



ACST355

Contingent Payments 2

S2 Day 2018

Archive (Pre-2019) - Dept of Applied Finance and Actuarial Studies

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Disclaimer

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General Information

Unit convenor and teaching staff

Unit convenor and lecturer

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Friday 3-4pm during teaching weeks or by appointment

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Credit points

3

Prerequisites

ACST358

Corequisites

Co-badged status

Unit description

This unit covers the advanced analysis of cash flows dependent on uncertain events. Multiple decrement and multiple state models are considered, and the valuation of benefits and contributions under superannuation plans is examined. Techniques for the valuation of annuity and assurance products involving two lives are developed. Expected cash flow models and profit test models are developed for life insurance products including traditional products and unbundled unit linked contracts. The concepts of pricing and reserving for future contingent liabilities, and the effect of the pricing and reserving basis on the emergence of profit, are considered. Students gaining a grade of credit or higher in both ACST255 and ACST355 are eligible 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 <https://www.mq.edu.au/study/calendar-of-dates>

Learning Outcomes

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

Extend the techniques learned in ACST255 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 and analyse novel problems.

General Assessment Information

For all assessments:

- Assessment criteria for all assessment tasks will be provided on the unit iLearn site.
- All individual assessment results will be made available under Grades on the website.
- It is the responsibility of students to view their marks for each within-session assessment on iLearn within 20 working 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 marks (not including the final exam mark) will not be addressed.
- In the cases where a special consideration application is approved, the student may be

offered an alternative assessment or may receive a mark based on the percentage mark achieved by the student in one or more other assessment tasks, at the unit convenor's discretion.

Assessment Tasks

| Name | Weighting | Hurdle | Due |
|--------------------------|-----------|--------|-------------------------------|
| <u>Online Quiz</u> | 8% | No | Mondays 5 pm |
| <u>Mid-Semester Exam</u> | 20% | No | October 15 |
| <u>Assignment</u> | 12% | No | Monday 24 September 5pm |
| <u>Final Examination</u> | 60% | No | University Examination Period |

Online Quiz

Due: **Mondays 5 pm**

Weighting: **8%**

We will have 9 online quizzes during the semester. The average of your best 8 scores will count for assessment. Quizzes will be due at 5 pm on Mondays in most weeks (but there will not be quizzes in weeks where there is another assessment task or test).

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

Please use the quizzes as an indicator of whether you are progressing satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the census date on Friday of week 4.

On successful completion you will be able to:

- Extend the techniques learned in ACST255 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.
- Demonstrate the ability to identify key unit concepts and to integrate them to solve and analyse novel problems.

Mid-Semester Exam

Due: **October 15**

Weighting: **20%**

The mid-semester exam will be a 90 minute written paper with no reading time, held during the lecture time. It will cover all the course material up to the end of week 7 (before the mid-semester break)

Students who have not sat the test will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Extend the techniques learned in ACST255 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 and analyse novel problems.

Assignment

Due: **Monday 24 September 5pm**

Weighting: **12%**

The assignment is to be submitted via iLearn, Instructions will be provided on the iLearn website.

No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application for special consideration is made and approved. No submission will be accepted after solutions have been posted.

On successful completion you will be able to:

- Extend the techniques learned in ACST255 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, 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.
- Demonstrate the ability to identify key unit concepts and to integrate them to solve and analyse novel problems.

Final Examination

Due: **University Examination Period**

Weighting: **60%**

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

On successful completion you will be able to:

- Extend the techniques learned in ACST255 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 and analyse novel problems.

Delivery and Resources

Classes

The timetables for classes can be found on the University website at:

<https://timetables.mq.edu.au/2017/>. Tutorials commence in week 2 of the session. Lectures for Friday of week 8, Friday of week 9 and Monday and Friday of week 10 will be held in the computer labs (specific locations will be advised on iLearn announcements).. Note that Monday in week 8 is a public holiday (no classes).

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 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 iLearn site, Excel, R and Word.

Unit webpage

Course material is available on the 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.

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.

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) (<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](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](#) ([http](#)

[ps://students.mq.edu.au/support/study/student-policy-gateway](https://students.mq.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](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://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/study/getting-started/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.

Supplementary exams

Information regarding supplementary exams, including dates, is available at:

http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/disruption_to_studies

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 improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

Student Services and 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.

Student Enquiries

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

IT Help

For help with University computer systems and technology, visit 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.

Graduate Capabilities

Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

Learning outcomes

- Extend the techniques learned in ACST255 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.
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- Demonstrate the ability to identify key unit concepts and to integrate them to solve and analyse novel problems.

Assessment tasks

- Online Quiz

- Mid-Semester Exam
- Assignment
- Final Examination

Critical, Analytical and Integrative Thinking

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

Learning outcomes

- Extend the techniques learned in ACST255 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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Assessment tasks

- Online Quiz
- Mid-Semester Exam
- Assignment
- Final Examination

Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing

data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

Learning outcomes

- Extend the techniques learned in ACST255 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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- Demonstrate the ability to identify key unit concepts and to integrate them to solve and analyse novel problems.

Assessment tasks

- Online Quiz
- Mid-Semester Exam
- Assignment
- Final Examination

Changes from Previous Offering

We will be including more exercises in R, to help students develop their R skills.

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.

Changes since First Published

| Date | Description |
|------------|--|
| 01/09/2018 | Change in date of class test to avoid conflict with class test in another unit |