Practice Exam Errata

Practice Exam 1

⋄ **#2 Problem**: Reported loss should be at 12/31/**14**, not 12/31/12

⋄ **#2 Solution**: The fourth bullet point should say **6000(1.154)**, not **5000(1.159-1)**. In addition, my estimated ultimate of 6920.415 was calculated as $\frac{6000}{0.867} = 6920.415$, where 0.867 is the truncated percentage based on the truncated LDF of 1.154. The more direct calculation is $6000(1.154) = 6924$ (slightly different from 6920.415 due to rounding the truncated percentage). Using 6924, the final answer for part a. is **$873.29** and the final answer for part b. is **$203.62**.

⋄ **#6 Problem**: The triangle shown in the problem is for data with a $2,500 limit (not ground-up unlimited data)

⋄ **#6 Solution**: The subscripts in the solution are flip-flopped ($F_{3,2}$ should be $F_{2,3}$, R_2 should be R_3)

⋄ **#7 Solution**: The final bullet point should say 15**9**7500, not 1537500

⋄ **#16 Solution**: The data shown in the solutions for parts a. and b. are based on different data and are incorrect as shown. The correct correlations for parts a. and b. are 0.2 and 0. The full solution can be found in the reposted exam

⋄ **#19 Problem**: Part c. should say "2.5 times the 1-in-100 VaR", not "2 times the 1-in-100 VaR"

⋄ **#21 Solution**: Part a. should say "$N = 200000 < N = 20000 < N = 2000$

⋄ **#22 Solution**: The solutions for parts b. and c. are flip-flopped

⋄ **#23 Problem**: The wording in the fifth bullet point was unclear. The intent was for the estimated loss reserve and estimated loss on current business to be best estimates (i.e. no risk margins). Replace the fifth bullet point with the following:

- "The firm is considering adopting a more conservative reserving philosophy. Under the new philosophy, the estimated loss loss reserve and estimated loss on current business would include implicit risk margins of $60,000 and $80,000 respectively. Due to diversification, the total implicit risk margin would be $120,000"

◇ **#23 Solution**: The final capital numbers shown in the solutions to parts a. and b. are incorrect. The Cat PML figures were subtracted instead of added. The correct capital figures are $1,000,000 and $880,000

Practice Exam 2

◇ **#12 Solution**: On the graph, the slope of the third line segment should say 0.663, not 0.653

◇ **#18 Problem**: The second line from part a. ("provide an insurance-related example") should be removed

◇ **#24 Solution**: Under "Without Reinsurance", the fourth bullet point should say $V = \frac{167.10}{0.052-0.02} = 5221.875$. The last bullet point in the solution should say "The value of the reinsurance program is $11680.727 - 5221.875 = \boxed{\$6,458.85}$