

Subject ST8

Corrections to 2014 study material

Comment

This document contains details of any errors and ambiguities in the Subject ST8 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 ST8@bpp.com.

You may also find it useful to refer to the Subject ST8 Frequently Asked Questions thread on the Actuarial Discussion Forum. (You can reach the Forums by clicking on the "Discussion Forum" button in the bottom left-hand corner of ActEd's website, or by going to www.acted.co.uk/forums/.) This contains useful questions asked by students studying Subject ST8, with answers written by ActEd's tutors.

Important note

This document was created on 12 February 2014. The date on which any subsequent corrections have been added is noted below.

Chapter 15

Page 12

(added on 12 February 2014)

The second line of the example should read:

“You are about to purchase excess of loss reinsurance for £5,000 xs £2,500 and want to calculate the reinsurance risk premium.”

The last line of the example should read:

“Then, using equation (2.3), the reinsurance risk premium is $£100 \times (0.9 - 0.7) = £20$ ”

Chapter 18**Page 21***(added on 11 August 2014)*

Insert the following paragraph after formula (18.8):

“The Core Reading here is assuming that claim frequency follows a Poisson distribution, so that $n_N = \frac{y^2}{k^2}$. (We saw this result in Section 2.2.) If claim frequency does not follow a Poisson distribution, formula (18.7) should be used.”

Page 47*(added on 11 August 2014)*

The formula for the standard for full credibility for severity should read:

$$n_X = \frac{y^2}{k^2} CV_X^2$$