

Subject A311

CMP Upgrade 2023/24

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 2023 CMP to make it suitable for study for the 2024 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 *2024 Student Brochure* for more details.

We only accept the current version of assignments for marking, *ie* those published for the sessions leading to the 2024 exams. If you wish to submit your scripts 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 2024 session.

This CMP Upgrade contains information on:

- 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 2024 exams.

1 Changes to the Syllabus

There have been no changes to the A311 Syllabus objectives.

2 Changes to the Core Reading and ActEd material

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

Chapter 1

Section 7.2

In the first bullet point, insert the phrase '**risk identification,**' before '**judgement**'.

Chapter 3

Section 4

Replace the third and fourth bullet points with:

- **supervising the prudential management and conduct of financial organisations**

Chapter 4

Section 5.3

Insert the following two new paragraphs after the second sentence of the first paragraph (which has now been split into two Core Reading paragraphs at that point):

Pooling a large number of individual events or risks reduces the volatility or uncertainty of the outcome. This idea is explored further, from the providers' perspective, in the chapter on Accepting risk.

Pooling can also have operational advantages.

Chapter 9

Section 6.4

In the Solution, under the sub-heading 'Yield – expected return relative to other assets', insert 'relatively' after 'as' in the first sentence.

Chapter 12

Section 1.3

Replace 'protects' with 'should protect' in the second paragraph.

Summary

The third page of the summary has been expanded; replacement pages 39 and 40 are provided.

Chapter 13

Practice Question 13.3 solution

Change '\$5.9m' to \$5.1m' at the end of the third bullet point from the end.

Chapter 14

Section 2.6

Delete the final paragraph ('The assumption ...').

Chapter 19

Section 1.3

The penultimate bullet point has been amended to '**sexual orientation**'.

Section 3.4

In the second Core Reading paragraph, insert '**fully**' before the final word '**achieved**'.

Chapter 23

Section 6.2

In the third sentence of the last paragraph of Core Reading in this section, replace '**discriminate**' with '**differentiate**' and insert '**lower**' before '**mixed**'.

Section 12.1

Amend the second paragraph to:

New business strain arises because the premium received in the first year may be less than the sum of the initial expenses, the initial commission paid and the initial increase in provisions (or reserves). It may also include the need to cover initial solvency capital requirements.

Chapter 29

Section 1.3

Amend the start of the last sentence in this section to '**Aside from COVID-19, one has to go back more than 100 years ...**'.

Chapter 31

Section 1 and Summary

Insert the following after the first bullet point at the start of the section on Diversification:

- **target customers**

Section 6

Replace part (i) of the Solution with:

- (i) Government collapse – diversify by investing in more than one South American country, monitor governments over time in order to make appropriate strategic decisions if there is an increased risk of government collapse.

3 Changes to the X Assignments

This section contains all the *non-trivial* changes to the X Assignments.

Assignment X1

Solution X1.2

Under the heading 'Professionalism', simplify the first point to:

Any relevant professional guidance should be adhered to ... [½]

Assignment X2

Solution X2.2

Under the heading 'Differences', amend the sixth bullet point to:

- the frequency of income payments may differ (rent may be payable monthly or quarterly on property, whereas dividends may be payable half-yearly or annually) [½]

Question X2.4

- In the first sentence, delete the word 'either' and amend 'or cash' to 'and cash'.

Assignment X3

Solution X3.7

Under the heading 'Nutrition', in the point starting 'Poor quality nutrition ...', delete the phrase 'and slow down any recovery'.

Assignment X4

Question X4.4(iii)

Insert 'materially' before 'higher than'.

Assignment X5

Solution X5.5

A maximum of 2 marks has now been applied to the second bullet point list.

Solution X5.7

Replace the final bullet point with:

- The company could offer customers a wider range of investment choices, either in-house ... [½]
 ... or by offering links to funds of other companies that it believes its customers would find attractive. [½]

Assignment X6**Solution X6.3(ii)**

Under the heading 'Yield', delete the sixth bullet point ('obsolescence') and amend the seventh to:

- depreciation / obsolescence [½]

In the final bullet point of that list, simplify the second sub-bullet and its subsequent lines to:

- capping the level of rent payments [½]
- enabling more people to buy their first house, thus reducing demand for rental property. [½]

Solution X6.4(i)

Amend the penultimate point to:

... covering injury, illness or death of employees due to negligence of the landlord. [½]

Solution X6.5

Amend the seventh and eighth points to:

There is the risk of an event affecting many properties ... [½]

... *eg* hurricane or earthquake ... [½]

Solution X6.6

Insert the following additional bullet point (below 'more stringent regulation'):

- more prudent valuation basis [½]

All study material produced by ActEd is copyright and is sold for the exclusive use of the purchaser. The copyright is owned by Institute and Faculty Education Limited, a subsidiary of the Institute and Faculty of Actuaries.

Unless prior authority is granted by ActEd, you may not hire out, lend, give out, sell, store or transmit electronically or photocopy any part of the study material.

You must take care of your study material to ensure that it is not used or copied by anybody else.

Legal action will be taken if these terms are infringed. In addition, we may seek to take disciplinary action through the profession or through your employer.

These conditions remain in force after you have finished using the course.

The level of the property market

Economic factors can affect:

- occupation
- development cycles
- the investment market.

Interaction between occupational demand and supply determines the market level of rents.

The capital value is determined by the investment markets.

Economic factors have a big impact on the property market. The key factors affecting demand are:

- economic growth
- inflation
- real interest rates.

Institutional cashflow and exchange rates are relevant to a lesser degree.

The inelastic supply of property, *eg* due to planning restrictions, magnifies the impact of the factors on overall property values.

Residential property values are driven by supply and demand. Supply can be influenced by government policy.

Other influences on the investment markets

Demand factors

Demand for an asset will change if either:

- investors' perceptions of the characteristics of the asset, principally risk and expected return, alter
- investors' opinions of the properties of the asset remain unchanged but external factors alter the demand for that asset. These external factors include:
 - investors' cashflows
 - investors' preferences
 - the price of other assets (which may be substitute goods).

Investors' preferences are influenced by:

- a change in their *liabilities*
- a change in the *regulatory* or *tax* regimes
- uncertainty in the *political* climate
- '*fashion*' or sentiment altering, sometimes for no discernible reason
- *marketing*
- investor *education* undertaken by the suppliers of a particular asset class
- sometimes for no discernible reason.

Supply factors

An increase / decrease in the supply of an asset will lead to downward / upward pressure on the price of the asset.

The supply of a financial asset will be increased by new issues of that asset and decreased by redemptions.

Supply of government bonds is influenced by the fiscal deficit and the government's strategy for financing the deficit.

Supply may also be increased by technological innovation. This is particularly true of derivatives markets.