

# **INSTITUTE AND FACULTY OF ACTUARIES**

## **EXAMINERS' REPORT**

### **Subject CA3 Communications**

#### **Day 1**

##### **Purpose of Examiners' Reports**

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 who are 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. Although Examiners have access to the Core Reading, which is designed to interpret the syllabus, the Examiners are not required to examine the content of Core Reading. Notwithstanding that, the questions set, and the following comments, will generally be based on Core Reading.

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

T J Birse  
Chairman of the Board of Examiners

2012

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 management team of an organisation to explain that:

- new regulations are being introduced to prevent unfair rates being charged to males as opposed to females, or vice versa
- the company's approach is to charge fair rates – and this is best seen because the rates for a male aged 70 are similar to those for a female aged 73 – as they will live for a similar number of years
- that annuity payments are paid if you are alive
- that the published ratio of 147% between male and female mortality rates doesn't mean that there should be 47% more income for a male

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 5 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 5 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 slide. 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 that the Company's rates were fair by referring to a male aged 70 and female aged 73.
10. Better candidates explained that the company used its own mortality rates which were broadly similar to published industry data and made allowance for future mortality improvements.
11. 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 the table from the exam paper.
12. Candidates were expected to assess the information provided and choose the parts that were relevant for the audience.
13. 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**

### **Gender discrimination - a risk of annuity claims ?**

A Smith  
<job role>  
<date>

1

### **Background**

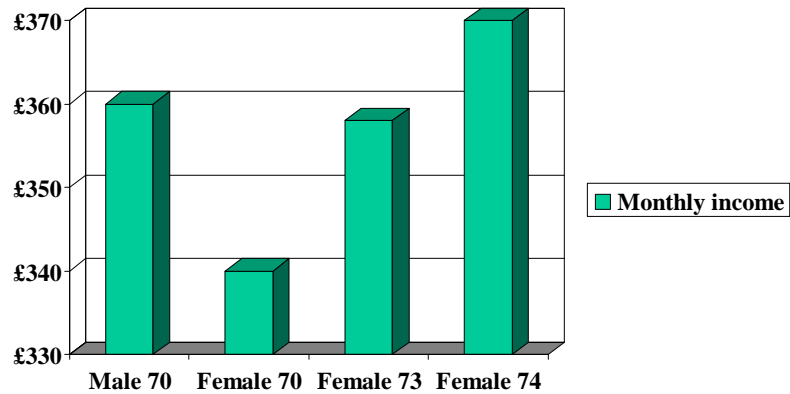
- New regulations designed to prevent gender discrimination.
- Difference between Male and Females can be justified by reference to published ratios.
- Individuals can claim compensation.

Are we at risk ?

2

## How our rates differ -

Income for £50k pension fund invested



Male 70 has 6% more income than Female 70

3

## Published Ratios

Ratio of Male to Female: probability of death at age:

71-75: 147%

76-80: 146%

81-85: 143%

Based on standard industry tables

***Will Males expect 40% - 50% more income ?***

4

## What do the ratios mean ?

Example at age 70:

	Male	Female	Ratio
Probability of dying within 1 year	1.9%	1.3%	147%
Probability of surviving 1 year	98.1%	98.7%	99%
Expected Lifespan	14.3yrs	16.8yrs	85%

**Published Ratios are not very helpful !**

5

## Are we at Risk

- Our annuity rates are fair
  - Best indication is comparing M70 and F73
- Differences between our M & F rates –
  - Are based on our own company data
  - Allow for future improvements in mortality

6

## Summary

- New regulations designed to prevent discrimination by gender
- Our annuity rates are fair
- Published ratios are not helpful – may lead some customers to claim unfair treatment

7

**END OF EXAMINERS' REPORT**