



Institute
and Faculty
of Actuaries

Subject SA2 Life Insurance Specialist Applications

Syllabus

for the 2018 exams

1 June 2017

Subject SA2 – Life Insurance Specialist Applications

Aim

The aim of the Life Insurance Specialist Applications subject is to instil in successful candidates the ability to apply knowledge of the United Kingdom life insurance environment and the principles of actuarial practice to the management of life insurance business in the United Kingdom.

Links to other subjects

Subject ST2 – Life Insurance Specialist Technical: provides the underlying principles upon which this subject is based. It is assumed that students have a good understanding of the principles covered in that subject.

Candidates can expect to be examined in aspects of general principles developed in Subject ST2 – Life Insurance Specialist Technical as well as in the UK specific aspects developed in this subject.

Subject P2 – Life Insurance UK Practice Module Specialist: the knowledge required to pass Subject P2 is contained in this subject.

Subjects ST1 and SA1 – these Health and Care Specialist Technical and Applications subjects cover health and care products such as income protection and critical illness, and related matters. These two products are covered to a limited extent in Subject SA2 because they are relevant products to a life insurance actuary. Questions may get asked in the examination paper for Subject SA2 about matters relating to these products that are not covered specifically in the Core Reading for SA2, in particular applying the concepts covered in SA2 to income protection and critical illness products.

Objectives

On completion of this subject the candidate will be able to:

- (a) Define the principal terms used in life insurance in the UK.
- (b) Describe the major products of interest to UK life insurance companies, additional to the generic coverage in Subject ST2, and whether currently sold or not, in terms of:
 - the main types of products issued
 - the benefits, guarantees, and options that may be provided
 - the purpose and risks of the products to the policyholder and the insurer

The products under this syllabus objective are:

- term assurance
- income protection insurance
- critical illness insurance
- conventional with profits
- accumulating with profits
- unit-linked
- index-linked
- mortgage endowment

- single premium bonds
 - personal pension, including self-invested personal pension
 - group personal pension
 - stakeholder products
 - income drawdown
 - annuities
 - life insurance products related to occupational pension schemes
 - wraps
 - variable annuities
 - equity release products
 - Takaful insurance
 - microinsurance
- (c) Describe the general business environment for life insurance companies in the UK, including the risks involved, in terms of:
- new business
 - distribution of products
 - the wider competitive environment
 - the principles of treating customers fairly
 - corporate finance
 - outsourcing
 - mergers and acquisitions
 - demutualisations
 - closed funds
- (d) Describe the principles of UK contract and trust law as they affect life insurance, including reference to consumer protection legislation and equality legislation.
- (e) Describe, in terms of the following, the regulatory environment for UK life insurance companies, and how this environment affects the way these companies carry out their business in practice, including the related analyses and investigations:
1. The taxation of the UK business of life insurance companies and the effect of taxation on the benefits and premiums paid under UK life insurance contracts.
 2. The supervision of the UK business of life insurance companies under the relevant regulatory handbooks with regard to:
 - the valuation of assets, liabilities and solvency capital requirements
 - the supervisory reports to be submitted
 - transfers of surplus, including the requirements of surplus distribution systems
 3. The transfer of liabilities from one life insurance company to another.

Subject SA2 – Life Insurance Specialist Applications

4. The capital management of a life insurance company, including determining and improving available capital, projecting future solvency, the principles of asset-liability management and the use of derivatives.
 5. Profit and value reporting under UK GAAP, EU approved IFRS, US GAAP and embedded values, including market consistent embedded values.
 6. The analysis of supervisory surplus and, for a proprietary life insurance company, analysis of the change in embedded value.
 7. The Conduct of Business rules with regard to Treating Customers Fairly, disclosure and, for with profits business, the Principles and Practices of Financial Management (“PPFM”).
 8. The management and controls to be exercised by a life insurance company in order to conduct its affairs responsibly and effectively with adequate risk management systems.
 9. The principles underlying the requirements of the professional standards and guidance relevant to actuaries practising in or advising UK life insurance companies.
 10. The statutory roles that are relevant to life insurance actuaries.
- (f) Describe the requirements for the design of life insurance contracts to be marketed in the UK and determine appropriate methods and bases for pricing them.
- (g) Describe the management of UK with profits business, including:
- the calculation and use of asset shares
 - appropriate ways of determining surplus distribution policy
- (h) Produce coherent advice and recommendations for the overall financial management of a life insurance company.
- Analyse more complex problems in terms of actuarial, economic and financial factors to a level where appropriate analytical techniques may be used.
 - Integrate the results of such an analysis into a coherent whole, and
 - Evaluate critically and interpret the results in a wider context and draw appropriate conclusions.

END OF SYLLABUS