ACST2055
Contingent Payments
Session 2, Weekday attendance, North Ryde 2021
Department of Actuarial Studies and Business Analytics

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Session 2 Learning and Teaching Update
The decision has been made to conduct study online for the remainder of Session 2 for all units WITHOUT mandatory on-campus learning activities. Exams for Session 2 will also be online where possible to do so.

This is due to the extension of the lockdown orders and to provide certainty around arrangements for the remainder of Session 2. We hope to return to campus beyond Session 2 as soon as it is safe and appropriate to do so.

Some classes/teaching activities cannot be moved online and must be taught on campus. You should already know if you are in one of these classes/teaching activities and your unit convenor will provide you with more information via iLearn. If you want to confirm, see the list of units with mandatory on-campus classes/teaching activities.

Visit the MQ COVID-19 information page for more detail.

https://unitguides.mq.edu.au/unit_offerings/135559/unit_guide/print
General Information

Unit convenor and teaching staff
Unit Convenor
Simon Guthrie
simon.guthrie@mq.edu.au

Credit points
10

Prerequisites
(Admission to BActStud or BActStudBSc or BAppFinBActStud or BActStudBProfPrac or BActStudBProfPrac(Hons)) and (ACST152 or ACST1052) and (ACST202 or ACST2002) and (STAT272 or STAT2372)

Corequisites

Co-badged status

Unit description
This unit covers the analysis of cash flows dependent on uncertain events due to mortality and other factors. It introduces the concept of the expected present value of payments under various life insurance contracts, including whole life, term and endowment assurances; immediate and temporary annuities; and deferred assurances and annuities. The standard international actuarial notation in life insurance is used extensively. Probability models and life tables are used to calculate the expected present values accurately based on ultimate or select mortality. Furthermore, important concepts of pricing and reserving for future contingent liabilities are discussed. Equations of value are established to calculate net premiums. Prospective and retrospective net premium reserves required to meet future liabilities are determined and compared. Techniques for the valuation of annuity and assurance products involving two lives are developed. Students gaining a credit average in both ACST2002 and ACST2055 (minimum mark of 60 on both units) will satisfy the requirements for exemption from the professional subject CM1 of the Actuaries Institute.

Important Academic Dates
Information about important academic dates including deadlines for withdrawing from units are available at https://students.mq.edu.au/important-dates

Learning Outcomes
On successful completion of this unit, you will be able to:

ULO1: Interpret and apply simple survival models as well as ultimate and select mortality
ULO2: Apply contingent payment techniques to determine actuarial present values and variances of benefits for simple life insurance contracts and for contracts contingent on two lives.

ULO3: Calculate premiums and policy values for various life insurance contracts, both with and without allowance for operating expenses.

ULO4: Analyse the profit arising from life insurance contracts in simple scenarios.

ULO5: Identify key unit concepts and to integrate them to solve and analyse novel problems.

General Assessment Information

Assessment criteria for all assessment tasks will be provided on the unit iLearn site.

It is the responsibility of students to view their marks for each within-session-assessment on iLearn within 20 days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment tasks (not including the final exam mark) will not be addressed.

Late submissions of assessments

Sometimes unavoidable circumstances occur that might prevent you from submitting an assessment on time and, in that case, you may be eligible to lodge a Special Consideration request.

Unless a Special Consideration request has been submitted and approved, please note that no extensions to assessment deadlines will be granted. Assessments that are submitted late will attract a late penalty:

1. There will be a deduction of 10% of the total available marks for each 24 hour period or part thereof that the submission is late.
2. No assessment will be accepted more than 72 hours after the original due date and time (incl. weekends).
3. No late submissions will be accepted for timed assessments (e.g., quizzes, online tests) or for tasks with a weighting of 10% or less.

Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Quiz</td>
<td>5%</td>
<td>No</td>
<td>Week 3</td>
</tr>
<tr>
<td>Assignment</td>
<td>15%</td>
<td>No</td>
<td>Week 8</td>
</tr>
<tr>
<td>Class Test</td>
<td>20%</td>
<td>No</td>
<td>Week 10</td>
</tr>
</tbody>
</table>
### Assessment Breakdown

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Final Exam</strong></td>
<td>60%</td>
<td>No</td>
<td>University Examination Period</td>
</tr>
</tbody>
</table>

#### Online Quiz

**Assessment Type**: Quiz/Test  
**Indicative Time on Task**: 2 hours  
**Due**: Week 3  
**Weighting**: 5%

You should complete the quiz online, available on iLearn.

On successful completion you will be able to:  
- Interpret and apply simple survival models as well as ultimate and select mortality rates.

#### Assignment

**Assessment Type**: Quantitative analysis task  
**Indicative Time on Task**: 15 hours  
**Due**: Week 8  
**Weighting**: 15%

This is an individual assignment which focuses on problem solving using Excel spreadsheet.

On successful completion you will be able to:  
- Interpret and apply simple survival models as well as ultimate and select mortality rates.  
- Apply contingent payment techniques to determine actuarial present values and variances of benefits for simple life insurance contracts and for contracts contingent on two lives.  
- Calculate premiums and policy values for various life insurance contracts, both with and without allowance for operating expenses.  
- Identify key unit concepts and to integrate them to solve and analyse novel problems.

#### Class Test

**Assessment Type**: Quiz/Test  
**Indicative Time on Task**: 10 hours  
**Due**: Week 10
Weighting: **20%**

The test will be approximately 90 minutes, to be held during class time.

On successful completion you will be able to:

- Interpret and apply simple survival models as well as ultimate and select mortality rates.
- Apply contingent payment techniques to determine actuarial present values and variances of benefits for simple life insurance contracts and for contracts contingent on two lives.
- Calculate premiums and policy values for various life insurance contracts, both with and without allowance for operating expenses.
- Analyse the profit arising from life insurance contracts in simple scenarios.
- Identify key unit concepts and to integrate them to solve and analyse novel problems.

**Final Exam**

Assessment Type: Examination
Indicative Time on Task: 28 hours
Due: University Examination Period
Weighting: **60%**

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

On successful completion you will be able to:

- Interpret and apply simple survival models as well as ultimate and select mortality rates.
- Apply contingent payment techniques to determine actuarial present values and variances of benefits for simple life insurance contracts and for contracts contingent on two lives.
- Calculate premiums and policy values for various life insurance contracts, both with and without allowance for operating expenses.
- Analyse the profit arising from life insurance contracts in simple scenarios.
- Identify key unit concepts and to integrate them to solve and analyse novel problems.

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1 If you need help with your assignment, please contact:

https://unitguides.mq.edu.au/unit_offerings/135559/unit_guide/print
• the academic teaching staff in your unit for guidance in understanding or completing this
type of assessment
• the Learning Skills Unit for academic skills support.

2 Indicative time-on-task is an estimate of the time required for completion of the assessment
task and is subject to individual variation

Delivery and Resources

Classes

See iLearn for details of class delivery.

The timetables for classes can be found on the University website at:
https://timetables.mq.edu.au/2021/

Tutorials will commence in week 2 of the session. Students are expected to have attempted the
previous weeks tutorial questions before attending this class.

Required and Recommended Texts and/or Materials

No textbooks are prescribed for this unit. Detailed notes, exercises and solutions are available on
the unit's iLearn site.

Technology Used and Required

You will require a calculator. For the final exam, you may only use non-programmable calculators
which are not able to store text.

You will also need to be able to construct spreadsheets for tutorial exercises. You will also be
required to use a spreadsheet for the assignment. We do not prescribe any particular brand of
spreadsheet, although materials will be provided in MS Excel.

You require access to a computer to access material on the unit's iLearn web site.

Unit Webpage

Course materials, including recorded lectures, are available on the iLearn page. To access the
teaching website, go to http://ilearn.mq.edu.au and login using your usual login and password.

Unit Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Week Begins</th>
<th>Topics covered in lectures</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>26 Jul</td>
<td>Life tables and survival models</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2 Aug</td>
<td>Valuing single payment benefits</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>9 Aug</td>
<td>Valuing life annuities</td>
<td>Quiz</td>
</tr>
</tbody>
</table>
### Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- Academic Appeals Policy
- Academic Integrity Policy
- Academic Progression Policy
- Assessment Policy
- Fitness to Practice Procedure
- Grade Appeal Policy
- [Complaint Management Procedure for Students and Members of the Public](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central)
- [Special Consideration Policy](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) *(Note: The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.)*

Students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au).
q.edu.au/support/study/student-policy-gateway). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit Policy Central (https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/admin/other-resources/student-conduct

**Results**

Results published on platform other than eStudent, (eg. iLearn, Coursera etc.) 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 or if you are a Global MBA student contact globalmba.support@mq.edu.au

**Student Support**

Macquarie University provides a range of support services for students. For details, visit http://students.mq.edu.au/support/

**Learning Skills**

Learning Skills (mq.edu.au/learningskills) provides academic writing resources and study strategies to help you improve your marks and take control of your study.

- Getting help with your assignment
- Workshops
- StudyWise
- Academic Integrity Module

The Library provides online and face to face support to help you find and use relevant information resources.

- Subject and Research Guides
- Ask a Librarian

**Student Enquiry Service**

For all student enquiries, visit Student Connect at ask.mq.edu.au

If you are a Global MBA student contact globalmba.support@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](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/). The policy applies to all who connect to the MQ network including students.