

Actuarial Society of South Africa

EXAMINATION

23 October 2020

Subject N211 — Communications

Time allowed:

Three hours and fifteen minutes (including reading time)

(Candidates who qualified for extra time will be provided the allocated time in their examinations)

(5 mins will be added to your examination time to accommodate for time used for scrolling and working in the examination platform)

Total marks: 100

INSTRUCTIONS TO THE CANDIDATE

1. *Ensure you are logged into your ProctorU account.*
2. *Ensure that you have your candidate number handy to input as part of the examination.*
3. *Questions are only available in this ASSA Learning platform and may not be printed.*
4. *You will be provided with a Word and a PowerPoint template to access and use to complete your questions. You may only use the files provided to you. No other files from your PC may be accessed.*
5. *An Excel template will be available to use if necessary, but will not be uploaded and used for the marking process.*
6. *Ensure that your Candidate number appears in the Header (Word template) and Footer (PowerPoint template). [Select “Insert”, then “Header”/”Footer”, input your candidate number on blank header/footer template and select “Close Header”/”Close Footer”]. DO NOT USE YOUR NAME OR MEMBER NUMBER ON YOUR ANSWER SCRIPT.*
7. *You are strongly encouraged to use the first 15 minutes as reading time only; however, you may commence answering the paper whenever you are ready.*
8. *Mark allocations are shown in brackets.*
9. *Add your word count to the bottom of Question 2. Include words in tables and graphs.*
10. *Attempt all questions. Save your work continuously during the examination.*
11. *You are required to submit your answers in the ASSA learning platform only.*
12. *At the end of the examination, if you have time left, you may return to your attempt to review and make any changes to your answers. Once you are satisfied with your answers you need to **Finish all and Submit** your work after which you will not be able to make further changes. Take this into account when finishing early - once you have submitted, you will not be able to make any more changes to your answers.*

13. *It is the candidate's responsibility to ensure that all work is submitted BEFORE the end of the examination time. Take this into account when planning your review and submission. There will be no time announcements.*
14. *You should use blank paper to work on any calculations where this is appropriate.*

Note: The Actuarial Society of South Africa will not be held responsible for loss of data where candidates have not followed instructions as set out above.

END OF INSTRUCTIONS

QUESTION 1

As a senior actuarial student at eConsulting (Pty) Ltd, you have been asked to present at one of a series of workshops on ethics to the new actuarial students. This is the 2nd workshop in the series and the introduction to ethics has already been covered. You have been allocated the following specific themes of ethics to cover.

- Honesty and integrity; and
- Implications for other parties

You have some resources at your disposal to prepare your presentation:

1. The actuarial guidance note on ethics – only the relevant sections
2. The company's ethics policy statement – only the relevant sections
3. A recent news article on an Amazon employment practice.

Prepare a presentation of no more than 10 slides, including the title and concluding slides, in Microsoft PowerPoint for the workshop. The required outcome of the workshop is that the new students will understand what the expectations of them are regarding the two ethics themes.

You need to remind them of the important outcomes from the introductory session: that ethics are moral principles that govern a person's behaviour or how they conduct an activity, that the profession and the company places very high importance on ethics and that applying ethical principles positively supports their personal brand.

For the case study you are required to identify which ethical theme the situation relates to and show how the profession's principles and the company's practices could have been applied to the recruitment practice so that it would not have been implemented. You are not required to deal with any other issues regarding the recruitment practice.

The first three draft slides have been given to you which you are at liberty to change.



Agenda

✓ Recap

🤝 Honesty and Integrity

👥 Implications for Other Parties

🔍 Case Study

🔨 Conclusion

🗨️ Questions

2

Recap

Ethics are moral principles that govern personal behaviour and the way that we do our tasks

- eConsulting has an Ethics Policy Statement
- All employees sign agreement to apply these practices
- Actuarial profession has Code of Professional Conduct
- All members commit annually to uphold these principles

The profession and the company place very high importance on ethical standards

Your personal brand depends on you upholding high ethical standards

3

Actuarial Society of South Africa – Code of Professional Conduct

THE PROFESSIONAL PROMISE

2. The principles of professional conduct therefore include:

- b. Values and Ethical behaviour: A member shall act honestly, with integrity, competence and due care, and in a manner that fulfils the profession's responsibility to the public.

VALUES AND ETHICAL BEHAVIOUR

9. A member must act honestly, with integrity, competence and due care, and in a manner that fulfils the profession's responsibility to the public and upholds the reputation of the actuarial profession.
10. Professional conduct involves the member's integrity in relationships not only with those to whom services are rendered, but also with regulators, the Society and its members.
11. In fulfilling assignments, members must consider the likely implications of their recommendations for all parties that are likely to be materially affected, and also draw the attention of their clients to such implications.

eConsulting - Ethics Policy Statement

We promote ethical business practices that can be expected from a good corporate citizen, committing all employees and stakeholders we transact with to the following ethical standards:

Respect

Respect requires acknowledging others' rights and treating others with dignity.

We commit to:

- maintaining a work culture that treats all employees fairly and with respect.
- refraining from discrimination or harassment.
- duly consider the impact of our business decisions on the broader community and the environment.
- taking care when handling sensitive information.

Integrity

Integrity builds trust which is necessary for a business to form strong relationships with all stakeholders.

We commit to:

- being open, honest and direct with each other.
- doing what we commit to do and to always act in good faith.
- being transparent in the way we conduct business.

Fairness

Fairness requires the balancing of various stakeholder interests to ensure that everyone gets what is rightfully due to them.

We commit to:

- applying fair labour practices.
- a business strategy that should be economically, socially and environmentally sustainable.

SAN FRANCISCO (Reuters) - Amazon.com Inc's machine-learning specialists uncovered a big problem: their new recruiting engine did not like women. The team had been building computer programs since 2014 to review job applicants' resumé with the aim of mechanizing the search for top talent, five people familiar with the effort told Reuters.

Automation has been key to Amazon's e-commerce dominance, be it inside warehouses or driving pricing decisions. The company's experimental hiring tool used artificial intelligence to give job candidates scores ranging from one to five stars - much like shoppers rate products on Amazon, some of the people said.

"Everyone wanted this holy grail," one of the people said. "They literally wanted it to be an engine where I'm going to give you 100 resumes, it will spit out the top five, and we'll hire those."

But by 2015, the company realized its new system was not rating candidates for software developer jobs and other technical posts in a gender-neutral way.

That is because Amazon's computer models were trained to vet applicants by observing patterns in resumé submitted to the company over a 10-year period. Most came from men, a reflection of male dominance across the tech industry.

[Total 50]

REMEMBER TO SAVE

PLEASE TURN OVER

QUESTION 2

Jake Fortuin, a farmworker from De Doorns, has been giving a portion of his wages to his employer, Jimmy Orchard, to provide for his retirement. Jake started working on the farm in 1995 but only started saving a portion of his monthly wages at the start of 2000.

Although Jimmy has been keeping track of the amount Jake pays him every month, he has not been putting this money away in a separate account as was originally agreed. Jimmy's thinking was that he would simply pay Jake the capital amount plus 8% interest that was expected to be earned in the account. They both agreed on this course of action and signed a letter to this effect as proof of their agreement. At the end of 2017, the interest rate was renegotiated to 6% for the final three years due to the prevailing economic conditions of the time.

Jake wishes to retire at the end of 2020 and wants to know what he is entitled to at 31 December 2020. Jake owes his employer R25 000 which he borrowed at the beginning of January 2016 to pay debts. As Jake didn't want to touch his savings, his employer agreed to lend him this amount at 7.5% interest. They agreed that Jimmy would simply deduct this amount from the savings when Jake retires at the end of 2020.

Here is his record of the savings. Monthly savings amounts are constant over each calendar year, but consecutive annual increases are not steady:

Year	Monthly Savings	No. of months	Total Saved	Year	Monthly Savings	No. of months	Total Saved
2000	R50	12	R600	2011	R400	12	R4 800
2001	R75	12	R900	2012	R500	12	R6 000
2002	R100	12	R1 200	2013	R550	12	R6 600
2003	R125	12	R1 500	2014	R600	12	R7 200
2004	R150	12	R1 800	2015	R650	12	R7 800
2005	R175	12	R2 100	2016	R700	12	R8 400
2006	R200	12	R2 400	2017	R750	12	R9 000
2007	R225	12	R2 700	2018	R800	12	R9 600
2008	R300	12	R3 600	2019	R850	12	R10 200
2009	R325	12	R3 900	2020	R900	12	R10 800
2010	R350	12	R4 200				

REMEMBER TO SAVE

PLEASE TURN OVER

All monthly savings deposits are made at the end of the month.

Jimmy has calculated the total amount paid by Jake to be R105 300 and decides to add a total 10%, instead of 8% and subsequent 6%, to the amount because Jake is such a good worker. With the 10% added to the total, Farmer Orchard believes what he owes Jake is R115 830.

However, Jake has been advised by a representative of a farmworkers' NGO, Mr Stanley Pieters, that the amounts saved over 21 years should be "compounded monthly and annually" and not simply added to the total amount.

You are a junior actuary and have been asked by the NGO (as these workers are not unionised) to work out precisely what the farmer owes Jake. The calculation must consider

- the amount saved, plus
- compound monthly interest of 8% pa nominal added over the first 18 years and 6% pa nominal added for the final three years, minus
- the debt amount of R25 000 increased with 7.5% p.a. nominal monthly interest over the 5-year period for which it was owed.

Write a letter of between 650 and 750 words to Mr Jimmy Orchard explaining that the amount he calculated is not correct, how compound interest works and why Jake is entitled to the amount you stipulate in your letter. You must separately show the amount of savings due to Jake and the debt he owes to Jimmy Orchard. Tabulate the calculations clearly so that both the farmer and Jake will understand precisely who owes what, how the interest is earned and what the final retirement amount should be. As the NGO requested the letter, copy in Mr Fortuin.

Include an invitation to meet with all parties to explain further if they have any queries.

[Total 50]

[Grand Total 100]

REMEMBER TO SAVE

END OF EXAMINATION