

## Course 2B Life Insurance Syllabus

Having completed Course 2A, the student will have the skills necessary to progress into this course. This course takes the concepts from product pricing and applies them to the valuation of life insurance liabilities. The application of solvency and capital adequacy standards is then covered. This leads into analysis of profit and reporting, which also covers the application of reporting standards, as well as the use of appraisal values. The final part of this course covers professionalism, including the role of the appointed actuary as it relates to life insurance.

While Course 2B is studied, and examined as a stand-alone topic, due to the nature of the study of Life Insurance, items studied in Course 2A may be brought into and examined as part of, Course 2B.

These notes are structured around major areas of learning which are called Units. Within each Unit there are Key Performance Outcomes which describe what the student should know. Within each Key Performance Outcome there are a number of Learning Objectives which describe how the student should be able to demonstrate their knowledge. The Key Performance Objectives of each unit along with the corresponding learning objectives are provided below. The numbering convention used is

Unit Performance. Key Performance Objective. Learning Objective. Therefore: -

- 1 means Unit 1. Unit descriptions are in **black bold**
- 1.1 means Unit 1, Key Performance Objective 1. Please note however that Key Performance Objectives are sequential in number and are not restarted at 1 when the unit number changes. Descriptions of Key Performance Objectives are in **blue bold**
- 1.1.1 means Unit 1, Performance Objective 1, Learning Objective 1. Descriptions of Learning Objectives are in plain text.

When you see it in the notes it will look like this:

Item	Unit/Key Performance Objective/Learning Objective
1	Means Unit 1. Unit descriptions are in <b>black bold</b>
1.1	Means Unit 1, Key Performance Objective 1. Please note however that Key Performance Objectives are sequential in number and are not restarted at 1 when the unit number changes. Descriptions of Key Performance Objectives are in <b>blue bold</b> .
1.1.1	Means Unit 1, Performance Objective 1, Learning Objective 1. Descriptions of Learning Objectives are in plain text.

The full course syllabus is shown below:

Item	Unit/Key Performance Objective/Learning Objective
<b>1</b>	<b>Liability Valuations</b>
<b>1.1</b>	<b>Value life insurance policy liabilities for the purpose of profit reporting under Australian standards.</b>
1.1.1	Explain the need for establishing policy liabilities and the circumstances requiring the valuation of assets and liabilities
1.1.2	Explain the concept of best estimate liabilities
1.1.3	Develop a basis for determining policy liabilities for individual/group policies and active/lives on risk under the APRA Prudential Standard LPS 340 and AASB1038
1.1.4	Determine the requirements of valuations as they apply to participating business
1.1.5	Apply the valuation standard to the setting of profit margins, value of supportable assets (VSA's) and supportable bonuses.
<b>1.2</b>	<b>Understand alternative methods of calculating policy liabilities</b>
1.2.1	Identify the data needed to perform a valuation
1.2.2	Explain the use of grouped model points
1.2.3	Describe the different types of models that can be used for valuing liabilities
1.2.4	Explain the net premium method of valuation
1.2.5	Assess the suitability of a valuation basis
<b>2</b>	<b>Asset Valuations and Capital Management</b>
<b>2.3</b>	<b>Understand how life company assets are valued according to accounting and APRA standards</b>
2.3.1	Identify the different values that may be placed on assets
2.3.2	Analyse the relationship between assets and liabilities
<b>2.4</b>	<b>Identify and apply the requirements of the life insurance "Capital Adequacy Standards"</b>
2.4.1	Explain the need for capital.
2.4.2	Describe the different types of capital that can be utilised by life companies and demonstrate how they impact APRA capital calculations
2.4.3	Calculate the capital base and the prescribed capital amount, using APRA standards
2.4.4	Describe the internal capital adequacy assessment process

Item	Unit/Key Performance Objective/Learning Objective
<b>3</b>	<b>Analysis of Profit and Distributions to Policy Owners</b>
<b>3.5</b>	<b>Design a process to determine the sources of profit</b>
3.5.1	Explain the term “analysis of profit” and relate its uses to the financial reporting framework
3.5.2	Explain why an analysis may be undertaken
3.5.3	Prepare a practical analysis
<b>3.6</b>	<b>Design a business planning process</b>
3.6.1	Evaluate the relationship between profit results and the business planning process
3.6.2	Design a practical business planning process
<b>3.7</b>	<b>Provide advice to a life company on the distribution of profits to participating policy owners</b>
3.7.1	Explain the difference between allocation of profit and distribution of profit to participating policyholders
3.7.2	Consider the issues that need to be considered when providing advice to a life company on the distribution of profit to participating policyholders
3.7.3	Formulate methods that can be used to determine declared bonus rates and crediting rates
<b>4</b>	<b>Economic Valuations (Appraisal Values)</b>
<b>4.8</b>	<b>Plan the calculation of a life insurer or retail funds manager appraisal value</b>
4.8.1	Determine the reasons for obtaining an appraisal value
4.8.2	Identify and determine the components of an appraisal value
4.8.3	Discuss the key issues involved in determining an appraisal value
4.8.4	Demonstrate the steps required to calculate an appraisal value
4.8.5	Compare and contrast the different methods available for arriving at an appraisal value
<b>4.9</b>	<b>Design and apply a process to analyse the change in appraisal value</b>
4.9.1	Prepare an analysis of the change in appraisal values
4.9.2	Explain why an analysis may be undertaken
4.9.3	Contrast the change in appraisal value with the reported profit
4.9.4	Identify and examine issues associated with the change in appraisal values

Item	Unit/Key Performance Objective/Learning Objective
5	<b>Reporting Results</b>
5.10	<b>Analyse and interpret the financial statements of a life insurer or funds management company</b>
5.10.1	Compare the accounting treatment of insurance and investment contracts in APRA and company financial statements
5.10.2	Analyse and interpret the financial statements of a life insurer or funds management company
6	<b>Professionalism</b>
6.11.1	Explain the legal and professional responsibilities of the life insurer Appointed Actuary
6.11.2	Examine the role of the life insurer Appointed Actuary and contrast this with the role of the Auditor / Actuarial auditor / Directors
6.11.3	Prepare and examine the Financial Condition Report of a life insurance company prepared under the Institute of Actuaries of Australia's Professional Standards
6.11.4	Consider the ethical dilemmas of the actuary in balancing the interests of different stakeholders, generations and policy types
6.11.5	Choose the required professional behaviour for an actuary practising in life insurance and funds management organisations in Australia and overseas
6.11.6	Clearly and simply explain to each stakeholder, the relationship between assumptions and scope and the output and interpretation of professional work