

General Insurance Extension for the SOA ERM Exam Errata

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RAROC formula in item 2 updated to change the '+' to '-' prior to the PV Expenses term and to remove the 'PV' from the Interest on Capital term. The corrected formula is the following.

RAROC =

$$\frac{[(\text{Premium} - \text{PV Expected Claims} - \text{PV Expenses} + \text{Interest on Capital}) / \text{PV Economic Capital}] * (1 - t)}$$