

Subject CM1

2024 Study Guide

Introduction

This Study Guide has been created to help you navigate your way through Subject CM1. It contains all the information you will need before starting to study Subject CM1 for the 2024 exams and you may also find it useful to refer to throughout your studies.

The guide is split into two parts:

- Part 1 contains specific information about Subject CM1
- Part 2 contains general information about the Core Principles subjects.

Please read this Study Guide carefully before reading the Course Notes, even if you have studied for some actuarial exams before. While you may have already read (the majority of) the Part 2 material in previous subjects, the information in Part 1 is specific to this course.

Contents

| | | | |
|---------------|-----------|------------------------------------------|---------|
| Part 1 | Section 1 | Subject CM1 – background and contents | Page 2 |
| | Section 2 | Subject CM1 – Syllabus and Core Reading | Page 5 |
| | Section 3 | Subject CM1 – summary of ActEd products | Page 15 |
| | Section 4 | Subject CM1 – skills and assessment | Page 17 |
| | Section 5 | Subject CM1 – frequently asked questions | Page 18 |
| Part 2 | Section 1 | General information and support | Page 20 |
| | Section 2 | Core study material | Page 22 |
| | Section 3 | ActEd study support | Page 24 |
| | Section 4 | Study skills and assessment | Page 32 |
| | Section 5 | Queries and feedback | Page 38 |

1.1 Subject CM1 – background and contents

History

The Actuarial Mathematics subjects (Subjects CM1 and CM2) were introduced in the Institute and Faculty of Actuaries' 2019 Curriculum. Subject CM1 is *Actuarial Mathematics for Modelling*.

Predecessors

The topics in the Actuarial Mathematics subjects cover content previously in Subjects CT1, CT5, CT8 and a small amount from Subjects CT6 and CT7:

- Subject CM1 contains material from Subjects CT1 and CT5.
- Subject CM2 contains material from Subjects CT8, CT6, CT1 and CT7.

Exemptions

In order to be eligible for an exemption in Subject CM1, you will need to have met the Institute and Faculty of Actuaries' requirements based on the current curriculum.

See the Institute and Faculty of Actuaries website for further details:

actuaries.org.uk/qualify/exam-exemptions

Links to other subjects

Associateship Qualification

Concepts in Actuarial Mathematics for Modelling (Subject CM1) are introduced in Actuarial Statistics (Subject CS1), in particular, a familiarity with probabilities, random variables, expectation and variance, which is required understanding for Subject CM1.

Topics in Subject CM1 are further developed in:

- Economic Modelling (Subject CM2) – extension and application of many concepts and techniques from Subject CM1 to stochastic modelling
- Business Finance (Subject CB1) – application of the knowledge of interest rates to the interpretation of corporate accounts and understanding how corporate operations are financed
- Actuarial Practice (Subject CP1) – application of Subject CM1 techniques to real world problems
- Modelling Practice (Subject CP2) – application and communication of Subject CM1 techniques in a business context
- Communications Practice (Subject CP3) – drawing upon concepts and techniques from Subject CM1 in order to answer the Subject CP3 examination questions.

Fellowship Qualification

Concepts, principles and techniques from Subject CM1 are further developed in the following Specialist Principles subjects, through solving problems and giving appropriate advice, guidance and recommendations:

- Subject SP1 – Health and Care Principles
- Subject SP2 – Life Insurance Principles
- Subject SP4 – Pensions and other Benefits Principles.

Contents

There are five parts to Subject CM1. The parts cover related topics and are broken down into chapters. At the end of each part there are assignments testing the material from that part.

The following table shows how the parts and chapters relate to each other. The final three columns show how the chapters relate to the assignments and 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 Asst | Y Asst | Tutorial – 5 days |
|------|---------|----------------------------------------------------------|-------------|--------|--------|-------------------|
| 1 | 1 | The time value of money | 27 | X1 | Y1 | 1 |
| | 2 | Interest rates | 40 | | | |
| | 3 | Real and money interest rates | 13 | | | |
| | 4 | Discounting and accumulating | 32 | | | |
| | 5 | Level annuities | 36 | | | |
| | 6 | Increasing annuities | 30 | | | |
| | 7 | Equations of value | 29 | | | |
| 2 | 8 | Loan schedules | 31 | X2 | | 2 |
| | 9 | Project appraisal | 32 | | | |
| | 10 | Bonds, equity and property | 54 | | | |
| | 11 | Term structure of interest rates | 51 | | | |
| 3 | 12 | The life table | 45 | X3 | | 3 |
| | 13 | Life assurance contracts | 45 | | | |
| | 14 | Life annuity contracts | 44 | | | |
| | 15 | Evaluation of assurances and annuities | 31 | | | |
| | 16 | Variable benefits and conventional with-profits policies | 41 | | | |
| 4 | 17 | Gross premiums | 41 | X4 | Y2 | 4 |
| | 18 | Gross premium reserves | 59 | | | |
| | 19 | Joint life and last survivor functions | 41 | | | |
| | 20 | Contingent and reversionary benefits | 61 | | | |
| 5 | 21 | Mortality profit | 35 | X5 | | 5 |
| | 22 | Competing risks | 61 | | | |
| | 23 | Unit-linked and accumulating with-profits contracts | 25 | | | |
| | 24 | Profit testing | 53 | | | |
| | 25 | Reserving aspects of profit testing | 56 | | | |

1.2 Subject CM1 – Syllabus and Core Reading

Syllabus

The Syllabus for Subject CM1 is given here. To the right of each objective are the chapter numbers in which the objective is covered in the ActEd course.

Aim

Subject CM1 develops a grounding in the mathematical principles required for actuarial modelling, with a focus on understanding deterministic models and their application to solve financial problems. Alongside this, the related and required understanding of the theory of interest rates and the skills to model cashflows, which may be known or contingent on mortality, morbidity or survival, are also developed.

Topics and topic weightings

This subject covers the following topics:

- | | | |
|----|----------------------------------------|-------|
| 1. | Theory of interest rates | (25%) |
| 2. | Equation of value and its applications | (20%) |
| 3. | Decrement and multiple life models | (20%) |
| 4. | Pricing and reserving | (35%) |

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.

Objectives

1. Theory of interest rates (25%)

Understand the principles of time preference theory of interest and the time value of money, including the term structure of interest rates and standard actuarial compound interest rate functions. Apply these principles to real world examples of interest rates, discounting and evaluation of present value of cashflows.

- 1.1 Show how interest rates may be expressed in different time periods: (Chapters 1 and 2)
- 1.1.1 Relationship between the rates of interest and discount over one effective period, considered arithmetically and by general reasoning.
- 1.1.2 Determine, when given a rate of interest under a specific payment frequency, the equivalent rate under an alternative payment frequency including:
- annual effective rate of interest or discount
 - rate of interest or discount payable p thly ($p > 1$)
 - force of interest.
- 1.1.3 Calculate the equivalent annual rate of interest implied by the accumulation of a sum of money over a specified period where the force of interest is a function of time.
- 1.2 Account for the time value of money using the concepts of compound interest and discounting: (Chapter 1)
- 1.2.1 Accumulate a single investment at a constant rate of interest under the operation of simple and compound interest.
- 1.2.2 Calculate the present value of a future payment by discounting a single investment.
- 1.3 Extend the techniques in 1.1 and 1.2 where appropriate to allow for inflation. (Chapters 3 and 10)
- 1.4 Describe the operation of financial instruments and insurance contracts as a cashflow model (where cashflows may be fixed or uncertain in terms of both amount and timing). (Chapters 7, 8 and 10)
- 1.5 Calculate the present value and accumulated value for a given stream of cashflows under the following individual combination of scenarios: (Chapter 4)
- 1.5.1 Cashflows are equal at each time period;
- 1.5.2 Cashflows vary with time, which may or may not be a continuous function of time;

- 1.5.3 Some of the cashflows are deferred for a long period of time;
- 1.5.4 Rate of interest or discount is constant; and
- 1.5.5 Rate of interest or discount varies with time, which may or may not be a continuous function of time.
- 1.6 Evaluate the following annuity and accumulation functions, when given the values for the term, n , and the appropriate interest or discount function i , v , d , δ , $i^{(p)}$ and $d^{(p)}$: (Chapters 5 and 6)
- 1.6.1 $a_{\overline{n}|}$, $s_{\overline{n}|}$, $a_{\overline{n}|}^{(p)}$, $s_{\overline{n}|}^{(p)}$, $\ddot{a}_{\overline{n}|}$, $\ddot{s}_{\overline{n}|}$, $\ddot{a}_{\overline{n}|}^{(p)}$, $\ddot{s}_{\overline{n}|}^{(p)}$, $\bar{a}_{\overline{n}|}$ and $\bar{s}_{\overline{n}|}$.
- 1.6.2 $m|a_{\overline{n}|}$, $m|a_{\overline{n}|}^{(p)}$, $m|\ddot{a}_{\overline{n}|}$, $m|\ddot{a}_{\overline{n}|}^{(p)}$ and $m|\bar{a}_{\overline{n}|}$.
- 1.6.3 $(Ia)_{\overline{n}|}$, $(I\ddot{a})_{\overline{n}|}$, $(I\bar{a})_{\overline{n}|}$ and $(\bar{I}\bar{a})_{\overline{n}|}$ and the respective deferred annuities.
- 1.7 Demonstrate an understanding of the term structure of interest rates: (Chapter 11)
- 1.7.1 Understand the main factors influencing the term structure of interest rates.
- 1.7.2 Understand and calculate:
- discrete spot rates and forward rates.
 - continuous spot rates and forward rates.
- 1.7.3 Understand and calculate the par yield and yield to maturity.
- 1.8 Understand duration, convexity and immunisation of cashflows: (Chapter 11)
- 1.8.1 Demonstrate how the duration and convexity of a cashflow sequence may be used to estimate the sensitivity of the value of the cashflow sequence to a shift in interest rates.
- 1.8.2 Understand, apply and discuss Redington's conditions for immunisation of a portfolio of liabilities.

2. Equation of value and its applications (20%)

Understand and apply equation of value principles to evaluate financial problems, in particular relating to loan schedules, bond prices, bond yields and project appraisals:

- 2.1 Understand and apply the concept of an equation of value in terms of: (Chapter 7)
 - where payment or receipt is certain
 - where payment or receipt is uncertain
 - the two conditions required for there to be an exact solution
- 2.2 Use the concept of equation of value to solve various practical problems: (Chapters 8 and 10)
 - 2.2.1 Apply the equation of value to loans repaid by regular instalments of interest and capital. Obtain repayments, interest and capital components, the effective interest rate (APR) and construct a schedule of repayments.
 - 2.2.2 Calculate the price of, or yield (nominal or real allowing for inflation) from, a bond (fixed-interest or index-linked) where the investor is subject to deduction of income tax on coupon payments and redemption payments are subject to deduction of capital gains tax.
 - 2.2.3 Calculate the running yield and the redemption yield for the financial instrument as described in 2.2.2.
 - 2.2.4 Calculate the upper and lower bounds for the present value of the financial instrument as described in 2.2.2, when the redemption date can be a single date within a given range at the option of the borrower.
 - 2.2.5 Calculate the present value or yield (nominal or real allowing for inflation) from an ordinary share or property, given constant or variable rate of growth of dividends or rents.
- 2.3 Apply cashflow and equation of value techniques to project appraisals: (Chapter 9)
 - 2.3.1 Calculate the net present value and accumulated profit of the receipts and payments from an investment project at given rates of interest.
 - 2.3.2 Calculate the internal rate of return, payback period and discounted payback period and discuss their suitability for assessing the suitability of an investment project.

3. Decrement and multiple life models (20%)

Understand how to model uncertain future cashflows, which may depend on the death or survival of an individual, or other uncertain events. Be introduced to the life table, calculation of the mean and variance of the present value of all of the main life insurance and annuity contracts, and their relationship in actuarial terms. Extend the single decrement model to evaluate health insurance contracts involving two lives as well as the valuation of cashflows in a competing risk environment using multiple state models:

3.1 Demonstrate an understanding of the operation of key assurance and annuity contracts: (Chapters 12, 13, 14, 16 and 23)

3.1.1 Understand the following contracts, for example by explaining the timing and nature of the cashflows involved:

- whole-life assurance
- term assurance
- pure endowment
- endowment assurance
- whole-life level annuity
- temporary level annuity
- guaranteed level annuity
- deferred benefits

3.1.2 Understand the operation of conventional with-profits contracts, where profits are distributed by the use of regular reversionary bonuses and by terminal bonuses.

3.1.3 Understand the operation of conventional unit-linked contracts, where death benefits are expressed as combination of absolute amount and relative to a unit fund.

3.1.4 Understand the operation of accumulating with-profits contracts where benefits take the form of an accumulating fund of premiums, where:

- the fund is defined in monetary terms, has no explicit charges, and is increased by the addition of regular guaranteed and bonus interest payments plus a terminal bonus; or
- the fund is defined in terms of the value of a unit fund, is subject to explicit charges, and is increased by regular bonus additions (through unit price increases or allocations of additional units) plus a terminal bonus (unitised with-profits).

3.2 Apply formulae for the means and variances of the payments under various assurance and annuity contracts, assuming constant deterministic interest rate: (Chapters 12, 13, 14, 15, 16 and 18)

- 3.2.1 Life table functions l_x and d_x and their select equivalents $l_{[x]+r}$ and $d_{[x]+r}$.
- 3.2.2 Describe the meaning of the following probabilities: ${}_n p_x$, ${}_n q_x$, ${}_n | m q_x$, ${}_n | q_x$ and their select equivalents ${}_n p_{[x]+r}$, ${}_n q_{[x]+r}$, ${}_n | m q_{[x]+r}$, ${}_n | q_{[x]+r}$.
- 3.2.3 Express the probabilities defined in 3.2.2 in terms of life table functions defined in 3.2.1.
- 3.2.4 Use assurance and annuity factors and their select and continuous equivalents including the extension of the annuity factors to allow for the possibility that payments are more frequent than annual but less frequent than continuous.
- 3.2.5 Use the relationship between annuities payable in advance and in arrear, and between temporary, deferred and whole life annuities.
- 3.2.6 Use the relationship between assurance and annuity factors using equation of value, and their select and continuous equivalents.
- 3.2.7 Obtain the mean and variance of the present value of benefit payments as sums / integrals under each contract defined in 3.1.1, in terms of the (curtate) random future lifetime, assuming:
- contingent benefits (constant, increasing or decreasing) are payable at the middle or end of the year of contingent event or continuously.
 - annuities are paid in advance, in arrear or continuously, and the amount is constant, increases or decreases by a constant monetary amount or by a fixed or time-dependent variable rate.
 - premiums are payable in advance, in arrear or continuously; and for the full policy term or for limited period.
- Where appropriate, simplify the above expressions into a form suitable for evaluation by table look-up or other means.
- 3.2.8 Evaluate the expected accumulations in terms of expected values for the contracts described in 3.1.1 and contract structures described in 3.2.7.
- 3.3 Describe and use assurance and annuity functions involving two lives:
(Chapters 19 and 20)
- 3.3.1 Extend the techniques of objectives 3.2 to deal with cashflows dependent upon the death or survival of either or both of two lives.
- 3.3.2 Extend technique in 3.3.1 to deal with functions dependent upon a fixed term as well as age.

- 3.4 Describe and apply methods of valuing cashflows that are contingent upon multiple transition events: (Chapter 22)
 - 3.4.1 Demonstrate an understanding of simple health insurance premium and benefit structures.
 - 3.4.2 Describe how a cashflow, contingent upon multiply transition events, may be valued using a multiple state Markov model, in terms of the forces and probabilities of transition.
 - 3.4.3 Construct formulae for the expected present values of cashflows that are contingent upon multiple transition events, including simple health insurance premiums and benefits, and calculate these in simple cases. This includes regular premiums and sickness benefits that are payable continuously and assurance benefits that are payable immediately on transition.
- 3.5 Describe and use methods of projecting and valuing expected cashflow that are contingent upon multiple decrement events: (Chapter 22)
 - 3.5.1 Understand the construction and use of multiple decrement tables.
 - 3.5.2 Understand the operation of a multiple decrement model as a special case of multiple-state Markov model.
 - 3.5.3 Determine dependent probabilities for a multiple decrement model in terms of given forces of transition, assuming forces of transition are constant over single years of age.
 - 3.5.4 Determine forces of transition from given dependent probabilities, assuming forces of transition are constant over single years of age.

4. Pricing and reserving (35%)

Understand the future loss random variable and its application to the calculation of premiums for conventional life assurance and annuity contracts. Use the prospective and retrospective approaches to calculate reserves, the recursive relationship between reserves, and calculate mortality profit. Project cashflows to profit test life insurance contracts and apply projected cashflow techniques to pricing and reserving:

- 4.1 Determine the gross random future loss random variable under an insurance contract. (Chapter 18)
- 4.2 Calculate gross premiums and reserves of assurance and annuity contracts: (Chapters 17 and 18)
 - 4.2.1 Calculate gross premiums for the insurance contract benefits listed in 3.1.1 under the following scenarios, or a combination thereof, using the equivalence principle or otherwise:
 - contracts may accept only a single premium
 - regular premiums and annuity benefits may be payable annually, more frequently than annually or continuously
 - death benefits (which increase or decrease by a constant compound rate or by a constant monetary amount) may be payable at the end of the year of death or immediately on death
 - survival benefits (other than annuities) may be payable at defined intervals other than at maturity.
 - 4.2.2 Understand why an insurance company will set up reserves.
 - 4.2.3 Calculate gross prospective and retrospective reserves.
 - 4.2.4 Understand the equivalence of the prospective reserve and the retrospective reserve under certain conditions, with or without allowance for expenses, for all fixed benefit and increasing/decreasing benefit contracts.
 - 4.2.5 Obtain recursive relationships between successive periodic gross premium reserves, and use this relationship to calculate the profit earned from a contract during the period.
 - 4.2.6 Understand the concepts of net premiums and net premium valuation and how they relate to gross premiums and gross premium valuation respectively.

4.3 Describe and calculate, for a single policy or a portfolio of policies (as appropriate):

- death strain at risk;
- expected death strain;
- actual death strain; and
- mortality profit

for policies with death benefits payable immediately on death or at the end of the year of death, policies paying annuity benefits at the start of the year or on survival to the end of the year, and policies where single or non-single premiums are payable. (Chapter 21)

4.4 Project expected future cashflows for whole life, endowment and term assurances, annuities, unit-linked contracts, and conventional/unitised with-profits contracts, incorporating multiple decrement models as appropriate: (Chapters 24 and 25)

4.4.1 Profit test life insurance contracts of the types listed above and determine the profit vector, the profit signature, the net present value, and the profit margin.

4.4.2 Show how a profit test may be used to price a product, and use a profit test to calculate a premium for life insurance contracts of the types listed above.

4.4.3 Show how gross premium reserves can be computed using the above cashflow projection model and included as part of profit testing.

4.5 Show how, for unit-linked contracts, non-unit reserves can be established to eliminate ('zeroise') future negative cashflows, using a profit test model. (Chapter 25)

Core Reading

The Subject CM1 Course Notes include the Core Reading in full, integrated throughout the course.

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

The exam will be based on the relevant Syllabus and Core Reading. The ActEd course material will be the main source of tuition for students.

However, some students may find it useful to obtain a different viewpoint on a particular topic covered in Subject CM1. A list of suggested further reading for Subject CM1 has been prepared by the Institute and Faculty of Actuaries and can be found on their website. This list is not exhaustive and other useful material may be available.

1.3 Subject CM1 – summary of ActEd products

The following products are available for Subject CM1:

- Course Notes
- Paper B Online Resources (PBOR), including the Y Assignments
- X Assignments – five assignments:
 - X1, X2, X3: 80-mark tests (you are allowed 2¾ hours to complete these)
 - X4, X5: 100-mark tests (you are allowed 3¾ hours to complete these)
- Y Assignments – two assignments:
 - Y1, Y2: 100-mark tests (you are allowed 1¾ hours to complete these)
- Series X Marking
- Series Y Marking
- Online Classroom – over 150 tutorial units
- Flashcards
- Revision Notes – 12 A5 booklets
- ASET (2020-23 papers) – four years of exam papers, covering the period April 2020 to September 2023
- Mini ASET – covering the April 2024 exam paper
- Mock Exam – one 100-mark test for the Paper A examination and a separate 100-mark test for the practical Paper B exam
- Additional Mock Pack (AMP) – two additional 100-mark Paper A tests and two additional 100-mark Paper B tests
- Mock Exam Marking
- Marking Vouchers.

Products are generally available in both paper and eBook format. Visit **ActEd.co.uk** for full details about available eBooks, software requirements and restrictions.

The following tutorials are typically available for Subject CM1:

- Regular Tutorials (five full days / ten half days)
- Block Tutorials (five days)
- a Preparation Day for the Paper B exam
- Six-day Bundles in both Regular and Block format, covering the five days for the Paper A exam, plus the Preparation Day for the Paper B exam.

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**.

1.4 Subject CM1 – skills and assessment

Technical skills

Subjects CM1 and CM2 are very mathematical and have relatively few questions requiring wordy answers.

Exam skills

In the CM subjects, the approximate split of assessment across the three skill types is:

- Knowledge – 5%
- Application – 80%
- Higher Order skills – 15%.

These skill types are described in Section 2.4.

Assessment

Assessment is in the form of two timed, online examinations:

- Paper A is 3 hours and 20 minutes and consists of a number of questions of varying marks, for which the answers must be constructed and typed in Microsoft Word.
- Paper B is 1 hour and 50 minutes and consists of a number of questions of varying marks, for which the answers must be completed, constructed and typed using Microsoft Excel.

This includes reading time, as well as the time taken for students to download and/or print the question paper.

In order to pass this subject, both Paper A and Paper B must be sat within the same sitting, and a combined mark of a pass achieved.

1.5 Subject CM1 – frequently asked questions

Q: *What knowledge of earlier subjects should I have and what level of mathematics is required?*

A: Subject CM1 does require some knowledge of statistics. In particular, you need to be familiar with random variables, probabilities, expectations and variances. These topics are prerequisites for studying *any* of the IFoA examinations, and are further developed in Subject CS1, although it is not essential to have studied Subject CS1 before Subject CM1.

The level of maths you need for this course is broadly A-level standard. In particular, you will need a knowledge of calculus, *ie* differentiation and integration. You will find the course much easier if you feel comfortable with the mathematical techniques used and you feel confident in applying them yourself.

If your maths or statistics is a little rusty you may wish to consider purchasing additional material to help you get up to speed. The course 'Pure Maths and Statistics for Actuarial Studies' is available from ActEd and it covers the mathematical techniques that are required for the Core Principles subjects, some of which are beyond A-Level (or Higher) standard. You do not need to work through the whole course in order – you can just refer to it when you need help on a particular topic. An initial assessment to test your mathematical skills and further details regarding the course can be found on our website.

Q: *What should I do if I discover an error in the course?*

A: If you find an error in the course, please check our website at:

[ActEd.co.uk/paper_corrections.html](https://www.acted.co.uk/paper_corrections.html)

to see if the correction has already been dealt with. Otherwise please send details via email to **CM1@bpp.com**.

Q: *Who should I send feedback to?*

A: 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 comments on this course in general, please email them to **CM1@bpp.com**.

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

1.6 Subject CM1 – Some useful formulae

The formulae below are useful for parts 3 to 5 of the Subject CM1 course. These formulae are explained and developed in the relevant chapters of the Course Notes, but you may find this formula sheet helpful when starting to practise questions. Other useful formulae are given on pages 36 and 37 of the *Tables*.

Assurances:

$$A_{x:\overline{n}|}^1 = A_x - v^n {}_n p_x A_{x+n} = A_x - \frac{D_{x+n}}{D_x} A_{x+n}$$

$$A_{x:\overline{n}|}^{\overline{1}} = v^n {}_n p_x = \frac{D_{x+n}}{D_x}$$

$$A_{x:\overline{n}|} = A_{x:\overline{n}|}^1 + A_{x:\overline{n}|}^{\overline{1}}$$

$$\overline{A}_{x:\overline{n}|} = \overline{A}_{x:\overline{n}|}^1 + A_{x:\overline{n}|}^{\overline{1}}$$

$${}_n | A_x = A_x - A_{x:\overline{n}|}^1 = v^n {}_n p_x A_{x+n}$$

$$\overline{A}_x \approx (1+i)^{\frac{1}{2}} A_x \text{ or } (1+\frac{1}{2}i) A_x \text{ or } \frac{i}{\delta} A_x$$

$$(IA)_{x:\overline{n}|}^1 = (IA)_x - v^n \frac{l_{x+n}}{l_x} [(IA)_{x+n} + nA_{x+n}]$$

$$(IA)_{x:\overline{n}|} = (IA)_{x:\overline{n}|}^1 + n v^n \frac{l_{x+n}}{l_x}$$

$$A_{xx}^1 = \frac{1}{2} A_{xx}$$

$$A_{xx}^2 = \frac{1}{2} A_{xx}^{\overline{2}}$$

$$A_{xy}^{\overline{1}} = A_x + A_y - A_{xy} = 1 - d\ddot{a}_{xy}^{\overline{1}}$$

$$\overline{A}_{xy} = \overline{A}_x + \overline{A}_y - \overline{A}_{xy} = 1 - \delta \overline{a}_{xy} = (1+i)^{\frac{1}{2}} (1 - d\ddot{a}_{xy}^{\overline{1}})$$

$$A_{xy:\overline{n}|}^{\overline{1}} = A_{x:\overline{n}|}^{\overline{1}} + A_{y:\overline{n}|}^{\overline{1}} - A_{xy:\overline{n}|}^{\overline{1}} = 1 - d\ddot{a}_{xy:\overline{n}|}^{\overline{1}}$$

Annuities:

$$a_x = \ddot{a}_x - 1 = v p_x \ddot{a}_{x+1}$$

$$\overline{a}_x \approx \ddot{a}_x - \frac{1}{2} \text{ or } a_x + \frac{1}{2}$$

$$a_x^{(m)} \approx a_x + \frac{m-1}{2m}$$

$$\ddot{a}_{x:\overline{n}|} = \ddot{a}_x - v^n {}_n p_x \ddot{a}_{x+n} = 1 + a_{x:\overline{n-1}|}$$

$$a_{x:\overline{n}|} = a_x - v^n {}_n p_x a_{x+n} = v p_x \ddot{a}_{x+1:\overline{n}|} = \ddot{a}_{x:\overline{n}|} - 1 + v^n {}_n p_x$$

$$\overline{a}_{x:\overline{n}|} \approx \ddot{a}_{x:\overline{n}|} - \frac{1}{2} (1 - v^n {}_n p_x)$$

$${}_n | a_x = a_x - a_{x:\overline{n}|} = v^n {}_n p_x a_{x+n}$$

$$(I\ddot{a})_{x:\overline{n}|} = (I\ddot{a})_x - v^n \frac{l_{x+n}}{l_x} [n\ddot{a}_{x+n} + (I\ddot{a})_{x+n}] \quad (Ia)_x = (I\ddot{a})_x - \ddot{a}_x$$

$$a_{xy}^{\overline{1}} = a_x + a_y - a_{xy}$$

$$a_{xy:\overline{n}|}^{\overline{1}} = a_{x:\overline{n}|}^{\overline{1}} + a_{y:\overline{n}|}^{\overline{1}} - a_{xy:\overline{n}|}^{\overline{1}}$$

$$a_{x|y} = a_y - a_{xy} = \ddot{a}_y - \ddot{a}_{xy} = \ddot{a}_{x|y}$$

$$\overline{a}_{x|y} = \overline{a}_y - \overline{a}_{xy} = \frac{\overline{A}_{xy} - \overline{A}_y}{\delta} = \int_{t=0}^{t=\infty} v^t \overline{a}_{y+t} {}_t p_{xy} \mu_{x+t} dt$$

2.1 General information and support

Before you start

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

- a copy of the **Formulae and Tables for Examinations of the Faculty of Actuaries and the Institute 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).

Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries has produced a Qualification Handbook containing important information and guidance on:

- requirements for qualifying as an Associate or Fellow
- preparing for the exams, including how to book them
- the regulations, policies and procedures to be aware of while studying
- the range of support and resources available to students when they join the Institute and Faculty of Actuaries.

The Institute and Faculty of Actuaries advises students to ensure they read through the Qualification Handbook.

The Qualification Handbook can be found at:

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

BPP learning support

BPP's Learning Support team offers a wide range of support for all students who disclose a learning difficulty or disability, including sensory difficulties, mobility difficulty, ADHD, Asperger Syndrome, mental health difficulties, dyslexia, dyspraxia and general health problems. This support is accessible to all ActEd students free of charge.

This support includes:

- accessible and inclusive learning facilities
- a dedicated team that provides information, advice, guidance and support.

Please contact the Learning Support team at LearningSupport@bpp.com for more information.

Safeguarding

Safeguarding means protecting people's health, wellbeing and human rights, and enabling them to live free from harm, abuse and neglect.

For ActEd, safeguarding is recognising when someone needs support to help them achieve their learning goals while maintaining their safety, both face-to-face and online.

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

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

The Prevent Duty

As a Government-regulated training provider, we are responsible for ensuring our learners are well informed and staying safe.

The Prevent Duty is to protect people from radicalisation and being drawn into extremist views and terrorism. 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 be aware of:

- people sharing or accessing extremist materials
- homophobic, disability-related, religious or racist bullying
- expressions of hatred towards or incitement to harm particular groups
- use of derogatory language towards particular groups.

Please report any concerns to a tutor or email safeguarding@bpp.com.

More information is available at:

officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/counter-terrorism-the-prevent-duty

2.2 Core study material

This section explains the role of the Syllabus, Core Reading and supplementary ActEd text. It also gives guidance on how to use these materials most effectively in order to pass the exam.

Some of the information below is also contained in the introduction to the Core Reading produced by the Institute and Faculty of Actuaries.

Syllabus

The Syllabus for Subject CM1 has been produced by the Institute and Faculty of Actuaries. The relevant individual syllabus objectives are included at the start of each course chapter and a complete copy of the Syllabus is included in Section 1.2 of this Study Guide. We recommend that you use the Syllabus as an important part of your study.

Core Reading

The Core Reading has been produced by the Institute and Faculty of Actuaries. The purpose of the Core Reading is to ensure that tutors, students and examiners understand the requirements of the Syllabus for the qualification examinations for Associateship of the Institute and Faculty of Actuaries.

The Core Reading supports coverage of the Syllabus in helping to ensure that both depth and breadth are re-enforced. It is therefore important that students have a good understanding of the concepts covered by the Core Reading.

The examinations require students to demonstrate their understanding of the concepts given in the Syllabus and described in the Core Reading; this will be based on the legislation, professional guidance, *etc* that are in force when the Core Reading is published, *ie* on 31 May in the year preceding the examinations.

Therefore the exams in April and September 2024 will be based on the Syllabus and Core Reading as at 31 May 2023. We recommend that you always use the up-to-date Core Reading to prepare for the exams.

Examiners will have this Core Reading when setting the examinations. In preparing for examinations, students are advised to work through past examination questions and will find additional tuition helpful. The Core Reading will be updated each year to reflect changes in the Syllabus, to reflect current practice, and in the interest of clarity.

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 this Core Reading.

ActEd text

Core Reading deals with each syllabus objective and covers what is needed to pass the exam. 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

Copyright

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 Institute and Faculty of Actuaries or through your employer.

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

2.3 ActEd study support

This section gives a description of the products offered by ActEd.

Successful students tend to undertake three main study activities:

1. *Learning* – initial study and understanding of subject material
2. *Revision* – learning subject material and preparing to tackle exam-style questions
3. *Rehearsal* – answering exam-style questions, culminating in answering questions at exam speed.

Different approaches suit different people. For example, you may like to revise material gradually over the months running up to the exams or you may do your revision in a shorter period just before the exams. Also, these three activities will almost certainly overlap.

We offer a flexible range of products to suit you and let you control your own learning and exam preparation. The following table shows the products that we produce. Not all products are available for all subjects.

| LEARNING | LEARNING & REVISION | REVISION | REVISION & REHEARSAL | REHEARSAL |
|--------------|-------------------------------|----------------|----------------------|----------------------------|
| Course Notes | Assignments | Flashcards | Revision Notes | Mock Exam |
| PBOR | Combined Materials Pack (CMP) | Sound revision | ASET | Additional Mock Pack (AMP) |
| | Assignment Marking | | | Mock Marking |
| | Tutorials | | | |
| | Online Classroom | | | |

The products and services are described in more detail below.

‘Learning’ products

Course Notes

The Course Notes will help you develop the basic knowledge and understanding of principles needed to pass the exam. They incorporate the complete Core Reading and include full explanation of all the syllabus objectives, with worked examples and questions (including some past exam questions) to test your understanding.

Each chapter includes:

- the relevant syllabus objectives
- a chapter summary
- a page of important formulae or definitions (where appropriate)
- practice questions with full solutions.

Paper B Online Resources (PBOR)

The Paper B Online Resources (PBOR) will help you prepare for the practical paper. Delivered through a virtual learning environment (VLE), you will have access to worked examples and practice questions. PBOR will also include the Y Assignments, which are two exam-style assessments.

‘Learning & revision’ products

X Assignments

The Series X Assignments are assessments that cover the material in each part of the course in turn. They can be used to develop and test your understanding of the material.

The X Assignments come with full marking schedules. We are happy to mark your scripts, but marking must be purchased separately.

Y Assignments

The Series Y Assignments are exam-style assessments that cover material across the whole course.

The Y Assignments come with full marking schedules, and are available with or without marking (see below).

Combined Materials Pack (CMP)

The Combined Materials Pack (CMP) comprises the Course Notes, PBOR and a Mock Exam.

CMP Upgrade

The purpose of the CMP Upgrade is to enable you to amend last year’s study material to make it suitable for study for this year.

Wherever possible, it lists the changes to the syllabus objectives, Core Reading, the Course Notes and the X / Y Assignments since last year that might realistically affect your chance of success in the exam. It is produced so that you can manually amend your notes. The upgrade includes replacement pages and additional pages where appropriate.

However, if a large number of changes have been made to the Course Notes and X / Y Assignments, it is not practical to produce a full upgrade, and the upgrade will only *outline* the most significant changes. In this case, we recommend that you purchase a replacement CMP (printed copy or eBook) or Course Notes at a significantly reduced price.

The CMP Upgrade can be downloaded free of charge from our website at **ActEd.co.uk**.

A separate upgrade for eBooks is not produced but a significant discount is available for retakers wishing to re-purchase the latest eBook.

X / Y Assignment Marking

We are happy to mark your attempts at the X and/or Y assignments. Marking is not included with the Assignments or the CMP and you need to order both Series X and Series Y Marking separately.

IMPORTANT NOTE: You must submit your script on our virtual learning environment, 'The Hub', in the format detailed in your assignment instructions. You will also be able to download your marked script, including marker feedback, from The Hub, as well as being given the opportunity to provide comments on the quality of the marking.

Don't underestimate the benefits of attempting and submitting assignments for marking:

- Question practice during this phase of your study gives an early focus on the end goal of answering exam-style questions.
- You're incentivised to keep up with your study plan and get a regular, realistic assessment of your progress.
- Objective, personalised feedback from a high quality marker will highlight areas on which to work and help with exam technique.

In a recent study, we found that students who attempt all the assignments and mock exams and get them marked have significantly higher pass rates.

There are two different types of marking product: Series Marking and Marking Vouchers.

Series Marking

Series Marking applies to a specified subject, session and student. If you purchase Series Marking, you will **not** be able to defer the marking to a future exam sitting or transfer it to a different subject or student.

We typically provide full solutions with the Series Assignments. However, if you order Series Marking at the same time as you order the Series Assignments, you can choose whether or not to receive a copy of the solutions in advance. If you choose not to receive them with the study material, you will be able to download the solutions from The Hub when your marked script is returned (or following the final deadline date if you do not submit a script).

If you are having your attempts at the assignments marked by ActEd, you should submit your scripts regularly throughout the session, in accordance with the schedule of recommended dates set out on our website at **ActEd.co.uk**. This will help you to pace your study throughout the session and leave an adequate amount of time for revision and question practice.

The recommended submission dates are realistic targets for the majority of students. Your scripts will be returned more quickly if you submit them well before the final deadline dates.

Any script submitted *after* the relevant final deadline date will not be marked. It is your responsibility to ensure that we receive scripts in good time.

Marking Vouchers

Marking Vouchers give the holder the right to submit a script for marking at any time, irrespective of the individual assignment deadlines, study session, subject or student.

Marking Vouchers can be used for any assignment. They are valid for four years from the date of purchase and can be refunded at any time up to the expiry date.

Although you may submit your script with a Marking Voucher at any time, you will need to adhere to the explicit Marking Voucher deadline dates to ensure that your script is returned before the date of the exam. The deadline dates are provided on our website at **ActEd.co.uk**.

Tutorials

Our tutorials are specifically designed to develop the knowledge that you will acquire from the course material into the higher-level understanding that is needed to pass the exam.

We run a range of different tutorials including face-to-face tutorials at various locations, and Live Online tutorials. Full details are set out in our *Tuition Bulletin*, which is available on our website at **ActEd.co.uk**.

Regular and Block Tutorials

In preparation for these tutorials, we expect you to have read the relevant part(s) of the Course Notes before attending the tutorial so that the group can spend time on exam-style questions and discussion to develop understanding rather than basic bookwork.

You can choose *one* of the following types of tutorial:

- **Regular Tutorials** spread over the session
- a **Block Tutorial** held two to eight weeks before the exam.

The tutorials outlined above will focus on and develop the skills required for the Paper A examination. Students wishing for some additional tutor support working through exam-style questions for Paper B may wish to attend a Preparation Day. These will be available Live Online or face-to-face, where students will need to provide their own device capable of running Excel.

Online Classroom

The Online Classroom acts as either a valuable add-on or a great alternative to a face-to-face or Live Online tutorial, focussing on the Paper A examination.

At the heart of the Online Classroom in each subject is a comprehensive, easily-searched collection of tutorial units. These are a mix of:

- teaching units, helping you to really get to grips with the course material, and
- guided questions, enabling you to learn the most efficient ways to answer questions and avoid common exam pitfalls.

The best way to discover the Online Classroom is to see it in action. You can watch a sample of the Online Classroom tutorial units on our website at **ActEd.co.uk**.

'Revision' products

For most subjects, there is **a lot of material** to revise. Finding a way to fit revision into your routine as painlessly as possible has got to be a good strategy. Flashcards and Sound Revision are inexpensive options that can provide a massive boost. They can also provide a variation in activities during a study day, and so help you to maintain concentration and effectiveness.

Flashcards

Flashcards are a set of A6-sized cards that cover the key points of the subject that most students want to commit to memory and/or have handy for reference during the examination. Each flashcard has questions on one side and the answers on the reverse. We recommend that you use the cards actively and test yourself as you go.

Sound revision

It is reported that only 30% of information that is read is retained but this rises to 50% if the information is also heard. Sound Revision is a set of audio files, designed to help you absorb the most important aspects of the Core Reading.

The files cover the majority of the course, split into a number of manageable topics based on the chapters in the Course Notes. Each section lasts no longer than a few minutes.

Choice of revision product

Different students will have preferences for different revision products.

So, what might influence your choice between these study aids? The following questions and comments might help you to choose the revision products that are most suitable for you:

- Do you have a regular train or bus journey?

Flashcards are ideal for regular bursts of revision on the move.

- Do you want to fit more study into your routine?
Flashcards are a good option for 'dead time', eg using flashcards on your phone or sticking them on the wall in your study.
- Do you find yourself cramming for exams (even if that's not your original plan)?
Flashcards are an extremely efficient way to do your pre-exam preparation.
- Do you have some regular time where carrying other materials isn't practical, eg commuting, at the gym, walking the dog?
Sound Revision is an ideal 'hands-free' revision tool.
- Do you have a preference for auditory learning, eg do you remember conversations more easily than emails?
Sound Revision will suit your preferred style and be especially effective for you.

Choosing more than one revision product

As there is some degree of overlap between revision products, we do not necessarily recommend using them simultaneously. However, if you are retaking a subject, then you might consider using a different product than on a previous attempt to keep your revision fresh and effective.

'Revision & rehearsal' products

Revision Notes

Our Revision Notes have been designed with input from students to help you revise efficiently. They are suitable for first-time sitters who have worked through the ActEd Course Notes or for retakers (who should find them much more useful and challenging than simply reading through the course again).

The Revision Notes are a set of A5 booklets – perfect for revising on the train or tube to work. Each booklet covers one main theme or a set of related topics from the course and includes:

- Core Reading to develop your knowledge
- relevant past exam questions with concise solutions from the last ten years
- other useful revision aids.

ActEd Solutions with Exam Technique (ASET)

The ActEd Solutions with Exam Technique (ASET) contains our solutions to a number of past exam papers, plus comment and explanation. In particular, it highlights how questions might have been analysed and interpreted so as to produce a good solution with a wide range of relevant points. This will be valuable in approaching questions in subsequent examinations.

Different students will have preferences for different revision & rehearsal products, and there is some overlap in that both the Revision Notes and ASET contain past exam paper questions from recent years. However:

- ASET is designed to be educational. It aims to allow you to fully understand the solution points, and to assist you in improving your own answers through focussed explanations and tips on tackling the questions.

It is likely to be most appropriate if you are attempting the questions by producing answers in full, *eg* under exam conditions.

- The past exam question and solution sections of the Revision Notes are designed to give you a greater volume of question practice. They allow you to focus on specific topic areas one at a time.

They are likely to be most appropriate if you are using the questions to develop and practise your idea generation techniques, enabling you to work quickly through more questions than if you were producing full, detailed answers.

‘Rehearsal’ products

Mock Exam

The Mock Exam consists of two papers. There is a 100-mark mock exam for the Paper A examination and a separate mock exam for the practical Paper B exam. These provide a realistic test of your exam readiness.

It is based on the Mock Exam from last year but it has been updated to reflect any changes to the Syllabus, Core Reading and examination format.

The Mock Exam comes with a full marking schedule. We are happy to mark your scripts, but marking must be purchased separately.

Additional Mock Pack (AMP)

The Additional Mock Pack (AMP) consists of four further 100-mark mock exam papers – Mock Exam 2 (Papers A and B) and Mock Exam 3 (Papers A and B). This is ideal if you are retaking and have already sat the Mock Exam, or if you just want some extra question practice.

Mock Exam 2 and Mock Exam 3 come with full marking schedules. We are happy to mark your scripts, but marking must be purchased separately.

Mock Marking

We are happy to mark your attempts at the mock exams. The same general principles apply as for the Assignment Marking. In particular:

- Mock Exam Marking applies to a specified subject, session and student. In this subject it covers the marking of both Paper A and Paper B.
- Marking Vouchers can be used for each mock exam paper. You will need two marking vouchers in order to have both Paper A and Paper B marked. Marking vouchers have to be used for marking the AMP exam papers and can be used for marking the Mock Exam.

Recall that:

- marking is not included with the products themselves and you need to order it separately
- you should submit your script via The Hub in the format detailed in the mock exam instructions
- you will be able to download the feedback on your marked script, the solutions if you have Mock Exam Marking, and provide comments on the quality of the marking via The Hub.

2.4 Study skills and assessment

Technical skills

The Core Reading and exam papers for these subjects tend to be very technical. The exams themselves have many calculation and manipulation questions. The emphasis in the exam will therefore be on *understanding* the mathematical techniques and applying them to various, frequently unfamiliar, situations. It is important to have a feel for what the numerical answer should be by having a deep understanding of the material and by doing reasonableness checks.

As a high level of pure mathematics and statistics is generally required for the Core Principles subjects, it is important that your mathematical skills are extremely good. If you are a little rusty you may wish to consider purchasing additional material to help you get up to speed. The course 'Pure Maths and Statistics for Actuarial Studies' is available from ActEd and it covers the mathematical techniques that are required for the Core Principles subjects, some of which are beyond A-Level (or Higher) standard. You do not need to work through the whole course in order – you can just refer to it when you need help on a particular topic. An initial assessment to test your mathematical skills and further details regarding the course can be found on our website at [ActEd.co.uk](https://www.acted.co.uk).

Study skills

Overall study plan

We suggest that you develop a realistic study plan, building in time for relaxation and allowing some time for contingencies. Be aware of busy times at work, when you may not be able to take as much study leave as you would like. Once you have set your plan, be determined to stick to it. You don't have to be too prescriptive at this stage about what precisely you do on each study day. The main thing is to be clear that you will cover all the important activities in an appropriate manner and leave plenty of time for revision and question practice.

Aim to manage your study so as to allow plenty of time for the concepts you meet in these courses to 'bed down' in your mind. Most successful students will probably aim to complete the courses at least a month before the exam, thereby leaving a sufficient amount of time for revision. By finishing the courses as quickly as possible, you will have a much clearer view of the big picture. It will also allow you to structure your revision so that you can concentrate on the important and difficult areas.

You can also try looking at our discussion forum, which can be accessed at [ActEd.co.uk/forums](https://www.acted.co.uk/forums) (or use the link from our home page at [ActEd.co.uk](https://www.acted.co.uk)). There are some good suggestions from students on how to study.

Study sessions

Only do activities that will increase your chance of passing. Try to avoid including activities for the sake of it and don't spend time reviewing material that you already understand. You will only improve your chances of passing the exam by getting on top of the material that you currently find difficult.

Ideally, each study session should have a specific purpose and be based on a specific task, eg *'Finish reading Chapter 3 and attempt Practice Questions 3.4, 3.7 and 3.12'*, as opposed to a specific amount of time, eg *'Three hours studying the material in Chapter 3'*.

Try to study somewhere quiet and free from distractions (eg an area at home dedicated to study). Find out when you operate at your peak, and endeavour to study at those times of the day. This might be between 8am and 10am or could be in the evening. Take short breaks during your study to remain focused – it's definitely time for a short break if you find that your brain is tired and that your concentration has started to drift from the information in front of you.

Order of study

We suggest that you work through each of the chapters in turn. To get the maximum benefit from each chapter you should proceed in the following order:

1. Read the syllabus objectives. These are set out in the box at the start of each chapter.
2. Read the Chapter Summary at the end of each chapter. This will give you a useful overview of the material that you are about to study and help you to appreciate the context of the ideas that you meet.
3. Study the Course Notes in detail, annotating them and possibly making your own notes. Try the self-assessment questions as you come to them. As you study, pay particular attention to the listing of the syllabus objectives and to the Core Reading.
4. Read the Chapter Summary again carefully. If there are any ideas that you can't remember covering in the Course Notes, read the relevant section of the notes again to refresh your memory.
5. Attempt (at least some of) the Practice Questions that appear at the end of the chapter.
6. Where relevant, work through the relevant Paper B Online Resources for the chapter(s). You will need to have a good understanding of the relevant section of the course before you attempt the corresponding section of PBOR.
7. Think about what specifically you might want to include from that chapter in the reference materials that you choose to have to hand during the exam. For example, you might want to put together some easy-reference lists of key concepts or formulae that can be referred to quickly and conveniently.

It's a fact that people are more likely to absorb something if they review it several times. So, do look over the chapters you have studied so far from time to time. It is useful to re-read the Chapter Summaries or to try the Practice Questions again a few days after reading the chapter itself. It's a good idea to annotate the questions with details of when you attempted each one. This makes it easier to ensure that you try all of the questions as part of your revision without repeating any that you got right first time.

Once you've read the relevant part of the notes and tried a selection of questions from the Practice Questions (and attended a tutorial, if appropriate) you should attempt the corresponding assignment. If you submit your assignment for marking, spend some time looking through it carefully when it is returned. It can seem a bit depressing to analyse the errors you made, but you will increase your chances of passing the exam by learning from your mistakes. The markers will try their best to provide practical comments to help you to improve.

To be really prepared for the exam, you should not only be fully familiar with and understand the Core Reading but also be aware of what the examiners will expect. Your revision programme should include plenty of question practice so that you are aware of the typical style, content and marking structure of exam questions. You should attempt as many past exam questions as you can.

Active study

Here are some techniques that may help you to study actively.

1. Don't believe everything you read. Good students tend to question everything that they read. They will ask 'why, how, what for, when?' when confronted with a new concept, and they will apply their own judgement. This contrasts with those who unquestioningly believe what they are told, learn it thoroughly, and reproduce it (unquestioningly?) in response to exam questions.
2. Another useful technique as you read the Course Notes is to think of possible questions that the examiners could ask. This will help you to understand the examiners' point of view and should mean that there are fewer nasty surprises in the exam room. Use the Syllabus to help you make up questions.
3. Annotate your notes with your own ideas and questions. This will make you study more actively and will help when you come to review and revise the material. These notes may also be useful to refer to in the exam. Do not simply copy out the notes without thinking about the issues.
4. Attempt the questions in the notes as you work through the course. Produce your answer before you refer to the solution.

5. Attempt other questions and assignments on a similar basis, *ie* produce your answer before looking at the solution provided. Attempting the assignments under exam conditions has some particular benefits:
 - It forces you to think and act in a way that is similar to how you will behave in the exam.
 - When you have your assignments marked it is *much* more useful if the marker's comments can show you how to improve your performance under timed conditions than your performance when you have access to the notes and are under no time pressure.
 - The knowledge that you are going to do an assignment under timed conditions and then submit it (however good or bad) for marking can act as a powerful incentive to make you study each part as well as possible.
 - It is also quicker than trying to produce perfect answers.
6. Sit a mock exam four to six weeks before the real exam to identify your weaknesses and work to improve them. You could use a mock exam written by ActEd or a past exam paper. Ensure that you have your reference materials handy, as you plan to in the actual exam, so that you can practise finding what you need in them quickly and efficiently. (You might even be able to add to / modify your reference materials to increase their usefulness.)

You can find further information on how to study in the Institute and Faculty of Actuaries' Qualification Handbook, which you can download from their website at:

actuaries.org.uk/qualify/student-and-associate-exam-news/qualification-handbook.

Revision and exam skills

Revision skills

You will have sat many exams before and will have mastered the exam and revision techniques that suit you. However it is important to note that due to the high volume of work involved in the Core Principles subjects it is not possible to leave all your revision to the last minute. Students who prepare well in advance have a better chance of passing their exams on the first sitting.

Unprepared students find that they are under time pressure in the exam. Therefore it is important to find ways of maximising your score in the shortest possible time. Part of your preparation should be to practise a large number of exam-style questions under timed conditions as soon as possible. This will:

- help you to develop the necessary understanding of the techniques required
- highlight the key topics, which crop up regularly in many different contexts and questions
- help you to practise the specific skills that you will need to pass the exam.

There are many sources of exam-style questions. You can use past exam papers, the Practice Questions at the end of each chapter (which include many past exam questions), assignments, mock exams, the Revision Notes and ASET.

Exam question skill levels

Exam questions are not designed to be of similar difficulty. The Institute and Faculty of Actuaries specifies different skill levels at which questions may be set.

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.

Command verbs

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

Past exam papers

You can download past exam papers and Examiners' Reports from the Institute and Faculty of Actuaries' website at:

actuaries.org.uk/qualify/prepare-for-your-exams

The examination

The Institute and Faculty of Actuaries has produced an:

- Examinations Handbook, which contains practical assistance on how to sit an Institute and Faculty of Actuaries' examination, including guidance around notation and possible standard keyboard notation that students could use when typing solutions in Word
- Assessment Regulations document, which includes rules on eligibility, entry and conduct during an online assessment.

The Institute and Faculty of Actuaries advises students to ensure they read and have understood the Assessment Regulations ahead of their exam(s).

The Examinations Handbook and Assessment Regulations document, along with additional information about preparing for, booking and sitting the Institute and Faculty of Actuaries' exams can be found at:

actuaries.org.uk/qualify/my-exams/ifoa-exams

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

For the Paper A exam, ensure you have ready:

- your reference materials, with helpful bookmarks
- rough paper and a pen / pencil
- a calculator / Excel (or equivalent)
- a printer (if you wish to print out the exam paper)
- a copy of the *Tables*.

Please also refer to the Institute and Faculty of Actuaries' website for details about what you will need for the practical Paper B exam.

2.5 Queries and feedback

Questions and queries

From time to time you may come across something in the study material that is unclear to you. The easiest way to solve such problems is often through discussion with friends, colleagues and peers – they will probably have had similar experiences whilst studying. If there's no-one at work to talk to then use our discussion forum at **ActEd.co.uk/forums** (or use the link from our home page at **ActEd.co.uk**).

Our online forum 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. You could also use it to get ideas for revision or for further reading around the subject that you are studying. ActEd tutors will 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 relevant subject email address (see Section 1.5), 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 away from the office 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. Information about personal tuition is set out in our current brochure. Please email **ActEd@bpp.com** for more details.

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 details via email to the relevant subject email address (see Section 1.5).

Each year our tutors work hard to improve the quality of the study material and to ensure that the courses are as clear as possible and free from errors. 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 comments on this course, please email them to the relevant subject email address (see Section 1.5).

Our tutors also work 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**.