

Subject ST8

Corrections to 2015 study material

Comment

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

You may also find it useful to refer to the Subject ST8 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 6 January 2015. The date on which any subsequent corrections have been added is noted below.

Chapter 15

Page 16

(added on 6 January 2015)

The third paragraph should read:

“So E is the cedant’s loss ratio assumed for the band, and F is the product of D and E.”

Chapter 18**Page 4***(added on 12 January 2015)*

The equation in the penultimate line should read:

$$f(\mathbf{x} | \theta) = \frac{\theta^{\mathbf{1}} e^{-\theta}}{\mathbf{1}!} = \theta e^{-\theta}$$

Page 11*(added on 12 January 2015)*

The last paragraph should read:

“This is just saying that for the number of claims X , where $X \sim \text{Poisson}(n)$, (ie $E(X) = \text{var}(X) = n$), we can assume that X is approximately normally distributed, with mean $\mu = n$ and standard deviation $\sigma = \sqrt{n}$, so that $\frac{X - n}{\sqrt{n}}$ is standard normal. This is exactly what we did in the example above.”

Page 14*(added on 12 January 2015)*

The last sentence before the example should read:

“However, we can use equation (18.4) above to convert these values into the required claim numbers.”

Page 37*(added on 13 January 2015)*

The second bullet point at the bottom of the page should read:

- “ $V_{ik} \times \text{Var}(X_{ik} | \theta_i)$ does not depend on k .”

Page 54*(added on 5 March 2015)*

The first sentence of Solution 18.8 should be deleted.

Revision booklet 4**Page 86***(added on 30 March 2015)*

The table of assumptions should read as follows:

| <i>Year of account</i> | <i>Incurred % of ultimate as at 31 March 2012</i> | <i>Rate change on previous year</i> |
|------------------------|---------------------------------------------------|-------------------------------------|
| 2007 | 87% | |
| 2008 | 75% | -10% |
| 2009 | 62% | -5% |
| 2010 | 45% | 0% |
| 2011 | 25% | 5% |