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Dear James

The Permitted Links rules for long term insurance business – quarterly consultation - No.14

The National Association of Pension Funds has a couple of comments concerning the proposed deregulatory changes in connection with the Permitted Links regime.

Q.11 Do you agree with our proposal that we should add S148 Orders to the list of approved indices, subject to the conditions described?

This change allows an insurance company to produce an index-linked contract with a guarantee linked to the AEI. A company cannot directly match its liabilities under such a guarantee, so the question in 9.27 relates to the requirements a company may have to fulfil to do this. The NAPF believes that this is a reasonable change.

Q. 12 Do you agree with our proposals to change the application of the permitted links rules to contracts to manage the investments of pension schemes?

This is a technical change, applying the permitted links rules to firms writing Class VII business on balance sheet. (The NAPF was not aware that this was possible any more.) The NAPF agrees that the change seems reasonable although it is possible that there are certain arrangements managed in this way that will now be restricted, but the NAPF is not aware of any of these.

Yours sincerely



David Gould
Company Secretary