

# Subject SA2

## 2025 Study Guide

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## 1 Introduction

This Study Guide has been created to help you navigate your way through Subject SA2. It contains useful information you will need before starting to study Subject SA2 for the 2025 exams. You may also find it useful to refer to throughout your studies.

Further information on study skills can be found on our website at [ActEd.co.uk](https://www.acted.co.uk).

**Please read this Study Guide carefully before reading the Course Notes**, even if you have studied for some actuarial exams before.

### Before you start

When studying for the Institute and Faculty of Actuaries' exams, you may need:

- a copy of the **Formulae and Tables for Examinations of the Institute and Faculty of Actuaries, 2nd Edition (2002)** – these are referred to simply as the *Tables*
- a **scientific calculator** and/or **software package** to help with calculations.

The *Tables* are available from the Institute and Faculty of Actuaries' eShop. Please visit [actuaries.org.uk](https://www.actuaries.org.uk).

## 2 Subject SA2 – background and contents

### 2.1 Links to other subjects

#### Associateship Qualification

Understanding the nature of risks and how to manage these risks is vital for life insurance. Subject CP1 provides a fundamental background to different types of risk from an actuarial perspective and how these risks can be managed.

#### Fellowship Qualification

There are two subjects covering life insurance: Life Insurance Specialist Principles (Subject SP2) and Life Insurance Specialist Advanced (Subject SA2). Each subject develops a specific set of skills and knowledge needed by actuaries working in, or who wish to work, in life insurance.

Life Insurance Specialist Principles (Subject SP2) provides an introduction to the main principles and knowledge required in life insurance, and how these principles can be applied in simple scenarios.

Life Insurance Specialist Advanced (Subject SA2) further develops the principles from Subject SP2, providing a more in depth understanding. In particular, it considers in much more detail the environment in which a life insurance company operates, which will include life insurance markets, regulation, legislation, taxation, financial management, monitoring and strategies.

### 2.2 Subject contents

There are six parts to the Subject SA2 course. The parts cover related topics and are broken down into chapters. At the end of each part there is an assignment testing the material from that part.

The following table shows how the parts and chapters relate to each other. The final column shows how the chapters relate to the days of the regular tutorials. This table should help you plan your progress across the study session.

Part	Chapter	Title	No of pages	X Assignment	Tutorial – 3 days
0	0	Introduction to Subject SA2	8		
1	1	Life insurance products (1)	34	X1	1
	2	Life insurance products (2)	36		
	3	Life insurance bases	34		
	4	General business environment	48		
	5	Legislation	21		
2	6	Taxation (1)	32	X2	
	7	Taxation (2)	24		
	8	Regulatory environment	37		
	9	Solvency assessment (1)	32		
	10	Solvency assessment (2)	48		
3	11	Professional standards and guidance	20	X3	2
	12	Treating customers fairly	23		
	13	Capital management	33		
	14	Asset-liability management	23		
4	15	Analysis of surplus	24	X4	
	16	Profit reporting	43		
	17	Embedded value	34		
5	18	Asset shares	29	X5	3
	19	Surplus distribution	46		
	20	Management of with-profits business	32		
	21	Risk management and controls	47		
6	22	Product design and pricing	33	X6	
	23	Problem solving	34		
	24	Glossary	24		

## 3 Syllabus

The Syllabus for each subject is produced by the Institute and Faculty of Actuaries. It includes information to support the study of this subject. The Syllabus will guide you through what you need to learn, the application of learning, as well as the skills that you need to develop.

Students can use the Syllabus as a guide for learning and development. We recommend that you use the Syllabus as an important part of your study.

### 3.1 Aim

The aim of Subject SA2 is to apply the main principles that are relevant to the provision of life insurance business to complex scenarios concerning the management of life insurance companies, taking into account relevant regulatory, legislative and professional requirements, and the business environment in which life insurance business is sold, whilst having an understanding of the current underlying market conditions.

### 3.2 Topics and topic weightings

This subject covers the following topics:

- |    |  |       |
|----|--|-------|
| 1. | Life insurance products and general business environment | (20%) |
| 2. | Regulatory, legislative and taxation environment         | (25%) |
| 3. | Reporting and management of capital and profit           | (25%) |
| 4. | General business management                              | (30%) |

The topic weighting percentage noted alongside the topics is indicative of the volume of content of a topic within the subject and therefore broadly aligned to the volume of marks allocated to this topic in the examination. For example, if a topic is 20% of the subject then you can expect that approximately 20% of the total marks available in the examination paper will be available on that topic.

Students should ensure that they are well prepared across the entire syllabus and have an understanding of the principal terms used within the course.

Students will be expected to be able to apply knowledge and skills from across the syllabus topics to scenarios and questions proposed by the examiners and produce coherent solutions and actions, including:

- analysing complex problems in terms of actuarial, economic and financial factors to a level where appropriate analytical techniques may be used
- assessing the implications and relevance of such factors, integrating the results into a coherent whole
- evaluating the results critically in a wider context, drawing appropriate conclusions
- proposing solutions and actions, or a range of possible solutions and actions, based on this evaluation.

### 3.3 Objectives

The detailed syllabus objectives for Subject SA2 are given below. To the right of each objective are the chapter numbers in which the objective is covered in the ActEd course. The relevant individual syllabus objectives are also included at the start of each course chapter.

#### 1. Life insurance products and general business environment (20%)

Understand the life insurance products which are commonly available and the environment in which they are sold.

##### 1.1 Describe the major life insurance products that are offered: (Chapters 1 to 3)

###### 1.1.1 The benefits and other main features of the following products:

- term assurance, including group life insurance
- income protection insurance
- critical illness insurance
- endowment assurance
- universal life
- investment bond
- individual and group pension products
- annuities and income drawdown
- wraps
- variable annuities
- equity release products
- Takaful insurance
- microinsurance.

###### 1.1.2 The key features of the following life insurance product bases:

- conventional with-profits
- accumulating with-profits
- unit-linked
- index-linked.

###### 1.1.3 The purpose and key risks of the above products and bases to the policyholder and the insurer.

1.2 Understand the effect of the general business environment on the management of life insurance business: (Chapter 4)

- competition and other new business considerations
- distribution of products
- outsourcing
- corporate finance, including mergers and closed funds
- climate change
- pandemics
- data science.

**2. Regulatory, legislative and taxation environment (25%)**

Understand the key aspects of regulation, legislation and taxation as applicable to life insurance companies:

2.1 Explain the relevance of legislation to life insurance business, in relation to: (Chapter 5)

- consumer protection
- equality legislation
- data regulations.

2.2 Understand the impact of general principles of the taxation of life insurance business from the perspective of: (Chapters 6 to 7)

- governments
- policyholders
- life insurance companies.

2.3 Describe regulatory frameworks for life insurance companies: (Chapter 8)

- objectives of regulators
- supervisory tools, including rulebooks and reporting requirements
- statutory actuarial roles
- transfer of liabilities between companies.

- 2.4 Demonstrate understanding of the over-arching Solvency II regulatory framework and its impact on business culture and strategy: (Chapter 9)
- background and scope
  - structure
  - Pillar 2 governance requirements
  - Pillar 3 disclosure and reporting requirements
  - group reporting requirements.
- 2.5 Compare regulatory, legislative and taxation environments between different jurisdictions. (Chapter 8)
- 2.6 Demonstrate how the regulatory, legislative and taxation environments affect the way in which life insurance companies carry out their business in practice. (Chapter 8)
- 2.7 Outline the requirements of actuarial standards in relation to actuaries practising in or advising life insurance companies. (Chapter 11)

**3. Reporting and management of capital and profit (25%)**

Understand financial reporting for life insurance business, capital management techniques and analysing the emergence of profit and surplus:

- 3.1 Demonstrate an understanding of solvency assessment techniques: (Chapters 9 and 10)
- 3.1.1 Valuation of assets, liabilities and solvency capital requirements under Solvency II.
- 3.1.2 Solvency assessment approaches in different jurisdictions.
- 3.2 Apply capital management techniques: (Chapters 13 and 14)
- 3.2.1 Different types of capital assessment.
- 3.2.2 Different sources of capital used within the life insurance industry.
- 3.2.3 Assessment of ongoing solvency, including practical modelling considerations.
- 3.2.4 The relationship between risk, capital requirements and economic value generation.
- 3.2.5 Capital management techniques used within the life insurance industry.
- 3.2.6 The principles of asset-liability management and the use of derivatives.

- 3.3 Use relevant profit reporting approaches: (Chapters 16 and 17)
- 3.3.1 The main requirements of different accounting standards, including International Financial Reporting Standards (IFRS) and US GAAP, in relation to life insurance business.
- 3.3.2 Profit reporting approaches in different jurisdictions.
- 3.3.3 Embedded value reporting approaches, including under Solvency II.
- 3.4 Analyse surplus and profit arising over a period: (Chapters 15 and 17)
- 3.4.1 Supervisory surplus arising, including under Solvency II.
- 3.4.2 Change in embedded value.
- 3.4.3 Possible actions that may need to be taken following an analysis of surplus or profit.

**4. Business management (30%)**

Understand approaches for appropriately managing a life insurance business and developing coherent solutions and courses of action for life insurance companies:

- 4.1 Identify actions a life insurance company can take to ensure customers are fairly treated. (Chapters 8 and 12)
- 4.2 Identify appropriate risk management strategies and controls that should be exercised by a life insurance company: (Chapter 21)
- 4.2.1 Outline an appropriate risk management framework.
- 4.2.2 The key risk types in relation to life insurance business:
- credit risk
  - market risk
  - liquidity risk
  - operational risk, including conduct risk, model risk and unit pricing risk
  - insurance risk, including longevity risk
  - group risk.
- 4.2.3 Propose appropriate risk management strategies and controls for these risk types.

- 4.3 Demonstrate an understanding of the management of with-profits business:  
(Chapters 18 to 20)
- 4.3.1 Determine components of an asset share calculation.
- 4.3.2 The concept of smoothing.
- 4.3.3 Investigations that can be performed to inform with-profits business management.
- 4.3.4 Bonus distribution approaches.
- 4.3.5 Describe general with-profits management considerations, including:
- regulatory requirements and policyholder protection
  - management actions
  - managing closed with-profits funds.
- 4.4 Apply relevant product design and pricing techniques to life insurance products:  
(Chapter 22)
- 4.4.1 Factors to be taken into account when designing life insurance products.
- 4.4.2 Appropriate methods and bases for pricing such products.

## 4 Core Reading

This section explains the role of the Core Reading and how it links to the Syllabus, supplementary ActEd text and the examination.

### 4.1 Core Reading

The Core Reading has been produced by the Institute and Faculty of Actuaries. It supports students in their learning and development of this subject by providing information and explanation of the topics and objectives in the Syllabus.

The Core Reading is updated annually to reflect any changes to the Syllabus and current practice, as well as for continuous improvement.

The current version of the Core Reading is up-to-date as of 31 May 2024. It references the version of any legislation, standards, professional guidance, *etc* as of this date. Any known upcoming changes to the references are noted where relevant in the Core Reading.

The United Kingdom left the European Union on 1 January 2021 without an EU-wide arrangement for the operation and regulation of financial services and this continues to be the situation. This version of the Core Reading reflects the situation as of 31 May 2024.

### Accreditation

The Institute and Faculty of Actuaries would like to thank the numerous people who have helped in the development of the material contained in the Core Reading.

### Further reading

A list of additional resources to support candidate learning and development for this subject can be found on the Module pages on the Institute and Faculty of Actuaries' website:

**[actuaries.org.uk/curriculum/](https://actuaries.org.uk/curriculum/)**

### 4.2 Links to the Syllabus

Each part of the Core Reading relates directly to the Syllabus.

The relevant syllabus objectives are included at the start of each chapter for reference.

The Core Reading supports coverage of the Syllabus in helping to ensure that both depth and breadth are re-enforced.

### 4.3 Links to the examination

Examiners can set questions based on any area of the Syllabus within any examination sitting and will consider and draw from the Core Reading when setting examinations questions.

Students will be expected to apply the Core Reading to scenarios and questions proposed by the examiners.

The exams in April and September 2025 will be based on the Syllabus and Core Reading as at 31 May 2024. We recommend that you always use the up-to-date Core Reading to prepare for the exams.

Past papers indicate to students how the examiners apply the Core Reading. The Examiners' Reports provide further insight as to how students answered the questions and how marks were awarded.

#### 4.4 ActEd text

The Core Reading deals with each syllabus objective and covers what is needed to pass the exam, and the Subject SA2 Course Notes include the Core Reading in full, integrated throughout the course.

However, the tuition material that has been written by ActEd enhances it by giving examples and further explanation of key points. Here is an excerpt from some ActEd Course Notes to show you how to identify Core Reading and the ActEd material. **Core Reading is shown in this bold font.**

In the example given above, the index *will* fall if the actual share price goes below the theoretical ex-rights share price. Again, this is consistent with what would happen to an underlying portfolio.

**After allowing for chain-linking, the formula for the investment index then becomes:**

$$I(t) = \frac{\sum_i N_{i,t} P_{i,t}}{B(t)}$$

**where  $N_{i,t}$  is the number of shares issued for the  $i$ th constituent at time  $t$ ;**

**$B(t)$  is the base value, or divisor, at time  $t$ .**

This is ActEd text

This is Core Reading

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

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

## 5 Skills and assessment

### 5.1 Exam skills

In each examination, students will be expected to demonstrate, through their answers, that they have knowledge of, can apply and use higher order skills in this subject:

- Knowledge will be demonstrated through answering questions that assess understanding of that knowledge as well as through questions that ask for the application of relevant knowledge to scenarios.
- Application will be demonstrated through answering questions that assess the ability to identify and apply relevant concepts and skills to solve problems (both numerical and non-numerical).
- Higher order skills will be demonstrated through questions that will assess the ability to use relevant knowledge, concepts and skills to solve problems, draw appropriate conclusions, and make meaningful and appropriate comments on those conclusions.

In Subject SA2, the approximate split of assessment across the three skill types is:

- Knowledge – 15%
- Application – 55%
- Higher Order skills – 30%.

The Institute and Faculty of Actuaries use command verbs (such as 'Define', 'Discuss' and 'Explain') to help students to identify what the question requires. The examination can be composed of questions drawing from any part of the syllabus and using any command verb.

The Institute and Faculty of Actuaries has produced guidance on 'Command verbs used in the Associate and Fellowship examinations', to help students to understand what each command verb is asking them to do.

You can find the relevant document on the Institute and Faculty of Actuaries' website at:

**[actuaries.org.uk/qualify/prepare-for-your-exams](https://actuaries.org.uk/qualify/prepare-for-your-exams)**

### 5.2 Assessment

Assessment will consist of one 3 hour 20 minute timed, online examination. This time includes reading time, as well as the time taken for students to download and/or print the question paper.

Students can expect to answer a number of questions of varying marks, using Microsoft Word to construct and type their answers.

### 5.3 Further information

The Institute and Faculty of Actuaries has produced a number of documents, which it advises students to read and understand. In particular, the:

- Qualification Handbook, which contains information on studying and preparing for exams, as well as available support and resources
- Examinations Handbook, which contains practical assistance on how to sit an Institute and Faculty of Actuaries' examination
- Assessment Regulations document, which includes rules on eligibility, entry and conduct during an online assessment.

The Qualification Handbook can be found at:

**[actuaries.org.uk/qualify/student-and-associate-exam-news/qualification-handbook](https://actuaries.org.uk/qualify/student-and-associate-exam-news/qualification-handbook)**

The Examinations Handbook and Assessment Regulations document can be found at:

**[actuaries.org.uk/qualify/my-exams/ifoa-exams](https://actuaries.org.uk/qualify/my-exams/ifoa-exams)**

**IMPORTANT NOTE: These documents may be updated and re-published in the weeks leading up to each exam session. It is important that you keep up-to-date with any changes and developments.**

## 6 ActEd study support

An overview of ActEd's products and services, and guidance on how to choose the best ones for you, can be found on our website at [ActEd.co.uk/productguide](https://www.acted.co.uk/productguide).

### 6.1 Summary of ActEd products and services

Detailed descriptions of all ActEd's products and services can be found on our website at [ActEd.co.uk](https://www.acted.co.uk). However, the specific products and services available for Subject SA2 include:

- Course Notes
- X Assignments – six 100-mark tests (you are allowed 3¼ hours to complete these)
- Series X Marking
- Online Classroom – over 40 tutorial units
- Flashcards
- Sound Revision
- ASET (2020-23 papers) – four years of exam papers, *ie* eight sittings, covering the period April 2020 to September 2023
- Mini ASET – covering the April 2024 exam paper
- Mock Exam – one 100-mark test
- Additional Mock Pack (AMP) – two additional 100-mark tests
- Mock Exam Marking
- Marking Vouchers.

Products are generally available in both paper and eBook format. Visit [ActEd.co.uk](https://www.acted.co.uk) for full details about available eBooks, software requirements and restrictions.

### 6.2 Tuition

The following tutorials are typically available for Subject SA2:

- Regular Tutorials (three full days / six half days)
- Block Tutorials (three days).

Tutorials are typically available both face-to-face and live online.

Full details are set out in our *Tuition Bulletin*, which is available on our website at [ActEd.co.uk](https://www.acted.co.uk).

### 6.3 Questions and queries

From time to time you may come across something in the study material that is unclear to you.

Our online discussion forum at **ActEd.co.uk/forums** (or use the link from our home page at **ActEd.co.uk**) is dedicated to actuarial students so that you can get help from fellow students on any aspect of your studies from technical issues to study advice. ActEd tutors visit the site regularly to ensure that you are not being led astray and we also post other frequently asked questions from students on the forum as they arise.

If you are still stuck, then you can send queries by email to the Subject SA2 email address **SA2@bpp.com**, but we recommend that you try the forum first. We will endeavour to contact you as soon as possible after receiving your query but you should be aware that it may take some time to reply to queries, particularly when tutors are running tutorials. At the busiest teaching times of year, it may take us more than a week to get back to you.

If you have many queries on the course material, you should raise them at a tutorial or book a personal tuition session with an ActEd tutor. Please email **ActEd@bpp.com** for more details.

### 6.4 Feedback

If you find an error in the course, please check the corrections page of our website (**ActEd.co.uk/paper\_corrections.html**) to see if the correction has already been dealt with. Otherwise, please send the details via email to the Subject SA2 email address **SA2@bpp.com**. Our tutors work hard to ensure that the courses are as clear as possible and free from errors.

ActEd also works with the Institute and Faculty of Actuaries to suggest developments and improvements to the Syllabus and Core Reading. If you have any comments or concerns about the Syllabus or Core Reading, these can be passed on via ActEd. Alternatively, you can send them directly to the Institute and Faculty of Actuaries' Examination Team by email to **memberservices@actuaries.org.uk**.

## 7 General information and support

### 7.1 Safeguarding

We want you to feel comfortable within our learning environment and safe in the knowledge that if you ever needed support, you know where to go.

If you need support, please contact BPP's Safeguarding team at [safeguarding@bpp.com](mailto:safeguarding@bpp.com) or for urgent concerns call 07464 542 636.

Additional information can be found at [ActEd.co.uk/learningsupport](https://ActEd.co.uk/learningsupport).

### 7.2 BPP learning support

BPP's Learning Support team offers a wide range of support for all students who disclose a learning difficulty or disability. This support is accessible to all ActEd students free of charge.

Please contact BPP's Learning Support team at [LearningSupport@bpp.com](mailto:LearningSupport@bpp.com) for more information.

Additional information can be found at [ActEd.co.uk/learningsupport](https://ActEd.co.uk/learningsupport).

### 7.3 The Prevent Duty

The Prevent Duty is to protect people from radicalisation and being drawn into extremist views and terrorism. As a Government-regulated training provider, ActEd has a duty to ensure that our learners are well informed and stay safe, and to empower our students to know what to look for and when to report concerns.

Please report any concerns to a tutor or email [safeguarding@bpp.com](mailto:safeguarding@bpp.com) or for urgent concerns call 07464 542 636.

More information is available at:

- [ActEd.co.uk/learningsupport](https://ActEd.co.uk/learningsupport)
- [officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/counter-terrorism-the-prevent-duty/](https://officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/counter-terrorism-the-prevent-duty/)