COURSE DETAILS

Course Code: F71BF
Full Course Title: Life Insurance Mathematics 2
SCQF Level: 11
SCAF Credits: 15
Available as Elective: No

DELIVERY LEVEL

Undergraduate: Yes  Postgraduate Taught: Yes  Postgraduate Research: No

Additional Information:

COURSE AIMS

To introduce some more advanced topics in life insurance mathematics, and complete the material covered in Subject CT5

LEARNING OUTCOMES – SUBJECT MASTERY

On completion of this module the student should be able to:

• Define Markov life-history models in terms of states, transitions and transition intensities;
• State and prove Kolmogorov's forward equations, state Thiele's differential equations, and use an Euler scheme to solve both numerically, for a general Markov multiple-state model;
• Define models for the joint life histories of two individuals; (a) as a multiple-state model; and (b) in terms of random future lifetimes;
• Calculate expected present values, premiums and policy values for the following types of joint-life policies: first-death and second-death assurances and annuities, reversionary annuities, and contingent assurances;
• Describe the main features of disability insurance and long-term care insurance;
• Define multiple-state models representing life histories involving disability and long-term care, and show how these introduce duration dependence, hence semi-Markov models;
• Derive integro-differential equations for the occupancy probabilities needed to compute actuarial quantities in special cases of semi-Markov models;
• Give expressions for expected present values, premiums and policy values in special cases of semi-Markov models;
• Understand possible sources of heterogeneity, its effect on the analysis of insurance data, and its possible impact on insurance business;
• Construct single figure indices to summarise mortality and other experiences, and understand the strengths and weakness of each;
• Explain mathematical and component methods of population projection;
• Describe the main retirement and death-in-service lump sum benefits found in a defined benefit pension scheme in the UK;
• Derive commutation functions to perform valuations of the main retirement benefits, death-in-service lump sum benefits, and future contributions;
• Calculate the profit vector, profit signature, net present value, profit margin, discounted payback period, and internal rate of return for conventional policies;
• Describe the effect on the profit vector of changes in the premium, valuation, and experience bases;
• Describe the operation of the unit price and the charging structure for unit-linked policies;
• Calculate the unit fund, sterling fund, sterling reserve, and measures of profit for unit-linked
LEARNING OUTCOMES – PERSONAL ABILITIES

At the end of this module students should be able to:

- Demonstrate the ability to learn independently
- Manage time, work to deadlines and prioritise workloads
- Perform numerical calculations using a suitable computer package, or other available tools
- Present results in a way which indicates that they have understood the concepts involved.

SYLLABUS

- Markov multiple-state models,
- Insurances written on multiple lives,
- The features of disability and long-term care insurance contracts
- Duration dependence and semi-Markov models,
- Heterogeneity and selection,
- Single-figure indices,
- Population projections,
- Pension fund mathematics,
- Profit testing conventional insurance contracts,
- Profit testing unit-linked contracts.

COURSE RELATIONSHIPS

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<tr>
<th>Course Code</th>
<th>Level</th>
<th>Title</th>
<th>School</th>
<th>Type</th>
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<td>F71AF</td>
<td>11</td>
<td>Life Insurance Mathematics 1</td>
<td>School of Math and Comp Sci.</td>
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LOCATION AND ASSESSMENT METHODS

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<th>Edi</th>
<th>SBC</th>
<th>Ork</th>
<th>Dub</th>
<th>Malay</th>
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<th>COLL</th>
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<td>60</td>
<td>120</td>
<td>Assessment</td>
<td>Semester 2</td>
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Examination will be at least 60% and no more than 80%.

| Y   |     |     |     |       |     |      |     |     | Coursework | 40     | Assessment | Semester 2 |

Coursework will be at least 20% and no more than 40%.

| Y   |     |     |     |       |     |      |     |     | Examination| 100    | 120       | Reassessment| Semester 2 |

Re-assessment in the next academic year.