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Exam Content Outline

United States Regulation and Financial Reporting – Exam 6U

Delivery Format

| APPOINTMENT TIME: 4.5 HOURS | | |
|-----------------------------|------------------------|---|
| Exam Duration | Scheduled Break | Exam Tutorial, Confidentiality Agreement, End of Exam Survey |
| 4 hours | 15 min | 15 min |

Exam Item Types

Candidates may see the following item types in the CAS examinations. Candidates should become familiar with these item types and sample questions will be available in 2024.

Multiple Choice

Multiple answer choices are presented after a problem with only one correct answer.

Multiple Selection

Multiple answer choices are presented after a problem with more than one correct answer.

Point and Click

An image is presented after a problem where the candidate must identify the correct area of the image by clicking on the correct location in the image.

Fill in the Blank

A blank section is presented after a problem where the candidate must input the correct value.

Matching

Content columns presented after a problem where the candidate must correctly match content from one column to another.

Constructed Response

A blank response area is presented after a problem where candidates must construct and develop their own answer.

Spreadsheet

Spreadsheet-type items are displayed to the candidate in a spreadsheet format and candidates can make use of most spreadsheet functions. Please review the testing guide prior to sitting for your exam to note any differences between the Pearson Vue testing environment and common spreadsheet software (e.g., Excel, Google Sheets).



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Exam Cognitive Level

Each task is tied to a certain type of mental operation or thinking skill, which is called the cognitive level. ACAS and FCAS use four cognitive levels, and every examination item is authored to address both the task and one of the following cognitive levels paired with that task (*sample questions coming soon*).

Remember: 40–50%

Tests the ability of the candidate to recall or remember knowledge or facts.

Understand and Apply: 10-20 %

Measures the candidate's ability to understand and apply ideas and concepts to new situations.

Analyze and Evaluate: 30-40 %

Requires the candidate analyze information, combine concepts/ideas, and justify a position resulting from that combination.

Create: 0-10%

Requires the candidate to synthesize conclusions by evaluating the validity of ideas and concepts.

Exam Section Details

| DOMAINS | DOMAIN WEIGHT |
|--|---------------|
| A. United States Laws and Regulations | 10-20% |
| B. Government Programs | 5-15% |
| C. Financial Reporting and Professional Responsibilities of the Actuary | 60-75% |
| D. Reinsurance Accounting Principles | 5-10% |



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A. United States Laws and Regulations

Candidates will be able to navigate regulations required by various governmental agencies who oversee the work of insurers. Candidates will understand the dual U.S. state and federal regulatory system, along with the various state systems of regulation. The major areas of regulation for rate, contract terms, and solvency should be understood, as should the role of antitrust law as it pertains to insurance regulation and governance.

Candidates will understand regulations as they affect insurance ratemaking in the US, as well as regulatory and political aspects of risk classification.

Candidates will also be able to showcase knowledge in:

- Regulations for solvency in the US, including financial ratios tested by the National Association of Insurance Commissioners and guaranty fund mechanisms set up by various states.
- ORSA and risk-based capital calculations from the statutory blank and how they are used to monitor solvency.
- The judicial role in the development of tort law, as it related to actuarial subjects.

| TASKS |
|---|
| 1. Describe the historic development and the current state of insurance regulation and governance. |
| 2. Discuss the historic development of solvency regulation; describe current programs used to monitor solvency. |
| 3. Describe the current state of insurance regulation (e.g., Sarbanes-Oxley, Dodd-Frank) and how current regulations address specialized insurance topics. |
| 4. Discuss current programs used to monitor solvency (RBC). |
| 5. Describe regulation related to emerging issues (e.g., price optimization models, predictive analytics). |
| 6. Discuss trends in tort litigation (e.g., tort reform, class action suits) and types of litigation costs. |
| 7. Describe ways in which latent liability (e.g., mass torts like asbestos) can affect P/C insurance companies. |
| Readings <ul style="list-style-type: none"> - CASTF Predictive Models - Cole and Marzen - Emmanuel - Feldblum (Rating Agencies) - FIO Report - Kucera - McCarty - NAIC IRIS - NAIC Price - NAIC RRG - NAIC Solvency Regulatory Framework - Porter 1 - Vaughn |



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B. Government Programs

Candidates will be able to identify the major United States insurance programs administered by government agencies and insurance industry organizations.

Candidates will be expected to show an understanding of the objectives, operations, and effectiveness of the following insurance program:

- Automobile Plans, e.g., MD Fund
- Crop Insurance
- Flood insurance
- Government Backstops, e.g., TRIA and Florida Hurricane Catastrophe Fund
- Guaranty funds
- Residual markets, e.g., auto, workers compensation, property
- Workers' compensation, including its interaction with Medicare.

| TASKS |
|--|
| 1. Describe the purpose of government and industry insurance programs. |
| 2. Describe the operations and risk transfer process for government/industry programs and their interaction with voluntary private insurance sector. |
| 3. Evaluate the effectiveness of a government/industry program. |
| Readings <ul style="list-style-type: none">- Cook- Florida Hurricane- Government Insurers Study Note- Horn & Webel- Porter 2- Webel |



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C. Financial Reporting, Taxation, and Professional Responsibilities of the Actuary

Candidates will be able to apply detailed knowledge of the contents, purposes, and recent changes in the NAIC Annual Statement and the Insurance Expense Exhibit. Candidates will be able to demonstrate an understanding of federal income tax treatment, including loss reserve discounting, is expected. Candidates are expected to understand and use Insurer's Annual Statements.

Candidates will be able to differentiate the details of, and the reasons for, Generally Accepted Accounting Principles (GAAP) for both insurance and non-insurance companies, Statutory Accounting Principles (SAP), and International Financial Reporting Standards (IFRS).

The candidate will be able to apply the various statutory requirements of the appointed actuary, and the appropriate professional standards and educational notes issued by the American Academy of Actuaries and the NAIC that are related to the financial reporting of property and casualty insurance companies.

| TASKS | | | |
|---|---|--|---|
| 1. | Describe the primary financial statements (i.e., balance sheet, income statement, cash flows, capital and surplus, notes to financial statements). | | |
| 2. | Differentiate the primary financial statements (i.e., balance sheet, income statement, cash flows, capital and surplus, notes to financial statements). | | |
| 3. | Use the annual statement schedules, insurance expense exhibits, RBC, IRIS ratios, and SAO to evaluate the financial health of an insurance entity. | | |
| 4. | Differentiate between various accounting reporting principles and standards (e.g., SAP, GAAP). | | |
| 5. | Explain the responsibilities of an actuary as defined by the standards of practice, regulators, and insurance laws for financial reporting. | | |
| 6. | Explain the responsibilities of the appointed actuary in regard to a statement of actuarial opinion, actuarial opinion summary, and actuarial report. | | |
| 7. | Identify and propose language for sections of the statement of actuarial opinion. | | |
| 8. | Schedule P data in support of a SAO (statement of actuarial opinion). | | |
| 9. | Create an actuarial opinion summary. | | |
| 10. | Discuss and calculate specific elements of income tax and evaluate their implications for a property/casualty insurer (discounting). | | |
| Readings <table style="width: 100%; border: none;"> <tbody> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> - 2023 IEE - AAA Materiality - AAA Retained Risk - ASOP's 20, 26, 41, 43 - Brandt & Maxwell - CAS Financial Reporting - COPLFR P&C Practice Note - Feldblum (Surplus) </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> - NAIC Annual Statement - NAIC Annual Statement Examples - NAIC APPM, Preamble - NAIC IRIS - NAIC Solvency Regulatory Framework - NAIC SSAP 5R, 9, 53, 62R, and 66 - Odomirok </td> </tr> </tbody> </table> | | <ul style="list-style-type: none"> - 2023 IEE - AAA Materiality - AAA Retained Risk - ASOP's 20, 26, 41, 43 - Brandt & Maxwell - CAS Financial Reporting - COPLFR P&C Practice Note - Feldblum (Surplus) | <ul style="list-style-type: none"> - NAIC Annual Statement - NAIC Annual Statement Examples - NAIC APPM, Preamble - NAIC IRIS - NAIC Solvency Regulatory Framework - NAIC SSAP 5R, 9, 53, 62R, and 66 - Odomirok |
| <ul style="list-style-type: none"> - 2023 IEE - AAA Materiality - AAA Retained Risk - ASOP's 20, 26, 41, 43 - Brandt & Maxwell - CAS Financial Reporting - COPLFR P&C Practice Note - Feldblum (Surplus) | <ul style="list-style-type: none"> - NAIC Annual Statement - NAIC Annual Statement Examples - NAIC APPM, Preamble - NAIC IRIS - NAIC Solvency Regulatory Framework - NAIC SSAP 5R, 9, 53, 62R, and 66 - Odomirok | | |



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D. Reinsurance Accounting Principals

The candidate will be able to use reinsurance accounting terminology and practice. This section presents the general concepts of reinsurance accounting to the candidate. The candidate should become familiar with reinsurance accounting terminology and practice.

| TASKS |
|--|
| 1. Describe reinsurance accounting and its impact on financial statements. |
| 2. Evaluate whether the contract qualifies for insurance accounting treatment or deposit treatment. |
| 3. Describe the accounting and tax treatments of commutations. |
| 4. Evaluate the effectiveness of reinsurance strategies based on the impact to the financial statements and key financial metrics. |
| 5. Evaluate the health of an insurance entity using Schedule F. |
| Readings - AAA CECL - ASC 944-020-15 - Cedar & Thompson - Freihaut & Vendetti - Klann - NAIC SSAP 62R |



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Complete Text References for Exam 6U

Text references are alphabetized by the citation column.

Please note that this list is still being finalized by the Exam 6U Working Group and is subject to change. An updated list will be made available in 2024.

| Citation | Abbreviation | Domains/ Tasks | Source |
|--|-------------------------|-------------------|-----------|
| 2023 Insurance Expense Exhibit. | 2023 IEE | C1-C2 | B |
| Actuarial Standards Board of the American Academy of Actuaries, " Actuarial Standard of Practice No. 20, Discounting of Property/Casualty Claim Estimates ," June 2023. | ASOP 20 | C9 | OP |
| Actuarial Standards Board of the American Academy of Actuaries, " Actuarial Standard of Practice No. 36, Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves ," December 2010, updated for deviation language in May 2011. | ASOP 36 | C9 | OP |
| Actuarial Standards Board of the American Academy of Actuaries, " Actuarial Standard of Practice No. 41, Actuarial Communications ," December 2010. | ASOP 41 | C9 | OP |
| Actuarial Standards Board of the American Academy of Actuaries, " Actuarial Standard of Practice No. 43, Property/Casualty Unpaid Claim Estimates ," June 2007, updated for deviation language in May 2011. | ASOP 43 | C9 | OP |
| American Academy of Actuaries, " Estimating the Uncollectible Reinsurance Reserve for Property/Casualty Companies New GAAP Requirements ," July 2019, pp. 4-15. | AAA CECL | E1-E6 | OP |
| American Academy of Actuaries, " Retained Property Casualty Insurance Related Risk: Interaction of Actuarial Analysis and Accounting ," April 2018, Chapters 1, pages 7-10 ending with section on Trusts and 4, pages 17-23. | AAA Retained Risk | C2, C7 | OP |
| American Academy of Actuaries, Task Force on Materiality , " Materiality, Concepts on Professionalism ," Discussion Paper, Professionalism Series, 2006, No. 8, June 2006. | AAA Materiality | C9 | OP |
| Brandt, E.A. and Maxwell, L.A., " Risk of Material Adverse Deviation Study Note ," April 2023. | Brandt & Maxwell | C10 | OP |
| Casualty Actuarial and Statistical (c) Task Force, " Regulatory Review of Predictive Models White Paper ," December 2020, Sections I, IV and VII. | CASTF Predictive Models | A1 | OP |
| Cedar, D. and Thompson, A., " Reinsurance Accounting & Strategy for the Actuary ," CAS Study Note, January 2020. Including errata . | Cedar & Thompson | E1-E6 | OP |



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| Citation | Abbreviation | Domains/ Tasks | Source |
|--|-----------------------------------|-------------------|-----------|
| <p>Committee on Property and Liability Financial Reporting, American Academy of Actuaries, "A Public Policy Practice Note, Statements of Actuarial Opinion on Property & Casualty Loss Reserves, 2023." Exclude Appendix I.1.3 NAIC Title SAO Instructions and Appendix IV. SSAPs.</p> <p>Note that SSAP 5R, 9, 53, 62R, and 66 found in Appendix IV are readings for Domain/Tasks C1-C2 for this exam.</p> | COPLFR P&C Practice Note | C9 | OP |
| <p>Cook, Mary Ann, ed., Personal Insurance, (Second Edition), The Institutes, 2013, pp. 2.13-2.15 and 7.32-7.36.</p> | Cook | B1 | SK |
| <p>Emmanuel, J. N. and Lerner, Z. N., editors, "Excess and Surplus Lines Laws Manual," Locke Lord LLP, revised 01/2022, pp. ii-iv (stop at Calculation of Surplus Lines Taxes Under NRRRA) and pp. 1.1-1.6 excluding the sections on:</p> <ul style="list-style-type: none"> - NAIC Approval, pp. 1.1-1.2; - Industrial Insurance, p. 1.4; and - Ocean Marine and Transportation Insurance, p. 1.5. | Emmanuel | A3 | SK |
| <p>Federal Insurance Office, Annual Report on the Insurance Industry Completed Pursuant to Title V of the Dodd-Frank Wall Street Reform and Consumer Protection Act, September 2022, Sections I, IA and I-B1.</p> | FIO Report | A4-A5 | OP |
| <p>Feldblum, S., "Rating Agencies," CAS Study Note, October 3, 2011, pp. 1-7 and 14-15 (stop at Best's Capital Adequacy Ratio) and Appendix A.</p> <p>Candidates are not responsible for Section 4, Section 5 beginning at Best's Capital Adequacy Ratio on p. 15, Appendices B-D, and the endnotes.</p> | Feldblum (Rating Agencies) | A1 | OP |
| <p>Feldblum, S., "Statutory Surplus: Computation, Pricing and Valuation," CAS Study Note, June 2003, pp. 1-10, including errata.</p> <p>Candidates are not responsible for the endnotes.</p> | Feldblum (Surplus) | C1-C2 | OP |
| <p>Financial Accounting Standards Board, Accounting Standards Codification 944, "Financial Guarantee Insurance Contracts," 2011, Section 15, Scope and Scope Exceptions, paragraphs 15-1 to 15-2; 15-5 to 15-7; 15-34 to 15-35; 15- 41 to 15-44; and 15-49 to 15-54.</p> <p>Candidates are not responsible for material relating to long-duration contracts and/or life insurance.</p> | ASC 944- 020-15 | E1-E6 | SK |



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|---|------------------------------------|-------------------|-----------|
| Freihaut, D. and Vendetti, P., " Common Pitfalls and Practical Considerations in Risk Transfer Analysis ," Casualty Actuarial Society E-Forum, Spring 2009. Appendices A and B may be used to better understand the calculation, but candidates are not responsible for the data. | Freihaut & Vendetti | E1-E6 | OP |
| Germani, W., et al., " Government Insurers Study Note ," CAS Study Note, April 2017, pp. 1-16 | Government Insurers Study Note | B1 | OP |
| Horn, D. and Webel, B., " Private Flood Insurance and the National Flood Insurance Program ," updated January 9, 2023, Congressional Research Service R45242, Summary and pp. 1-21. | Horn & Weber | B1 | OP |
| Klann, J., " Reinsurance Commutation ," 2013. Candidates should refer to Edition 5 of the Odomirok, K.C., et al., paper, Financial Reporting Through the Lens of a Property/ Casualty Actuary, when reviewing this paper | Klann | E1-E6 | OP |
| Kucera, J., " NAIC Public Hearing on Credit-Based Insurance Scores ," American Academy of Actuaries, April 30, 2009. | Kucera | A1 | OP |
| McCarty, K.M., " Testimony of Kevin M. McCarty, Florida Insurance Commissioner, Florida Office of Insurance Regulation and Representing the National Association of Insurance Commissioners, Regarding: 'The Impact of Credit-Based Insurance Scoring on the Availability and Affordability of Insurance,' May 21, 2008 ," Subcommittee on Oversight and Investigations of the House Committee on Financial Services, excluding Appendices 1 and 2. | McCarty | A1 | OP |
| NAIC White Paper, " The U.S. National State-Based System of Insurance Regulation and the Solvency Modernization Initiative ," 2013. Candidates are not responsible for the following: - Section 2: paragraphs 15-18, 26-28, 32-34, 41-42, Appendix 1, and Appendix 2; - Section 3: paragraphs 9, 13-15, 23-32, and 38-39; - Section 4; and - Section 5: paragraphs 9, 20-29, 30-45, and 61-86. | NAIC Solvency Regulatory Framework | A1-A5, C2, C7 | OP |
| National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2023, Preamble. | NAIC APPM, Preamble | C2, C7 | SK |



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| Citation | Abbreviation | Domains/ Tasks | Source |
|--|---------------|-------------------|-----------|
| <p>National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2022, Statement of Statutory Accounting Principles 5R, “Liabilities, Contingencies and Impairment of Assets,” paragraphs 1-12, 30-33, and 37-38.</p> <p>This material is available in Appendix IV of the COPLFR P&C Practice Note.</p> | NAIC SSAP 5R | C1-C2 | OP |
| <p>National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2022, Statement of Statutory Accounting Principles 9, “Subsequent Events,” paragraphs 1-8.</p> <p>This material is available in Appendix IV of the COPLFR P&C Practice Note.</p> | NAIC SSAP 9 | C1-C2 | OP |
| <p>National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2022, Statement of Statutory Accounting Principles 53, “Property Casualty Contracts – Premiums,” paragraphs 1-18.</p> <p>This material is available in Appendix IV of the COPLFR P&C Practice Note.</p> | NAIC SSAP 53 | C1-C2 | OP |
| <p>National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2022, Statement of Statutory Accounting Principles 55, “Unpaid Claims, Losses and Loss Adjustment Expenses,” paragraphs 1-6 and 11-19.</p> <p>This material is available in Appendix IV of the COPLFR P&C Practice Note.</p> | NAIC SSAP 55 | C1-C2 | OP |
| <p>National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2022, Statement of Statutory Accounting Principles 62R, “Property and Casualty Reinsurance,” paragraphs 1-111.</p> <p>This material is available in Appendix IV of the COPLFR P&C Practice Note.</p> | NAIC SSAP 62R | C1-C2 | OP |
| <p>National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2022, Statement of Statutory Accounting Principles 63, “Underwriting Pools,” paragraphs 1-11.</p> <p>This material is available in Appendix IV of the COPLFR P&C Practice Note.</p> | NAIC SSAP 63 | C1-C2 | OP |



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|--|--------------------------------|-------------------|-----------|
| <p>National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2022, Statement of Statutory Accounting Principles 65, “Property and Casualty Contracts,” paragraphs 1-46.</p> <p>This material is available in Appendix IV of COPLFR P&C Practice Note.</p> | NAIC SSAP 65 | C1-C2 | OP |
| <p>National Association of Insurance Commissioners, Accounting Practices and Procedures Manual, 2022, Statement of Statutory Accounting Principles 66, “Retrospectively Rated Contracts,” paragraphs 1-5, 7.a., 8, 9.a., and 10-14.</p> <p>This material is available in Appendix IV of COPLFR P&C Practice Note.</p> | NAIC SSAP 66 | C1-C2 | OP |
| <p>National Association of Insurance Commissioners, “NAIC Insurance Regulatory Information System (IRIS) Ratios Manual,” 2023, Section II, Property/Casualty Ratios, pp. 5-26.</p> | NAIC IRIS | A2, C5-C6 | SK |
| <p>National Association of Insurance Commissioners, Official 2023 NAIC Annual Statement Blanks, Property and Casualty, (both individual and consolidated basis), pp. 2-13; Notes to the Financial Statement (p. 14, refer to the Odomirok paper for the Notes to cover); and Schedules D (pp. SI03 through SI09), F (pp. 20-29), H (pp. 30-32), and P (pp. 33-93).</p> <p>Candidates will be expected to have knowledge of other sections of the annual statement that are discussed in other Syllabus readings. Candidates are not responsible for page numbers.</p> <p>The “Notes to the Financial Statement” are cited for reference only. Candidates are responsible for the Notes as described in the Odomirok reading where the Notes are referenced by title. If the 2022 Annual Statement and the study materials differ, candidates may base their answers on either.</p> | NAIC Annual Statement | C1-C2 | B |
| <p>National Association of Insurance Commissioners Official Annual Statement Examples: The following companies post their annual statements online. Candidates may use these (or their own company’s statements) as illustrations to better understand the annual statement but are not responsible for any company-specific data: (1) Allstate and (2) The Liberty Mutual Group.</p> | NAIC Annual Statement Examples | C1 | OP |
| <p>National Association of Insurance Commissioners, Casualty Actuarial and Statistical Task Force, Price Optimization White Paper, November 2015, pp. 1- 16.</p> | NAIC Price | A1 | OP |



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| Citation | Abbreviation | Domains/ Tasks | Source |
|--|-------------------------------|-----------------------|-----------|
| National Association of Insurance Commissioners, The Center for Insurance Policy and Research, Risk Retention Groups, updated March 23, 2021. | NAIC RRG | A3 | SK |
| Odomirok, K.C., et al., Financial Reporting Through the Lens of a Property/Casualty Actuary , Casualty Actuarial Society, 2020, Edition 5, excluding Part VII [Canadian Introduction and Canadian Chapters 27-29] and Appendix II. | CAS Financial Reporting | A2, C1-C7, C9, C11 | OP |
| Porter, K., Insurance Regulation, Insurance Institute of America, 2008. Candidates are responsible for the following: - Chapter 2 – exclude pp. 2.19-2.29; - Chapter 3 – exclude pp. 3.21 (starting at Other Interest Groups)-3.25; - Chapter 4 – exclude pp. 4.16-4.23; - Chapter 5 – exclude pp. 5.12-5.22; - Chapter 6 – pp. 6.11-6.17 only; - Chapter 8 – pp. 8.3-8.6 and 8.12-8.15 only; and - Chapter 12 – exclude pp. 12.12-12.17 | Porter 1 | A1-A5 | B |
| Porter, K., Insurance Regulation, Insurance Institute of America, 2008, Chapter 12 (pp. 12.12-12.17). | Porter 2 | A2, B1 | B |
| Vaughn, T., “ The Economic Crisis and Lessons from (and for) U.S. Insurance Regulation ,” Journal of Insurance Regulation, Fall 2009, pp. 6-13. | Vaughn | A2, A4-A5 | OP |
| Webel, B., “ Terrorism Risk Insurance: Overview and Issue Analysis for the 116th Congress ,” Congressional Research Service R45707, Updated December 27, 2019, Summary page and pp. 1-10, stop at The Terrorism Insurance Market. | Webel | B1 | OP |

Source Key

| | |
|------------|---|
| B | Book – may be purchased from the publisher or bookstore. |
| BO | Book (Optional) – may be purchased from the publisher or bookstore. |
| DSK | Material included in the 2024 Digital Study Kit. |
| NEW | Indicates new or updated material. |
| OP | All text references marked as Online Publications will be available on a web page titled Complete Online Text References. |
| SK | Material included in the 2024 Study Kit. |
| SKU | Material included in both the 2024 CAS Study Kit and the 2024 Update to the 2023 Study Kit. |

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