



Institute
and Faculty
of Actuaries

SA3 – General Insurance Advanced

Syllabus

for the 2022 exams

June 2021

SA3 – General Insurance Advanced

Aim

The aim of the General Insurance Advanced subject is for students to develop the following skills:

- 1 understand the more complex aspects of actuarial practice within general insurance companies.
- 2 apply the principles of actuarial practice to the management of general 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 general insurance companies.

Syllabus topics

- 1 General insurance products and general business environment (35%)
- 2 Regulatory, legislative and taxation environment (10%)
- 3 Reserving, capital modelling and reinsurance (30%)
- 4 Financial management, monitoring and strategies (25%)

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.

The weightings also have a correspondence with the amount of learning material underlying each syllabus topic. However, this will also reflect aspects such as:

- the relative complexity of each topic and hence the amount of explanation and support required for it.
- the need to provide thorough foundation understanding on which to build the other objectives.
- the extent of prior knowledge that is expected.
- the degree to which each topic area is more knowledge- or application-based.

Assessment

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

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 in use in general insurance.

1 General insurance products and business environment (35%)

1.1 Describe the main features of general insurance markets.

1.2 Outline the key features of the Lloyd's market.

1.3 Special aspects of pricing including catastrophe modelling.

1.3.1 Suggest the particular considerations to be borne in mind when pricing large commercial risks.

1.3.2 Describe the alternative approaches to rating large commercial risks.

1.3.3 Outline how to incorporate the return on capital in the calculation of premium rates.

1.3.4 Evaluate the difference between catastrophe modelling and traditional actuarial rating methods.

1.3.5 Outline the generic structure of a catastrophe model.

1.3.6 Suggest the key perils modelled.

1.3.7 Describe the key uses to which a non-life actuary may put the output of catastrophe models.

1.3.8 Suggest some key considerations in using the output of catastrophe models.

1.3.9 Non-modelled catastrophe.

1.4 Outline the particular actuarial features of annuities in non-life insurance (also known as Periodic Payment Orders (PPOs)).

1.5 Suggest possible emerging risks and disrupters and their impacts on the general insurance market.

2 Regulatory, legislative and taxation environment (10%)

2.1 Demonstrate an understanding of the over-arching Solvency II regulatory framework.

2.1.1 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.

2.2 Describe the regulatory regime in place in Lloyd's.

2.3 Explain the relevance of legislation to general insurance business, in relation to:

- consumer protection.
- equality legislation.

2.4 Explain the implications of the taxation of general insurance business for:

- policyholders.
- general insurance companies, mutual and proprietary.
- Lloyd's syndicates and their members.

2.5 Describe regulatory frameworks for general insurance companies, including:

- objectives of regulators.
- supervisory tools, including rulebooks and reporting requirements.
- statutory actuarial roles.
- transfer of liabilities between companies.

2.6 Demonstrate how the regulatory, legislative and taxation environments affect the insurance market and the way in which general insurance companies carry out their business in practice.

2.7 Outline the requirements of actuarial standards in relation to actuaries practising in or advising general insurance companies.

3 Reserving, capital modelling and reinsurance (30%)

- 3.1 Determine appropriate bases for valuing the insurance liabilities of a general insurer in order to produce:
- annual accounting and statutory returns, including under IFRS 17.
 - management accounts.
- 3.2 Demonstrate an understanding of the reasons why different reserving techniques are required for latent claims and disease claims.
- 3.3 Demonstrate higher order understanding of the commercial and regulatory environment and their effect on reserving and capital.

4 Financial management, monitoring and strategies (25%)

- 4.1 Demonstrate an understanding of financial planning in general insurance management.
- 4.1.1 Analyse the financial-planning requirements of a general insurer and develop appropriate strategies.
- 4.1.2 Evaluate appropriate models for the purpose of financial planning to enable a general insurer to develop and monitor its objectives at either the corporate or product level.
- 4.2 Exits and transfers.
- 4.2.1 Demonstrate an understanding of general insurance portfolio transfer alternatives.
- 4.2.2 Outline the reasons why a general insurer may wish to transfer a portfolio of business to another insurer.
- 4.2.3 Describe the alternative approaches to such a transfer, including the situations in which each may be appropriate.

5 Solving problems

- 5.1 Recommend coherent solutions and courses of action in relation to the overall financial management of general insurance companies.
- 5.1.1 Analyse complex problems in terms of actuarial, economic and financial factors to a level where appropriate analytical techniques may be used.
- 5.1.2 Assess the implications and relevance 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 Propose solutions and actions, or a range of possible solutions and actions, based on this evaluation.

Assessment

Three-hour and fifteen-minute written examination.

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