EXAMINATION

11 May 2026 (am)

Subject F202 — Life Assurance
Fellowship Applications

Examination writing time: *Three hours and fifteen minutes (includes reading time)*

Upload time: *Five minutes*

[Total time on examination countdown timer: Three hours and twenty minutes]

Total marks: *100*

INSTRUCTIONS TO THE CANDIDATE

Failure to adhere to any of these instructions could incur examination sanctions including disqualification from the examination.

1. *Your examination countdown timer reflects your TOTAL examination time. Reading and writing time is three hours and fifteen minutes.* ***You may NOT continue to write during the five minutes upload time as this could lead to disqualification from the examination.***

2. *The question paper is available on the ASSA Exam Platform as a PDF download only and may not be printed. Copy/paste of questions or parts thereof is allowed from the question paper to your Word answer document only.*

3. *You may not access any file from your computer, use any other computer software (e.g., Email or Excel), or open or use any other browser, collaboration tools or AI tools, including those embedded in MS Word and Adobe AI assistant (e.g. Copilot, ChatGPT etc.) during the examination. Embedded AI tools must be disabled. You may not use Grammarly, Grammarly Premium or similar built-in language and grammar tools which must also be disabled. Microsoft Word spellcheck is allowed.*

4. *Use only the Word answer template provided in your personal folder under the "Exam" icon on your desktop. The file has already been named using your candidate number. Please confirm that your candidate number matches the candidate number used in the file name. If there is any discrepancy, notify an invigilator immediately. Do not rename your file and do not create multiple versions.*

5. *Ensure that your* ***full Candidate Number*** *is entered in the "header" of your Word answer document. [Double-click on the header at the top of the Word document, input your Candidate Number only in the header, then press "Esc" to close the header.]* ***Do not use your name or member number anywhere in your Word answer document. Your candidate number must be the only identifier used. Submissions that are incorrectly labelled or cannot be clearly identified by candidate number may not be marked and may result in forfeiture of the examination attempt.***

6. *You are required to submit your answers in Word format ONLY. No answers in any other format (e.g. handwritten) will be accepted. Save work regularly.*

7. *You are not permitted to bring any other material into the examination (e.g. a Formulae and Tables book). Any such information/material that may be required will be provided to you in the examination.*

8. *You are strongly encouraged to use the first fifteen minutes as reading time only, however, you may start answering the paper whenever you are ready.*

9. *Mark allocations are shown in brackets.*

10. *Attempt all questions, starting each on a new page (as provided for in the Word answer template).*

11. *Show calculations where appropriate. No materials may be used other than blank paper for calculations. Only calculators from the ASSA-approved list are permitted.*

12. *Upload a single version of your Word answer document only to the ASSA Exam Platform. Once uploaded, click* ***Finish Attempt.*** *You may still use* ***Return to attempt*** *to check that the correct version has been uploaded, provided you have time remaining. When you are satisfied with your upload, you must click* ***Submit all and Finish*** *to complete your submission. After selecting this option, no further changes can be made.*

13. *Candidates are responsible for ensuring that the correct content is uploaded for submission of their examination, that their answer script is successfully uploaded and submitted, and that it complies with the prescribed format, file size and submission location as communicated by ASSA. Submissions must be made via the examination platform. However, in the event of technical issues affecting the uploading of scripts to the platform, candidates may submit via the Incident Form. ASSA will not retrieve, replace or amend answer scripts where incorrect, incomplete or unintended versions are uploaded, where a script is not successfully uploaded or submitted via either the examination platform or the Incident Form within the stipulated timeframes (immediately in the case of an upload issue), or where candidates subsequently notify ASSA after the conclusion of the examination session that an incorrect file was submitted. Please note that candidates must both attempt and successfully submit their examination for it to be considered valid. Any attempt that is not successfully submitted in accordance with the above requirements will be regarded as incomplete and therefore invalid and will not be marked.*

14. ***You must submit your Word answer document onto the ASSA Exam Platform BEFORE the time on your examination countdown timer runs out.***

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. The onus remains on you to read and implement all examination instructions.

END OF INSTRUCTIONS

QUESTION 1

An established life insurance company that writes risk and annuity business has a deferred tax asset (DTA) in its individual policyholder fund (IPF). This DTA is because of historic losses in the IPF.

The company is considering launching a without profit five-year single premium individual endowment assurance product.

i. Discuss the tax-based possible reasons for launching this product as well as the general product design factors that the company would need to consider.

[11]

Following consultation, the company decides to launch the product. It is further agreed that the company will provide a surrender benefit less a surrender penalty to cover commission and admin related expenses, as well as extracting a small profit. The investment strategy the company plans to implement will use fixed interest local corporate bonds of a high quality to back these liabilities.

ii. Discuss the suitability of this investment strategy.

[6]

iii. Outline how the market value of the liabilities would be calculated on the SAM balance sheet.

[5]

iv. Discuss which market risks would apply to this product and how this may impact capital requirements.

[7]

[Total 29]

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PLEASE TURN OVER

QUESTION 2

A South African life insurance company sells unitized smooth bonus and market-linked investment products to both individual and group clients.

i. Explain why a Market Value Adjuster (MVA) is used for smooth bonus savings policies and how its use can differ between individual and group policies.

[5]

South Africa's Two-Pot retirement system, introduced in 2024, divided retirement savings into two distinct "pots". The first pot is the "retirement pot" which is locked until the individual reaches' retirement age. The second is the "savings pot" which allows for withdrawals before retirement.

ii. Discuss changes that could be made to the MVA considering the introduction of the Two-Pot retirement system.

[6]

iii. Discuss the factors to consider when deciding how the investment strategy for retirement savings business should change considering the introduction of Two-Pot retirement system.

[8]

[Total 19]

QUESTION 3

A large South African life insurance company sells predominantly whole of life level-premium fully underwritten risk products as well as credit life and funeral products sold through distribution partners predominately in the clothing retail segment.

Following several years of low inflation, the South African Reserve Bank (SARB) decreased the repo rate from 6.75% at the start of 2019 and continued to lower the repo rate until it reached 3.5% in August 2020. However, due to predominately external factors, inflation exceeded the upper inflation target range in May 2022 and remained so for just over a year. The SARB proceeded to increase the repo rate until it reached 8.25% in June 2023. In October 2024, the SARB started lowering the repo rate and was expecting the economic environment to stabilise with inflation rates reverting to the lower end of the SARB target range.

Discuss the effects that the macro-economic environment between 2019 and 2025 would have had on the experience of the products that the insurer offers.

[Total 13]

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QUESTION 4

This question is hypothetical and does not refer to any particular period in South Africa's economic history.

A South African life insurance company sells predominantly whole of life level-premium fully underwritten risk products as well as credit life and funeral products.

The Prudential Authority (PA) has published their yield curves for the period at which the insurer is required to produce their published reporting (IFRS17) and prudential reporting (SAM). Due to the expected forward-looking macro-economic environment, the PA yield curve has increased significantly in the short to medium term of the curve whilst decreasing significantly in the long end of the yield curve compared to prior valuations.

i. Discuss how the published reporting of the insurer is expected to be affected given the movement in the PA yield curve.

[15]

ii. Discuss how the prudential reporting of the insurer is expected to be affected given the movement in the PA yield curve.

[12]

The Head of Actuarial Function has recommended that the insurer review their asset-liability management (ALM) policy in light of the macro-economic environment and introduction of IFRS17. Board members have also noted that the yield curve movements has had a materially different impact on the company's earnings and SCR cover ratio.

iii. Outline the various strategies the insurer could adopt in setting the ALM policy.

[5]

iv. Discuss how you would go about reviewing the insurer's ALM policy.

[7]

[Total 39]

[Grand Total 100]

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END OF EXAMINATION

