Subject CP1

Corrections to 2019 study material

Comment

This document contains details of any errors and ambiguities in the Subject CP1 study materials for the 2019 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 CP1@bpp.com.

You may also find it useful to refer to the Subject CP1 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 2019.

Chapter 0

Page 10

The second paragraph of the section headed 'Feedback loops' should be in Core Reading font, '… or some of the initial assumptions were incorrect.'

Page 27

The final line on the page should be in Core Reading font, '... bonds are likely to be the appropriate matching assets.'

Chapter 11

Page 26

In the third paragraph of core reading it should say '**rent is maintained**' rather than '**rent is not maintained**'.

Chapter 29

Page 15

The fourth paragraph from the bottom of the page starting 'The reinsurer agrees to indemnify ...' should be in Core Reading font.

Assignment X2 Solution Qn 8(i)

Page 12

Under the standard formula for the simplified dividend model, it should say:

where: D is the next dividend to be paid in one year's time

The calculation should allow for a full year of growth of the dividends given the last dividend was 3 months' ago.

The calculations should therefore be as follows with an additional half mark awarded as shown below for a comment on the adjustment needed to the formula:

The next dividend can be approximated as:

$$D = 2\times(1+5\%) = \$2.10$$

The next dividend will however be received in 9 months' time rather than a year and therefore there is 3 months' less discounting of the dividends. [½]

Hence the value of the share is:

$$V = \frac{2.10}{10\%-5\%}\times\left(1.1\right)^{0.25} = \$43.01$$

In the solution to X2.9 on page 13, the share price in the second point should be updated to reflect this new value, *ie* \$43.01 rather than \$41.49.

Assignment X5 Question 6

Page 3

In the table at the top of page 3, the withdrawal amount under the UL contract should be in dollars, ie -$8.0*m.*

Mock Paper 2 Question 2

Page 4

In the section titled 'Pair 4', the first point in the solution should say:

The two risks are positively correlated … [½]

The next heading in the solution should say:

Why positively correlated?

Revision Notes Booklet 2

Page 20

There is a missing solution number at the top of page 20 which means the rest of the Core Reading solutions are one number out.

Revision Notes Booklet 3

Page 20

The header relating to chapter 9 just before Solution 7 should be removed.

ASET April 2015 Paper 1 Qn 5(ii) Solutions

Page 18

At the end of the paragraph headed 'Supply and demand', the last phrase should be '... yields will rise'.

