actuarial Profession
making financial sense of the future

Consultation response
Financial Services Authority

CP11/7 Quarterly Consultation No. 28

Chapter 2: Definition of Holloway sickness policies

May 2011

About the Actuarial Profession

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.

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Dear Mr Walters

Quarterly Consultation No 28 – CP11/07

Thank you for providing the Actuarial Profession with the opportunity to comment on this Consultation Paper, in particular Chapter 2: Definition of Holloway sickness policies.

We set out below our comments on your proposals in this chapter. We are happy for this letter to be placed in the public domain.

We welcome the definition, but would suggest that part (d) is too restrictive. We consider that "a percentage" in the definition is replaced by "an allocation" so as to avoid a presumably unintended rigidity in the way investment return in attributed. Further, we think the wording needs to allow for Holloway policies to receive allocations on excess surplus from an Estate, or in respect of expenses, and therefore the definition in part (d) would better, for the avoidance of doubt, include permissive wording, so that the surplus allocation either "includes, amongst other items," or else refers to miscellaneous sources of surplus.

If you have any questions or would like to discuss any of these matters further, please do not hesitate to contact us as per details below.

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Yours sincerely

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