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Dear Shaun

Miscellaneous Amendments to the Handbook (CP137):

Amendments to the Interim Prudential Sourcebook for Insurers and consequential amendments to the Enforcement manual

I am writing to you in response to the question raised in Chapter 3 of CP137.

As you will no doubt recall, we discussed this issue when you attended the Panel's meeting in March 2002. I confirm that, as was evident then, the Panel emphatically supports the FSA's proposal to amend the Handbook to prevent long-term insurers that are not a mutual from paying financial penalties out of any of their long-term insurance funds. We do not think that insurers should have been allowed to do this in the past and we are delighted that the FSA proposes to put a stop to this practice.

Yours sincerely



Colin Brown
Chairman

cc. John Tiner
Andrew Whittaker

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