Institute and Faculty of Actuaries

CHANGES TO THE SYLLABUS AND CORE READING FOR SUBJECT ST9 FOR THE 2018 EXAMINATIONS

Changes to the Syllabus and their impact on Core Reading

There have been no changes to the Syllabus.

Changes to Core Reading

The primary change to the Core Reading has been the move to the second edition of Financial Enterprise Risk Management *as the mandatory reading textbook and to update the references where relevant in the Core Reading units so they only refer to the second edition. Full details of the changes are as follows:*

UNIT 1

The following text has been added to the end of Section 5.2:

More detailed knowledge of the SIMR regime is not required for the examination.

The reference at the end of this unit has been amended to read:

Additional material covering this topic can be found in:

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 7 ("Definitions of Risk") – sub-section 7.12.5 "People risk", paragraphs headed "Bias" only

UNIT 2

Section 1.2 has been amended to read:

1.2 Basel II & III

Material required for this section is covered in:

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 19 ("Risk Frameworks") – introduction, introduction to section 19.1 "Mandatory risk frameworks", and all of sub-section 19.1.1 "The Basel accords"

Section 1.3.1 has been amended to read:

1.3.1 The framework

Material required for this section is covered in:

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 19 ("Risk Frameworks") – sub-section 19.1.2 "Solvency II"

[More information can be found at the following website, although this detail is non-examinable:
http://www.bankofengland.co.uk/pra/Pages/solvency2/default.aspx.]

Section 1.4.2 has been deleted and subsequent sections renumbered accordingly.

UNIT 3

The reference at the end of Section 1.3.1 has been amended to read:

Additional material required for this section is covered in:

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 7 ("Definitions of Risk") – sub-section 7.12.5 "People risk", paragraphs headed "Agency risk" only

Section 7.4 has been amended to read:

7.4 Additional reading

Additional material required for this section is covered in:

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 7 ("Definitions of Risk") – sub-section 7.12.3 "Cyber risk"
Note on Enterprise Risk Management for Capital and Solvency Purposes in the Insurance Industry – International Actuarial Association
Section 5 – sub-section 5.2 only

Enterprise Risk Management From Incentives to Controls – James Lam.
Chapter 14 ("Operational Risk Management") – section "Emerging IT risks" (pages 259-264)

UNIT 4

The references to Financial Enterprise Risk Management *in section 2.1 have been amended to:*

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 7 ("Definitions of Risk") – all, excluding sections 7.7 "Systemic risk", 7.12.3 "Cyber risk" and 7.13 "Residual risks", noting that parts of 7.12.5 have already been studied in Units 1 and 3

UNIT 7

Section 5 has been amended to read:

5 Fitting distributions

Material required for this section is covered in:

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 11 ("Modelling Techniques") – sections 11.1 "Introduction" (from start of paragraph "Before considering some models…" to end only), 11.2 "Fitting data to a distribution", 11.3 "Fitting data to a model", 11.8 "Bayesian networks" and 11.9 "Model validation"

It should be noted that parts of this material repeat principles already studied in CT exams. However the principles are extended to consider their use with copulas, and hence all has been included for completeness.

UNIT 8

The reference in the first paragraph of Section 3 has been amended to read:

This was introduced in Unit 4 (Sweeting sub-section 7.12.7).

UNIT 9

The reference to Financial Enterprise Risk Management *in section 3 has been amended to:*

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 14 ("Quantifying Particular Risks") – section 14.11 "Operational risks"

UNIT 10

The references at the end of Section 2.4 have been amended to read:

Additional material required for this section is covered in:

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 7 ("Definitions of Risk") – section 7.13 "Residual risks"
Chapter 16 ("Responses to Risk") – sub-section 16.1.4 "Risk acceptance"

UNIT 11

The reference to Financial Enterprise Risk Management *in section 3 has been amended to:*

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 16 ("Responses to Risk") – sections 16.11 "Operational risks" and 16.12 "Different definitions of operational risk"

Section 4 has been amended to:

4 Other risks

The following material considers the management of liquidity, systemic, demographic, insurance and environmental risks.

Material required for this section is covered in:

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 16 ("Responses to Risk") – sections 16.6 "Liquidity risk", 16.7 "Systemic risk", 16.8 "Demographic risk", 16.9 "Non-life insurance risk" and 16.10 "Environmental risk"

UNIT 13

The reference to Financial Enterprise Risk Management *in section 2 has been amended to:*

Financial Enterprise Risk Management – Paul Sweeting.
Chapter 20 ("Case Studies") – all

UNIT 14 (principal terms)

The following terms have been amended to:

Expected shortfall

Expected shortfall at a given confidence level x% (and given time horizon) is the expected loss over the worst (1–x%) of possible outcomes, allowing for the probability of loss. It is closely related to TVaR.

Solvency II

Solvency II is the set of regulatory requirements that have applied to insurance firms in the EU from the beginning of 2016. The aim of EU solvency rules is to ensure that insurance undertakings are financially sound and can withstand adverse events, in order to protect policyholders and the stability of the financial system as a whole. Solvency II is based on a three pillar approach similar to Basel II but adapted for insurance.

The only other changes that have been made to the Core Reading are to correct typographical errors and improve the style.

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