

# Course 2B Life Insurance Syllabus

## Unit 1: Liability Valuations

### Key Performance Outcome 1:

Construct a suitable process for calculating the value of liabilities.

#### *Learning Objectives*

- 1.1 Explain why liabilities are valued
- 1.2 Implement the methods available to value these liabilities
- 1.3 Document the practical mechanics of a liability valuation including dealing with embedded derivatives
- 1.4 Identify and apply the methods available for measuring unit-linked liabilities.
- 1.5 Critically examine and discuss the use of models, including selection of model points and model validation.

### Key Performance Outcome 2:

Identify and apply the requirements of the life insurance “Valuation Standard”.

#### *Learning Objectives*

- 2.1 Explain the concept of best estimate liabilities
- 2.2 Construct a basis for determining policy liabilities for individual/group policies and active/lives on risk under the “Valuation Standard”
- 2.3 Determine the requirements of valuations as they apply to participating business
- 2.4 Apply the valuation standard to the setting of profit margins, value of supportable assets (VSA's) and supportable bonuses.

## Unit 2: Apply the valuation outcomes to other aspects of the Control Cycle

### Key Performance Outcome 3:

Value assets in a manner consistent with a liability valuation.

#### *Learning Objectives*

- 3.1 Identify the different values that may be placed on assets
- 3.2 Explain the relationship between the valuation basis for assets and that used for liabilities
- 3.3 Apply techniques to maintain consistency between asset and liability valuation bases.

### Key Performance Outcome 4:

Identify and apply the requirements of the life insurance “Solvency Standard” and “Capital Adequacy Standard”.

### ***Learning Objectives***

- 4.1 Explain the need for prudential margins with reference to the traditional view of solvency
- 4.2 Construct a basis for determining solvency requirements and capital adequacy requirements under the “Solvency Standard” and the “Capital Adequacy Standard”
- 4.3 Analyse the Solvency and Capital Adequacy positions of a life insurer
- 4.4 Identify the need for and be able to construct a target surplus policy
- 4.5 Analyse the role of economic capital and target surplus in relation to the valuation basis.

## **Unit 3: Analysis of profit**

### **Key Performance Outcome 5:**

Design a process to determine the sources and uses of profit.

### ***Learning Objectives***

- 5.1 Explain the term “analysis of profit” and relate its uses to the modern financial reporting framework
- 5.2 Explain why an analysis may be undertaken
- 5.3 Construct a practical analysis
- 5.4 In life insurance, manage the apportionment of profit between retained/distributed and shareholder/policyholder
- 5.5 Formulate methods that can be used to determine the crediting/bonus rate to be used
- 5.6 Analyse and account for particular issues associated with unrealised capital appreciation
- 5.7 Determine best estimate bonus rates (for crediting purposes) and describe the implications of the differences between these and the declared rates.

### **Key Performance Outcome 6:**

Design a budgeting/planning process.

### ***Learning Objectives***

- 6.1 Evaluate the relationship between profit results and the budgeting/planning process
- 6.2 Construct a practical budgeting process

## **Unit 4: Appraisal values (AV's)**

### **Key Performance Outcome 7:**

Plan the calculation of a life insurer or retail funds manager appraisal value.

### ***Learning Objectives***

- 7.1 Determine the reasons for obtaining an appraisal value
- 7.2 Identify and determine the components of an appraisal value
- 7.3 Discuss the key issues involved in determining an appraisal value

- 7.4 Demonstrate the steps required to calculate an appraisal value
- 7.5 Compare and contrast the different methods available for arriving at an appraisal value.

### Key Performance Outcome 8:

Design and apply a process to determine the sources of appraisal value profit.

#### *Learning Objectives*

- 8.1 Prepare an analysis of the change in appraisal values
- 8.2 Explain why an analysis may be undertaken
- 8.3 Construct a practical analysis of appraisal value profit
- 8.4 Contrast the appraisal value profit with the MoS profit
- 8.5 Identify and discuss issues associated with the change in appraisal values.

## Unit 5: Reporting Results

### Key Performance Outcome 9:

Appraise alternative methods of financial reporting.

#### *Learning Objectives*

- 9.1 Explain the terms “surplus” and “profit” and contrast these concepts in the evolution of financial reporting
- 9.2 Assess the various methods of financial reporting commonly adopted and their respective merits for the potential users
- 9.3 Identify the forms of capital available and relate these to the role of capital in a life office or funds manager
- 9.4 Identify and apply the performance measures and calculations used to evaluate capital effectiveness

### Key Performance Outcome 10:

Prepare the actuarial input required to formally communicate company results.

#### *Learning Objectives*

- 10.1 Identify and complete the relevant elements of the financial statements of a life insurer
- 10.2 Identify and complete the relevant elements of the financial statements of a funds management company.

### Key Performance Outcome 11:

Analyse and interpret the financial statements of a life insurer or funds management company.

#### *Learning Objectives*

- 11.1 Analyse and interpret the financial statements of a life insurer or funds management company.

## Unit 6: Professionalism

**Key Performance Outcome 12: Apply an understanding of the principles of professional behaviour to the work of a life insurance or retail funds management actuary.**

### *Learning Objectives*

- 12.1 Identify the components of the life insurer Financial Condition Report with reference to Institute of Actuaries of Australia's Professional Standards.
- 12.2 Examine the role of the life insurer Appointed Actuary and contrast this with the role of the Auditor / Actuarial auditor / Directors.
- 12.3 Explain the legal and professional responsibilities of the life insurer Appointed Actuary.
- 12.4 Discuss the ethical dilemmas of the actuary in balancing the interests of different parties, generations and policy types.
- 12.5 Discuss the broad professional behaviour required of an actuary practising in life insurance and funds management.

**Key Performance Outcome 13:**

**Understand and be able to apply the skills and abilities of a life/funds management actuary outside the Australian environment.**

### *Learning Objectives*

- 13.1 Determine the role of the actuary in different legislative environments
- 13.2 Apply professional standards in different legislative environments
- 13.3 Clearly and simply explain major/relevant implications of results/outcomes/interpretations/assumptions to stakeholders.