



Business Planning: Insurance Conference 2021

EXAMINERS' DEBRIEF AND GUIDANCE – PART 1

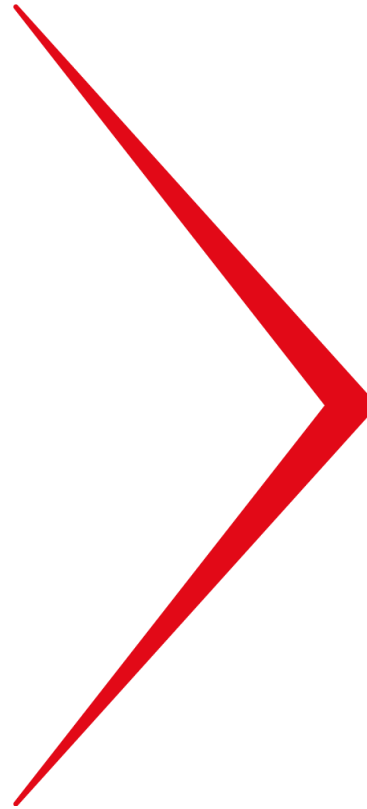
GRAHAM FAIRCLOUGH & MATTHEW SPARKHALL-BROWN

Contents

- Changes to syllabus and learning materials for exams in 2021
- Examination format
- Approach to IFRS 17 for exams in 2021
- Review of 2020 candidates' performance
- Common themes in examiners' comments
- Detailed review of September 2020 questions, answers and examiners' comments

Business Planning: Insurance paper

- Professional Level module
- 2.5 hour computer-based exam
- 3 scenario based questions with multiple requirements (Q1 c.40 marks)
- 55% pass mark
- Access to all learning materials in the exam
- Students are strongly advised to complete FAR and AA before attempting BP:I
- A bridge between Professional and Advanced levels
- June 2021 will be the fifteenth sitting of BPI



***Changes to syllabus
and learning
materials***

2020 syllabus and material changes – overview

- Only very minor syllabus changes for 2021
 - No additional examinable elements of IFRS 17
- Big change in LMs is going electronic and addition of new learning features
 - A few minor additions and updates

Syllabus changes

Section 1 – no changes

Section 2

- j. Explain how money laundering risks arise; identify and evaluate the risks this generates for insurers; and advise how an insurer can respond to mitigate the threat of money laundering.

Section 3 and 4 – no changes

Section 5

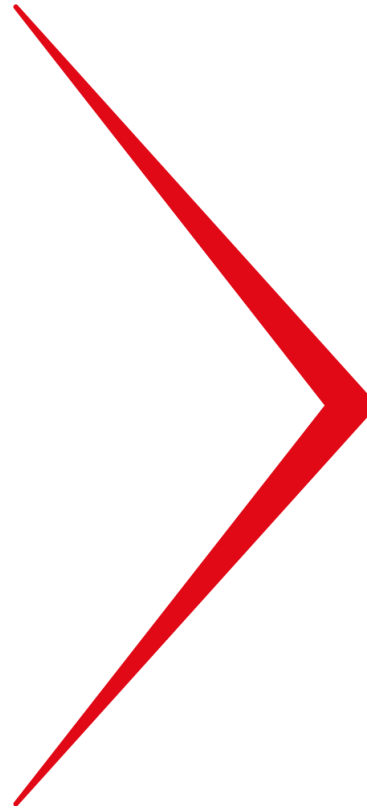
Students will be able to recognise and explain ethical issues arising ~~for stakeholders in the insurance sector~~ **in insurance-related scenarios and will be able to apply professional scepticism**. Where ethical issues and dilemmas arise.....**recommend and justify appropriate, proportionate** actions.

In the assessment, students may be required to, in the context of insurance related scenarios:

- b. **apply professional scepticism in their role by questioning information and its source and any responses given to them;**

Learning materials

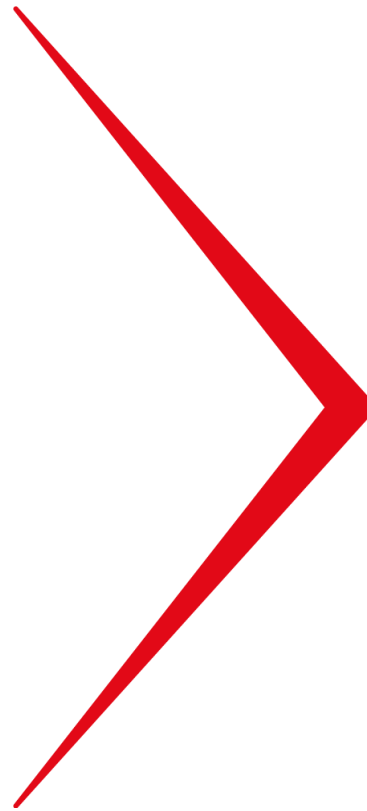
- Continuous quality improvement process
- Conversion to electronic form
- Useful new learning features such as
 - Chapter study guidance and question recommendations in workbook (no study guide)
 - Examples of application of professional skills in chapters
- No major updates or additions
- Only a few smaller ones
 - Use of distributed ledger technology for insurers (blockchain) - Chapter 1 Section 1.7.1
 - Coverage on common types of Insurtech business - Chapter 1 Section 1.7.3
 - A bit about Covid and underwriting risk – Chapter 6 Section 2.2.2 (please don't over-emphasise)
 - Parametric insurance - Chapter 6 Section 3.5
 - Update to sections on leaving EU (at time of writing) – Chapter 12 Section 1.1.1 -1.13
 - Section on SIMR updated to reflect SM&CR – Chapter 14 Section 5
 - Inclusion of Green issues in business ethics – Chapter 15 Section 1
 - Emphasis on professional scepticism added to practice ethics – Chapter 15 Section 1



IFRS 17: Insurance contracts

Examining IFRS 17 in BP:I

- No additional elements of IFRS 17 come into the BP:I syllabus for 2021
- Candidates are performing very well on numerical IFRS 17 requirements
 - Often the first requirement of the exam
 - Improvement noted in previous issues (such as lack of workings, confusing dr/cr)
 - Full marks not uncommon
 - Signs some candidates may be spending too long 'perfecting' their answer
- In 2021 and beyond:
 - Continue to examine IFRS 17 numerically
 - An increasing emphasis on application and understanding of IFRS 17



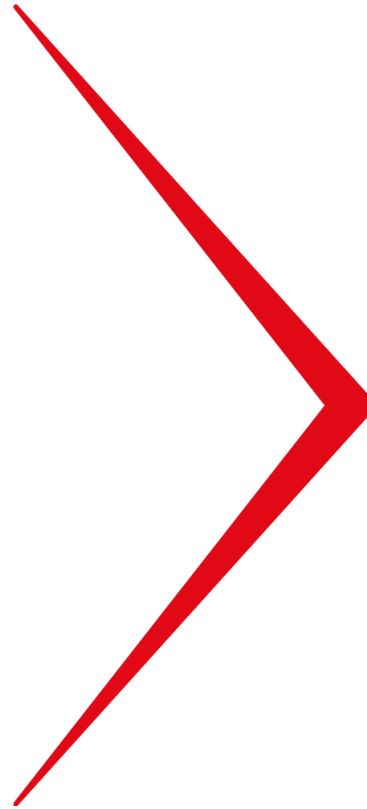
***Review of
candidates'
performance in 2020
exams***

2020 exam sessions – numbers and pass rates

| SESSION | JUNE | SEPTEMBER | DECEMBER |
|-------------------------|------|-----------|----------|
| OVERALL PASS RATE | - | 80.0% | 81.6% |
| NUMBER OF CANDIDATES | - | 20 | 38 |
| FIRST ATTEMPT | - | 13 | 34 |
| FIRST ATTEMPT PASS RATE | - | 76.9% | 85.3% |
| RE-SIT | - | 7 | 4 |
| RE-SIT PASS RATE | - | 85.7% | 50% |

2020 exam sessions - average mark by question

| | JUNE | SEPTEMBER | DECEMBER |
|------------|------|-----------|----------|
| QUESTION 1 | - | 78.3% | 71.3% |
| QUESTION 2 | - | 58.5% | 62.1% |
| QUESTION 3 | - | 61.8% | 48.0% |
| OVERALL | - | 67.5% | 61.5% |



***Common themes in
examiners'
comments***

Session specific issues – reminder of 2019

- June 2019
 - Pleasing to see IFRS 17 calculations, though challenging, were typically done well, although some candidates still lose credit due to a lack of workings
 - Reproduction of 'pre-prepared' answers in response to key words was unfortunately still evident
 - Typing out of verbatim passages from the LMs of limited and occasional relevance which receive very limited credit
- September 2019
 - Reproduction of verbatim passages from LMs was happily less common
 - Tendency to write out generic audit procedures and risks rather than addressing the facts provided in Question 1
 - Very weak understanding of derivatives on the part of some candidates resulted in the markedly weaker performance on Question 2
 - The structure of answers sometimes failed to reflect the precise requirement adversely affecting performance
- December 2019
 - IFRS 17 generally good, but few dealt with onerous contract convincingly
 - Lack of use of information from scenario, especially immateriality of error in Question 1 and maturity of liabilities in Question 2
 - Lack of precision in types of risk in question 2 (eg market, interest rate, credit).

Session specific issues – from 2020

June 2020

- There was no June 2020 sitting

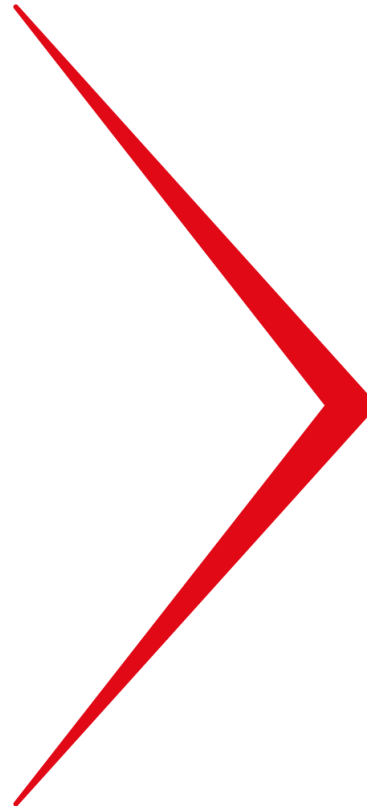
September 2020

- IFRS 17 generally strong – perhaps spending too much time on it?
- Stronger at preparing numbers than explaining them
- Audit answers a bit lacking in clarity and focus
- Some confusion between audit objectives and audit procedures
- Candidates continue not to use useful information in the scenario, eg standout characteristics of insurance liabilities
- Boilerplate, disproportionate responses to ethical issues. Stronger at identifying issues than on making practical recommendations for actions.

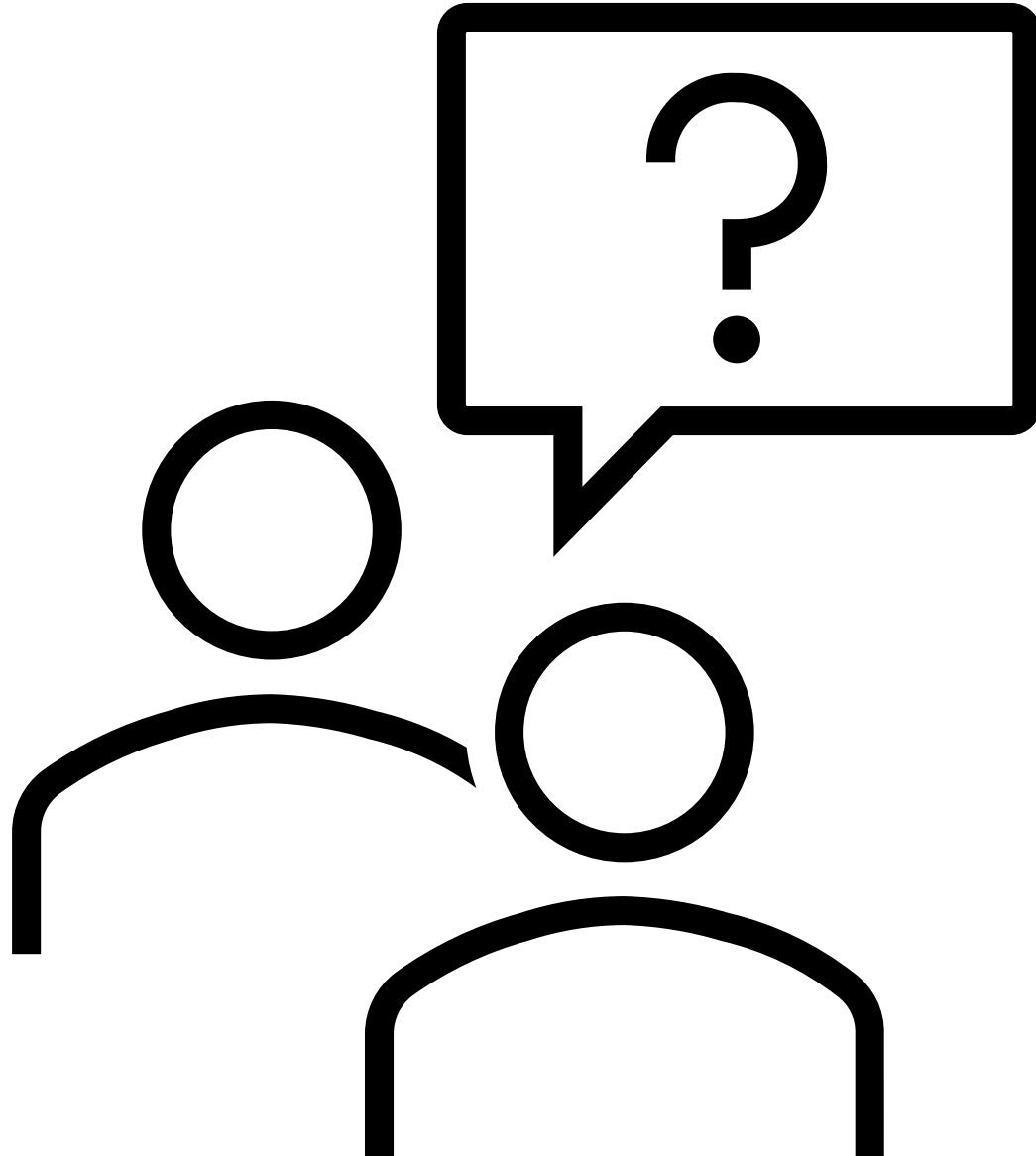
Session specific issues – from 2020

December 2020

- IFRS 17 strong, with good use of Dr/Cr (or +ve/-ve)
- Treatment of changes in discount rate less strong, but unsurprising
- Misunderstanding of scope of use of Premium Allocation Approach
- Candidates didn't all apply knowledge to scenario
- Strong association between structure of answer (eg tables) and quality of answers
- Weaker candidates relied on generic comments in Q2
- Disappointing quality of answers to internal controls and risk measures to mitigate interest rate sensitivity
- Surprising average fail mark on calculation of share of large insurance loss (satellite loss)
- Some confusion of audit objectives rather than audit procedures
- Poor standard of answers to final requirement on duration and convexity.



***Detailed review of
September 2020
questions, answers
and examiner's
comments***





WORLD'S
BEST

TEACHER

thank you



[icaew.com](https://www.icaew.com)