

Subject SP7

CMP Upgrade 2020/21

CMP Upgrade

ActEd often produces a free CMP Upgrade, which provides details of changes to the Syllabus objectives, Core Reading and ActEd materials. This year, however, due to the large number of changes to the Course Notes and Assignments, it is not practical to produce a full upgrade.

This document *outlines* the most significant changes so that you are aware of the main differences between the 2020 study material and that for the 2021 exams. However, given the large number of detailed changes to the course, we strongly recommend that you use the 2021 study materials for the 2021 exams.

We offer a full set of up-to-date Course Notes / CMP at a discounted price if you have previously bought the full-price Course Notes / CMP respectively in this subject. The prices are given below.

0 Retaker discounts

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Students have the choice of purchasing the full CMP (printed or eBook) or just the Course Notes (printed). You may need to add dispatch charges to the prices below.

	<i>Retaker price</i>
2021 printed CMP for those having previously purchased the full-price Subject SP7 CMP	£65
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1 Changes to the Syllabus

This section contains all the *non-trivial* changes to the Syllabus objectives.

An additional objective has been added as follows:

3.1 Describe the purpose of calculating general insurance reserves.

An additional bullet point has been added to objective 3.3 as follows:

3.3 Suggest appropriate reserving bases for general insurance business, having regard to:

- the different reasons for calculating reserves
- the assumptions that may be appropriate in each case
- **when to calculate reserves at class level, at individual policy level or at claim event level**
- why the assumptions may differ from a rating exercise
- the allowance for future inflation
- whether or not to discount for investment income
- the approach for additional unexpired risk reserve
- communication of the reserving basis.

The following objective has been deleted:

5.11 Describe the changes to accounting methods expected under IFRS.

2 Changes to the Core Reading and ActEd text

There have been a large number of minor changes to the Core Reading and ActEd text throughout the entire course. In the sections below we outline the more significant changes that have been made.

Chapter 3

Section 1

Cyber insurance has been added to the types of insurance discussed throughout this section.

Section 1.1

More detail has been added in relation to the cover provided under D&O insurance.

Section 6

The material on cyber insurance has been deleted as this is now covered in Section 1.

Chapter 7

Section 2.2

A brief description of 'verticalised' markets has been added.

Chapter 9

Section 3.3

Opioids, sexual harassment and sexual molestation have been added to the examples of latent claim classes.

Chapter 10

Section 2.1

A brief description of a 'special purpose arrangement (SPA)' or 'sidecar syndicate' has been added.

Section 2.3

Details surrounding the Lloyd's 'chain of security' have been clarified.

Chapter 15

A new section has been added on the purpose of reserving.

Section 1.3

There have been a large number of changes throughout this section.

Section 3.3

Additional material has been added on some of the considerations when selecting an IELR.

Section 3.4

This section has largely been re-written.

Section 4

There have been a large number of changes throughout this section.

Chapter 16**Sections 6.7 and 6.8**

The majority of the ActEd text in these sections has now been incorporated within the Core Reading.

Section 9.2

The sub-section entitled 'Questions that arise' has been removed.

Chapter 17**Section 5.1**

The description of the underwriting cycle (which is also covered in Chapter 9) has been removed.

Chapter 21**Section 1**

The definitions of some of the different types of capital have been clarified.

Section 2.5

The material throughout this section in relation to 'correlations' has been altered to refer to 'diversification' instead.

Section 2.6

The material on 'discounting' has been rewritten.

Section 5

The reference to 'spread risk' has been deleted.

Chapter 22

Large parts of this Chapter have been updated. In particular, the vast majority of references to 'correlations' now refer to either 'dependencies' or 'diversifications'.

Section 2

A new sub-section entitled 'What are diversification assumptions?' has been added at the start of this section.

Chapter 26

Section 2.5

The ActEd text in relation to IFRS 17 has been removed.

Glossary

A large number of changes (including the addition of some new Glossary entries and the deletion of some existing entries) have been made. The entries significantly affected are:

- Accident-year accounting
- Act of God
- Additional unexpired risk reserve (AURR)
- Aggregate excess of loss reinsurance
- All risks
- Annual accounting
- Available capital
- Binding authorities
- Cape Cod method
- Catastrophe
- Chain ladder method
- Claim ratio
- Deductible
- Economic capital
- Events not in data
- Excess
- Financial risk reinsurance
- Financial Services Compensation Scheme
- From the ground up
- Fronting
- IBNER, IBNR and IBNYR
- Loss portfolio transfer
- Loss ratio
- One year (accident year) accounting
- Regulatory capital
- Reinsurance to close (RITC)

- Required capital
- Suretyship
- Ventilation
- Year of account.

In addition, two new abbreviations have been added:

- ESG (Environmental, social and governance)
- IBNYR (Incurred but not yet reported).

CGL and SORP have been removed from the list of abbreviations.

3 Changes to the X Assignments

Overall

There have been minor changes throughout the X Assignments, including some changes to the mark allocations.

The more significant changes are listed below.

Assignment X1

Solution X1.4

The following additional point has been added to the solution to part (i):

These contracts can also be structured to cover the current reserves plus a pre-defined amount of claims deterioration, although these tend to be much more expensive than a typical ADC. [½]

Solution X1.5

The following additional point has been added to the solution:

- Cyber insurance to protect against damage to its website / online ordering systems, or the loss of customers' personal data, eg credit card details. [½]

Assignment X3

Solution X3.6

The following additional point has been added to the solution to part (i) under 'Advantages of Bornhuetter-Ferguson':

It can be used on older periods as an alternative to stripping individual large claims out of the triangles that cannot develop any further. [½]

Assignment X4

Question X4.2

Part (ii) of the question now reads as follows:

- (ii) Outline eight adverse scenarios that might be modelled by the company. [4]

Assignment X5

Solution X5.5

The following additional point has been added to the solution to part (i):

If the insurer uses an online claims submission system, there may be delays in receiving notifications of new claims. [½]

Assignment X6

Question X6.6

The wording of part (i) of the question has been clarified to read as follows:

- (i) Describe the characteristics of the reinsurer's claims experience that you would expect to see. [5]

4 Other tuition services

In addition to the CMP you might find the following services helpful with your study.

4.1 Study material

We also offer the following study material in Subject SP7:

- Flashcards
- Revision Notes
- ASET (ActEd Solutions with Exam Technique) and Mini-ASET
- Mock Exam and AMP (Additional Mock Pack).

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- an Online Classroom.

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4.3 Marking

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4.4 Feedback on the study material

ActEd is always pleased to get feedback from students about any aspect of our study programmes. Please let us know if you have any specific comments (*eg* about certain sections of the notes or particular questions) or general suggestions about how we can improve the study material. We will incorporate as many of your suggestions as we can when we update the course material each year.

If you have any comments on this course please send them by email to SP7@bpp.com.

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