

Actuarial Society of South Africa

Examination

Subject A302 — Communications

24 October 2011 (am)

EXAMINERS' REPORT

Question 1

Format: This is a script for call centre personnel to use going forward. It should be set out in such a way that it resembles the script of a play, for instance. Names of participants should be left aligned in bold or underlined (e.g. Agent, Mr Smith). Punctuation such as a colon should then separate this column from the indented text (dialogue) which should be formatted on the right. The dialogue could be in italics or inverted commas to indicate oral speech¹. Although the agent will do most of the explaining, this is not a monologue. A table with two columns to indicate speakers and dialogue may also be accepted.

Language and tone: This section includes choice of words, register/level of language, avoidance of jargon, style and tone etc. It is important that the script resembles oral language and appears more conversational and personal than written text. (‘I’, ‘You’, ‘We’/‘Our’ language should be used). A courteous and professional approach is essential – not too chatty, familiar or colloquial as still strangers and this is a professional exchange. Important that client’s interest foregrounded and questions of firm’s profitability couched in language which is client rather than company centred (why important for client that firm remains profitable with consistent treatment/fair practice).

Planning and structure: This includes the logical, coherent arrangement of information. How call agent explains the surrender penalty concept is very important. Does he answer Mr Smith’s questions? What ordering principals and reasoning strategies are used e.g. comparison and contrast, cause and effect, general to particular, examples etc. Are any terms defined/explained? If Mr Smith’s tone and reply negative, how is this combatted without condescension or defensiveness?

Overall impression: How does the script ‘hang’ together in terms of unity, coherence and emphasis, logical development, structure of message and ‘look’ – all the elements above working together to create good impression.

Content and objectives

The following points **should** be included:

1. Businesses want to make profit/ protect profit/ remain financially healthy
2. Surrender penalties
 - Charged to protect profit/company's finances and fellow policyholders
 - Deducted from value of units on surrender
 - Differ depending on term, age and premium size and
 - Use (actuarial) models to set penalties
 - Set in advance, across all policies that XYZ expects to sell
 - Compare expected profit on policies not surrendered and those that are
 - Penalty = difference between two
 - Comparison happens at different points in future time
 - The closer to maturity, the smaller the penalty *or* payout approximately = value of accumulated units
 - Early surrender, larger penalty
 - Commission and administration costs paid at start can be substantial
 - (Model) calculated surrender penalty may seem too high *or* client payout too low
 - need to recoup partially or may lead to unacceptable loss on policy
 - would impact future clients, e.g. or need to be fair across policyholders
3. Other considerations
 - Competitive in market/aligned with competitor penalties
 - Converted to a simplified scale

Have the objectives have been met for both parties in terms of mutual respect, sense of acceptance, trust etc. As a client, would the script (and call centre employee) be seen as credible (or would matters go further)? Would you, as a client, have been happy with the conversation?

Understand basis:

- Commission and expenses paid at start and recovered over policy term; if policy is surrendered these need to be (at least partially) recouped
- dependant on original term, age, premiums size and how long held prior to surrender

Understand other considerations

Question 2

Letter

Format: Sender’s address can be a letterhead across top of page or an address on right or left of page and include correct address details (no punctuation, etc.). The date should be in between addresses on right OR left but not below recipient’s address. It should be written out formally: 1 September 2011. The format mark also includes salutation and close. Marks will be lost if the recipient’s name is given yet student chooses a “Dear Sir/Madam” approach.

Language: This section includes choice of words, register/level of language, avoidance of jargon, style & tone, grammar, punctuation, spelling etc.

Planning and structure: This involves the use of headings from the subject line to headings in actual letter. Also includes the logical, coherent arrangement of information, good sentence and paragraph structure, good clear use of information without technical formulae etc. as well as good beginning, middle, end conventions: Opening paragraph: goodwill and topic identification; relevant body explanations and close: goodwill once again and pointing the way ahead.

Content and objectives

The following points **should** be included:

1. Transfer value was correct

2. How TV calculated
 - Expected value of future payments
 - Future payments must be paid irrespective of past experience

3. Assumptions used
 - Number of payments outstanding = 240 month (20 years)
 - Rate of interest earned on reserves = 8% p.a.

 - 8% reflects expected return on portfolio bonds backing reserves
 - Shares considered too volatile : can decrease sharply in value just prior to sale
 - Bond income matches benefit payments

4. Why values differ
 - Different interest and different method to calculate interest
 - Interest earned on funds available to earn interest, not purchase amount
 - Over time, fewer future annuity payments expected
 - Lower reserves needed as time progresses
 - Interest earned on reserves decreases over time

5. Reconciliation

- LifeCo calculated value = R940 000 vs Turnbull's R1 173 200
- Explanation:
 - If *or* assuming
 - 8% earned over 5 years
 - On amount held to meet future payment *or* reserves
 - Interest = R380 000
 - R233 200 lower interest = amount of difference in TV calc

Have the objectives have been met for both parties in terms of mutual respect, sense of acceptance, trust etc. As reader, would the letter (and letter writer) be seen as credible (or would matters go further)? Would you, as a client, have been happy to receive the letter?

Understand TV based on assumptions about future

Interest

- only earned on reserves which decrease over time

- why based on bond returns

Understandable reconciliation

END OF EXAMINERS' REPORT