



Institute
and Faculty
of Actuaries

Fellowship Qualification

Life Insurance (SA2) Specialist Advanced

Syllabus for the 2024 Examinations

April 2023

Life Insurance (SA2)

Syllabus for the 2024 Examinations

This syllabus includes information to support the study of this subject. It will guide you through what you need to learn, application of learning as well as the skills that you need to develop. Information regarding the assessment of this subject is also included.

This syllabus includes:

- Aim of the subject
- How this subject links across the Qualifications
- Subject topics and topic weightings
- Subject objectives
- Assessment information

Aim

Apply the main principles that are relevant to the provision of life insurance business to complex scenarios concerning the management of life insurance companies, taking into account relevant regulatory, legislative and professional requirements, and the business environment in which the life insurance business is sold whilst having an understanding of the current underlying market conditions

Links Across the Qualifications

Associateship Qualification

Understanding the nature of risks and how to manage these risks is vital for life insurance. CP1 provides a fundamental background to different types of risk from an actuarial perspective and how these risks can be managed.

Fellowship Qualification

There are two subjects covering life insurance, Life Insurance Specialist Principles (SP2) and Life Insurance Specialist Advanced (SA2). Each subject develops a specific set of skills and knowledge needed by actuaries working in, or who wish to work in life insurance.

Life Insurance Principles (SP2) provides an introduction to the main principles and knowledge required in life insurance, and how these principles can be applied in simple scenarios.

Life Insurance Specialist Advanced (SA2) further develops the principles from SP2, providing a more in depth understanding. In particular, it considers in much more detail the environment in which a life insurance company operates which will include health and care markets, regulation, legislation, taxation, financial management, monitoring and strategies.

Topics and Topic Weightings

1. Life insurance products and general business environment [20%]
2. Regulatory, legislative and taxation environment [25%]
3. Reporting and management of capital and profit [25%]
4. General business management [30%]

Objectives

1 Life insurance products and general business environment [20%]

Life insurance products which are commonly available and the environment in which they are sold.

1.1 Describe the major life insurance products that are offered

1.1.1 The benefits and other main features of the following products:

- Term assurance, including group life assurance
- Income protection insurance
- Critical illness insurance
- Endowment assurance
- Universal life
- Investment bond
- Individual and group pension products
- Annuities and income drawdown
- Wraps
- Variable annuities
- Equity release products
- Takaful insurance
- Microinsurance

1.1.2 Key features of the following life insurance product bases:

- Conventional with-profits
- Accumulating with-profits
- Unit-linked
- Index-linked

1.1.3 Purpose and key risks of the above products and bases to the policyholder and the insurer

1.2 Effect of the general business environment on the management of life insurance business

- Competition and other new business considerations
- Distribution of products
- Outsourcing
- Corporate finance, including mergers and closed funds
- Climate change
- Pandemics
- Data science

2 Regulatory, legislative and taxation environment [25%]

Key aspects of regulation, legislation and taxation as applicable to life insurance companies.

2.1 Explain the relevance of legislation to life insurance business, in relation to:

- Consumer protection
- Equality legislation

- 2.2 Understand the impact of general principles of the taxation of life insurance business
- Governments
 - Policyholders
 - Life insurance companies
 - Unit pricing
- 2.3 Describe regulatory frameworks for life insurance companies objectives of regulators
- Supervisory tools, including rulebooks and reporting requirements
 - Statutory actuarial roles
 - Transfer of liabilities between companies
- 2.4 Demonstrate understanding of the over-arching regulatory framework, such as Solvency II it's impact on business culture and strategy:
- Background and scope
 - Structure
 - Pillar 2 governance requirements
 - Pillar 3 disclosure and reporting requirements
 - Group reporting requirements
- 2.5 Compare regulatory, legislative and taxation environments between different jurisdictions
- 2.6 Demonstrate how the regulatory, legislative and taxation environments affect the way in which life insurance companies carry out their business in practice
- 2.7 Outline the requirements of actuarial standards in relation to actuaries practising in or advising life insurance companies

3 Reporting and management of capital and profit [25%]

Financial reporting for life insurance business, capital management techniques and analysing the emergence of profit and surplus.

- 3.1 Demonstrate an understanding of solvency assessment techniques
- 3.1.1 Valuation of assets, liabilities and solvency capital requirements under Solvency II
 - 3.1.2 Solvency assessment approaches between different jurisdictions
- 3.2 Apply capital management techniques
- 3.2.1 Different types of capital assessment
 - 3.2.2 Different sources of capital used within the life insurance industry
 - 3.2.3 Assessment of ongoing solvency, including practical modelling considerations
 - 3.2.4 Relationship between risk, capital requirements and economic value generation
 - 3.2.5 Capital management techniques used within the life insurance industry
 - 3.2.6 Principles of asset-liability management and the use of derivatives
- 3.3 Use relevant profit reporting approaches
- 3.3.1 Main requirements of different accounting standards, including International Financial Reporting Standards (IFRS) and US GAAP, in relation to life insurance business
 - 3.3.2 Profit reporting approaches between different jurisdictions

- 3.3.3 Embedded value reporting approaches, including under Solvency II
- 3.4 Analyse surplus and profit arising over a period
 - 3.4.1 Supervisory surplus arising, including under Solvency II
 - 3.4.2 Change in embedded value
 - 3.4.3 Possible actions that may need to be taken following an analysis of surplus or profit

4 Business management [30%]

Approaches for appropriately managing a life insurance business and developing coherent solutions and courses of action for life insurance companies.

- 4.1 Implement actions a life insurance company can take to ensure customers are fairly treated
- 4.2 Identify appropriate risk management strategies and controls that should be exercised by a life insurance company
 - 4.2.1 Outline an appropriate risk management framework
 - 4.2.2 Key risk types in relation to life insurance business:
 - Credit risk
 - Market risk
 - Liquidity risk
 - Operational risk, including conduct risk, model risk and unit pricing risk
 - Insurance risk, including longevity risk
 - Group risk
 - 4.2.3 Propose appropriate risk management strategies and controls for these risk types
- 4.3 Demonstrate an understanding of the management of with-profits business
 - 4.3.1 Determine components of an asset share calculation
 - 4.3.2 Different methods of distributing bonuses under the 'additions to benefits' method
 - 4.3.3 Concept of smoothing
 - 4.3.4 Investigations that can be performed to inform with-profits business management
 - 4.3.5 Bonus distribution approaches
 - 4.3.6 Describe general with-profits management considerations, including:
 - Regulatory requirements and policyholder protection
 - Management actions
 - Managing closed with-profits funds
- 4.4 Apply relevant product design and pricing techniques to life insurance products
 - 4.4.1 Factors to be taken into account when designing life insurance products
 - 4.4.2 Appropriate methods and bases for pricing such products

Assessment

The assessment of this subject will consist of one examination.

Candidates can expect to answer a number of questions of varying marks, using Microsoft Word to construct and type their answers. The duration of this examination is three hours and twenty minutes and is timed and online. This time includes reading time.

Candidates will be expected to be able to apply knowledge and skills from across the syllabus topics to scenarios and questions proposed by the examiners and produce coherent solutions and actions, including:

- Analysis of complex problems in terms of actuarial, economic and financial factors to a level where appropriate analytical techniques may be used.
- Assess the implications and relevance of such factors, integrating the results into a coherent whole.
- Evaluate the results critically in a wider context, drawing appropriate conclusions.
- Propose solutions and actions, or a range of possible solutions and actions, based on this evaluation.

Topic weighting

The topic weighting percentage noted alongside the topics is indicative of the volume of content of a topic within the subject and therefore broadly aligned to the volume of marks allocated to this topic in the examination. For example if a topic is 20% of the subject then you can expect that approximately 20% of the total marks available in the examination paper will be available on that topic.

Candidates for assessment should ensure that they are well prepared across the entire syllabus and have an understanding of the principal terms used in life insurance. The examination can be composed of questions drawing from any part of the syllabus within any examination sitting and using any command verb. This includes knowledge, techniques, principles, theories, and concepts as specified. Candidates should not rely on past papers alone and should ensure they have covered the entire syllabus as part of their learning and development of this subject. A list of command verbs used in the examinations is included on the IFoA website.

In each examination, candidates will be expected to demonstrate, through their answers, that they have knowledge of, can apply and use higher order skills in this subject:

- Knowledge will be demonstrated through answering questions that assess your understanding of that knowledge as well as through questions that ask you to apply relevant knowledge to scenarios.
- Application will be demonstrated through answering questions which assess that you can identify and apply relevant concepts and skills to solve problems (both numerical and non-numerical).
- Higher order skills will be demonstrated through questions that will assess that you can use relevant knowledge, concepts and skills to solve problems, draw appropriate conclusions, and make meaningful and appropriate comments on those conclusions.

As a guide, in the examination of this subject, you can expect that approximately 15% of the total number of marks for this examination be allocated to the demonstration of knowledge, 55% to application and 30% to higher order.

Qualifications Handbook, Examinations Handbook and Assessment Regulations

Please ensure you read and have understood the Examinations Handbook and Assessment Regulations ahead of your exam as well as the Qualifications Handbook. These are all available on the IFoA website.

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