

# **INSTITUTE AND FACULTY OF ACTUARIES**

## **EXAMINERS' REPORT**

### **Subject CA3 Communications**

#### **Day 1**

##### **Introduction**

The Examiners' Report is written by the Principal Examiner with the aim of helping candidates, both those who are sitting the examination for the first time and using past papers as a revision aid and also those who have previously failed the subject.

The Examiners are charged by Council with examining the published syllabus. The Examiners have access to the Core Reading, which is designed to interpret the syllabus, and will generally base questions around it but are not required to examine the content of Core Reading specifically or exclusively.

The Examiners' preferred approach to the solution is reproduced in this report; other valid approaches are given appropriate credit.

D C Bowie  
Chairman of the Board of Examiners

2013

A possible answer is given below. This is not intended to be a model solution. In practice, a wide number of solutions were acceptable and candidates would have achieved good pass standards without having the same level of detail as the specimen solution.

Candidates were asked to present to the Finance Manager of a professional body to explain:

- the increase in the projected membership levels for each category over the period 2011 to 2015
- the annual subscription income on current subscription rates
- how income compares to outgo from 2011 to 2015
- present value of net cashflow assuming a discount rate of 5% p.a.
- comment on any changes required to the current subscription rates
- provide other solutions to the cashflow problem

The main points that the examiners were looking for and some common problems encountered were as follows:

1. Candidates were asked to deliver a presentation lasting between 8 and 10 minutes. Most presentations were delivered within the timescales and gained full marks. However, presentations that were longer than 10 minutes were long, repetitive and difficult to understand. Presentations that were less than 8 minutes did not cover all the key objectives of the question.
2. Some candidates lost marks for poor body language, using inappropriate language (e.g. being too patronising, using unexplained jargon) and speaking in an unclear, monotonous voice, thus failing to gain rapport with the audience.
3. Most presentations had an appropriate first slide with a clear title, date, name of presenter.
4. Most presentations had an agenda. On better presentations, the agenda linked directly to the titles of the following slides. On weaker presentations, too much time was spent on the agenda giving rise to a laboured start, which tended to disengage the audience.
5. There was a great variation in the quality of the format of slides. There were examples both of slides with only a few bullet points, and slides with too much information. Good presentations had slides that were varied and interesting.
6. Some candidates put full-length narrative sentences on the slides. This was not appropriate to the slide format and tended to make slides over-busy. This also distracted the audience from listening to the presenter.

7. Some slides containing graphs were not well labelled or explained particularly well. Better candidates spent time explaining graphs in some detail: in general there is insufficient time for an audience to appreciate the full impact of a graph without being led through it slowly and carefully.
8. Some candidates flipped between using the slides and a flip chart. Weaker candidates flipped back and forth too much thus distracting the audience.
9. Good candidates showed and explained the projected membership and projected income from 2011 to 2015, listing very briefly the key assumptions made in the projections.
10. Better candidates illustrated and explained that income was insufficient to meet outgo from 2011 to 2013 and thereafter income exceeded outgo.
11. Candidates gained marks for providing a variety of different sensible solutions to the cashflow problems.
12. Where presentations included a table, marks were gained for how clearly it brought out the messages. Large tables of data were unlikely to bring out the key messages clearly. A number of presentations failed to gain marks if they repeated tables from the exam paper.
13. Candidates were expected to assess the information provided and choose the parts that were relevant for the audience.
14. Most scripts gained marks for having a closing slide. The better scripts include a brief summary of the key messages and the opportunity to ask questions.

Candidates were not asked to provide a script to accompany the presentation.

**SOLUTION**

Slide 1

# Income from future subscriptions vs outgo

## Presentation to Finance Manager

Bob Brown, Actuary

November 2010

Slide 2

# Agenda

- Background
- Projected Membership
- Projected Income
- Income vs Outgo
- Cashflow solutions
- Summary

Slide 3

## Background

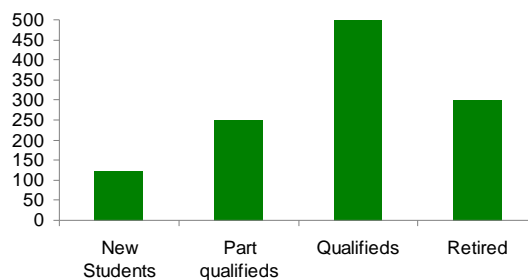
- Young profession, still growing
  - Join as students
  - Progression to fully qualified adviser status after completion of exams
  - High number of part-qualifieds
- Income - annual subscriptions from members
  - Four categories of members
  - Rates vary by category
- Outgo – substantial outgo in next 5 years

Slide 4

## Background

- Subscription rates unchanged for last few years

£ pa



- Need to increase subscriptions?
- Consider future membership numbers

Slide 5

## Projected Membership

Based on historic membership data

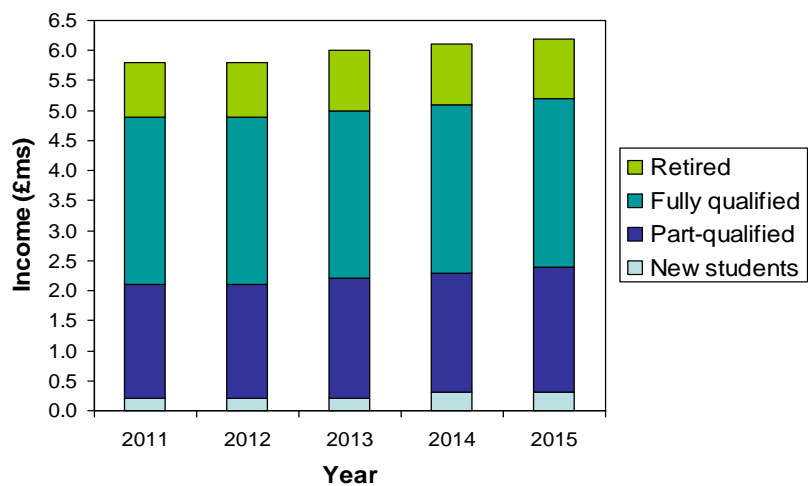
	2011	2012	2013	2014	2015
New students	1,525	1,685	1,845	2,005	2,165
Part-qualifieds	7,510	7,689	7,868	8,047	8,226
Fully qualifieds	5,540	5,561	5,582	5,603	5,624
Retired	3,048	3,106	3,164	3,222	3,280

Main assumptions:

- 500 students complete at least three exams each year
- 200 part qualifieds leave profession in 2011 (increasing to 240 each year from 2012)
- 75 new students leave profession in 2011 (increasing to 90 each year from 2012)
- 90 part qualifieds qualify each year (decreasing to 81 each year from 2012)
- 50 retire in 2011 (increasing to 60 each year from 2012)

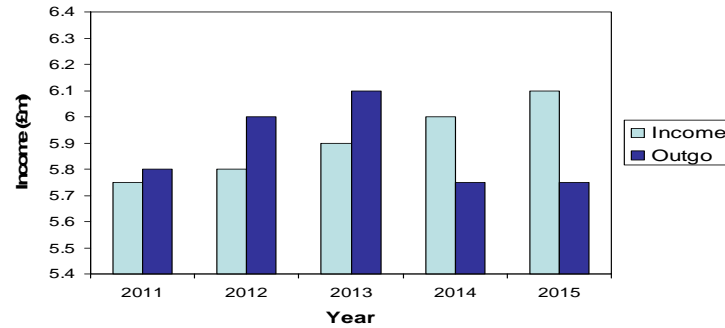
Slide 6

## Projected Income



Slide 7

## Total income vs outgo

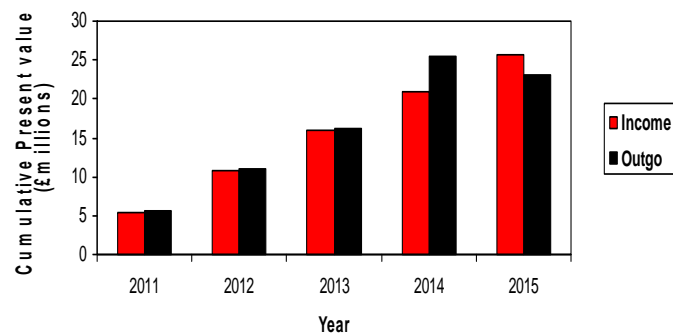


Cashflow position:

- income from 2011 to 2013 insufficient to meet outgo
- thereafter income exceeds outgo

Slide 8

## Income vs outgo in present value terms



PV of income at 5% interest = £25.7m

PV of outgo at 5% interest = £25.5m

Overall very small surplus but cashflow problems 2011 - 2013

Slide 9

## Cashflow problems?

### Cashflow position

2011 – 2013 → outgo exceeds income

### Solutions

- Increase subscription rate
- Temporary increase in subscriptions
- Campaign to attract more new students
- Borrow from Bank
- Reduce outgoings

Slide 10

## Summary

- Broadly stable annual increase in membership numbers
- Very small profit after 5 years on current subscription rates
- Consider
  - Solutions to cashflow problem
- Questions

**END OF EXAMINERS' REPORT**