

Subject SA3

CMP Upgrade 2022/23

CMP Upgrade

This CMP Upgrade lists the changes to the Syllabus, Core Reading and the ActEd material since last year that might realistically affect your chance of success in the exam. It is produced so that you can manually amend your 2022 CMP to make it suitable for study for the 2023 exams. It includes replacement pages and additional pages where appropriate.

Alternatively, you can buy a full set of up-to-date Course Notes / CMP at a significantly reduced price if you have previously bought the full-price Course Notes / CMP in this subject. Please see our *2023 Student Brochure* for more details.

We only accept the current version of assignments for marking, *ie* those published for the sessions leading to the 2023 exams. If you wish to submit your script for marking but only have an old version, then you can order the current assignments free of charge if you have purchased the same assignments in the same subject in a previous year, and have purchased marking for the 2023 session.

This CMP Upgrade contains:

- all significant changes to the Syllabus and Core Reading
- additional changes to the ActEd Course Notes and Assignments that will make them suitable for study for the 2023 exams.

0 Changes to the Syllabus

There were no changes to the syllabus objectives.

1 Changes to the Core Reading and ActEd text

This section contains all the *non-trivial* changes to the Core Reading and ActEd text.

Chapter 4

Section 6.1

This has been re-written as follows:

In many countries, there is legislation or regulation to ensure that providers of financial products consider the interests of their customers. Again, this will usually consider both individual customers and SMEs up to a certain size. For example, in the UK, there are specific regulatory requirements on insurance companies usually referred to as ‘treating customers fairly’ or TCF.

The requirements are summarised at <https://www.fca.org.uk/firms/fair-treatment-customers>.

There is no single definition of what fair treatment means and the regulatory implementation will vary by country. In general, it means that the insurance company should act honestly, fairly and professionally in accordance with the best interests of the policyholder. This applies not just at the point of sale of the policy but throughout the entire life of the policy.

This may include the following:

- **Having a process to identify the needs of the customers for whom they are designing the policies.**
- **Understand the financial capabilities of its customers and designing communications according to their ability to understand sometimes complex issues.**
- **Providing clear, fair and not misleading advertising, marketing and disclosure materials as well as communications after the point of sale.**
- **Ensuring that any advice given is suitable and takes account of the circumstances of the customer.**
- **Ensuring that the policy performs in the way that the policyholder was led to expect and that the service standards are as they were led to expect.**
- **Setting up reasonable procedures for submitting claims, changing products and making complaints.**
- **Maintaining an appropriate balance between increasing sales and not exposing customers to inappropriate risks, particularly in the design and marketing of new products.**
- **Measuring, monitoring, controlling and reviewing the risks arising from products for both existing and potential new customers. This would cover the effect of past changes in the economic or market environment and possible future changes, and stress testing possible risks to the firm from its retail business, taking into account product types, sales methods and after sales requirements.**

The actuary may also be given statutory responsibilities, for example to notify the regulatory authorities if the actuary believes the insurance company is acting in a way that would prejudice the interests of its customers. This requirement imposes a clear conflict of interest on the actuary. It is generally accepted that this type of requirement is necessary because of the complexity of financial products, their long duration, and the financial impact that unfair treatment could have on customers.

Section 6.2

The final three paragraphs, starting with 'In response to the mis-selling scandal ...', have been replaced with:

New rules were put in place in 2012, designed to prevent mis-selling in the future and enable the customer to shop around and make an informed decision. These included:

- **provision of adequate information when selling payment protection and providing a personal quote**
- **obligation to provide an annual review**
- **prohibition of selling payment protection at the same time the credit agreement is entered into.**

Chapter 5

A new Section 5.3, entitled 'Thematic reviews', has been added as follows:

In 2021, the IFoA commenced a regular process of conducting thematic reviews across the profession, designed to review how actuarial work is carried out in certain areas. The IFoA is aiming to promote best practice, to educate and to ensure the work of the profession continues to be in the 'public interest'. It wants to see customer fairness applied by all financial service professionals and their employers. These thematic reviews are intended to provide independent feedback to the profession with a view to reinforcing credibility.

One of the two initial thematic reviews was into general insurance pricing, in particular reviewing the role of actuarial advice when pricing specific general insurance products, and UK home and motor insurance were selected.

The IFoA's report concluded the following:

- **General insurance personal lines pricing is not the sole domain of actuaries. Actuaries play their part but others are involved.**
- **Customer fairness should be given more prominence in actuarial standards, guidance and education. Actuaries should play their part to support the FCA's pricing proposals.**
- **Continuing innovation is needed to help the actuarial profession remain attractive, to develop the standards, guidance and education for the profession to keep pace with ongoing data science and machine learning advances.**

Although the report is non-mandatory guidance, there were a number of recommendations including:

- **For the IFoA and the FRC to provide additional guidance to help actuaries in a multi-disciplinary environment, to conduct a review of the TASs and to consolidate guidance where applicable.**
- **Given the significant recent developments in data and also new techniques (eg machine learning), it is important that complex models have clear explanation and are as transparent as possible.**
- **For members, it is important we document what is in and out of scope, follow professional standards subject to a proportionate approach and ensure there is sufficient and clear documentation, in particular justifying fairness.**

You can find further details of the reviews and their recommendations at

<https://actuaries.org.uk/standards/actuarial-monitoring-scheme/thematic-review-programme/>

Glossary

In the definition of 'Return commission', delete the last sentence saying 'Also called overriding commission.'

2 Changes to the X Assignments

There have been minor changes throughout the assignments, including changes to mark allocations, to reflect the observation that recent exam questions have become broken down into more parts. The content of the assignments, however, is largely unchanged.

3 Other tuition services

In addition to the CMP you might find the following services helpful with your study.

3.1 Study material

We also offer the following study material in Subject SA3:

- Flashcards
- ASET (ActEd Solutions with Exam Technique) and Mini-ASET
- Mock Exam and AMP (Additional Mock Pack).

For further details on ActEd's study materials, please refer to the *2023 Student Brochure*, which is available from the ActEd website at **ActEd.co.uk**.

3.2 Tutorials

We offer the following (face-to-face and/or online) tutorials in Subject SA3:

- a set of Regular Tutorials (lasting a total of three days)
- a Block (or Split Block) Tutorial (lasting three full days).

For further details on ActEd's tutorials, please refer to our latest *Tuition Bulletin*, which is available from the ActEd website at **ActEd.co.uk**.

3.3 Marking

You can have your attempts at any of our assignments or mock exams marked by ActEd. When marking your scripts, we aim to provide specific advice to improve your chances of success in the exam and to return your scripts as quickly as possible.

For further details on ActEd's marking services, please refer to the *2023 Student Brochure*, which is available from the ActEd website at **ActEd.co.uk**.

3.4 Feedback on the study material

ActEd is always pleased to receive feedback from students about any aspect of our study programmes. Please let us know if you have any specific comments (*eg* about certain sections of the notes or particular questions) or general suggestions about how we can improve the study material. We will incorporate as many of your suggestions as we can when we update the course material each year.

If you have any comments on this course, please send them by email to **SA3@bpp.com**.

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