

Subject ST7

Corrections to 2015 study material

Comment

This document contains details of any errors and ambiguities in the Subject ST7 study materials for the 2015 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 ST7@bpp.com.

You may also find it useful to refer to the Subject ST7 threads on the Actuarial Discussion Forum. (You can reach the Forums by clicking on the “Discussion Forums” button at the top of the ActEd homepage, or by going to www.acted.co.uk/forums/.)

Important note

This document was created on 26th September 2014. The date on which any subsequent corrections have been added is noted below.

Chapter 13

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(added 10th February 2015)

The first paragraph under the heading “Version 3” should read:

“The catastrophe happened in the middle of 2012 and the development of the additional catastrophe claims was identical to the development of other claims. The catastrophe gave rise to an extra £3.8m, of which £2m was paid in 2012, £1.2m in 2013, £0.4m was paid in 2014, and £0.2m was expected to be paid in 2015. The outstanding claims amount as at 31/12/2014 was £13.2m (ie £13m as before plus £0.2m extra from the catastrophe), and this is precisely what the chain ladder gives if re-worked on the new figures. (Check you can agree this figure.)”

Chapter 24

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(added 20th February 2015)

Example 2 should read:

“Suppose now that we have a similar position to Example 1, except that all claims are settled for a total of £72m exactly on 20 December 2014. Suppose also that the company can buy, on 31 December 2013, an investment for £68m which will definitely give £72m on 20 December 2014. In this case we can declare profits of £5.5m at 31 December 2013, with certainty.”

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(added 24th February 2015)

The deferred acquisition costs on the 1 January 2015 balance sheet should be £41.25m.

The shareholders' funds on the 1 January 2015 balance sheet should be £118.25m.

Q&A Bank

Solution 4.7

(added 26th September 2014)

The eighth bullet point should be deleted.

X Assignments

Solution X6.1(i)

(added 13th April 2015)

The formula should read:

$$EML = (1+l)r$$