

Subject CM1

Corrections to 2021 study material

1 Comment

This document contains details of any errors and ambiguities in the Subject CM1 study materials for the 2021 exams that have been brought to our attention. We will incorporate these changes in the study material each year. We are always happy to receive feedback from students, particularly details concerning any errors, contradictions or unclear statements in the courses. If you have any such comments on this course please email them to CM1@bpp.com.

This document was last updated on **29 March 2021**.

2 Paper A Course Notes

Chapter 11

Correction added on **8 February 2021**

Page 21

In the solution to (i)(a) at the bottom of the page, there is a -1 missing from the calculation of i_C . It should read:

$$100,000 = 140,000(1 + i_C)^{-5} \quad \Rightarrow \quad i_C = \left(\frac{140,000}{100,000} \right)^{1/5} - 1 = 7.0\% \text{ (to 1 dp)}$$

Chapter 22

Correction added on **4 January 2021**

Page 5

In the first line underneath the solution, ${}_t q_x$ should be ${}_t q_y$. So the sentence should read:

‘Using the solution above and writing ${}_t q_y = \int_{s=0}^{s=t} {}_s p_y \mu_{y+s} ds$, we see that:’

Chapter 27

Alert added on **11 August 2020**

Page 40

The question on this page requires the calculation of net premium reserves for a with-profits policy. This type of calculation is not on the CM1 syllabus, however, students should be able to calculate the required reserves with the following additional information:

- Net premiums do not include bonuses or expenses.
- Net premium reserves only account for bonuses that have already been declared. Any future bonuses that have not yet been declared are excluded from the reserve calculation.

3 ASET (2014 – 17)

April 2017 CT5 Solution 3

Correction added on 11 August 2020

Page 32

For part i(c), the lightbulb box states that the only way of calculating the expected present value (EPV) of the endowment assurance in this question is to add together the EPV of the term assurance and the EPV of the pure endowment. However, this could also be calculated by calculating the EPV of the temporary annuity $\ddot{a}_{64:\overline{10}|}$ and applying the premium conversion formula.

This box should therefore say:

As the age and term do not add up to 60 or 65, probably the most efficient way of calculating this from the Tables is by adding together the EPV of the term assurance and the EPV of the pure endowment.

4 ASET (2019 – 20)

September 2020, Paper A, Solution 4

Correction added on 29 March 2020

When evaluating the expected present value the benefits, on two occasions, a bar appears over the A representing the term assurance. This is incorrect, as the benefits are payable at the end of the year of the first death.

The correct notation for the expected present value of the benefits is:

$$150,000A_{\overline{55:53:20}|}^1$$

All the calculations shown are correct.