

MACQUARIE  
UNIVERSITY



FACULTY OF  
BUSINESS AND ECONOMICS

ACST859  
Contingent Payments 1

Semester 1, 2010

*Department of Actuarial Studies*

**MACQUARIE UNIVERSITY  
FACULTY OF BUSINESS AND ECONOMICS  
UNIT OUTLINE**

**Year and Semester: 2010 Semester 1**

**Unit convenor: Dr. Xian Zhou**

**Prerequisites: ACST151(P); ACST200/851(P); STAT 272(P) or equivalent**

**Co-requisites: None**

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

**ABOUT THIS UNIT**

Credit points: 3

This unit covers the analysis of cash flows dependent on uncertain events. Single decrement survival models will be used to analyse the present value of payments under life insurance and annuity contracts. The concepts of pricing and reserving for future contingent liabilities are considered.

A comprehensive understanding of the compound interest and statistical concepts contained in the pre-requisites is assumed. You should review these units as soon as possible if necessary.

The units ACST255/859 and ACST355/860 together correspond to the professional subject CT5. The exemption will be recommended if and only if a SNG of at least 60 is achieved in both units and the average standardised numerical grade (SNG) is at least 65.

**TEACHING STAFF**

Lecturer and Unit Coordinator: Dr. Xian Zhou, Room E4A 607, Ex 8566

If you wish to contact Xian Zhou, please do so by sending an email to [xian.zhou@mq.edu.au](mailto:xian.zhou@mq.edu.au) or via the Mail facility on the unit website.

If you have a question about the course content, please post it on the discussion board on the website. If you are uncertain about some topics, it is likely that other students are also confused. So it may be helpful to all of your fellow students if questions and answers are posted on the website.

Jun-Hyun Oh is acting as a teaching assistant for this unit. Please address any enquiries about administration to Jack via the Private Mail facility on the unit website. If he can't answer your question he can pass the message on to the appropriate person.

## **CLASSES**

Lectures are held on  
Mondays 9:00am to 12:00pm in W6B 345

The lectures will NOT be recorded using i-lecture.

Tutorials are held on  
Thursdays from 4:00pm to 5:00pm in W5C 311

Tutorials start in Week 1

Tutorial exercises will be available from the unit web site each week.

Tutorial exercises will not be assessed, but they form a very important part of the study and are closely related to the assessed components (assignments, class test and the final examination).

Tutorials are an opportunity for you to work on the week's tutorial questions and to obtain help with them as needed. The more preparation you do for the tutorial, the more you will benefit from the session.

Any alterations to the tutorial times, locations or enrolments will be advised in lectures and/or on the unit webpage.

The timetable for classes can be found on the University web site at:  
<http://www.timetables.mq.edu.au/>

## **REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS**

Lecture Notes will be posted on the website before the lectures.

The main reading materials (in addition to Lecture Notes) are the ActEd CT5 notes (2010 edition) Chapters 1 to 7 inclusive. This will also be used as background reading for ACST355/860.

A preliminary reading of the ActEd notes before each lecture will considerably enhance the benefits you can gain from the lectures.

The ActEd CT5 notes can be purchased through ASSOC. More information about ASSOC can be found at its website <http://www.mqassoc.org>

## **UNIT WEB PAGE**

The web page for this unit can be found at: <http://learn.mq.edu.au>

The website will be used extensively for this unit so please consult the web page frequently. You will find administrative updates, lecture notes, tutorials and assignments posted there. Materials posted on the website may be updated from time to time.

It is your responsibility to check the website regularly to make sure that you are up-to-date with the information for the unit.

## LEARNING OBJECTIVES AND OUTCOMES

The discipline-based learning objectives and outcomes are as defined in the syllabus for Institute of Actuaries (IA) subject CT5 Chapters 1-7.

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas. In this unit we aim to develop problem solving skills, communication skills, and critical analysis skills.

## TEACHING AND LEARNING STRATEGY

- This unit is taught through 3 hours of lectures and 2 hours of tutorials per week. Lectures will cover the topics and materials in accordance with the syllabus for Institute of Actuaries (IA) subject CT5 Chapters 1-7. Tutorials will discuss exercise questions covered by the lectures.
- Students are expected to listen carefully to all lectures and tutorials; participate in discussions during tutorials, read relevant materials in advance; review the knowledge learnt in classes; and complete all assignments independently.
- A planned week-by-week list of the topics is as follows:

Week	Topics covered
1	Review of probability; Expected present value; Introduction to survival models
2	Life assurance contracts
3	Life annuity contracts
4	The Life table; Select mortality
5	Evaluation of life insurance contracts;
6	Net premium and reserves
BREAK	
7	Policies with variable benefits
8	With-profit policies; Class test
9	With-profit policies; Expenses of life insurance
10	Gross premiums
11	Gross premiums and reserves
12	Profit and loss in life insurance
13	Revision

This is only a tentative schedule, and may be revised from time to time as the semester proceeds. Alterations will be advised in lectures and/or via the website.

## RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

Assessment tasks are set in accordance with the requirements of Institute of Actuaries for subject CT5 Chapters 1-7.

### Assessment Tasks

Assessment tasks consist of:

- Class Test 20%

- Assignments 10%
- Final Examination 70%

#### Assignments:

Three assignments are planned. The first two assignments account each for 5% of the assessment. The third assignment will not be collected for marking. Solutions to the assignments will be posted on the website after they are collected or at the end of teaching weeks.

#### Class Test:

There will be one class test scheduled for Monday 26 April 2010 during the usual lecture time. It will cover lectures up to and including Monday 19 April 2010.

If there are any changes in test time and/or teaching plans, the announcements of the changes will be posted on the unit website.

During class test, students will be allowed to use

- a calculator (one without text retrieval capability); and
- one A4 page into the exam (the A4 page may have writing or typing on both sides).

#### Final Examination:

Exam duration: 3 hour exam plus 10 minutes reading time.

The final exam will cover all of the material in the course. Students will be allowed to use

- a calculator (one without text retrieval capability); and
- one A4 page into the exam (the A4 page may have writing or typing on both sides).

Normal examination rules apply to the conduct of the class tests and the final exam. These rules are set out under the heading “Conduct of Examinations” in the Student Information section of the Macquarie University Handbook of Postgraduate Studies.

The University Examination period in First Half Year 2010 is from 9 June to 25 June.

You are required to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

### **SPECIAL CONSIDERATION AND SUPPLEMENTARY EXAMINATION**

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at

[http://www.mq.edu.au/policy/docs/special\\_consideration/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.html)

The application form for Special Consideration is available at

<http://www.reg.mq.edu.au/Forms/APSCon.pdf>

By submitting a request for special consideration you are agreeing to be available to sit a Supplementary Examination if required. If a Supplementary Examination is granted as a result of the Special Consideration process then

- The examination will be scheduled after the conclusion of the official examination period.
- You do not have the right to request an alternative time, unless the scheduled time clashes with another Macquarie University supplementary exam that you are required to attend.
- Your performance in the Supplementary Examination replaces your performance in the original examination (if any). You do not have the right to subsequently request that your result be based on the original examination rather than the Supplementary Examination.
- If you fail to attend the Supplementary Examination you will be awarded the grade of “Fail – Absent”.

Note further that:

- A Supplementary Examination may be granted only if the application for special consideration meets all criteria set by the policy for special consideration (refer to [http://www.mq.edu.au/policy/docs/special\\_consideration/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.html)), including satisfactory performance in the coursework components of the unit and meeting the deadlines of the application process.
- The ground for special consideration does not provide special treatment on marking and grading. Your grade cannot be raised on the ground for special consideration without demonstration of satisfactory performance in a Supplementary Examination.
- For fairness to all students, Supplementary Examinations are carefully designed such that sitting a Supplementary Examination has no advantages over regular examination.
- Knowledge of the regular examination is unlikely to help raising the performance in a Supplementary Examination (if granted).
- A student who performed unsatisfactorily in a regular examination due to lack of understanding to the course contents has very little prospect of making sufficient improvement by sitting a Supplementary Examination.

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, that is the final day of the official examination period.

## **PLAGIARISM**

The University defines plagiarism in its rules: “Plagiarism involves using the work of another person and presenting it as one's own.” Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found in the *Handbook of Undergraduate Studies* or on the web at: <http://www.student.mq.edu.au/plagiarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty.

Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

The class test and examination are designed in such a way that plagiarism, even if undetected, will only damage the prospect of passing the unit or gaining a higher grade.

## **STUDENT SUPPORT SERVICES**

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

Besides the general services available, the Faculty of Business and Economics offers BESS: Business and Economics Student Services  
[http://www.efs.mq.edu.au/student\\_support/BESS](http://www.efs.mq.edu.au/student_support/BESS)