



Institute
and Faculty
of Actuaries

SA2 – Life Insurance Specialist Advanced

Syllabus

for the 2023 exams

June 2022

SA2 – Life Insurance Specialist Advanced

Aim

On completion of the Life Insurance Specialist Advanced (SA2) subject, candidates should be able to demonstrate a detailed understanding of:

- the UK life insurance market and other jurisdictions (as described in the core reading). This includes a detailed understanding of the current products sold, the underlying market demand and methods of distribution, as well as the regulatory and fiscal regime.
- the principles and techniques of actuarial management and control, that are used in practice within the UK life insurance market and other jurisdictions (as described in the core reading).
- the commercial issues, economic uncertainty and associated risks that underlie the UK life insurance market and other jurisdictions (as described in the core reading).

Links to other subjects

SP2 - Life Insurance Principles

Syllabus topics

- 1 Life insurance products and general business environment (30%)
- 2 Regulatory, legislative and taxation environment (15%)
- 3 Reporting and management of capital and profit (25%)
- 4 General business management (30%)

These weightings are indicative of the approximate balance of the assessment of this subject between the main syllabus topics, averaged over a number of examination sessions. As such, there is no weighting assigned to section 5 of the syllabus 'Problem Solving'.

Assessment of skill level

Exam questions are designed to test the following:

- Knowledge (demonstration of a detailed knowledge and understanding of the topic),
- Application (demonstration of an ability to apply the principles underlying the topic within a given context) and
- Higher Order (demonstration of an ability to perform deeper analysis and assessment of situations. This includes the ability to develop proposals and recommendations utilising actuarial judgement, i.e. taking into account different points of view, comparing and contrasting situations, clearly communicating any limitations and elements of uncertainty in the approach).

In the SA subjects, the approximate split of assessment across these three skill types is 20% Knowledge, 50% Application and 30% Higher Order skills.

In comparison with SP2 'Life Insurance Principles', the assessment of SA2 is looking for candidates to demonstrate a more detailed understanding of the underlying market conditions in the UK and other jurisdictions (as detailed in the core reading), as well as the ability to apply actuarial techniques and judgement to more detailed and complex problems. In particular to:

- 1 understand the more complex aspects of actuarial practice within life insurance companies.
- 2 apply the principles of actuarial practice to the management of life insurance under complex scenarios.
- 3 compare the approaches by which the principles are applied in practice across different jurisdictions.
- 4 recommend coherent solutions and courses of action in relation to the overall financial management of life insurance companies.

The use of a specific command verb within a syllabus objective does not indicate that this is the only form of question that can be asked on the topic covered by that objective. The Examiners may ask a question on any syllabus topic using any of the agreed command verbs, as are defined in the document 'Command verbs used in the Associate and Fellowship written examinations'.

Detailed syllabus objectives

0 Introduction

- 0.1 Define the principal terms used in life insurance.

1 Life insurance products and general business environment (30%)

- 1.1 Describe the major life insurance products that are offered.
- 1.1.1 Describe 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 Describe the main features of the following life insurance product bases:
- Conventional with-profits
 - Accumulating with-profits
 - Unit-linked
 - Index-linked.
- 1.1.3 Assess the purpose and key risks of the above products and bases to the policyholder and the insurer.
- 1.2 Assess the effect of the general business environment on the management of life insurance business, in terms of:
- 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 (15%)

- 2.1 Explain the relevance of legislation to life insurance business, in relation to:
- consumer protection.
 - equality legislation.
- 2.2 Explain the general principles of the taxation of life insurance business of:
- governments.
 - policyholders.
 - life insurance companies.
 - unit pricing.

- 2.3 Describe regulatory frameworks for life insurance companies, including:
- 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 Solvency II regulatory framework.
- 2.4.1 Describe the Solvency II framework in terms of:
- background and scope.
 - structure.
 - Pillar 2 governance requirements.
 - Pillar 3 disclosure and reporting requirements.
 - group reporting requirements.
- 2.4.2 Assess the implications of a regulatory framework such as Solvency II for business culture and strategy.
- 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%)

- 3.1 Demonstrate an understanding of solvency assessment techniques.
- 3.1.1 Outline the valuation of assets, liabilities and solvency capital requirements under Solvency II.
- 3.1.2 Compare solvency assessment approaches between different jurisdictions.
- 3.2 Demonstrate an understanding of capital management techniques.
- 3.2.1 Explain the different types of capital assessment.
- 3.2.2 Describe the different sources of capital employed within the life insurance industry.
- 3.2.3 Discuss the assessment of ongoing solvency, including practical modelling considerations.
- 3.2.4 Explain the relationship between risk, capital requirements and economic value generation.
- 3.2.5 Describe the capital management techniques used within the life insurance industry.
- 3.2.6 Describe the principles of asset-liability management and the use of derivatives.
- 3.3 Demonstrate an understanding of profit reporting approaches.
- 3.3.1 Outline the main requirements of different accounting standards, including International Financial Reporting Standards (IFRS) and US GAAP, in relation to life insurance business.
- 3.3.2 Compare profit reporting approaches between different jurisdictions.
- 3.3.3 Describe embedded value reporting approaches, including under Solvency II.
- 3.4 Analyse surplus and profit arising over a period.
- 3.4.1 Analyse supervisory surplus arising, including under Solvency II.
- 3.4.2 Analyse the change in embedded value.
- 3.4.3 Identify possible actions that may need to be taken following an analysis of surplus or profit.

4 Business management (30%)

- 4.1 Suggest actions that a life insurance company could take in order to ensure that it is treating its customers fairly.
- 4.2 Demonstrate 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 Describe the following 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 Describe the components of an asset share calculation and how they could be determined.

4.3.2 Compare different methods of distributing bonuses under the 'additions to benefits' method.

4.3.3 Discuss the concept of smoothing.

4.3.4 Describe investigations that can be performed in order to inform with-profits business management.

4.3.5 Evaluate different 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 Demonstrate an understanding of product design and pricing techniques.

4.4.1 Describe the factors to be taken into account when designing life insurance products.

4.4.2 Determine appropriate methods and bases for pricing such products.

5 Solving problems

5.1 Develop coherent proposals (or a range of proposals) and recommendations in relation to complex hypothetical scenarios, reflecting the overall management of life insurance companies.

5.1.1 Analyse complex problems, demonstrating an understanding of the syllabus including the following factors (profitability, capital management, risk, regulation and customer demand).

5.1.2 Assess the implications, relevance and interaction of such factors, integrating the results into a coherent whole.

5.1.3 Evaluate the results critically in a wider context, drawing appropriate conclusions.

5.1.4 Discuss the advantages and disadvantages of suggested proposals and recommendations, taking into account different perspectives.

5.1.5 Demonstrate an understanding of any limitations and elements of uncertainty inherent in the proposals or recommendations made.

Assessment

This subject will be assessed via one examination which is three hours and twenty minutes, timed and online. The candidate can expect to answer a number of questions with varying marks, in line with the above syllabus topic weightings and skill levels.

Please read the latest version of the IFoA Examinations Handbook and IFoA Examination Regulations on the IFoA website before sitting any IFoA examination.

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