C2B LIFE INSURANCE ASSIGNMENT GENERAL FEEDBACK - SEMESTER 2 2019

Overall performance of candidates

On an overall level, it was felt that the questions in this assignment are fair which a well-prepared candidate should be answer to an acceptable standard. Despite this, the overall candidate performance was mixed and many candidates struggled to grasp the main concepts for investment account products and understand the key asymmetric risks embedded within the product from a valuation perspective. This could be seen particularly for part e), where the impact on P&L, policy liability, account balance and future crediting rates after a sudden fall in equity markets were not well understood and part h) where many candidates showed a weak understanding of the risks of offering a stronger guarantee.

Some students struggled to come up with sufficient points for the marks available which is surprising for an assignment, whereas some students wrote a lot of content (e.g. 2-3 pages for one sub-question) however some of the points were not relevant. The inability to provide responses that specifically relate to the question was a key weakness in many of the assignments. An example is part (f), where many candidates summarized the LAGIC standards without highlighting the key components that are relevant to a non-participating investment account product. This shows that the some of the students may not have read the question carefully and tailored their answers accordingly. It is important that students connect the key actuarial concepts learnt in the course to the scenario given in the question.

Performance of candidates by sub-part of the question

Part a – answered well with most candidates able to achieve full marks. A common error in this part was in the calculation of the standard deviation of the annual return.

Part b – generally well answered. Most candidates were able to comment on the key considerations such as policyholder reasonable expectation, equity across different cohorts of policyholders, smoothing of crediting rates, competition and capital requirements.

Part c – generally well done. Common errors in this part are 1) the incorrect inclusion of interim crediting on death and lapse payments in the calculation of monthly fees and ending account balance and 2) failure to calculate mortality and lapse rates independently.

Part d – Not done well for most students, with very few candidates highlighting the advantage of zero profit impact from changing crediting rates if there is an IFR. In addition, many candidates failed to compare the IFR and the smoothing mechanism built in the investment account products against the unit linked products.

Part e – Responses from candidates were poor in general. Many considered the impact of lower future crediting rates on policy liabilities and account balance, without acknowledging that the focus of the question is on the current period. Overall, this is one of the most poorly answered part of the assignment.

Part f – Poorly answered with many candidates simply providing summaries of the capital standards without relating it to the product in question. This showed a lack of understanding and ability to link the materials learnt in the course to the scenario given.

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Part g – The overall responses provided by most candidates were reasonable. Many candidates recognised the Life Act and Prudential Standards have an impact on the reporting and capital requirement of a life insurer as compared to a non-life insurer.

Part h and i – The performance on this question was mixed, with a wide range of marks scored by candidates. Both parts tested candidates' understanding of the guarantee built in the product and the impact of having different asset allocations. In part h, many candidates showed a weak understanding of the risks of offering a stronger guarantee. In part i, there were candidates who provided lengthy responses of content (e.g. 2-3 pages for one sub-question) with many of the points not being relevant, indicating an area in which their exam technique could be refined.