Actuarial Society of South Africa

Examination

Subject A302 — Communications

21 May 2012 (am)

EXAMINERS’ REPORT
Question 1

E-mail

Format: Sender’s and recipient’s contact names and e-mail addresses, as well as the subject line, are left justified. Addresses contain correct punctuation e.g. e-mail addresses are underlined. Date is excluded (added automatically). The format mark includes a friendly salutation and close.

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

Planning and structure: This involves the use of headings from the subject line to headings in actual e-mail. 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

1. Costs
   • Bank costs = service fees + administration fees
     *Needs to be explicitly said*
   • Service fees depend on services used and how often they are used
     *Needs to be explicitly said*

2. Minimum balance
   • Basicbank does not offer a rebate for a minimum balance
   • A minimum balance of R10 000 in Debank
     o is not compulsory/optional and earns no interest
     o results in reduced fees
     o minimum balance could be used on loan

3. Opportunity cost
   • Explanation
     o If use money for one thing, it can’t use it for another
       *If explanation non-monetary = no marks*
     o Value of alternate use = opportunity cost
   • Need to allow for opportunity cost in total bank charges
     *Students need to show they understand this; acceptable if in clear calculation*
   • Impact on total bank charges
     o R10 000 currently used to reduce interest on loan by R40 a month
     o move R10 000 to Debank reduces monthly fees by R45

4. Bank cost comparison
   • Assuming normal, stable pattern of bank use continues
     *Based on Daphne’s numbers” = no marks*
   • Debank bank costs R15 more a month than Basicbank (before rebate)
     *Also acceptable if quote comparable totals*
   • R10 if allow for a minimum balance in Debank (R5 less than student’s calculated cost)
     *Also acceptable if quote comparable totals*
   • Get to a monetary difference between banks (R15 or R10)
• Reasonably comparable/"so close”, so other factors may sway decision

*Needs to be explicitly said*

5. Other considerations

• Service levels differ

  *No summary = no marks*
  - Debank customer service award
  - Long queues at Basicbank

• Administrative ease of doing all banking through one bank

• Potential advantages of unlimited internet

The communication meets the recipient’s objectives and presents the communicator in a credible fashion.

1. Brother understands the concept of opportunity cost in monetary terms and impact on total bank costs

2. Total bank costs correctly compared

<table>
<thead>
<tr>
<th>Net impact only in table form</th>
<th>No marks</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>R15 is said other than in table</em></td>
<td></td>
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<tr>
<td><em>R10 is said other than in table</em></td>
<td></td>
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</tbody>
</table>

3. Other considerations mentioned and decision left to brother
Question 2

Letter

Format: Sender’s address can be a letterhead across top of page or an address on right or left of page (details not required). The date should be in between addresses on right OR left but not below recipient’s address. It should be written out formally: 27 December 2012. The format mark also includes a friendly salutation and close. Marks will be lost if the student does not address the recipient directly as his name is given.

Language: This section includes choice of words, register/level of language, avoidance of jargon and overly numeric approach, 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. It is possible to maximise retirement money
   
   Needs to be explicitly said; implicit (e.g. in recommendation)

2. Level annuity
   - Series of income payments
   - Annually at start of year
   - First payment on 1 January 2013

3. Cash option
   - Up to 1/3\textsuperscript{rd} cash
     
     Contradictory statements = no marks
   - Remaining money used to purchase an annuity
   - Reasoning why best to maximise cash taken
     - Annuity bad option/not good
     - Shorter lifespan
   - Take 1/3\textsuperscript{rd} cash

4. Pension increases
   - 0%, 2% or 4% increase pa
     
     If simply say fixed or increasing
   - Reasoning why best to best to select level annuity
     - Lower initial amount if increasing annuity purchased
     - Increases don’t bring to date or annual income up to level annuity after 2 or 5 years
       
       If simply say will lead to higher annual income
   - Take level annuity
5. Guarantee period

- Annuity payments normally cease on death  
  *Implied/readily deduced from explanation*
- 5 or 10 year guarantee period optional
- Explanation of guarantee period: pays after death to end of period after retirement
- Reasoning why best to select no guarantee period
- Don’t take a guarantee period

*Content penalties (negative marks):*

- Wrong date
- Wrong currency
- Incorrectly advised on any issue = terminal error to be highlighted in comment section

Have the objectives have been met for both parties in terms of mutual respect, sensitivity to the situation, sense of trust etc. Would you, as a terminally ill client, have been happy to receive the letter?

- Appropriate level of sensitivity displayed
- Cover all 3 main options

Understand why it is best to select:

- 1/3rd cash
- Level annuity
- No guaranteed period

*If simply state best option, but client would not understand why, no marks*

Minimal numeric-based explanations

END OF EXAMINERS’ REPORT