



University of Melbourne  
Centre for Actuarial Studies

# **GENERAL INSURANCE PRACTICE**

**Subject ACTL90018**

**2017**

## **STUDENT GUIDE**

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# GENERAL INSURANCE PRACTICE

## 2017

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This document includes information students are expected to know and understand. All information and requirements included in this document are assumed to have been read, understood, and accepted by all students enrolled or participating in the subject.

- Questions are to be directed to the relevant Subject Co-ordinator
- It is the student's responsibility to have read this document.

## 1 INTRODUCTION

Welcome to General Insurance Practice (GIP). This is a new subject in 2017. Unlike many other subjects taught within the Centre, this subject does not align with any exemptions for subjects administered by the Actuaries Institute (Institute of Actuaries of Australia, or IAAust).

Many actuarial graduates from the University of Melbourne take one or both of the Institute's General Insurance Part III subjects. Accordingly GIP is designed to provide knowledge of the theory and practice of general insurance actuarial practice. For those students that do take a Part III General Insurance subject, GIP will provide insight into specific General Insurance actuarial issues and practices, and useful preparation for the Part III subjects. For those that choose not to undertake Part III General Insurance subjects, GIP will still provide relevant exposure to the general insurance industry and approaches to actuarial problems that are applicable in other practice areas.

General Insurance Practice (GIP) is taught in first semester.

## 2 SUBJECT OBJECTIVES

### Overview

The GIP subject is intended to provide a comprehensive coverage of actuarial practice within the Australian general insurance market and environment. Similar to the Actuarial Practice & Control 1 and 2 (ACTL90010 and ACTL90011), GIP is intended to take students beyond the learning of specific technical skills in a well-defined environment (i.e. IAAust Part I subjects). Students are expected to develop judgement and professional skills required to successfully apply actuarial principles in the general insurance environment. Key elements of the approach include the consideration of uncertainty, and the communication of results.

### University Subject Syllabuses

As per the University Handbook, the syllabus for GIP may be summarised as follows:

*ACTL90018: Topics include the Australian General Insurance industry and products, actuarial estimation of claims cost, general insurance liabilities, general insurance pricing, capital management, accounting and regulatory reporting.*

*On successful completion of this subject, students should be able to:*

- *Describe the main features of the Australian General insurance market, including consumers, providers, intermediaries and other stakeholders;*
- *Understand and Analyse General Insurance and Injury Scheme products;*
- *Analyse and estimate claims costs for General insurance products using common actuarial techniques;*
- *Understand the theory underlying the establishment of liabilities for General Insurance entities, and perform simple calculations of such liabilities;*
- *Perform a reconciliation between two valuations of liabilities;*

- *Explain and calculate the components of General Insurance premiums; both in aggregate and at an individual or cohort level;*
- *Incorporate other features of the General insurance environment into premium calculation, including the behaviour of competitors and monopoly considerations;*
- *Understand Capital Management of a General insurer, including calculation of regulatory capital;*
- *Understand and perform calculations for Accounting, Management, Regulatory and other Financial reporting.*

Materials which are directly examinable include all materials covered in lectures and assignments, any textbook readings, and any other Examinable or Further Readings that may have been specified as being examinable. In case of doubt it is the responsibility of the student to seek clarification as to whether something is or is not examinable.

In some cases students may be expected to read relevant materials on their own and in other cases a more detailed approach will be taken in class.

### **3 ASSUMED KNOWLEDGE**

#### **Technical University Prerequisites**

The formal pre-requisite for General Insurance Practice is successful completion of Risk Theory I or Insurance Risk Models or equivalent. It is recommended, although not necessarily required, that students have completed or are attempting Actuarial Practice & Control 1 in conjunction with General Insurance Practice. In cases where this recommended order is not followed it is advised that students consult the Subject Co-ordinator prior to commencement.

It is also assumed that students have completed, or are in the process of currently completing, all the requirements of the IAAust Part I educational requirements, so that students have an adequate knowledge of the Part I IAAust subjects.

#### **Background Information**

GIP students have various backgrounds.

Some material, expected to be known and understood by students, will be distributed at the beginning of the semester. It is strongly recommended that all students individually ensure they understand this material and, if relevant, can adequately complete any questions that may be set on this material. Material and terminology included in the 'Background / Fundamentals' materials will be assumed known and examinable throughout GIP.

The nature of this subject is that it considers actual professional actuarial practice in the Australian context. It is necessary that students understand the fundamental features of the Australian General insurance environment and its major products before undertaking more advanced topics.

### **Current Events of Relevance**

It is expected that students will make an effort to ensure they have an ongoing awareness of major issues developing in the Australian General Insurance environment, especially where there may be aspects relevant to actuaries and the actuarial profession.

Reference to current issues will be made during lectures. As noted below, the subject shall make extensive use of short case studies to illustrate underlying concepts. These case studies shall include consideration of relevant current issues.

## **4 LECTURES**

### **Lecture Times**

GIP lectures commence at 5:20 pm on Monday and Wednesday. At the time of writing the University timetable shows the Monday location as Room 1 (103), Old Metallurgy (Building 166), and the Wednesday location as Theatre 1 (G21) in the Alan Gilbert Building (Building 104).

Lectures will conclude by 6:45 pm, and there may be breaks during the time slot.

### **Lecture Format**

GIP lectures will take a variety of forms. Apart from formal lectures, GIP shall make extensive use of case studies. These case studies are designed to reflect realistic actuarial practice in general insurance, and to supplement the understanding of lecture material.

Other classes shall consider specific exercises, and work through suggested solutions to those exercises.

### **Student's Lecture Preparation and Follow-up**

Lectures seek to address the main points from their subject matter. It is expected that students will have reviewed the relevant reading material and prepared any relevant exercises prior to lectures. They are also expected to have reviewed additional points that may be discussed in the readings which may not be specifically covered in lectures.

## **5 FACULTY**

### **Teaching Faculty**

The teaching faculty for GIP are all practicing actuaries, with extensive professional actuarial experience in a General Insurance environment.

The ongoing teaching faculty are:

- David Heath, FIAA
- A.

### **Subject Co-ordinator(s)**

David Heath is Subject Co-ordinator for GIP. All questions not directly related to lecture content to do with the subject are to be directed to the Subject Co-ordinator (see 'Contacts' below).

### **Guest Lecturers**

On occasions, Guest Lecturers may be utilised to discuss specific topics.

Note that the content of Guest Lecturers' presentations is examinable.

## 6 FEEDBACK AND CONTACT

It is noted that the majority of the faculty for this subject are typically only on campus for lectures.

Faculty may be contacted via the discussion forum on the LMS. The Subject Co-Ordinator may also be contacted via email ([dnheath@unimelb.edu.au](mailto:dnheath@unimelb.edu.au))

There are several levels of feedback and contact that are relevant to this subject:

### Feedback: Faculty to Students

- *Lectures:* General Announcements will be made in lectures. Students are expected to attend/review all lectures. Announcements made in lectures will be considered received by all students.
- *Assignments:* Feedback on performance will be provided. Summary comments will be provided on assignments. Themes and issues emerging from the assignments will also be discussed in lectures.
- *Learning Management System:* This will also be used to make major announcements, etc. It will be assumed that it is checked regularly, and announcements made on it will be assumed received by all students.
- *Office:* Faculty, by prior appointment, when on campus.

### Feedback: Students to Faculty

- *Discussion Forum:* The Discussion Forum facility should be used for posting questions specific to particular lectures and of general interest. Questions posed need to be clearly phrased and relevant to the subject and specific as to:
  - The lecture (with reference to relevant slide(s))
  - The issues being raised, and
  - An outline of the students attempt(s) at resolution to the issues raised and why a problem is perceived.

**The Discussion Forum is the preferred method for student to ask questions and it is expected it will be utilised by the GIP faculty and its students. The Discussion Forum provides all students with a direct and constantly available means of asking questions and receiving feedback from the subject faculty.**

Generally, responses to Discussion Forum questions will be posted and publicly available to all students enrolled in the subject within 2 or 3 business days. However, where appropriate individual and confidential responses will be made to individual students. Where submitting questions via the Discussion Forum is not appropriate for some reason, individual email questions may be used.

- *Specific Lecture Questions:* These should be directed to the lecturer who presented the lecture. It is expected that questions which may be of interest to other students will be asked via the Discussion Forum. In the case of lectures

from Guest Lecturers, questions relating to lectures are to be directed to the Subject Co-ordinator.

- *Assignment Groups:* These will be notified by email.
- *Administrative Questions:* These should be directed to the administrative contact for the subject. Note that administrative staff are not able, nor permitted, to address questions to do with marks or assessment.
- *Other General Questions:* These should also be directed to the Subject Co-ordinator, typically via the Discussion Forum.



## 7 ASSESSMENT

### Assessment Summary

Assessment is as follows:

- 30% of the assessment will be completed during the Semester, and
- 70% from a 3 hour (with 15 minutes reading time) at the end of the semester.

The exam for GIP will be closed book.

### Student Groups

Students will be assigned to groups of 3-4, and are expected to work together on the Group Assignments, submitting one paper with the names of all those who worked on it noted. All students in a given group, who participated in the preparation of the solutions, will receive the same mark for an assignment. The allocation of groups will be made in the first few weeks of semester, once enrolments are finalised.

### Assignment format and dates

The assignment will likely take the form of a draft submission (around week 7). Following the submission of the draft, groups shall receive feedback on their draft. Groups are expected to incorporate this feedback into their final submission (around week 10).

The length of the assignments shall be around 8 pages or 2,000 words.

### Submitting Assignments

Student groups are to submit the group assignments. For each assignment, each student will also be required to also submit a declaration, which includes a number of confirmations, including standard University requirements with regard to Plagiarism and Collusion.

Assignments must be submitted in accordance with details on the assignment cover sheet.

Assignments, and any accompanying materials will be distributed on the LMS.

## 8 STUDENT FEEDBACK

### Lectures

While there will be no formal tutorials in GIP, some classes will take an approach where relevant exercises and case studies are considered in detail. Students are expected to actively participate. Materials covered in and used for worked exercises and case studies are examinable.

Students are also encouraged to ask questions during lectures times. Students can also ask questions via the Discussion Forum. All students are encouraged to utilise the Discussion Forum. Specific questions of interest may be addressed in lectures.

### **Time in Lectures**

During lectures, time can be set aside to

- Discuss questions raised by students
- Discuss issues of interest
- Discuss Assignment performance and solutions
- Consider sample questions.

## **9 LEARNING MANAGEMENT SYSTEM (LMS)**

The LMS is available at

<http://www.lms.unimelb.edu.au/> .

The LMS for the subject has access restricted to currently enrolled students.

Note that lecture notes and other related materials will be posted on the LMS, generally on the day prior to the lecture, or earlier if possible. Students are expected to print their own copies of lecture notes and PowerPoint slides prior to the lectures. Copies will not be provided at the lecture.

While prior exams will not be made available, practice examination questions will be made available prior to the examination period.

## **10 EXAMINATIONS**

### **Exam Instructions**

It is noted that exam instructions include a requirement to correctly provide details of booklets and questions answered. These instructions are to be obeyed.

It is also the student's responsibility to be familiar with University rules governing the overall conduct of examinations.

### **Closed Book Exam**

The exam for GIP shall be 'closed book' i.e. students will not be permitted to take text books, lecture notes and other materials into the exam.

The closed book format is consistent with the Part III examinations of the Institute.

### **Calculators**

Subject to University requirements, calculators may be used in the final examination. Where calculators are used, a clear outline of the steps involved in calculations should be shown.

The University does not supply calculators to students for use in examinations.

It is the responsibility of the student to ensure any calculator they use complies with University requirements.

The calculator must appear on the following list:

Casio FX82 (with or without any suffix)

### **Practice examination**

As this is the first time GIP has been offered, there are no past examinations in the subject. A practice examination will be placed on the LMS near the end of the semester. Sample solutions will be placed on the LMS at a later date. The questions and solutions will enable students to get an idea of the type and form of questions that will be in the final exam.

Throughout the lectures and the consideration of case studies and worked examples, particular emphasis will be put on correct examination technique. This should assist students in GIP, and also should they go on to attempt any Part III subjects.

### **Special Examinations and Special Consideration**

Students that believe their performance in the subject has been adversely affected by sickness or other circumstances beyond their control, may apply for special consideration via standard University of Melbourne procedures. Such applications need be submitted as soon as practicable after the occurrence of events to be considered, within any required time frame and completed in a format as required by the University.

Further information as to the requirements of such applications can be obtained from the Faculty of Economics and Commerce.

A successful application for special consideration may result in the student being offered a special examination. Special examinations are scheduled and located by the University. Failure to attend a special examination, once granted, will result in the forfeiture of any additional special considerations in the determination of the student's final result.

## **11 INTELLECTUAL PROPERTY**

It is the student's responsibility to understand the issues discussed below, and to ensure that he or she takes appropriate actions to ensure that all relevant rules and obligations are complied with.

### **Academic Misconduct**

The University regards issues relating to academic misconduct of any type as a very serious matter.

It is the student's responsibility to be aware of the issues involved as well as the relevant University rules and expectations. A defense of ignorance or 'forgetting' will not be considered acceptable.

**Assignments – Declaration**

The University has promulgated a standard declaration to be completed by all students when submitting assignment materials. This declaration addresses the issues of plagiarism and collusion. It is the student's responsibility to know what constitutes plagiarism and collusion.

Assignments for GIP require a declaration to be signed by all students – both in Groups and individually. GIP declaration addresses plagiarism and collusion, and for Groups also includes an affirmation of Peer review. This is consistent with actuarial professional practice.

**Citing References**

As part of a student's responsibilities in respecting intellectual property, it is expected that where materials from other sources are utilized, in particular when answering Assignment questions, that explicit credit in the form of proper references and acknowledgements will be given.

A failure to acknowledge sources of materials in assignments will be viewed seriously, and may result in penalties.

**Copyright of Subject Materials**

It is noted that all materials provided by the University of Melbourne for this subject are either copyrighted by specified authors (for example in the case of published text books) and/or are copyrighted by the Centre for Actuarial Studies in other cases.

This ownership of materials extends in coverage not only to written materials, but also to all other materials provided in conjunction with the subject. These materials include, but are not limited to:

- Any audio, video or any other type of recording made of or during lectures;
- The web streaming recording made of lectures
- All Examination, Assignment, and any other teaching materials (both questions and answers); and
- Access to the password protected subject web site.

These materials are provided to assist the students currently enrolled in this subject in achieving the learning objectives of this subject. They are not to be used without prior explicit permission for the Centre for Actuarial Studies for other than the educational purposes of this subject.

**Access to Lectures After They Have Been Presented**

Under normal circumstances, the audio stream of lectures will be made available on the subject LMS site soon after the delivery of the lecture. Students are required to erase any portion of the web streamed recording downloaded on completion of the subject.

The audio taping of lectures by students while they are being presented is not permitted.

**12 STUDENT ACCEPTANCE OF CONDITIONS**

By enrolling in the subject students are deemed to have accepted the conditions as outlined above in sections 1 through 12 inclusive, and agree to abide by the decision of the Subject Co-ordinator(s) in terms of the interpretation of these conditions and other matters relating to their performance in this subject which may arise, subject to the standard University of Melbourne rules regarding appeal and review.

### **13 LECTURE SCHEDULE**

The intended lecture schedule to cover the subject objectives is provided for the information of students. The schedules will be provided separately.

It is noted that changes to this schedule may be made – for example to reflect availability of guest lecturers or other matters that may not be currently known.

## 14 READINGS

In each semester readings will be outlined on the LMS, together with copies of some of the readings.

For GIP, it is recommended that students purchase the text:

‘*The Actuarial Practice of General Insurance*’, Hart D G, Buchanan R A, and Howe B A., Institute of Actuaries of Australia (Part III text for General Insurance).

This can be purchased directly from the IAAust. The order form is available on IAAust website ([www.actuaries.asn.au](http://www.actuaries.asn.au)).

### Further Readings

A listing of readings shall be placed progressively on the LMS. Some of the readings will be supplied on the LMS, whereas for others references will be provided for students to source the readings.

In some cases readings will be provided as part of Assignments. All such readings are then considered to be Examinable.

Further Examinable or Further Readings may be prescribed during the subject by faculty and will then be made available to students via the LMS. Where Additional readings, or portions of them, are not specifically prescribed as being examinable they will not be considered directly examinable. Students are encouraged to read and consider materials included in any Further Readings and the text noted above as it is considered that these readings offer students an opportunity to gain further insight into the topics being discussed.

### General References

Some further general references which may be of interest for the subject overall are included below. These references are available either from the University Library or from the websites listed.

G1 ‘*Understanding Actuarial Management: the actuarial control cycle*’, Edited by Bellis C, Lyon R, Klugman S, and Shepherd J; Institute of Actuaries of Australia & Society of Actuaries, 2010.

G2 APRA website: <http://www.apra.gov.au>

G3 Institute website: [www.actuaries.asn.au](http://www.actuaries.asn.au)

G4 Insurance Council of Australia website: [www.insurancecouncil.com.au](http://www.insurancecouncil.com.au)