INSTITUTE AND FACULTY OF ACTUARIES

Curriculum 2019

SPECIMEN SOLUTIONS

Subject SA2 – Life Insurance
Specialist Advanced

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.

3. Candidates who give well-reasoned points, not in the marking schedule, are awarded marks for doing so.

4. The scoring for the exam was done out of 200 and therefore the mark scheme shows a total of 200 marks available for the paper.

B. Comments on the questions in the Specimen 2019 paper

1. Question 1 was based on an amended version of question 1 of the SA2 April 2017 exam.

2. Question 2 was based on question 2 of the SA2 September 2015 exam.

C. Pass Mark

The Pass Mark for this exam was 60.

1 (i) Any five of the following:

Risk of policyholders living longer than expected. [1]
Including in deferment. [1]
Insurance risk (or life underwriting risk) module. [1]

Risk that expenses are higher than expected. [1]
Insurance risk (or life underwriting risk) module. [1]

If the assets aren't matched appropriately to the liabilities … [1]
… then the company is at risk of adverse movements in yields/interest rates [1]
Market risk module [1]

Risk of spreads widening on corporate bonds held. [1]
Market risk module [1]

Risk of defaults on corporate bonds held *(or reinsurer default).* [1]
Counterparty default risk module. [1]

Risk of losses arising from inadequate or failed internal processes, people and systems or from external events. [1]
Operational risk module. [1]

[Max 10]

(ii) This can be achieved by increasing assets or reducing the Technical Provisions or Solvency Capital Requirement. [1]
Raise capital [2]
e.g. through a rights issue, issuing a subordinated loan stock, reducing dividends [1 per relevant example up to 2]

Reduce the level of new business written… [2]
… assuming that it causes a net strain on the Solvency II basis [1]

Reduce the level of risk in the fund and so reduce the SCR [2]
This also reduces the Risk Margin. [1]
Take out reinsurance [1]
Purchase a longevity swap [1]

Improve the asset/liability matching… [2]
… particularly by duration/term [1]
Invest in assets which are in line with the yield curve required (to reduce gilt/swap mismatch), use interest rate swaps [1]
Reduce investment in risky assets… [2]
… such as corporate bonds [1]
Invest in high rather than low rated corporate bonds [1]
Use credit derivatives [1]

Reduce expenses [1]
Or expense variability [1]

e.g. by outsourcing / improved efficiency [1]

Reduce operational risks through improved governance / process documentation (*any one of the three examples earns the mark, not all three are required*) [1]
Staff training / business continuity plans *(any relevant example)* [1]
Start writing another product which offers risk diversification [2]
e.g. term assurances (*any relevant example*) [1]

Improve the precision of the risk margin calculation (if approximations have been made, and improving these would result in a lower value) [2]
Use policy by policy data rather than model points (if the latter are used and this would lead to lower liabilities) [1]

Use a matching adjustment [2]
If this is not permitted, use a volatility adjustment [1]
Move to internal model [1]
Diversification [1]
Especially to mitigate counterparty risks [1]
[Max 18]

[Comments in brackets for information only – not needed for the mark, as command verb is "suggest".]

(iii) (a) Immediate annuity business has long term… [1]
… and predictable liabilities … [1]
… because they cannot be surrendered. [1]
Matching assets can be chosen… [1]
… and these can be held to maturity. [1]
Hence the company is not exposed to the risk of changing spreads on these assets / liquidity risk. [1]

(b) Holding a matching adjustment increases the risk-free rates provided (i.e. the discount rate)… [1]
… so will reduce the technical provisions … [1]
as they are discounted at a higher rate. [1]
[Max 6]

(iv) The main impact will be on the market risk module. [2]

It is likely to reduce the spread/liquidity risk … [2]
… significantly. [1]
This is because the company can change the risk-free discount rate… [1]
… in line with the spread movements of the assets… [1]
… which relates to the liquidity element of the spread. [1]
So the company is only exposed to credit spread movements on the liabilities, [1]
which reduces the magnitude of the stress test. [1]

There may be an overall residual dampening of all stresses. [1]
e.g. insurance stresses [1]
…as a higher discount rate reduces the technical provisions [1]
…which will in turn reduce the magnitude of any stress. [1]

Overall, the SCR will reduce. [2]
[Max 8]

(v) The exercise will start from the existing shared portfolio of assets. [1]
It needs to identify the assets which best match the immediate annuity liabilities. [2]
This will involve projecting forwards the cashflows of the liabilities. [2]
… i.e. annuity benefit payments [1]
… and expenses… [1]
… on a best estimate basis… [1]
.. . and the cashflows arising from the assets… [2]
… i.e. coupons… [1]
… and redemption/maturity payments. [1]
Deductions should be made to allow for expected defaults / credit risk. [2]
These deductions may be done by credit rating. [1]
The company may perform the exercise on various scenarios/sensitivities. [2]
The matching will be based on duration … [2]
… and currency… [1]
… and nature… [1]
… e.g. any indexation (if index-linked annuities) [1]
The projection should be performed on a policy by policy basis… [2]
… and on an asset by asset basis. [1]
Additional data is likely to be required on each asset held. [1]
This would need to be obtained from the investment department. [1]
It may be possible to use the BEL model for the liability cashflow projections. [1]
It is likely that the company will have already performed an ALM exercise on the overall book of business. [1]
But may have to match more closely now. [1]
Might choose by size of spread for the Matching Adjustment. [1]
Or by yield to improve pricing. [1]
i.e. it also needs to take into account liquidity. [1]
The company may have to sell/purchase assets in order to optimise matching. [2]
And would need to take into consideration the transaction costs in doing so. [1]
Would need to consider exposure to single assets. [1]
If selling assets, may need to consider their liquidity and the time it may take. [1]
The company will need to take into account any restrictions imposed by the regulator on the type of assets which can be included. [1]
Any example [1]
The company will need to consider whether the approach allows sufficient flexibility for future rebalancing of the portfolio… [1]
… to allow for new business. [1]

The company may wish to check that the remaining assets are appropriate to hold against the deferred annuities. [1]

[Max 22]

(vi)

Selling term assurance would mean that improvements in mortality rates would reduce the levels of claims paid on these products. [2]

This would therefore provide a hedge against the mortality improvements on the annuity business. [1]
However, the insured population differs [1]
e.g. the age of term assurance policyholders is normally younger than that of annuitants. [1]
The socio-economic group covered might also differ. [1]
The rate of mortality improvements can vary by these factors. [1]
Also term assurance policies tend to have a shorter term than annuities. [1]
Therefore it is unlikely to be a perfect hedge. [1]
Depending upon the level of the in-force of the annuities, it also may take a significant period of time to generate enough volume of term business to provide a viable hedge against the annuities. [1]

[Max 6]

(vii)

The company has no past experience of writing this business… [1]
so would need to gain advice on setting premium levels… [1]
It will also need advice in relation to underwriting… [1]
… as writing term assurance business introduces significant anti-selection risk. [1]
Initial uncertainties in relation to experience may mean needing higher margins in the pricing [1]
… which would mean that premiums would be less competitive. [1]
And similarly may mean higher margins in reserves. [1]
Generating an appropriate volume of business on the term assurance may prove particularly difficult… [1]
… given how competitive the market tends to be. [1]
The company may not have the right distribution channel to sell the term assurance. [1]
The administration systems are likely to need to be changed in order to cope with starting to write term assurance business. [1]
Staff will need to be retrained. [1]
New product literature will be required. [1]
These changes and the product development will incur costs. [1]
There is a risk that the volumes of new business sold are insufficient to cover the fixed and development costs. [1]
The company may need to gain regulatory approval in order to write the term assurance business. [1]
The capital required to support the suggestion may not be available. [1]
There may be greater operational risk associated with writing a new product

line. [1]
The company will now be exposed to lapse risk. [1]
[Max 12]

(viii) **Longevity swap**

The insurance company pays a set series of payments to a third party. [1]
In return it receives from the third party a floating set of payments… [1]
… that may be linked to the actual annuity payments made, or linked to an agreed population mortality index. [1]
The counterparty may be a reinsurer… [1]
… or a bank. [1]
Collateral is normally required as part of the agreement. [1]
The collateral payment would be calculated as the difference between the present value of the floating payments and the present value of the fixed payments. [1] [1]
If positive, then this amount of collateral would be posted by the third party; if negative, the insurance company would have to post t his amount of collateral. [1]
The present values would be calculated using a discount rate agreed by the two parties involved. [1]
This is typically based on a swap curve. [1]
The life expectancy required for the floating payment would need to be agreed in advance. [1]
The collateral payment would be recalculated on a regular basis. [1]

Reinsurance

The reinsurance could cover the in-force business, future new business or both. [1]
The insurance company pays a premium… [1]
… and the reinsurer pays an agreed proportion of the annuity benefits payable. [1]
It is likely to be done on a treaty basis. [1]
The reinsurance could cover a proportion (or all) of the annuity payments Via an original terms or risk premium basis [1]
i.e. based on the insurance company premium rates or based on the reinsurer's own premium rates respectively. [1]
The reinsurance could be done on a quota share or individual surplus basis [1]
i.e. same proportion reinsured of each policy… [1]
… or the proportion reinsured depends on a fixed retention limit and so can vary by policy respectively. [1]
Alternatively, the company could reinsure total annuity payments that are above a certain level [1]
i.e. an aggregate excess of loss… [1]
… or stop loss style agreement. [1]

[Max 18]

(ix) **Counterparty risk**

Both arrangements generate additional credit / counterparty risk… [1]
i.e. the third party to which the risk has been transferred may default on the arrangement. [1]
In both cases, this may be due to the third party finding themselves in financial difficulties or becoming insolvent. [1]
For the longevity swap, default is most likely to occur when the floating payments are expected to be higher than the fixed payments. [1]
Collateral can be used in both cases to mitigate the risk.
For the traditional reinsurance, a deposit back agreement could be undertaken where the third party reinsurer deposits assets with the insurance company. [1]
Other counterparty risk controls, such as only transacting with high credit quality third parties, are the same for both approaches. [1]
For traditional reinsurance, defined actions given certain events may be used to mitigate the counterparty risk (e.g. recapture if credit rating of reinsurer falls below a certain level). [1]
The longevity swap may be traded through an exchange or other unrelated party, which helps to manage counterparty risk. [1]

Basis risk

For the longevity swap, if the floating payments are not based on actual annuity payments but on a mortality index then basis risk is introduced. [1]
This risk does not arise under reinsurance. [1]

Legal risk

The legal form of a longevity swap is often that of a derivative, rather than as a reinsurance contract. [1]
In both cases, the contracts can be complicated … [1]
… and so legal risk arises in relation to their interpretation. [1]
Disputes may arise in both cases. [1]

Operational risk

In both cases, there are a number of additional administrative operations that need to be undertaken. [1]
Therefore both approaches generate additional operational risk. [1]
And there is related expense risk… [1]
… i.e. that the additional expense of administering the arrangements is greater than expected. [1]
If the third party is a reinsurer, it is more likely that technical assistance will be provided… [1]
… which may reduce the potential for operational risk (relative to, say, a longevity swap with a bank). [1]

Liquidity risk

The liquidity swap may introduce liquidity risk in relation to margin calls. [1]

Regulatory change risk
The effectiveness of both arrangements could change if regulations change. [1]
[Max 14]

Q2 (i) **Profitability**

The company will want to maximise profit or at least meet the defined target level of profit. [1]
Could be a combination of net present value, IRR or payback period. [1]

Profit measures should take into account Solvency II capital measures… [1]
… thus evidencing for the "Use Test". [1]

Would need to set an appropriate basis for the cashflow projections. [1]

Given no current experience in group pensions… [1]
… may need to get assistance or conduct market research. [1]

Key assumptions will be lapses of individual members, withdrawals of whole schemes, expenses and unit fund growth rates. [1]

Margins may need to be high due to the uncertainty relating to lack of experience. [1]

Product structure

Need to consider the matching of charges and expenses… [1]
… in terms of both timings and amounts. [1]

The structure is likely to have a combination of fixed policy fees … [1]
… and annual management charges expressed as a % of unit fund. [1]

It is likely that initial set-up expenses will be high. [1]

Therefore may wish to include an initial charge. [1]

However, competition may prevent preferred charging structure. [1]

It is likely that large employers will ask for a bespoke structure, so the product structure may need to be flexible. [1]

Need to decide on the choice of unit funds to offer. [1]

This needs to be sufficient to be competitive… [1]
… but not overly wide to create administration issues. [1]

Could end up with a lot of very small funds if no limit is imposed. [1]

Need to decide whether to allow unlimited switching between funds or whether to restrict this… [1]
… and also whether to charge for switching. [1]

Need to allow flexibility in terms of premiums being paid. [1]

May consider having a similar charging structure as for its existing personal pensions products… [1]
… in order to reduce the admin/systems change burden. [1]

Marketability

Need to assess the likely volume of new business sales for a particular design. [1]

In order to do this, need to assess other products on the market and what competitors offer. [1]

If charges are higher or less attractive than those levied by other companies then new business sales will be low … [1]
… which could lead to non-recovery of development/fixed costs. [1]

If charges are too low then there is a danger that new business volumes will be high… [1]
… leading to potential issues with administration … [1]
… and/or financing. [1]

Need to consider whether charges are guaranteed or variable. [1]

Guaranteed may be more attractive as it provides certainty. [1]

However, some employers may prefer charges that can be re-negotiated throughout the lifetime of the contract. [1]

It also may be that after a few years in-force, the employer reviews its pension scheme provision – and hence need to ensure product remains on advisor panels. [1]

Customer needs

The product should satisfy the identified customer need for the target market. [1]
In this case, both the needs of the employer… [1]
… and the employees should be considered. [1]

The insurance company would want to ensure that the product is in line with any applicable treating customers fairly requirements. [1]

In particular that charges are fair and appropriate and are fully disclosed [1]
and cannot be increased unfairly at the company's discretion. [1]

Customers should not face undue barriers to exit [1]
… given that individual members are likely only to leave (or stop paying premiums) when they leave employment. [1]

Therefore need to be able to offer an easy transfer out mechanism for employees. [1]

Distribution methods

Consider how the product will be distributed. [1]

The insurance company would initially be targeting employers rather than individual members. [1]

May consider targeting particular employers or industries. [1]
This may mean that a different distribution channel needs to be used than at present. [1]

Could use financial advisers who operate on an independent advice basis [1]

Or specialist brokers … [1]
… or consulting actuaries who will be acting on behalf of the employers. [1]

Advice will be on a fee basis rather than commission. [1]

Would want to ensure that the product can be put onto the panels of key financial advisers, but this will require a lot of discussions about company financial strength, administration process, investment performance etc. [1]

Financing / capital requirements

Need to ensure that have sufficient available capital to launch the product … [1]
… including covering the development costs. [1]

Once the product has been launched, each scheme is also likely to have high initial expenses. [1]

Would want to design the product such that initial strain can be limited. [1]

Would need to consider the current and projected solvency position, to understand whether the projections for new business threaten solvency … [1]
… and hence whether additional financing may be required. [1]

Sensitivity of profit / key risks

Would need to conduct sensitivity analysis on the profit test to key assumptions. [1]

Also need to look at any cross subsidies – particularly around scheme size. [1]

As charges are likely to be related to the number of members and/or fund size,… [1]
… profit will be sensitive to the numbers of members joining…. [1]
… and to retention rates. [1]

There will be investment risk (lower than expected investment returns) [1]
… to the extent that charges (and hence profits) are related to the size of unit funds. [1]

There will also be expense risk (under-estimation of administrative costs) [1]
… including inflation risk [1]
… which can be reduced if charges are linked to a suitable index. [1]

Counterparty risks may differ from those under the existing personal pensions due to a change in distribution channel (depending on current method). [1]

In addition, it would be necessary to consider how the risks of this product affect the overall risk profile of the company. [1]

This would include any diversification benefits achieved with other products. [1]

The level of additional risk arising from the product design needs to be within the risk appetite of the company… [1]
… and in the available capital. [1]

Administration

Need to consider whether current administration systems can be adapted or whether a new system will need to be developed/purchased. [1]

May be able to adapt any individual pension system, but group overlay may cause issues. [1]

Administration staff will need to be trained … [1]
… and potentially recruited. [1]

May consider outsourcing administration to a specialist company. [1]

New product literature will be required. [1]

Each employer may require bespoke literature, which would increase the complexity. [1]

If charges are bespoke for larger employers, then the administration system needs to be able to cope. [1]

Group pensions are likely to involve more administration, given dealing with both employer and employees. [1]

Need to be able to deal with contributions from two different sources. [1]

Likely to have a higher level of member movements than for individual personal pensions … [1]
… given that membership is linked to the employment of the individual. [1]

Need to develop illustration systems for individual members. [1]

For large schemes would want a lot of administration to be automated… [1]
… or linked straight to employers' HR systems. [1]

Need to have efficient systems for providing values of unit holdings … [1]
… and ability to change unit holdings and switch funds. [1]

This may require customer access via the internet. [1]

Need to consider whether will use existing unit funds or need to set up new ones. [1]

If decide to use the same funds and annual management charges differ from those on existing products, then may need separate sets of prices. [1]

Service standards

Given that the schemes will be sold through financial advisers and brokers… [1]
… service standards are critical. [1]

If service standards fall then the company could suffer reputational damage… [1]
… and hence risk the whole scheme being transferred. [1]

It is therefore vital that staff are thoroughly trained on the new product and the systems are in place and tested well before launch. [1]

Reputation

The reputation of the insurance company needs to be good before gaining access to financial adviser panels (if it isn't good then, whilst the product might be competitive, the financial adviser is unlikely even to consider the company as a pension provider). [1]

Issues around company mergers or other financial uncertainty may mean that the company cannot get on panels or may get removed from them. [1]

Need to consider the importance of investment performance – whilst not entirely in the direct control of the insurer, it will reflect on them. [1]

Reinsurance

May consider financial reinsurance … [1]
… to finance any new business strain. [1]

Taxation

Charging needs to fit in with the taxation regime, and any taxation rules need to be allowed for in the pricing of the products. [1]

Need to consider possible changes to the taxation regime. [1]

Regulation

Need to consider the potential for further regulatory changes in relation to retirement benefits. [1]

Need to consider the implications of regulatory solvency requirements for the product [1]
… in terms of both capital requirements and any risk management aspects (e.g. ORSA). [1]

Need to comply with any relevant charge caps. [1]
[Max 44]

(ii)

Operational risk will increase. [1]

Administration

There could be increased conduct risk. [1]

There could be additional risk of a leak of confidential data breaching local data protection laws / regulations. [1]

There is a risk that the staff being used to administer the business are not sufficiently skilled, particularly in understanding the company's products. [1]

Therefore more mistakes could be made, mistakes may take longer to rectify. [1]

Service standards could fall and there could be more unhappy customers and complaints. [1]

There is a risk that call centre helpline and/or internet access availability may not be as extensive or as effective as at present. [1]

Overall there is therefore considerable reputational risk. [1]

This risk is increased if customers have contact with outsourcing staff only. [1]

There may be either significant redundancies of current staff, or transfer of current staff to the outsourcer. [1]
There is a risk that this may create both local and national reputational damage. [1]

The company may underestimate the costs of managing the relationship with the outsourcer. [1]

Systems

The outsourcing contract requires transfer of data from the insurer systems to the outsourcer systems, which would expose the company to risks of delays in transfer, with consequent impacts on costs and service standards. [1]
There is the risk of errors on transfer. [1]

Data migration may cost more than expected. [1]

There will be a delay in system developments on the current system, which may put future new business or product developments at risk. [1]

There is a risk that systems are not easily capable of being linked to other retained systems (e.g. Finance/Actuarial valuation systems). [1]

Treating customers fairly

Because the company is now exposed to additional risks outside its direct control, there is further risk of contravening any relevant treating customers fairly requirements. [1]

New business / retention

Poor service standards could have a knock-on impact: the risk of lower future new business… [1]
… particularly for group pensions where administration service is critical. [1]

There is a risk that the focus of the company is diverted away from generating new business, whilst the outsourcing arrangements are being implemented or if problems arise. [1]

As a result of any negative reputational impact, there is a further risk of increased withdrawals. [1]

Lower new business and/or higher withdrawals lead to increased risk of not meeting overhead expenses. [1]

Unit pricing

The company will be exposed to the risk of lack of controls within the outsourcer's unit pricing function. [1]

This could lead to significant additional risk of providing compensation for any unit pricing errors… [1]
… and the cost of the resources required to rectify client records. [1]

Regulatory risk

There is also a risk of regulatory intervention. [1]

And the potential to be fined. [1]

Outsourcer may fail to provide customers with required disclosures. [1]

Counterparty risk

The outsourcer may not fulfil its contractual obligations… [1]
… in a timely manner. [1]

In the extreme, there is a risk that the outsourcer could default and walk away from the agreement. [1]

There is then the risk that the company would not be able to take the administration back in-house sufficiently quickly to enable it to continue to provide adequate service… [1]
…. or the risk that it would not be able to find another outsourcing company quickly enough [1]
… at an acceptable price. [1]

Contract

The outsourcing contract will introduce legal risk. [1]

Poor wording may lead to disputes. [1]

The contract will be for a specific period and likely to have a schedule of charges to be made. [1]

The company will therefore be exposed to uncertainties at the end of that contract… [1]
… with the potential need for in-sourcing or alternative outsourcing. [1]

[Max 18]

(iii)

The level of mitigation required will depend on the risk appetite of the company. [1]

Administration

In setting up the outsourcing agreement, the company could provide detailed process documentation for maintenance of policyholder records so that the outsourcing administrators can follow the same processes as currently. [2]
Only outsource the basic tasks, and leave more complex tasks in house – at least initially whilst the outsourcer staff increase skill levels. [1]

Provide significant training to the outsourcer during a transitional period including potentially transferring some current staff to provide the training. [1]

Ensure new systems are thoroughly tested. [1]

Build in sample checking of basic administration tasks– the samples may be more extensive initially whilst the arrangement beds in. [1]

Restrict access to confidential data. [1]

Set appropriate performance standards for the outsourcer with payments/penalties dependent on reaching certain levels. [1]

Build appropriate service level agreements into the agreement. [1]

For example, turn around times… [1]
… including call centre opening times. [1]

Monitor key risk indicators such as numbers of complaints. [1]

Manage redundancies and related communications carefully, working with unions (where relevant). [1]

Systems

Develop a detailed project plan. [1]

This should cover transfer of data to new systems, the development of [1] product structures, and the links to in-house systems (e.g. Finance/Actuarial, Sales etc.)

Have thorough testing of the data and valuation, comparing them before and after the transfer. [1]

Likely to do the transfer in tranches… [1]
… starting with the most recent tranche. [1]

Older cohorts would be migrated only when the first migrated cohorts have been thoroughly tested. [1]

Outsourcer should have data recovery sites. [1]

Treating customers fairly requirements

The company will need to ensure it continues monitoring that it is meeting any treating customer fairly requirements. [1]

New business / retention

Careful communication will be needed with key distributors. [1]

And, where necessary, with customers. [1]

This should include details of how it affects them. [1]

There will be a need to ring-fence any resources involved in developing and selling new business, so that their focus is not diverted. [1]

Monitor persistency performance regularly via management information. [1]

Conduct sensitivity analysis on persistency assumptions to build into the outsource contract. [1]

Unit pricing

Parallel pricing could be carried out for a period. [1]

There will be a need for an in-house monitoring/checking of unit prices … [1]
… so that any errors/issues can be recognised quickly. [1]

A detailed process for dealing with errors and compensation will need to be developed with the outsourcer (also to ensure that any issues are quickly identified and dealt with) [1]

Counterparty risk

Significant due diligence on the outsourcing firm would need to be undertaken including investigating financial strength, credit rating (if applicable), current skill/staff levels and discussions with any third parties already using the company. [1]

Continue to monitor these items. [1]

The outsourcing firm's track record for administering this type of contract would be considered. [1]

Regular visits (insurance company management to outsourcer) should be arranged. [1]

The insurance company may ask its auditors (internal and external) to review the outsourcer. [1]

Have a back up plan in case of default. [1]

Ensure the contract facilitates the transfer of proprietary administration software and staff in the event of outsourcer insolvency. [1]

Contract

The legal contract will need to be carefully worded. [1]

This should include appropriate break points. [1]

And actions to be taken if appropriate standards are not met… [1]
… including the compensation payments to be made. [1]

The contract should give clarity as to who is responsible for paying regulatory fines for poor service. [1]

[Max 24]

END OF EXAMINERS' REPORT