ACST860
Contingent Payments 2
S1 Evening 2016
Dept of Applied Finance and Actuarial Studies

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http://unitguides.mq.edu.au(unit_offers/68302/unit_guide/print)
General Information

Unit convenor and teaching staff
Unit Convenor, lecturer and tutor
Leonie Tickle
Contact via Dialogue tool on the teaching website or during consultation
E4A608
Monday 1-3 during teaching weeks, or other times by appointment

Credit points
4

Prerequisites
ACST859

Corequisites

Co-badged status
In second semester, ACST860 shares lectures with ACST355.

Unit description
Topics covered in this unit include: - multiple decrement models; - valuation of benefits and contributions under superannuation plans; - pricing and valuation of policies involving two lives; - cash flow and profit test models for life insurance products including traditional products, unbundled unit linked contracts and disability income products; - pricing and valuation for future contingent liabilities; and - the effect of the pricing and valuation basis on the emergence of profit. Students gaining a grade of credit or higher in both ACST859 and this unit may apply for exemption from subject CT5 of the professional exams of the Institute of Actuaries of Australia.

Important Academic Dates
Information about important academic dates including deadlines for withdrawing from units are available at [http://students.mq.edu.au/student_admin/enrolmentguide/academicdates/](http://students.mq.edu.au/student_admin/enrolmentguide/academicdates/)

Learning Outcomes

1. Extend the techniques learned in ACST255/859 to permit the calculation and analysis of cashflows dependent upon the death or survival of either or both of two lives, and cashflows dependent upon a fixed term as well as age.
2. Describe, develop, apply and analyse methods used to model cashflows contingent upon competing risks; construct and use multiple decrement service tables, and demonstrate understanding of the relationship with associated single decrement tables.

3. Describe, apply and analyse the technique of discounted emerging costs for use in pricing, reserving and assessing profitability, for superannuation funds and related multiple decrement tables, traditional life insurance contracts and unit linked policies.

4. Define, describe and illustrate the principal forms of heterogeneity within a population and the ways in which selection can occur.

5. Define, calculate and analyse the use of various single figure indices, explain the rationale behind the indices, and explain the advantages and disadvantages of the indices for summarising and comparing actual experience in different scenarios.

6. Demonstrate the ability to identify key unit concepts and to integrate them to solve, create and analyse novel problems.

General Assessment Information

The following apply to the class test and the final examination:

- You are permitted ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten or typed. The page will not be returned to you at the end of the final examination.
- Any mortality or statistical tables that you require will be provided for you.
- Non-programmable calculators with no text storage/retrieval capacity permitted.
- Dictionaries are not permitted.
- For full marks, clear and complete working must be shown.

The following apply to the in-semester assessment tasks (assessed coursework, class test and assignment):

- No extensions will be granted. Students who do not attend the class test or submit the assessed coursework or assignment by the due date will be awarded a mark of 0 for the task, except in cases where the formal Disruption Policy applies.
- All individual assessment results will be made available under Grades on the website.
- For the test and assignment, class-level results, marking guide and feedback on common errors will be available from the website.

In relation to your overall result in this unit, please note that the Standardised Numerical Grade (SNG) gives you an indication of how you have performed within the band for your descriptive grade. The SNG is not a mark, and you may not be able to work it out based on your raw examination and other assessment marks. Nor are you able to determine you are “one mark away” from a different grade.
Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed coursework</td>
<td>7%</td>
<td>Sundays 11.55 pm</td>
</tr>
<tr>
<td>Class Test</td>
<td>13%</td>
<td>2 May</td>
</tr>
<tr>
<td>Assignment</td>
<td>10%</td>
<td>29 May</td>
</tr>
<tr>
<td>Final Examination</td>
<td>70%</td>
<td>University Examination Period</td>
</tr>
</tbody>
</table>

Assessed coursework

Due: Sundays 11.55 pm
Weighting: 7%

Online quizzes

The online quizzes are worth 7% total. There are three short online quizzes - Quiz 1 (2.5%) is on Sections 1-3, Quiz 2 (3%) is on Sections 4-6 and Quiz 3 (1.5%) is on Sections 9-10. The quizzes are due Sunday (at 11.55 pm) on 20 March, 17 April and 5 June. You should not leave the submission of quizzes until the last minute in case there are system or other problems. (In the rare case of prolonged University-wide technology problems, allowances will be made for all students).

Please ensure that you answer all quiz questions with the specified rounding, and in the required format. **Marks cannot be reinstated for rounding or formatting errors so please do not request this.**

Feedback on each quiz will be made available automatically once the quiz has been submitted and the deadline for the quiz has passed.

Please note that the quizzes aim at assisting your initial learning of concepts, before moving on to more difficult material. They are not indicative of the difficulty of questions you could expect in a test or examination.

This Assessment Task relates to the following Learning Outcomes:

- Extend the techniques learned in ACST255/859 to permit the calculation and analysis of cashflows dependent upon the death or survival of either or both of two lives, and cashflows dependent upon a fixed term as well as age.

http://unitguides.mq.edu.au/unit_offers/68302/unit_guide/print
• Describe, develop, apply and analyse methods used to model cashflows contingent upon competing risks; construct and use multiple decrement service tables, and demonstrate understanding of the relationship with associated single decrement tables.

• Describe, apply and analyse the technique of discounted emerging costs for use in pricing, reserving and assessing profitability, for superannuation funds and related multiple decrement tables, traditional life insurance contracts and unit linked policies.

• Define, describe and illustrate the principal forms of heterogeneity within a population and the ways in which selection can occur.

• Define, calculate and analyse the use of various single figure indices, explain the rationale behind the indices, and explain the advantages and disadvantages of the indices for summarising and comparing actual experience in different scenarios.

• Demonstrate the ability to identify key unit concepts and to integrate them to solve, create and analyse novel problems.

Class Test
Due: 2 May
Weighting: 13%

The class test will be a 75 minute written paper with no reading time, covering Sections 1 to 5 inclusive. It will be held during the lecture time.

Marked test scripts will be returned via BESS. It is intended that marked papers and feedback will be returned within 10 working days of the class test date.

This Assessment Task relates to the following Learning Outcomes:

• Extend the techniques learned in ACST255/859 to permit the calculation and analysis of cashflows dependent upon the death or survival of either or both of two lives, and cashflows dependent upon a fixed term as well as age.

• Describe, develop, apply and analyse methods used to model cashflows contingent upon competing risks; construct and use multiple decrement service tables, and demonstrate understanding of the relationship with associated single decrement tables.

• Demonstrate the ability to identify key unit concepts and to integrate them to solve, create and analyse novel problems.

Assignment
Due: 29 May
Weighting: 10%
The assignment will be a written report based mainly on Sections 6 and 7. It will be completed in groups. Further details will be provided in classes.

This Assessment Task relates to the following Learning Outcomes:
- Describe, develop, apply and analyse methods used to model cashflows contingent upon competing risks; construct and use multiple decrement service tables, and demonstrate understanding of the relationship with associated single decrement tables.
- Describe, apply and analyse the technique of discounted emerging costs for use in pricing, reserving and assessing profitability, for superannuation funds and related multiple decrement tables, traditional life insurance contracts and unit linked policies.
- Define, describe and illustrate the principal forms of heterogeneity within a population and the ways in which selection can occur.
- Demonstrate the ability to identify key unit concepts and to integrate them to solve, create and analyse novel problems.

Final Examination
Due: University Examination Period
Weighting: 70%

The final examination will be a three-hour written paper with ten minutes reading time, held during the University Examination period.

To be eligible to pass this unit, a pass is required in the final examination.

This Assessment Task relates to the following Learning Outcomes:
- Extend the techniques learned in ACST255/859 to permit the calculation and analysis of cashflows dependent upon the death or survival of either or both of two lives, and cashflows dependent upon a fixed term as well as age.
- Describe, develop, apply and analyse methods used to model cashflows contingent upon competing risks; construct and use multiple decrement service tables, and demonstrate understanding of the relationship with associated single decrement tables.
- Describe, apply and analyse the technique of discounted emerging costs for use in pricing, reserving and assessing profitability, for superannuation funds and related multiple decrement tables, traditional life insurance contracts and unit linked policies.
- Define, describe and illustrate the principal forms of heterogeneity within a population and the ways in which selection can occur.
Define, calculate and analyse the use of various single figure indices, explain the rationale behind the indices, and explain the advantages and disadvantages of the indices for summarising and comparing actual experience in different scenarios.

Demonstrate the ability to identify key unit concepts and to integrate them to solve, create and analyse novel problems.

**Delivery and Resources**

**Classes**
The timetables for classes can be found on the University website at: http://www.timetables.mq.edu.au. Tutorials will commence in week 1 of the session. All lecture classes for weeks 8, 9 and 10 will be held in the computer lab E4B104.

**Required and recommended texts and / or materials**

Optional text. Detailed lecture materials are provided and it is not envisaged that you will require a text.

Lecture handouts. Lecture handouts are available for downloading from the website in advance of lecture classes. Print these (at 100% size) and bring them to the relevant lecture. It is expected that you will have these notes in all lectures.

Tables. The Formulae and Tables for Actuarial Examinations book is not required for this unit, and will not be provided in the examination. Instead, you will be asked to generate your own set of tables, based on up-to-date UK mortality tables. There will be Tables Tasks exercises set in the early weeks of the unit that will give you details of how to construct the tables and provide results to spot check your answers. In addition to generating results for your future use, the aim of these tasks is to help you to revise relevant results from ACST255/859. It is important that you keep up-to-date with the Tables Tasks so that you can use your tables to answer questions throughout this unit.

**Technology used and required**
You will be required to use the teaching website, Excel and Word.

**Unit webpage**
Course material is available on the learning management system (iLearn). To access the teaching website, go to http://ilearn.mq.edu.au and login using your usual login and password.

**Teaching and learning activities**

Lectures. The unit material is covered in the three hours of lectures each week.

Tutorials. The tutorial is an opportunity for you to discuss the exercises available for each section of work with your tutor. The tutorials will cover the lecture material from the same week, and tutorials commence in week 1.

Computer lab classes. These will replace all of the lecture classes in weeks 8, 9 and 10.
Material to bring to classes. You are expected to bring to all classes the relevant lecture handout printout for the current and previous weeks, blank paper to complete exercises, a calculator, and your completed Tables Tasks.

## Unit Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Week Beginning</th>
<th>Lecture and tutorial (Monday)</th>
<th>Assessment (Sunday)</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 Feb</td>
<td>Unit introduction and Section 1: Joint life and last survivor statuses and Section 2: Simple annuities and assurances involving two lives</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>7 March</td>
<td>Section 3: Contingent and reversionary benefits</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>14 March</td>
<td>Section 4: Competing risks</td>
<td>Quiz 1</td>
<td></td>
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<tr>
<td>21 March</td>
<td>Section 5: Multiple decrement tables</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>28 March</td>
<td>PUBLIC HOLIDAY - NO CLASSES</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>4 April</td>
<td>Section 6: Superannuation funds</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>11 April</td>
<td>MID-SEMESTER STUDY BREAK</td>
<td>Quiz 2</td>
<td></td>
</tr>
<tr>
<td>18 April</td>
<td>MID-SEMESTER STUDY BREAK</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>25 April</td>
<td>PUBLIC HOLIDAY - NO CLASSES</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2 May</td>
<td>Test, and Section 7: Profit testing - conventional business</td>
<td>Test (Monday)</td>
<td></td>
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<tr>
<td>9 May</td>
<td>Section 8: Profit testing - unit-linked business</td>
<td>-</td>
<td></td>
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<tr>
<td>16 May</td>
<td>Profit testing revision</td>
<td>-</td>
<td></td>
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<tr>
<td>23 May</td>
<td>Section 9: Mortality risk factors and selection</td>
<td>Assignment</td>
<td></td>
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</tbody>
</table>
Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central. Students should be aware of the following policies in particular with regard to Learning and Teaching:


In addition, a number of other policies can be found in the Learning and Teaching Category of Policy Central.

**Student Code of Conduct**

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student_conduct/](https://students.mq.edu.au/support/student_conduct/)

**Results**

Results shown in iLearn, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in eStudent. For more information visit [ask.mq.edu.au](http://ask.mq.edu.au).
Student Support
Macquarie University provides a range of support services for students. For details, visit [http://students.mq.edu.au/support/](http://students.mq.edu.au/support/)

**Learning Skills**
Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- Workshops
- StudyWise
- Academic Integrity Module for Students
- Ask a Learning Adviser

**Student Enquiry Service**
For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

**Equity Support**
Students with a disability are encouraged to contact the Disability Service who can provide appropriate help with any issues that arise during their studies.

**IT Help**
For help with University computer systems and technology, visit [http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University’s IT, you must adhere to the Acceptable Use of IT Resources Policy. The policy applies to all who connect to the MQ network including students.

**Supplementary Examinations**
Further information regarding supplementary exams, including dates, is available here [http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/disruption_to_studies](http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/disruption_to_studies)

**Graduate Capabilities**

**PG - Discipline Knowledge and Skills**
Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:
Learning outcomes

• Extend the techniques learned in ACST255/859 to permit the calculation and analysis of cashflows dependent upon the death or survival of either or both of two lives, and cashflows dependent upon a fixed term as well as age.
• Describe, develop, apply and analyse methods used to model cashflows contingent upon competing risks; construct and use multiple decrement service tables, and demonstrate understanding of the relationship with associated single decrement tables.
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• Define, calculate and analyse the use of various single figure indices, explain the rationale behind the indices, and explain the advantages and disadvantages of the indices for summarising and comparing actual experience in different scenarios.

Assessment tasks

• Assessed coursework
• Class Test
• Assignment
• Final Examination

PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

• Extend the techniques learned in ACST255/859 to permit the calculation and analysis of cashflows dependent upon the death or survival of either or both of two lives, and cashflows dependent upon a fixed term as well as age.
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• Demonstrate the ability to identify key unit concepts and to integrate them to solve, create and analyse novel problems.

Assessment tasks
• Assessed coursework
• Class Test
• Assignment
• Final Examination

PG - Research and Problem Solving Capability
Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

Learning outcomes
• Describe, apply and analyse the technique of discounted emerging costs for use in pricing, reserving and assessing profitability, for superannuation funds and related multiple decrement tables, traditional life insurance contracts and unit linked policies.
• Define, describe and illustrate the principal forms of heterogeneity within a population and the ways in which selection can occur.
• Demonstrate the ability to identify key unit concepts and to integrate them to solve, create and analyse novel problems.

Assessment tasks
• Assessed coursework
• Class Test
• Assignment
• Final Examination
Changes from Previous Offering
There have been minor changes to the lecture and tutorial materials. The assessment changes each year.

Research and Practice
This unit uses research by Macquarie University researchers, as well as from other Australian and international researchers (references are given in the unit notes).

You are also required to source and use Australian and international research as part of the assignment in this unit.