

C2B Life Insurance – Clarification of Past Exam Solutions

As at March 2018

2012 Semester 1 Q5d)

The original solution incorrectly states the release of MSE has been lower than expected. A corrected statement is as follows:

Higher lapses than expected. This means the release of the MSE is higher than expected.

2012 Semester 2 Q1c)

The original solution contains the calculation " $4977.8 + 11.0 - 4873.8$ ", which includes allowance for "Other assets" in the calculation of the CapAd liabilities, i.e.
 $4977.8 = 4953.4 + 24.4$.

Without such an allowance, current target surplus should be:

$$4953.4 + 11.0 - 4873.8 = 90.6$$

2013 Semester 2 Q1c)

The original solution incorrectly allow for premiums, expense and commissions in the calculation of the LAGIC stresses. A revised sample solution is provided in the file *C2B_LAQ_1_Data_and_Solutions_revised.xlsx*.

Revised LAGIC stresses are provided below.

LAGIC Stresses (Expected Cashflows)	Stress
Random Mortality / Morbidity Stress	193,203
Future Mortality / Morbidity Stress	365,904
Event Stress	500,000

2014 Semester 1 Q2c)

The original solution spreadsheet had an incorrect formula in cells D6:D35 in worksheets "Group" and "Group (Scen1)". This has been corrected in the revised version of the solution spreadsheet *C2B_LAQ S1 2014 Q2 Solution Spreadsheet_Corrected.xlsx* (corrected cells have been highlighted in Orange).

2014 Semester 2 Q1b)

The original solution miscalculated the tax effect for the ARC as \$5.1m (when it should be \$5.6m = $\$13\text{m} / 0.7 \times 0.3$). Therefore, the CSSA should be \$6.8m, instead of \$6.3m.

The revised figures are below.

Summary of Prescribed Capital Amount	\$m
Asset Risk Charge	13.00
Insurance Risk Charge	2.8
Less: Aggregation Benefit	-2.0
Asset Concentration Risk Charge	0.0
Operational Risk Charge	5.1
Combined Scenario Adjustment	6.8
Prescribed Capital Amount	25.7
Summary of Capital Base	\$m
Net Assets	211
Less: Regulatory Adjustments to Net Assets	(130)
Capital Base	81
Capital Adequacy Assessment	\$m
Capital in Excess of Prescribed Capital Amount	55

This has been corrected in the revised version of the solution spreadsheet
2B Question 1 - Sem 2 2014 - Solution (Revised).xlsx.