INSTITUTE AND FACULTY OF ACTUARIES

EXAMINATION

13 April 2022 (am)

Subject CP3 – Communications Practice
Core Practices

Time allowed: Three hours and five minutes

In addition to this paper you should have available the 2002 edition of the Formulae and Tables and your own electronic calculator.

If you encounter any issues during the examination please contact the Assessment Team on T. 0044 (0) 1865 268 873.

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You are the pricing actuary of Safe Tomorrow Insurance Limited (STIL).

You have received the following email from Robin, the newly appointed Head of Marketing at STIL who, prior to joining STIL, had a 15-year career with a major competitor in the industry.

To: Kai.Jameson@Stil.org.zz
From: Robin.Ladywoods@Stil.org.zz

Hello Kai,

I am getting ready for the annual sales conference next month, which I know you are also due to attend. I hope you are looking forward to it as much as I am. There is an important announcement to be made concerning our unit linked funds.

At the most recent board meeting, the decision has been taken to remove the Energy Fund from our unit linked products. At the same time, a new fund will be launched called the Ethical Fund. Just like the Energy Fund, the Ethical Fund is a medium risk fund and its risk index will be five. The investment mandate will be consistent with the recent recommendation to the board in a paper from the investment management team. The change will occur within 3 months of the conference though the exact date has yet to be confirmed.

The board took this decision because they wish STIL to be seen as proactive and responsive to regulatory comment and customer feedback. It builds on the corporate strategy that includes demonstrating that STIL understands the issues of climate change and takes social responsibility seriously. Work done to date has not been transparent to customers, for example, the policy of only using recycled paper and use of electric vehicles that began in 2019 are not well known. Policyholders still want good returns, however, and the target return for the Ethical Fund reflects this.

I am making a presentation at the conference. I will be covering business and fund results then covering the changes in funds. Although funds under management have fallen, there is great news that STIL's market share measured at 31 March for our unit linked saving products is still improving, as you can see from the figures below:

2019	*2020*	*2021*	*2022*
32%	34%	37%	41%

Naturally, my time slot at the conference is limited. To assist, I would like you to prepare a written paper to bear both your name and mine that will be emailed to the sales team prior to the conference.

Your paper should include:

- relevant business and fund performance results.
- the withdrawal of the Energy Fund and the reasons why this is being done. Note that I am expecting some audience members to be surprised by the move given that the Energy Fund has recently provided good returns and the sector has good price–earnings ratios.
- introduce the Ethical Fund.

Please make it clear that the details of the withdrawal of the Energy Fund and the introduction of the Ethical Fund remain confidential. A public announcement will be made nearer to launch.

I am setting up a mailbox, fundsupportqueries@STIL.org.zz, to receive any subsequent queries and comments after my presentation, though there will be time for questions at the event.

As you know, the sales conference is principally for our sales team – the customer-facing side of our business. Please be aware that some delegates have only 6 months experience in our industry as we had a recent recruitment drive but all are now familiar with our unit linked products. They have all passed their initial proficiency test on our savings products. They are not experts in economics but their training includes the basic concepts of shares, profit and dividends.

Best regards,
Robin.

Instructions to candidates

Remember that CP3 is a test of your ability to filter information and communicate it to a particular audience. Use only information that is contained in this examination paper and the scenario material provided. Do not draw on prior knowledge of a particular market, legislation or company.

1 Draft a briefing paper for the sales team as requested by the Head of Marketing. [90]

2 (i) Explain how you chose to display and describe numeric data in your briefing paper. [6]

(ii) List TWO pieces of information you omitted from your briefing paper and explain why you chose to exclude them. [2]

(iii) State TWO examples of relevant words or expressions the audience could consider to be jargon and explain how you ensured these were understandable in your briefing paper. [2]

[Total 10]

END OF PAPER