



## **Subject NA311**

# **Core Actuarial Professional Practice**

For the 2019 Examinations

October 2018

## **Aim**

The aim of the Core Actuarial Professional Practise course (Core APP) is to ensure that candidates have the ability to demonstrate knowledge of, and apply, normative capabilities appropriate for Associate members of the Actuarial Society of South Africa.

## **Learning assumed to be in place**

In order to register for Core APP, candidates should have a university degree and should be in employment. For admission to any of the Core APP workshops students must have met the following prerequisites:

- Passed (or been exempted from) Foundation APP;
- Passed (or been exempted from) all A1 and A2 level subjects.

## **Competencies**

On successful completion of this subject and in addition to the objectives contained within the Core APP subject, a student will be able to:

- (a) Identify and solve problems and make decisions relating to:
  - analysis of data;
  - strategic decision-making in the South African actuarial environment; and
  - Professional and ethical conduct.
- (b) Organise and manage himself/herself effectively within the business environment.
- (c) Collect, organise and critically evaluate information relating to:
  - the key issues which need to be addressed in oral communication;
  - legal implications, the implementation of business strategy, as well as the impact of other external factors in the South African business environment; and
  - circumstances where potential conflicts of interest, or ethical dilemmas, could arise.
- (d) Communicate effectively with a range of stakeholders in the business environment, taking any applicable professional and regulatory frameworks into account.
- (e) Demonstrate an understanding of the business environment, professional and regulatory frameworks, and all other stakeholders as a set of related systems.

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- (f) Demonstrate practical actuarial skills when analysing and validating results
  - from a financial model; and
  - in the business environment, taking the professional and regulatory frameworks that are applicable into account.
- (g) Describe good practices to follow when using a specific piece of software.
- (h) Display a creative approach to problem solving.
- (i) Adhere to standards of professional conduct and practice where all business interactions are based on a foundation of integrity, honesty and impartiality and applying the principles of ethical decision-making.
- (j) Demonstrate leadership through initiating, innovating, creating or otherwise acting to influence others, regardless of level or role, toward a common goal.
- (k) Create mutually beneficial relationships and work processes toward a common goal by conducting themselves according to the standards expected of them by their colleagues, their employers, their clients, the public and the regulators. The candidate is also able to accept responsibility for their own work and critically assess their own work.
- (l) Demonstrate the ability to strategically align their own work with broader organisational business goals.

## Objectives

### **(a) Demonstrate knowledge and application of technical and non-technical communication capabilities in an actuarial environment**

The scope of this objective includes:

1. Communication to different audiences, including clients with a degree of financial business awareness, non-actuarial as well as actuarial managers and individuals in a business context.
2. Oral communication that is free from inappropriate technical terms or detail, is technically correct and does not include any irrelevant points.

Objective (a) includes the ability to:

- (i) Interrogate data, build a model, document the work (including maintaining an audit trail), explain the methods used, interpret the outputs generated and communicate the approach, results and conclusions to an actuarial audience.

Assessment Criteria:

1. Data are analysed, corrected/adjusted and summarised.
2. A model to solve a numerical problem is developed in order for colleagues and immediate superiors to follow or replicate the model by using an appropriate structure, relevant headings and a logical flow.
3. The model is documented by way of an audit trail, including an explanation of the methods used and the model's outputs.
4. The results are checked, interpreted and applied.
5. The project is communicated to the relevant audience by way of a summary (including description of the data, assumptions, method, results and conclusions).

- (ii) Communicate relevant information to different audiences, in both written and oral form.

- (iii) Develop effective non-technical communication capabilities on a public level.

Assessment Criteria for (ii) and (iii):

1. The needs of different audiences are considered.
2. An understanding of the extent to which technical terms need to be defined or explained is demonstrated.
3. The ability to use the appropriate tone and language in written and oral communication is demonstrated.

4. The key issues to be addressed are identified, to ensure that an oral response states the message clearly and prominently and that the points are presented in an appropriate order.
5. The different forms and methods of oral communication are understood.
6. An oral communication that is clearly worded and easy for an audience to understand is demonstrated.
7. The audience's understanding of the presented material is verified.
8. Questions from the audience are managed correctly and efficiently.
9. Visual aids are used appropriately, where required.

**(b) Demonstrate industry knowledge and application of business practice capabilities required in the South African actuarial environment**

The scope of this objective includes:

1. Aspects of the financial services industry, including:
  - business context
  - fields within the industry, including insurance, occupational pensions, medical schemes/healthcare, asset management, banking, general insurance and wider risk management fields
  - stakeholders, both South African and international
  - trends, issues and challenges
  - external influences
  - regulation and legislation
2. The sources of South African Law, including:
  - the Constitution including, the Bill of Rights and the different levels of state action
  - sources of law, including legislation, precedent, common law and custom
  - the law of contract
  - the law of delict
  - forms of business enterprises
  - corporate governance
  - dispute resolution mechanisms including, court remedies and alternative dispute resolution
3. Key organisations, institutions and functionaries in the industry, including:
  - International, including:
    - i. International Actuarial Association (IAA)
    - ii. International Account Standards Board (IASB)
    - iii. International Association of Insurance Supervisors (IAIS)

- iv. European Commission – EU
- v. European Insurance and Occupational Pensions Authority (EIOPA) - EU
- vi. Groupe Consultatif Actuariel Européen – EU
- vii. Prudential Regulatory Authority - UK
- viii. Financial Conduct Authority – UK
- South African, including:
  - i. Financial Services Board (FSB)
  - ii. Reserve Bank
  - iii. Council for Medical Schemes
  - iv. Financial Intelligence Centre (FIC)
  - v. National Credit Regulator
  - vi. Competition Commission
  - vii. National Consumer Commission
  - viii. Johannesburg Stock Exchange (JSE)
  - ix. Pension Fund Adjudicator
  - x. Various Ombuds
- The main consumer protection legislation, regulation and policy, including:
  - i. the Promotion of Access to Information Act (2002)
  - ii. the Financial Intelligence Centre Act (2001)
  - iii. the Prevention of Organised Crime Act (1998)
  - iv. Consumer Protection Act (2008) and Regulations thereto
  - v. National Credit Act (2005)
  - vi. Companies Act (2008)
  - vii. Treating Customers Fairly policies
  - viii. Financial Advisory and Intermediary Services Act (2002)
  - ix. Protection of Personal Information Act (POPI)
  - x. The common law principles of of agency and contract

Objective (b) includes the ability to:

- (i) Discuss a range of topics relevant to working as an actuary in the financial services industry.

Assessment Criteria:

1. The key capabilities that must be acquired to become a competent practising actuary in the financial services industry are specified.
2. The information from a company required to understand the business context of the work the actuary is doing is identified.

3. Those aspects of the financial services industry, the global economy and political environment about which knowledge should be obtained and maintained are specified.
4. Incidents illustrating how other industries affect the financial services industry are described.
5. The core business of the main practice areas, namely life, pensions, general, healthcare, finance and investment are discussed.

(ii) Discuss and understand the process of project planning and management

Assessment Criteria:

1. The use of common project management techniques to design a work plan is developed.
2. The process to evaluate a problem in consultation with a manager to ensure work project is understood well enough to proceed is described.
3. The importance of the Identification of risk and mitigation there off when undertaking a project is described.
4. The factors to consider when deciding whether to escalate a project decision to a higher level of management is explained.

(iii) Develop an approach to strategic thinking.

Assessment Criteria:

1. The meaning of a strategy and how it relates to competitive advantage and positioning are described.
2. A process for strategic decision-making is developed.
3. A PEST analysis (Political/legislative, Economic, Societal, Technological) is defined and executed.
4. The process of identifying and prioritising stakeholder needs is described.
5. The industry value chain and its application are described.
6. The ways a company can position itself with regard to competitive forces are discussed.
7. How a company's culture and structure affect decision-making is discussed.

(iv) Discuss an approach to business decision-making.

Assessment Criteria:

1. The importance of aligning decision-making with strategy and a company's mission statement is discussed.
2. The benefits of teamwork and advantages of time management are described, with examples.
3. The importance of extracting relevant information from a large volume of data is discussed.

4. The factors influencing decision-making are discussed, i.e. the dynamics of various company functions, the value of different people skills, attitudes to risk in decision-making, the effect of competition on markets and commercial awareness.
  5. The development of a decision-making process is described.
- (v) Discuss and understand the basic legal principles relevant to the work of an actuary, and their practical implications.

Assessment Criteria:

1. The origins of South African Law are explained.
  2. An overview of the requirements for a valid contract is provided.
  3. Circumstances when the courts will imply terms into contracts are identified.
  4. The extent to which liability can be excluded is explained.
  5. Simple assessments of likely contractual remedies are made.
  6. A basic award of damages is calculated.
  7. The factors which must be established before liability for professional negligence can arise in the law of delict are identified.
  8. The interplay between contractual and delictual liability is explained.
  9. The concept of an agency is explained and the types of authority an agent might possess are listed.
  10. The concepts of separate legal personality and limited liability are explained.
  11. The roles of directors and shareholders within a company are understood and explained at a basic level.
  12. The duties imposed on directors by statute and the common law are explained.
  13. The nature of a partnership and the duties owed by partners to insiders and third parties is explained at a basic level.
- (vi) Demonstrate knowledge and understanding of South African business practice, regulation and legislation.

Assessment Criteria:

1. The purpose and structure of the South African financial services industry and regulations are explained.
2. Key organisations, institutions and functionaries in the industry and the roles they play in the provision of financial services products are identified.
3. Corporate governance, including South African and international corporate governance codes and their implementation, is discussed.
4. The concept of Black Economic Empowerment is explained and its impact on financial services in South Africa is discussed.



5. The regulatory bodies and their impact on firms and individuals, including how the regulator's rules affect the control structures of firms and their relationship with the regulator, and its approach to ethical conduct by firms and individuals, are explained.
6. The roles of the main players and legislation in consumer protection in South African financial services, including Treating Customers Fairly, are explained. In addition, the main requirements of consumer protection legislation and regulation are applied. The regulator's complaints handling requirements are discussed.
7. The meaning of advice, including monitoring and review arrangements, is explained and the rules that apply to the different types of advice are stated.
8. The requirements of the major codes of practice relevant to retail financial services are discussed.
9. The rules, regulations and procedures relating to the handling of client money are explained.
10. The main features of the regulator's policy regarding the promotion of financial products are identified.
11. The FSB's requirements relating to market abuse are explained.

**(c) Demonstrate knowledge of the Actuarial Profession and understand the Professional Conduct Standards required of Associates and Fellows of the Actuarial Society of South Africa**

The scope of this objective includes:

1. Professionalism
2. The Professional Conduct Standards applicable to actuaries in South Africa
3. Continuing Professional Development
4. ASSA's Disciplinary Procedure
5. Conflicts of Interest
6. Code of Ethics
7. Leadership/Interpersonal skills

Objective (c) includes the ability to:

- (i) Demonstrate knowledge and understanding of the meaning of professionalism.

Assessment Criteria:

1. The framework adopted by the Actuarial Society for developing the profession is explained (technical, normative and organisational strands).
2. The principles of professionalism are explained.
3. The obligations and responsibilities of a professional are described.

4. Unprofessional conduct and appropriate procedures to deal with such conduct are identified.
- (ii) Understand the legal responsibilities and Professional Conduct Standards expected from a member of the Actuarial Profession.

Assessment Criteria:

1. The framework of Professional Conduct Standards applicable to actuaries in South Africa is explained.
  2. The legal responsibility of a professional is discussed, with specific focus on legal requirements of actuaries.
  3. The professional and ethical standards expected of members by their colleagues, their employers, their clients, the public and the regulators are described.
  4. ASSA's Disciplinary Procedure is explained.
  5. Corporate Governance in the Actuarial Society is explained, including the workings of the Disciplinary Scheme.
  6. The importance of maintaining and improving members' professional competence and lifelong learning is explained, as are the outcomes - based CPD requirements of ASSA.
  7. The importance of helping to maintain and improve the profession and the competence and capability of members, including volunteering for ASSA and research, is explained.
  8. Different actuarial practices internationally are considered and discussed.
- (iii) Demonstrate knowledge and application of the principles of ethical decision-making and dealing with conflicts of interest.

Assessment Criteria:

1. The principles of ethical decision-making are applied.
  2. How to deal with conflicts of interest is discussed.
  3. Ethical dilemmas facing the profession are discussed.
  4. The value of considering different expertise and view points in ethical decision-making is discussed.
- (iv) Develop leadership and interpersonal skills.

Assessment Criteria:

1. The role and impact of emotional intelligence (EQ) in the workplace is explained.
2. Methods to improve interpersonal capabilities are described.
3. Conflict management tools are discussed.

## **(d) Demonstrate that appropriate Work-based Learning has been completed**

Objective (d) includes the following:

- (i) In line with outcomes-based principles, a portfolio of evidence will be prepared as part of on-going assessment for Core APP.
- (ii) The candidate and his/her employer should create the opportunity at the workplace to gain exposure and experience in a specified skill.
- (iii) The candidate should reflect on the feedback from each Core APP workshop and incorporate the feedback in work-based learning to ensure that the skills taught at the workshops are practically considered and applied at the workplace.

Assessment Criteria for (i), (ii) and (iii):

1. Before some of the workshops, an assignment will be available to candidates to complete in an allotted timeframe. Each assignment will be structured to prepare students for the relevant workshop based on common scenarios in the workplace. Several capabilities will be practised through each assignment.
2. These should be supplemented by review questions that will be reviewed by the student's supervisor.
3. The student is required to complete, discuss with their supervisor and submit a work based learning evaluation form at registration and before each of the Core APP workshops. The student is encouraged to update the work based learning evaluation form, together with input from the supervisor, every six months. As part of the discussion with the supervisor, the student needs to review his / her progress and development over the previous six months, identify skill gaps and establish development goals for the next six months. This approach encourages introspection after feedback is received, which should foster lifelong professional learning.
4. It is required that 4 review questions be completed over 2 years and within workplace-specific competency areas.

## Assessment

ASSA Subject (Sub-credit)	Admission Criteria	Exams / Assessment
<b>Module 1:</b> Work Based Learning for Associates	Started work	Active 24 months skills development (on the job training) and assessment
<b>Module 2:</b> Actuarial Business and Legal Awareness	Pass   exempted from all A1 and A2 series subjects	<b>Components:</b> Pre-work Assignment, Workshop attendance, Business Awareness exam
<b>Module 3:</b> Model Documentation, Analysis and Reporting	Pass   exempted from all A1 and A2 series subjects	<b>Components:</b> Pre-work Assignment, Workshop attendance, Modelling exam
<b>Module 4:</b> Presentation skills and Communication	Pass   exempted   FA grade   University Pass: A302 Attend and actively participate in: Module 2 and Module 3	<b>Components:</b> Pre-work preparation, Workshop attendance and assessment
<b>Module 5:</b> General Practice Module (GPM)	NA	Self study module with an online MCQ exam
<b>Module 6:</b> Strategic Thinking and Interpersonal skills	Pass   exempted: A302   A410   A440 Attend and actively participate in: Module 4 - Presentation skills and Communications workshop	2 Day workshop attendance, active participation and assessment
<b>Module 7:</b> Professionalism for Associates	Pass A420   Attend and actively participate in: Module 6 - Strategic Thinking and Interpersonal Skills workshops	Workshop attendance, active participation and assessment

## End of Syllabus