

**Assignment of Session 7:**

1. What difference does it make to the VaR calculated in the example of Page 7 of Handout 7 if the exponentially weighted model is used to assign weights to scenarios as described on Page 9 of Handout 3?
2. The worksheet (OPRISKSIMULATION.xls) used to produce the figure on Page 11 of Handout 7 is attached. There the expected loss frequency is 3 per year and the mean and standard deviation of the log of the loss is 0 and \$0.4 million respectively. What is the mean and standard deviation of the loss distribution? What is the mean and standard deviation of the loss distribution if the expected loss frequency is 4 per year?