Subject F101

Corrections to 2014 study material

Comment

This document contains details of any errors and ambiguities in the Subject F101 study materials for the 2014 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 ST1@bpp.com.

You may also find it useful to refer to the Subject ST1 threads on the Actuarial Discussion Forum. (You can reach the Forums by clicking on the "Online Learning" button on the ActEd homepage and then clicking on "Discussion Forums", or by going to www.acted.co.uk/forums/.)

Important note

This document was last revised significantly on 4 March 2014. The date on which any subsequent corrections have been added is noted below.

Chapter 8

Page 7

The first sentence of Section 2.2 should read:

Let's consider how each of the three main health and care insurance products fit within the various extremes we have described above.

Chapter 10

Page 11

The text under the formula in the section "Cost-benefit analysis" should read:

For a project to be recommended $CBA(t) < 1$.

The first sentence of the section "Willingness to Pay" should read:

Willingness to Pay (WTP) can be used to measure the value that an individual places on a health system, medical scheme or collection of health benefits provided by a medical scheme.

Chapter 12

Page 13

The first paragraph of ActEd text under the heading "Sum insured differential" should be deleted.

Chapter 15

Page 2

In the example, the third sentence after the tables should read:

So, in the table above, we can see that older individuals have three times the level of risk of those in the young category.

Page 9

In the example, the first table of relativities should have a value of 1 for young ages and 3 for old ages.

Page 18

The section headed "Pearson residuals" should be headed "Standardised Pearson residuals".

The text under the formula should read:

h_{ii} (the i^{th} leverage) is a measure of how much influence an observation has over its own fitted value. It lies between 0 and 1. If the leverage is large it is likely that the ordinary residual for that observation will be unreasonably small because of the high influence the observation has on the fitted value. The standardised residual for an observation where the leverage is high (closer to 1) will be higher than the ordinary residual. This measure allows observations with different means to be comparable, but does not adjust for the shape of the distribution.

