

Subject SP7

CMP Upgrade 2024/25

CMP Upgrade

This CMP Upgrade lists the changes to the Syllabus, Core Reading and the ActEd material since last year that might realistically affect your chance of success in the exam. It is produced so that you can manually amend your 2024 CMP to make it suitable for study for the 2025 exams. It includes replacement pages and additional pages where appropriate.

Alternatively, you can buy a full set of up-to-date Course Notes / CMP at a significantly reduced price if you have previously bought the full-price Course Notes / CMP in this subject. Please see our *2025 Student Brochure* for more details.

We only accept the current versions for marking, *ie* those published for the sessions leading to the 2025 exams. If you wish to submit your scripts for marking but only have an old version, then you can order the current assignments / mock exams free of charge if you have purchased the same materials in the same subject in a previous year, and have purchased marking for the 2025 session.

This CMP Upgrade contains:

- all significant changes to the Syllabus and Core Reading
- additional changes to the ActEd Course Notes, Assignments and Mock Exam that will make them suitable for study for the 2025 exams.

1 Changes to the Syllabus

There have been no changes to the syllabus objectives.

2 Changes to the Core Reading and ActEd material

This section contains all the *non-trivial* changes to the Core Reading and ActEd text.

Chapter 2

Section 1.2

At the end of the subsection with the title 'Discovery period', the following sentence has been added:

The discovery period can sometimes be defined as a period after the policy expiry date rather than as a period after the claim occurrence date.

Chapter 3

Section 1.3

The section entitled 'Product liability' has been amended and now reads:

Policies are likely to be written on a claims-made basis.

However, it can also be written on a losses-occurring basis.

Chapter 6

Section 7.3

Under the subheading 'Enhancing the creditworthiness of debt instruments / providing capital relief to banks', the last sentence of the second paragraph has been amended and now reads:

In order to do this, it must either securitise its best quality loans (*ie* the loans with the lowest risk of default), or it must securitise a large number of loans relative to the number of bonds issued (in which case, even if some of the loans default, there will still be an adequate number of performing loans left with which to make payments on the bonds).

Chapter 7

Section 3.2

In the final sentence of the fourth bullet point, the word 'European' has been replaced with 'EU'.

Chapter 8

Section 4.1

The following paragraph has been added at end of the subsection with heading 'Scope of Solvency II':

Following Brexit, the UK insurance market is moving from Solvency II rules to 'Solvency UK' rules (abbreviated as SUK). The intention is that SUK should be simpler and more flexible than Solvency II. UK insurers must implement any necessary changes to comply with this by 31st December 2024.

Chapter 12

At the end of Section 5.2, the following text has been added:

The term 'heads of damage' is more commonly used to refer to the different components of injury claims, such as compensation for:

- loss of income
- medical and nursing costs
- pain and suffering.

Fire, theft, explosion, *etc* are more commonly referred to as perils, or indeed claim types.

3 Changes to the X Assignments

Overall

The X Assignments have been changed significantly. We have not detailed all of the changes in this upgrade.

If you would like the new assignments *without* marking, then retakers can purchase an updated CMP or standalone X Assignments at a significantly reduced price. Further information on retaker discounts can be found at:

acted.co.uk/paper_reduced_prices.html

If you wish to submit your scripts for marking but only have an old version, then you can order the current assignments free of charge if you have purchased the same assignments in the same subject in a previous year, and have purchased marking for the 2025 session. We only accept the current version of assignments for marking, *ie* those published for the sessions leading to the 2025 exams.

4 Changes to the Mock Exam

Solution 3

The following point has been added under the subheading '*Specify the problem*':

'The company will seek to purchase its reinsurance programme from a broad range of reinsurers, in order to minimise reinsurance credit risk. [½]'

Question 4

The marks available for part (i) have been increased from 9 to 12, and hence the total number of marks available for Question 4 has increased to 14.

Solution 4

In the solution to part (i), the first four points in section (b) (with heading '*Choice of discount rate*') have been deleted. The deleted points are as follows:

'The discount rate should reflect the yield expected from the assets backing the liabilities. [½]

Since the company has a strong solvency position and high risk appetite it is likely to be chasing higher investment returns, ... [½]

... hence 2.5% appears very low. [½]

The discount rate is therefore likely to be inappropriate. [½]'

A half mark has been added against the first point at the top of page 11 (also in section (b)), namely:

'If the discount rate is not specified in the accounting rules, Company X should consider:'

As noted above, the marks available for part (i) have increased from 9 to 12.

Question 6

Part (ii) of the question has been removed. Please renumber the subsequent question parts accordingly.

The final part of the question (which will be part (iii) after renumbering) has been amended, as has the paragraph preceding it. The number of marks available for this part has increased to 7, meaning that the total number of marks available is now 19.

Therefore, please replace the final question part and the paragraph preceding it with the following:

'The finance director has asked the Chief Actuary to indicate the degree of uncertainty surrounding the company's best estimate reserves.

(iii) Outline the issues the Chief Actuary should consider when communicating the results. [7]'

Solution 6

The solution for part (ii) has been deleted and the solutions for the subsequent parts have been renumbered accordingly.

The first point in the solution to part (ii)(b) (after renumbering) has been reworded as follows:

‘As the development of the catastrophe is likely to differ from that of the remainder of the insurer’s claims, it should be reserved for separately by stripping it out of the past data when calculating statistical estimates, and adding it back in afterwards. [1]’

The following points have been deleted from the solution to part (iii) (after renumbering):

‘The Mack method might be used for this, which is an extension to the chain ladder method already used. [½]’

Alternatively a bootstrap technique, or other stochastic models may be used. [½]’

The following points have been added to the solution to part (iii) (after renumbering):

‘The Chief Actuary should make it clear the extent to which any range provided is intended to reflect the different sources of uncertainty. [½]’

The Chief Actuary should consider what the finance director is likely to do with the advice that they are being given. [½]’

The Chief Actuary should comply with any relevant ethical and technical professional guidance issued by its profession and/or regulators. [½]’

5 Other tuition services

In addition to the CMP, you might find the following services helpful with your study.

5.1 Study material

For further details on ActEd's study materials, please refer to the *Products* pages on the ActEd website at **ActEd.co.uk**.

5.2 Tutorials

We offer the following (face-to-face and/or online) tutorials in Subject SP7:

- a set of Regular Tutorials (lasting a total of three days)
- a Block (or Split Block) Tutorial (lasting three full days)
- an Online Classroom.

For further details on ActEd's tutorials, please refer to our latest *Tuition Bulletin*, which is available from the ActEd website at **ActEd.co.uk**.

5.3 Marking

You can have your attempts at any of our assignments or mock exams marked by ActEd. When marking your scripts, we aim to provide specific advice to improve your chances of success in the exam and to return your scripts as quickly as possible.

For further details on ActEd's marking services, please refer to the *2025 Student Brochure*, which is available from the ActEd website at **ActEd.co.uk**.

5.4 Feedback on the study material

ActEd is always pleased to receive feedback from students about any aspect of our study programmes. Please let us know if you have any specific comments (*eg* about certain sections of the notes or particular questions) or general suggestions about how we can improve the study material. We will incorporate as many of your suggestions as we can when we update the course material each year.

If you have any comments on this course, please send them by email to **SP7@bpp.com**.