

EXAMINATION

April 2007

Subject CA3 — Communications

EXAMINERS' REPORT

Introduction

The attached subject report has been written by the Principal Examiner with the aim of helping candidates. The questions and comments are based around Core Reading as the interpretation of the syllabus to which the examiners are working. They have however given credit for any alternative approach or interpretation which they consider to be reasonable.

M A Stocker
Chairman of the Board of Examiners

June 2007

Comments

Question 1

Candidates were asked to draft a letter to a friend following a switch of mail order company. Candidates were required to comment on whether a 50% increase in complaints and a 20% decrease in the number of returned letters were significant events. The main points that the examiners were looking for and some common problems encountered were as follows.

1. Most candidates had a suitable opening paragraph to the letter. Scripts gained marks for a brief summary of the friend's queries, but not where the opening paragraph was lengthy and repetitive. Most scripts were in a suitable format and tone to be a letter to a friend. A minority of scripts appeared to be closer to a formal business letter.
2. Most candidates correctly concluded that the 50% increase in complaints was not significant whereas the 20% decrease in "gone-aways" was significant.
3. Many candidates pointed out that the 50% increase in complaints would be expected around once a year. Some candidates then went on to conclude that this was significant.
4. Better scripts went on to say that if 9 or more complaints were received in the coming months, this would be more significant and therefore something to keep an eye on.
5. In terms of the reduced number of "gone-aways", the tone of the better scripts suggested the friend may like to talk to the company about the number of letters being sent out, rather than directing him to do so. The language in some scripts sounded false, for instance by making a comment along the lines of "I too share your concern". Weaker scripts were too dogmatic in their response. For instance, it could not be stated definitively that the number of mailings must have been lower.
6. Better scripts also contrasted the potentially anomalous situation where a 50% increase was not significant whereas a 20% decrease was significant.
7. Some scripts calculated the numbers incorrectly and therefore came to the wrong conclusion. Some credit was still given for the overall reply if it was communicated appropriately.
8. Weaker candidates' scripts lost flow by spending too long discussing items such as trends, random fluctuations, sample sizes and confidence intervals. Many scripts were also spoiled by overuse of the word "significant".
9. Some candidates complicated their answers by providing too many numbers — for example stating the chance of there being more than 9, 10 and 13 complaints. Inappropriate use of number and percentage figures usually introduced unnecessary complication — e.g. it was confusing to state there was a 0.2% chance of there being more than 13 complaints, or saying there was a 1 in 12 chance of fewer than 9.3 complaints.
10. Better scripts pointed out that if the number of letters sent out reduced to 8,000 then 9 complaints would then turn out to be significant.
11. Many scripts gained marks for a good final paragraph which briefly summarised the main points and finished with comments suitable for a letter to a friend.
12. A number of scripts suffered from poor spelling, grammar and punctuation.

13. *The guideline length was 450 words. Scripts which were below 400 words generally missed out some of the explanation. Scripts which were longer than 500 often lost marks for including unnecessary repetition or irrelevant detail.*

A possible answer is attached. In practice a wide number of solutions were acceptable.

Question 2

Candidates were asked to draft a presentation about three life assurance products to an audience of new employees in a customer services team.

1. *Most scripts had an appropriate first slide with a clear title, date, name of presenter*
2. *Most scripts had an agenda. On better scripts the agenda linked directly to the titles of the following slides.*
3. *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.*
4. *Better scripts included a variety of formats on different slides, with perhaps a couple of different graphs and a table, or a graph and a diagram.*
5. *Some scripts were over-complicated by having several graphs on one slide, or a very complicated diagram.*
6. *Where scripts 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.*
7. *Where scripts included a graph, marks were gained for the appropriate labelling of axes.*
8. *Candidates made different choices as to what information they presented in a graph. Graphs were particularly useful when contrasting surrender values and paid up sum assured. Often a brief comment underneath a graph to highlight the key point being shown proved helpful.*
9. *Candidates were expected to assess the information provided and choose the parts that were relevant for the audience. For instance, many scripts contained a list of all the rating factors set out in the question without any attempt to sift these. A number of presentations contained too much technical information. Reference to the precise mortality tables for instance was inappropriate.*
10. *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.*
11. *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.*
12. *Most scripts gained full marks for having between 6 and 9 slides.*
13. *Candidates were not asked to provide a script to accompany the presentation.*

A possible solution is attached. It is not intended to be a model solution. In practice a wide range of solutions was acceptable.

1

Dear John,

Thank you for your letter. I'm glad that business is going smoothly, and hope your plans to move house go well. I've had a look at the results of your mailing and have a few thoughts on the complaints and "gone aways".

Whether changes are significant

Although you get six complaints and 200 "gone –aways" on average, these numbers will fluctuate a bit from month to month for no obvious reason. The fact that a few extra people move house in a particular month or that an extra person notices their voucher is missing doesn't mean there's a change you need to worry about, but if the number is a long way from the average there may be more of an issue.

There are standard methods statisticians use to decide whether a change may be significant, and I've applied them to your mailing. In broad terms, if there's a less than one-in-twenty chance that the difference from the average is just a random thing it's generally worth more investigation.

Your mailing

With an average of six complaints from a mailing to 10,000 customers, it works out that you can expect ten or more complaints about once every 20 months. So having nine complaints from that size of mailing shouldn't alarm you too much, although you may want to monitor what happens in the next few months.

Looking at the "gone aways", with an average of 200 from 10,000 people mailed, you can expect 177 or fewer about one every 20 months. So the fact that you had only 160 this month is significant, because it would be a very rare occurrence if it were random.

You mentioned that the reduction could be down to fewer people moving house, but actually the latest national statistics suggest that isn't happening. Unfortunately there's another possibility, which is that the mailing company isn't sending out all the vouchers it should. If it had simply binned 2,000 vouchers, the number of "gone aways" would be in line with your average. To make things worse, nine complaints from a mailing of 8,000 is much more likely to be significant than nine complaints from a mailing of 10,000.

What can you do?

I think it would be worth raising the number of "gone aways" with the mailing company. It's not impossible that this could be a random thing; but it looks unlikely. You'll certainly want to keep an eye on them over the next few months. If you want more from me on the numbers, let me know.

Regards,

Bob

425 words

2

The ABC Life Insurance Company

R Jones
March 2007

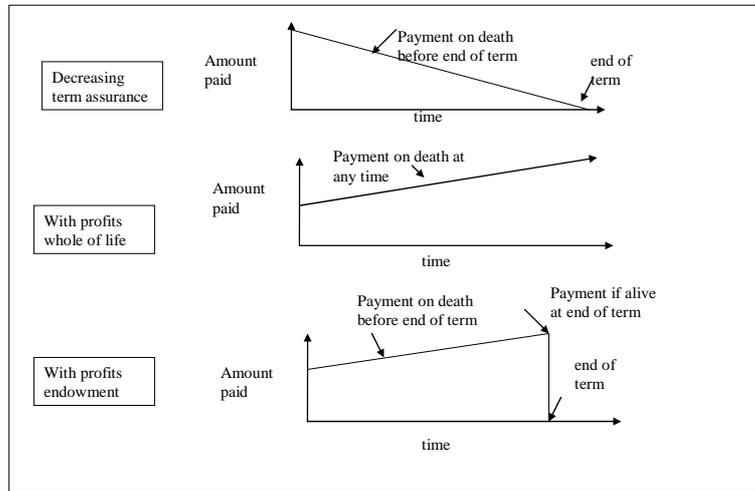
1

Agenda

- The products
 - Overview
 - Key features
- Main rating factors
- Comparison of
 - Surrender values
 - Paid up sum assured
- Summary

2

The Products - Overview



The Products - Key Features

	Decreasing term assurance	With profits endowment assurance	With profits whole of life policy
Premiums	Regular (monthly or annually) or lump sum	Regular (monthly or annually) or lump sum	Regular (monthly or annually) or lump sum
Term	Fixed	Fixed	Lifetime of individual
When benefit paid	On death during term	On death during term or at end of term if individual survives	On death at any time
Benefit payable on death	Sum assured (decreases to nil at the end of term)	Sum assured plus regular and final bonuses	Sum assured plus regular and final bonuses
Benefit payable at end of policy term	Nil	Sum assured plus regular and final bonuses	N/A

4

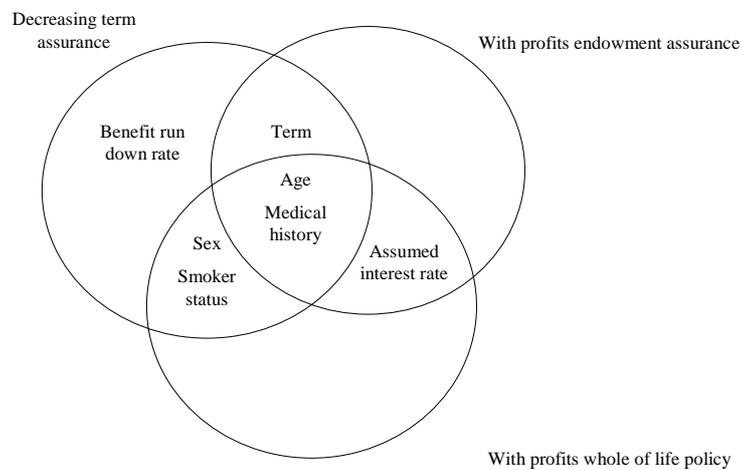
The Products - Key Features

	Decreasing term assurance	With profits endowment assurance	With profits whole of life policy
Medical underwriting	Required – key factors discussed later	Required - key factors discussed later	Required - key factors discussed later
Surrender value ¹	Nil	Yes	Yes
Paid up sum assured ²	Nil	Yes	Yes

1. Surrender Value – amount of money paid to policyholder if policyholder chooses to terminate policy before end of policy term
2. Paid-Up Sum Assured – revised amount of benefit if individual ceases to pay any future premiums during term of policy

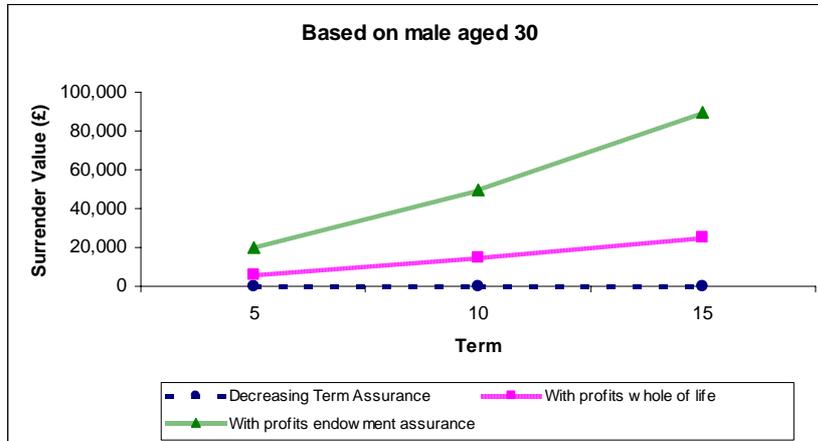
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Main rating factors



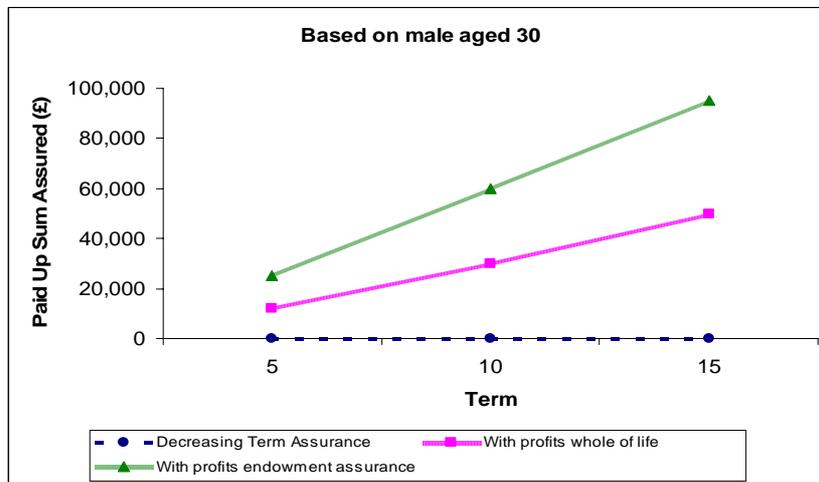
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Comparison of surrender values



7

Comparison of Paid up sum assured



8

Summary

- Decreasing term assurance
 - Provides protection in the event of death within policy term
 - Benefit decreases over time
 - No surrender value or paid up sum assured
- With-profits endowment
 - Provides savings and in event of death before policy term protection element
 - Regular and final bonus additions
 - Option to surrender or make paid up
- With profits whole of life
 - Provides savings and in event of death before policy term protection element
 - Regular and final bonus additions
 - Option to surrender or make paid up
- Any questions

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END EXAMINERS' REPORT