

COURSE OUTLINES

AS4824 (9824) A – Short Term Actuarial Mathematics II Fall 2020

1. Course Information

This course will be offered online Synchronously.

Lecture hours: Tuesday 10:30am-11:30am; Thursday 10:30am-12:30pm

Classes Start	Reading Week	Classes End	Study day(s)	Exam Period
September 9	November 2 - 8	December 9	December 10	December 11 - 22

* November 12, 2020: Last day to drop a first-term half course or a first-term full course without penalty

Course Description: Pricing and Reserving for Short-Term Insurance Coverages, Selection, calibration, and validation of parametric models for insurance losses; credibility theory; Simulation.

Prerequisite Requirements

SS3858A/B A minimum mark of 60% in Statistical Sciences 3858A/B. Restricted to students enrolled in any Actuarial Science module, or those registered in the Honours Specialization module in Statistics or the Honours Specialization in Financial Modelling module.

Unless you have either the requisites for this course or written special permission from your Dean to enroll in it, you may be removed from this course and it will be deleted from your record. This decision may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites.

Technical Requirements

Since the course is offered online, students will need stable internet connection and a computer with working microphone and webcam. Student's access to Microsoft Excel and R Programming language is needed.

2. Instructor Information

Instructor: Jiandong Ren
Office: WSC 219
Email: jren6@uwo.ca
Phone: 519-661-2111, Ext 88209
Office hours: Conducted through ZOOM. Tue 2-3:30pm, Thu 2-3:30pm.

3. Course Materials

Textbook

- (1) Klugman, S.A., Panjer, H.H. and Willmot, G.E. (2019). Loss Models: From Data to Decisions, 5th edition, Wiley.

- (2) Introduction to Ratemaking and Loss Reserving for Property and Casualty Insurance (4th Edition), 2015, by Brown and Lennox, ACTEX

Topics covered

Chapters 2-5 of Textbook (2) and Chapters 10-13 and 15-19 the textbook (1). Specific topics are:

A. Introduction to Short-Term Insurance

1. Short-Term Insurance Coverages
2. Loss Reserving
3. Ratemaking
4. Reinsurance

B. Construction and Selection of Parametric Models

1. Estimate the parameters of failure time and loss distributions using:
 - a) Maximum likelihood
 - b) Method of moments
 - c) Percentile matching
 - d) Bayesian procedures
2. Estimate the variance of estimators and the confidence intervals for the parameters and functions of parameters of failure time and loss distributions.
3. Determine the acceptability of a fitted model and/or compare models using:

- a) Graphical procedures
- b) Kolmogorov-Smirnov test
- c) Anderson-Darling test
- d) Chi-square goodness-of-fit test
- e) Likelihood ratio test
- f) Schwarz Bayesian Criterion

C. Credibility

1. Apply limited fluctuation (classical) credibility including criteria for both full and partial credibility.
2. Perform Bayesian analysis using both discrete and continuous models.
3. Apply Bühlmann and Bühlmann-Straub models and understand the relationship of these to the Bayesian model.
4. Apply conjugate priors in Bayesian analysis and in particular the Poisson-gamma model.
5. Apply empirical Bayesian methods in the nonparametric and semiparametric cases.

D. Simulation (time permitted)

1. Simulate both discrete and continuous random variables using the inversion method.
2. Estimate the number of simulations needed to obtain an estimate with a given error and a given degree of confidence.
3. Use simulation to determine the p-value for a hypothesis test.
4. Use the bootstrap method to estimate the mean squared error of an estimator.
5. Apply simulation methods within the context of actuarial models.

Course Website

Students should check OWL (<http://owl.uwo.ca>) on a regular basis for news and updates. This is the primary method by which information will be disseminated to all students in the class. Students are responsible for checking OWL on a regular basis.

All course material will be posted to OWL: <http://owl.uwo.ca>. Any changes will be indicated on the OWL site and discussed with the class.

If students need assistance, they can seek support on the [OWL Help page](#). Alternatively, they can contact the [Western Technology Services Helpdesk](#). They can be contacted by phone at 519-661-3800 or ext. 83800.

[Google Chrome](#) or [Mozilla Firefox](#) are the preferred browsers to optimally use OWL; update your browsers frequently. Students interested in evaluating their internet speed, please click [here](#).

4. Methods of Evaluation

Assignments

Some practice questions will be assigned in class to help students understand the material. These questions are important in the preparation for the midterms and the final exam.

Midterms or Tests

Two midterm tests will be given. The first midterm is 50 minutes and will be held on October 13 during regular class time. The second midterm is 110 minutes and will be held on November 12 during regular class time.

Please note that the registrar's office may require us to change the midterm time to ensure that capacity for proctored online exams is not exceeded.

Loss Reserving Project

In this project, students are expected to implement several approaches to estimate loss reserves for P/C insurance companies using Excel. A project report should be submitted before the due date.

Final Exam

The date and time for the 3-hour final exam will be announced by the registrar's office, usually near the first part of November. Students are required to wait until the final exam schedule is posted before making arrangements for travel over the Christmas period. Exams will NOT be moved to accommodate students who ignore this requirement.

The overall course grade will be calculated as listed below:

Midterm Exam 1	15%
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Midterm Exam 2	30%
Loss Reserving Project	5%
Final Exam	50%

Non-programmable calculators are allowed on the midterm tests and the final exam. However, SOA approved calculators are strongly recommended.

Tests and examinations in this course will be conducted using Zoom. You will be required to keep your camera on for the entire session, hold up your student card for identification purposes, and share your screen with the invigilator if asked to do so at any time during the exam. The exam session will **not** be recorded.*

More information about the use of Zoom for exam invigilation is available in the Online Proctoring Guidelines at the following link:

<https://www.uwo.ca/univsec/pdf/onlineproctorguidelines.pdf>

Completion of this course will require you to have a reliable internet connection and a device that meets the system requirements for Zoom. Information about the system requirements are available at the following link:

<https://support.zoom.us/hc/en-us>

Please note that Zoom servers are located outside Canada. If you would prefer to use only your first name or a nickname to login to Zoom, please provide this information to the instructor in advance of the test or examination.

5. Accommodated Evaluations

Missed Midterm or Test: The policy of the department of Statistical and Actuarial Sciences is that there will be no make-up exams for a missed midterm. For those that do legitimately miss a midterm and provide the required supporting documentation, the standard practice will be that the weight of the midterm will be reassigned to the final exam. If your reason is not deemed valid, then you will receive a mark of 0.

If you miss the Final Exam, please contact your faculty's Academic Counselling Office as soon as you are able to do so. They will assess your eligibility to write the Special Exam (the name given by the university to a makeup Final Exam).

You may also be eligible to write the Special Exam if you are in a “Multiple Exam Situation” (see http://www.registrar.uwo.ca/examinations/exam_schedule.html).

Missed Project report: Late project report with illness self-reports should be submitted within 24 hours of submission of the last illness self-report. Late project report without illness self-report is not accepted.

6. CIA Accreditation

This course is accredited under the Canadian Institute of Actuaries (CIA) University Accreditation Program (UAP). Achievement of the minimum required grades in accredited courses may provide credit for preliminary exams. Please note that a combination of courses may be required to achieve exam credit. Details of required courses and grades at Western University are available at:

<https://www.cia-ica.ca/membership/university-accreditation-program-home>

In addition to the university’s internal policies on conduct, including academic misconduct, candidates pursuing credits for writing professional examinations shall also be subject to the Code of Conduct and Ethics for Candidates in the CIA Education System and the associated Policy on Conduct and Ethics for Candidates in the CIA Education System. For more information, please visit Obtaining UAP Credits and the CIA FAQ.

7. Accommodation and Accessibility

Accommodation Policies

Students with disabilities work with Accessible Education (formerly SSD) which provides recommendations for accommodation based on medical documentation or psychological and cognitive testing. The Academic Accommodation for Students with Disabilities policy can be found at:

[https://www.uwo.ca/univsec/pdf/academic_policies/appeals/Academic Accommodation_disabilities.pdf](https://www.uwo.ca/univsec/pdf/academic_policies/appeals/Academic_Accommodation_disabilities.pdf)

Academic Consideration for Student Absence

Students will have up to two (2) opportunities during the regular academic year to use an on-line portal to self-report an absence during the semester, provided the following conditions are met: the absence is no more than 48 hours in duration, and the assessment for which consideration is being sought is worth 30% or less of the student’s final grade. Students are expected to contact their instructors within 24 hours of the end of the period of the self-reported absence, unless

noted on the syllabus. Students are not able to use the self-reporting option in the following circumstances:

- for exams scheduled by the Office of the Registrar (e.g., December and April exams)
- absence of a duration greater than 48 hours,
- assessments worth more than 30% of the student's final grade,
- if a student has already used the self-reporting portal twice during the academic year

If the conditions for a Self-Reported Absence are *not* met, students will need to provide a Student Medical Certificate if the absence is medical, or provide appropriate documentation if there are compassionate grounds for the absence in question. Students are encouraged to contact their Faculty academic counselling office to obtain more information about the relevant documentation.

Students should also note that individual instructors are not permitted to receive documentation directly from a student, whether in support of an application for consideration on medical grounds, or for other reasons. **All documentation required for absences that are not covered by the Self-Reported Absence Policy must be submitted to the Academic Counselling office of a student's Home Faculty.**

For policy on Academic Consideration for Student Absences - Undergraduate Students in First Entry Programs, see:

https://www.uwo.ca/univsec/pdf/academic_policies/appeals/Academic_Consideration_for_absences.pdf

and for the Student Medical Certificate (SMC), see:

http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf

Religious Accommodation

Students should consult the University's list of recognized religious holidays, and should give reasonable notice in writing, prior to the holiday, to the Instructor and an Academic Counsellor if their course requirements will be affected by a religious observance. Additional information is given in the Western Multicultural Calendar:

<https://multiculturalcalendar.com/ecal/index.php?s=c-univwo>

You may also be eligible to write the Special Exam if you are in a "Multiple Exam Situation" (see http://www.registrar.uwo.ca/examinations/exam_schedule.html).

If a student fails to write a scheduled Special Examination, the date of the next Special Examination (if granted) normally will be the scheduled date for the final exam the next time this course is offered. The maximum course load for that term will be reduced by the credit of the course(s) for which the final examination has been deferred. See Academic Calendar for details (under [Special Examinations](#)).

8. Academic Policies

The website for Registrarial Services is <http://www.registrar.uwo.ca>.

In accordance with policy, <http://www.uwo.ca/its/identity/activatenonstudent.html>, the centrally administered e-mail account provided to students will be considered the individual's official university e-mail address. It is the responsibility of the account holder to ensure that e-mail received from the University at his/her official university address is attended to in a timely manner.

All of the remote learning sessions for this course will be recorded.

The data captured during these recordings may include your image, voice recordings, chat logs and personal identifiers (name displayed on the screen). The recordings will be used for educational purposes related to this course, including evaluations. The recordings may be disclosed to other individuals participating in the course for their private or group study purposes. Please contact the instructor if you have any concerns related to session recordings.

Participants in this course are not permitted to record the sessions, except where recording is an approved accommodation, or the participant has the prior written permission of the instructor.

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following Web site: http://www.uwo.ca/univsec/pdf/academic_policies/appeals/scholastic_discipline_undergrad.pdf.

Attendance

Attendance in the online sessions is viewed as an important part of the learning process.

Students are strongly encouraged to do so).

Conduct and Ethics for Candidates in the CIA Education System.

In addition to the university's internal policies on conduct, including academic misconduct, candidates pursuing credits for writing professional examinations shall also be subject to the Code of Conduct and Ethics for Candidates in the CIA Education System and the associated Policy on Conduct and Ethics for Candidates in the CIA Education System. For more information, please visit Obtaining UAP Credits and the CIA FAQ

9. Support Services

Please contact the course instructor if you require lecture or printed material in an alternate format or if any other arrangements can make this course more accessible to you. You may also wish to contact Services for Students with Disabilities (SSD) at 661-2111 ext. 82147 if you have questions regarding accommodation.

The policy on Accommodation for Students with Disabilities can be found here:

www.uwo.ca/univsec/pdf/academic_policies/appeals/accommodation_disabilities.pdf

The policy on Accommodation for Religious Holidays can be found here:

http://www.uwo.ca/univsec/pdf/academic_policies/appeals/accommodation_religious.pdf

Learning-skills counsellors at the Student Development Centre (<http://www.sdc.uwo.ca>) are ready to help you improve your learning skills. They offer presentations on strategies for improving time management, multiple-choice exam preparation/writing, textbook reading, and more. Individual support is offered throughout the Fall/Winter terms in the drop-in Learning Help Centre, and year-round through individual counselling.

Students who are in emotional/mental distress should refer to Mental Health@Western (http://www.health.uwo.ca/mental_health) for a complete list of options about how to obtain help.

Additional student-run support services are offered by the USC, <http://westernusc.ca/services>.

Students must use their Western (@uwo.ca) email addresses when contacting their instructors. Email communication should only be used to provide them with information or to ask a question that requires a brief response. For more lengthy discussions and for discussions on lectures/course material please see your instructor during their scheduled office hours or by appointment. If you do email them, please use your UWO account, as these are often the only emails read (as emails sent from other addresses often get spammed).