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CASUALTY ACTUARIAL SOCIETY

ORGANIZED 1914

1980 SYLLABUS OF EXAMINATIONS



RULES REGARDING EXAMINATIONS FOR ADMISSION
RECOMMENDATIONS FOR STUDY

Twenty-fifth Edition, 1980

OFFICE OF THE SOCIETY

ONE PENN PLAZA
250 WEST 34TH STREET
NEW YORK, NEW YORK 10001

PHONE (212) 560-1018 — (212) 560-1019

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RULES REGARDING EXAMINATIONS FOR ADMISSION

1. Dates of Examinations

Part

	Date of 1980 Examination
1 and 2	May 15, November 13
3	May 16, November 14
4	May 13, November 7
5	November 17
6	May 8
7	November 18
8	May 7
9	November 17
10	May 8

It is customary to hold the examinations in such cities as will be convenient. The Secretary will announce the exact times and locations at which the examinations will be given.

2. Filing of Application

a. Parts 1, 2, 3 and 4

A candidate who wishes to take one or more of Parts 1, 2, 3 and 4 must file an application form which may be obtained from the Secretary of the Casualty Actuarial Society. For these Parts, application forms and the appropriate examination fee, in check, draft, or money order made payable to the Society of Actuaries, must be sent to:

Society of Actuaries
208 South LaSalle Street
Chicago, Illinois 60604, U.S.A.

The applications for Parts 1, 2 and 3 must be received by the Society of Actuaries by March 25 for the May examinations and by September 25 for the November examinations. Part 4 applications must be received by the Society of Actuaries by March 15 for the May examinations and September 15 for the November examinations.

b. Parts 5-10

The first time a candidate makes application to take one or more of Parts 5-10, an application obtained from the Secretary of the Casualty Actuarial Society must be filed. Subsequent requests to take other examinations can be accomplished by simply writing to the Secretary of the Casualty Actuarial Society, stating the part or parts for which the candidate is applying.

Each request along with the appropriate examination fee, in check, draft, or money order payable to the Casualty Actuarial Society must be sent to the Casualty Actuarial Society Offices.

For Parts 5-10, applications must be received by the Secretary by April 1 for the May examinations and by October 1 for the November examinations.

3. Joint Administration

Part 1, the General Mathematics examination, Part 2, the Probability and Statistics examination, Part 3, the Numerical Methods and Operations Research examination, are jointly administered by the Casualty Actuarial Society and The Society of Actuaries. Part 4, the Theory of Interest and Introduction to Life Contingencies examination, is jointly administered by the American Society of Pension Actuaries and the Joint Board for the Enrollment of Actuaries, along with the Casualty Actuarial Society and the Society of Actuaries.

4. Associateship and Fellowship Examinations

Successful completion of, or credit for, Parts 1 through 7 is required to fulfill the examination requirements for Associateship.

Successful completion of, or credit for, all ten examinations is required to fulfill the examination requirements for Fellowship.

5. Fees

The examination fee schedule for 1980 at time of publication is as follows:

Parts 1-3	\$25.00 for each part
Part 4	\$30.00
Parts 4a and 4b:	\$20.00 for each fractional part
Parts 5-10	\$30.00 for each part

6. Late Registration, Refunds and Transfers of Fees

Parts 1-4. If the application and regular fee are not received on or before March 25 (March 15 for Part 4) for the May examinations, or September 25 (September 15 for Part 4) for the November examinations, the candidate may be permitted to write the examination by the payment of a late registration fee of \$25.00 for each part in addition to the regular fee for that part. Also, a registered candidate may request a change of examination center, but the candidate must pay a change-of-center fee of \$10. for each part. In such cases, every effort will be made to have the candidate's records and supplies on hand at the appropriate examination center in time for the examination. If this effort fails, it must be understood that the Society or jointly administering or sponsoring organizations will not be held responsible; in the case of a late registration fee, both the late registration fee and the regular fee will be refunded, while in the case of a request for change in examination center, any change-of-center fee will be refunded. If the candidate's notice and fees, or request for change of examination center, are received so late that it is manifestly not feasible to arrange for the candidate to write the examination, the fees will be refunded immediately. The organizations are not responsible for difficulties caused by delays in postal service, or for the consequences of failing to receive correspondence because of inadequate postage.

A candidate who has filed an application and finds that it will not be possible to take the examination should request a refund of the examination fee. This request must reach the Office of the Society of Actuaries not later than April 15 for the May examinations, or October 15 for the November examinations. Later requests will not be considered. A fee of \$5. per examination will be assessed for all refunds. The fee of a candidate who is unavoidably absent from an examination will, upon written request within 30 days following the date of such examination, be transferred to any examination given in the next thirteen months. A fee which has been so transferred is not refundable. There will be a \$5. fee for such transfer, payment for which should accompany the request for transfer. Candidates must register for the examination to be taken even if the fee is being transferred from a prior exam.

Parts 5-10. Examination fees are payable each time the candidate registers for an examination. Check, draft or money order in U.S. funds payable to the order of the Casualty Actuarial Society must be received by the Secretary by April 1 for the May examinations or by October 1 for November examinations. Late registration will be accepted through April 15 and October 15 if accompanied by a \$50 late registration fee for each Part.

7. Credit for Examination Parts Under Former Syllabus

A candidate who has passed, or been credited with, one or more of the examinations under the 1979 Syllabus will receive credit for the corresponding examinations of the 1980 Syllabus. For specific information on transition arrangements for Parts 3 and 4, see Section 9 below.

8. Waiver of Examinations for Associateship

Waiver of certain Associateship examinations will be allowed for a candidate who has passed, or been credited with, corresponding examinations for the Society of Actuaries, in accordance with the following:

Casualty Actuarial Society

Part 1

Part 2

Part 3

Society of Actuaries

Part 1, General Mathematics,
passed prior to 1963
(before joint administration)

Part 2, Probability and Statistics,
passed prior to 1965
(before joint administration)

Part 3, Numerical Analysis (or
Finite Differences) and
Theory of Interest (or
Compound Interest) passed
prior to 1975 (before
joint administration)

Candidates who take the Advanced Mathematics Test of the Graduate Record Examinations may apply for credit for Part 1. Credit will be granted if the candidate's score on the Graduate Record Advanced Mathematics Test is equivalent, as determined by the Casualty Actuarial Society, to a passing score on Part 1.

An application to the Casualty Actuarial Society for credit may be submitted either in advance of taking the Graduate Record Advanced Mathematics Test or after taking it. Acceptance of applications submitted more than three years after the test has been taken will be at the discretion of the Education and Examination Committee. The required application form can be obtained from the Secretary's Office. A fee will be required for securing a transcript of the candidate's scores on the test; the fees are explained on the application form.

In recent years there has been an increased emphasis in the Graduate Record Advanced Mathematics Test on more advanced mathematical topics. Consequently, the Education and Examination Committee suggests that candidates plan to obtain credit for Part 1 by writing the Society's examination unless they have already taken the Graduate Record Advanced Mathematics Test for another purpose. Candidates should not attempt the latter test solely for the purpose of receiving credit for the Casualty Actuarial Society examination.

The Casualty Actuarial Society does not offer credit for Part 1 on the basis of scores achieved on the Graduate Record Undergraduate Mathematics Test.

The Board of Directors may waive, subject to such other requirements as it may prescribe, any examination of the Casualty Actuarial Society if the applicant has passed any examination required by another recognized actuarial organization that the Board of Directors deems equivalent to such examination of the Casualty Actuarial Society.

9. Transition Arrangements

Candidates who have passed both C.A.S. Parts 3 and 4 prior to the November 1979 exams will receive credit from the C.A.S. for Parts 3 and 4 under the 1980 Syllabus. Candidates who have passed only one of these two exams will receive credit for one and a half (1½) exams under the 1980 Syllabus.

C.A.S. Exams Passed Prior to November 1979 Exams

Part 3 only

Part 4 only

Parts 3 and 4

Credit Under the C.A.S. 1980 Syllabus

Parts 3 and 4(a)

Parts 3 and 4(b)

Parts 3 and 4

Candidates in the first two categories above who need a half part (i.e., either Part 4(a) or

4(b)) will be given two opportunities in 1980 to pass the necessary half part: May 1980 and November 1980. Beginning in 1981, the Part 4 exam will be given only in its entirety and half credits will expire.

In November 1979, the following examinations were given:

November 1979 Transitional Exams

Part 3	Numerical Analysis	1 3/4 hours
Part 4(a)	Compound Interest	1 1/2 1 1/4 hours as of
Part 4(b)	Life Contingencies	2 1/2 1 3/4 hours 1980 4 hrs
Part 4 (EA-1)	Compound Interest and Life Contingencies	3 hours

Candidates who are successful on the special November 1979 Numerical Analysis exam will receive credit for the complete Part 3 under the 1980 Syllabus. Parts 4(a), 4(b) and 4 will each provide credit for the corresponding part under the 1980 Syllabus. In 1980, candidates may only register for partial Part 4 examinations if they require that fraction to achieve credit for Part 4 under the 1980 Syllabus.

10. Conduct of Examinations

The examinations are exclusively in writing. No books, papers, typewriters, slide rules, or electronic or mechanical aids to computation of any kind may be brought into the examination room by candidates nor may any candidate communicate with or obtain any assistance from any other candidate during the examination.

Every effort is made to see to it that the questions fall within the scope of the readings and study notes and that each question is answerable within the time allotted to it. Trick questions are deliberately avoided, and the wording of each question is considered carefully to eliminate possible ambiguities. The draft examinations are thoroughly reviewed in relation to all these factors by Officers of the Examination Committee before the final questions are set.

Scoring of the multiple choice examinations will be done in such a way that there is no advantage or disadvantage to be anticipated from guessing answers in a purely random fashion as compared with omitting the answers entirely.

The final decision as to where the pass mark shall be set is arrived at by consultation among the Officers of the Examination Committee and the Part Committee. In determining the pass mark, consideration is given both to the performance level of candidates' answers and to the comparative difficulty of the examination, in relation to that of previous examinations. Appropriate recognition is given to any peculiarities that may appear in connection with the answers to any question on an examination despite all the care taken in setting the examination questions.

Individual consideration will be given to providing special arrangements for persons with demonstrable physical impairments which would impose a severe handicap if examinations were taken under normal conditions. Advance notice that special arrangements will be needed must be given to the Office of the Society at the time of making application to write an examination.

LIBRARY

All candidates registered for the examinations of the Casualty Actuarial Society and all members of the Casualty Actuarial Society have access to all the library facilities. The CAS Library is located at One Penn Plaza, 250 West 34th Street, New York, New York 10001. Phone: (212) 560-1018—(212) 560-1019.

Books and manuals may be withdrawn from the Library for a period of one month without charge. In general, not more than two references may be in the hands of a borrower at one time.

Address requests for books to:

Secretary
CAS Library Service
One Penn Plaza
250 West 34th Street
New York, New York 10001

Phone: (212) 560-1018
(212) 560-1019

PROCEEDINGS AND OTHER PUBLICATIONS OF THE SOCIETY

The prices of past editions of the Proceedings and other publications of the Society and a list of those editions still in print are set out in the Year Book of the Society.

Those wishing to purchase these publications should write the Secretary:

Secretary
Casualty Actuarial Society
One Penn Plaza
250 West 34th Street
New York, New York 10001

Phone: (212) 560-1018
(212) 560-1019

AMERICAN ACADEMY OF ACTUARIES

Satisfactory completion of specified examinations of the Casualty Actuarial Society will satisfy the educational requirements of the American Academy of Actuaries. For further information contact the Academy at 208 South LaSalle Street, Chicago, Illinois 60604.

1980 SYLLABUS OF EXAMINATIONS

Associateship Examinations

<u>Part</u>	<u>Time Allowed</u>	<u>Subjects</u>
1*	3 hours	General Mathematics
2*	3 hours	Probability and Statistics
3*	3 hours	Numerical Methods and Operations Research
4**	4 hours	$\frac{1}{2}$ a) Theory of Interest $2\frac{1}{2}$ b) Introduction to Life Contingencies
5	3 hours	Principles of Economics, Theory of Risk and Insurance, Policy Forms and Coverages, Underwriting and Marketing
6	4 hours	Principles of Ratemaking and Data for Ratemaking
7	4 hours	Insurance Accounting and Expense Analysis, Premium, Loss, and Expense Reserves

Fellowship Examinations

8	3 hours	Insurance Law, Supervision and Regulation, and Statutory Insurance
9	4 hours	Advanced Ratemaking and Individual Risk Rating
10	3 hours	Financial Operations of Insurance Companies, Reinsurance and Excess Rating, Forecasting, and Current Events and Issues

*Jointly administered with the Society of Actuaries

**Jointly administered with the Society of Actuaries, the American Society of Pension Actuaries and the Joint Board for the Enrollment of Actuaries.

RECOMMENDATIONS FOR STUDY

The objective of the Casualty Actuarial Society's education and examination process is to assist the candidate in professionally preparing for an actuarial career of managing the varied corporate responsibilities assigned to an Actuary in the casualty insurance field. The Recommendations for Study present the study material that a casualty actuarial candidate should understand thoroughly, and be able to apply professionally to actual casualty insurance situations. The examination process is designed to assure that each successful casualty actuarial candidate attains a satisfactory level of competence in the subject matter.

The examinations for admission to the two grades of membership in the Society are designed to establish the qualifications of candidates. The following Recommendations for Study are provided as a guide for the candidates in their preparation for the examinations. It should be realized that although the examination questions will be largely based upon the textual material cited, they will not necessarily be drawn directly therefrom. The examinations will test not only the candidate's knowledge of the subject matter, but also the candidate's ability to apply that knowledge. Finally, in the development of the syllabus readings and the examination questions, it is assumed that the candidate is familiar with the material covered in earlier parts. Therefore, it is recommended that the candidate take the parts in numerical order.

In their study for the mathematical sections of the Associateship Examinations, candidates are advised to work out as many examples as possible in order to acquire facility in the application of the mathematical principles and methods to specific problems. The questions on the examinations for Parts 1, 2, 3 and 4 are all of the multiple choice type.

In preparing for Parts 7 through 10, the candidate should become familiar with current developments by reading regularly at least two general insurance periodicals.

The references to papers in the Proceedings of the Casualty Actuarial Society are considered to include all discussions of these papers, though the page references cited refer to the papers only. In the case of readings from out-of-print Proceedings, the candidate is responsible only for those discussions reprinted in the CAS Booklets referred to below.

A more detailed reference of the texts cited will be found in the Index To Readings at the end of these Recommendations. The reading materials suggested in these Recommendations is designed to acquaint the candidate with the respective subjects and should not be interpreted as representing views endorsed by the Casualty Actuarial Society.

Study notes and study kits have been prepared in connection with some examinations and can be obtained from the Secretary's office at the following costs:

Study Kit	Cost
Part 6	\$10.00
Part 6 Update (to 1979 Study Kit)	2.00
Part 7	4.00
Part 9a	4.00
Part 10	10.00
 Study Note	
Part 9b & 10	1.00

Readings from out-of-print Proceedings of the Casualty Actuarial Society are available from the Secretary's office as follows:

Part Booklet	Cost
Part 6	\$3.00
Parts 7 & 9a	3.00
Part 8	3.00
Part 9b	5.00

Sample examination questions for Parts 1-3 and copies of Parts 5-10 examinations for recent years may be obtained from the Secretary. Candidates for Part 4 should check with the Secretary for whatever study aids are available. Also available without charge from the Secretary is a note entitled "Hints on Study and Exam Techniques."

Other material available for a charge from the Casualty Actuarial Society office:

Part 5

Excerpts from the following manuals:

Insurance Services Office:

- Private Passenger Automobile Manual. General Rules. pp. 1-27* \$2.00
- Homeowners 76 Policy Program Manual. General Rules. pp. 1-6* 2.00
- Commercial Lines Manual. Common General Rules pp. CGR1-2, General Liability, pp. GL1-15* 2.00

National Council on Compensation Insurance:

- Basic Manual of Rules, Classifications and Rates for Workmen's Compensation and Employers' Liability Insurance. General Rules. pp. R1-R27, 33* 2.00

Part 6

Excerpts from the following plans:

- Insurance Services Office. *Automobile Statistical Plan* 2.00 ✓
- Insurance Services Office. *Commercial Statistical Plan* 2.00 ✓
- Insurance Services Office. *Personal Lines Statistical Plan for Homeowners Policies, Mobile-homes Policies, Comprehensive Dwelling Policies, Dwelling Policies* 2.00 ✓

~~6.00~~

Part 7

- New York Insurance Department Examination of Insurance Companies Cost to be determined 4.00

Part 8

- The Pricing and Marketing of Insurance 2.00
- Post-Assessment Property and Liability Insurance Guaranty Fund 2.00
- Excerpts from the Report of the National Commission For The Review of Antitrust Laws and Procedures 2.00 ✓

Part 9

Insurance Services Office:

- ✓ General Liability Experience and Schedule Rating Plans 2.00
- ✓ Retrospective Rating Plan D — Rating Supplement for Liability, Burglary and Glass Lines 2.00
- ✓ Retrospective Rating Plan D — Rating Supplement for Automobile Physical Damage 2.00
- ✓ Composite Rating Plan (Automobile, General Liability, Burglary and Glass) 2.00
- ✓ Commercial Fire Rating Schedule (Summary) 2.00

combined in one

4.00

ASSOCIATESHIP

PART 1

GENERAL MATHEMATICS

This Examination Part is jointly administered by the Casualty Actuarial Society and the Society of Actuaries.

This three-hour multiple-choice examination is based on material usually covered in undergraduate mathematics courses through the differential and integral calculus and a first course in linear algebra. The general scope of the examination is indicated by the following topics:

Real and complex numbers; the binomial theorem; elementary set theory, including unions, intersections, and complements; functions; equations and inequalities; analytic geometry of two and three dimensions; systems of linear equations; standard algebraic and transcendental functions, including polynomial, rational, trigonometric, logarithmic, and exponential functions; limits, continuity, differentiability, and integrability; derivatives, integrals, and partial derivatives; the fundamental theorem of integral calculus; applications of derivatives and integrals, including multiple integrals; finite and infinite sequences and series, including the Taylor series expansion; the mean value theorem; linear equations; vector spaces; generating sets; bases; dimension; subspaces; scalar products; orthogonality; linear transformations; kernel and image space; matrices; determinants; eigenvectors and eigenvalues.

Candidates who have not had mathematics courses covering these topics may be helped by any one of the four texts covering calculus and analytic geometry and any one of the three texts covering linear algebra listed below. These may be considered representative of the many texts used in colleges and universities in the United States and Canada which adequately cover the material upon which the candidate may be examined.

Thomas, G. B. (Jr.) *Calculus and Analytic Geometry*. (Fourth Edition).

Johnson, R. E. and Kiokemeister, F. L. *Calculus with Analytic Geometry*. (Fourth Edition).

Protter, M. H. and Morrey, C. B. (Jr.) *College Calculus with Analytic Geometry*. (Second Edition).

Purcell, E. J. *Calculus with Analytic Geometry*.

Curtis, Charles W. *Linear Algebra, an Introductory Approach*.

Lang, Serge. *Linear Algebra*. (Second Edition). Chapters 1-7, 9.

Bradley, Gerald L. *A Primer of Linear Algebra*. Chapters 1-6.

An additional reference for those who may want further practice in solving linear algebra problems is *Linear Algebra* by Seymour Lipschutz (Schaum's Outline Series, McGraw-Hill).

PART 2

PROBABILITY AND STATISTICS

This Examination Part is jointly administered by the Casualty Actuarial Society and the Society of Actuaries.

This three-hour multiple-choice examination is based on material usually covered in undergraduate courses in mathematical probability and statistics. It can be taken by college students who have had a thorough course in these subjects or by persons who have done concentrated reading in these fields. The general scope of the examination is indicated by the following topics, which are among those proposed for a one-year college course in probability and statistics by the Committee on the Undergraduate Program in Mathematics (CUPM) of the Mathematical Association of America:

Sample spaces; axioms and elementary theorems of probability; independence, conditional probability, and Bayes' theorem; permutations and combinations; random variables; binomial, Poisson, normal, and other probability distributions; expectation, mean, variance, and moment generating functions of probability distributions; multivariate distributions; transformations of random variables; conditional and marginal distributions; Chebyshev's inequality, law of large numbers, central limit

theorem; point estimation, including maximum likelihood estimation and the application of criteria such as consistency, unbiasedness, and minimum variance; tests of statistical hypotheses, including power functions, Type I and Type II errors, Neyman-Pearson lemma, and likelihood ratio tests; applications of sampling distributions, such as the normal, chi-square, F, and Student's t distributions, to confidence intervals and to tests for means and variances; regression and correlation; random sampling and randomization techniques; interpretation of experimental results; Bayesian estimation.

The CUPM has reported that statistics courses can be implemented in a variety of ways, and can include different topics with different emphases on topics. That widely divergent approaches are acceptable is illustrated by the many texts appropriate for a one-year college course. Among such texts, the following are representative of those which cover most of the above topics and which provide the mathematical background required for this examination.

1. Hogg, R. V. and Craig, A. T. *Introduction to Mathematical Statistics*. (Fourth Edition).
2. Hoel, P. G., Port, S. C. and Stone, C. J. *Introduction to Probability Theory and Introduction to Statistical Theory*.
3. Mood, A. M., Graybill, F. A., and Boes, D.C. *Introduction to the Theory of Statistics*. (Third Edition).
4. DeGroot, Morris H. *Probability and Statistics*.

Candidates who have mastered the text material and can work the problems in any one of these references should be adequately prepared to handle the mathematical material in this examination.

The following page references to the representative texts listed above are provided to assist candidates in locating some of the appropriate background material for a few selected topics that are included in this examination:

Moment generating functions of probability distributions:

1. Pp. 50-57, 91-92, 101, 105-107, 110-111, 119-120, 164-169.
2. Pp. 197-200 (Volume I).
3. Pp. 78-81, 538-543.
4. Pp. 162-167, 201, 208-209, 214-215, 219, 237-238.

Applications of chi-square distribution (chi-square tests):

1. Pp. 269-283, 312-313.
2. Pp. 91-99 (Volume II).
3. Pp. 440-461.
4. Pp. 438-461.

Applications of F distributions (mainly analysis of variance):

1. Pp. 282-288, 291-296.
2. Pp. 127-133, 140-148, 157-162 (Volume II).
3. Pp. 437-440.
4. Pp. 423-428, 538-552.

Regression and correlation:

1. Pp. 73-78, 117-120, 296-303.
2. Pp. 99-100 (Volume I), 33, 111-119, 148-153 (Volume II).
3. Pp. 155-159, 161, 167-169, 482-502.
4. Pp. 172-182, 507-535.

Bayesian estimation:

1. Pp. 227-233.
2. Pp. 36-42 (Volume II).
3. Pp. 339-350, 396-398.
4. Pp. 275-283.

An additional reference, for candidates who may wish further practice in solving problems, is Spiegel, M. R., *Theory and Problems of Statistics* (Schaum's Outline Series, McGraw-Hill). A second additional reference, for candidates who may wish to acquire further insight into the underlying nature of statistics and exposure to statistical applications is Tanur, Mosteller, et al, *Statistics: A Guide to the Unknown*. (Holden-Day), available in paperback form.

It will be assumed that the candidate is familiar with the ordinary deck of fifty-two playing cards and the ordinary six-faced die.

PART 3

NUMERICAL METHODS AND OPERATIONS RESEARCH

This Examination Part is jointly administered by the Casualty Actuarial Society and the Society of Actuaries.

This three-hour multiple-choice examination covers the two separate subjects of numerical methods and operations research. The examination is based on the material found in the two textbooks listed below.

(a) NUMERICAL METHODS

This subject encompasses various techniques for handling numerical data. Although many of the principles dealt with lend themselves readily to computer procedures and methods, knowledge of such procedures or methods is neither presupposed nor required for the examination.

The general scope of the numerical analysis section of the examination is indicated by the following topics:

Finite differences; interpolation with equal and unequal intervals; central differences; summation; numerical methods of integration and differentiation; difference equations; successive approximation or iterative techniques; numerical methods of handling matrices and determinants; and numerical approaches to linear systems of equations.

Kellison, S. G. *Fundamentals of Numerical Analysis*. Chapters 1-6, 7 (Sections 1-5), 8 (Sections 1-4 and 6-8), 9 (Sections 1-3), 11, and 13 (Sections 1-6).

In addition to a thorough knowledge of this text, the candidate is expected to have worked the problems at the end of each included chapter.

(b) OPERATIONS RESEARCH

The general scope of this subject is indicated by the following topics:

Linear programming; queuing theory; decision analysis; network analysis; and simulation. Narragon, Eugene A. *A Study Manual for Operations Research*. (1979) ~~Casualty Actuarial Society and Society of Actuaries.~~ #8. SOA

In addition to a thorough knowledge of this manual, the candidate is expected to have worked the problems at the end of each chapter.

The emphasis is primarily on problem-solving and secondarily on theoretical considerations. Recourse is made, as needed, to methods from the calculus and classical algebra in order to present a broad perspective of both the practical and the theoretical aspects of this subject.

For many candidates, Part 3 is the first actuarial examination for which they will be preparing without the benefit of a formal course in the subject material. These candidates will find it helpful to maintain contact with other Part 3 candidates and to take advantage of opportunities to discuss with others questions that are considered difficult. Candidates should not hesitate to consult members of the profession in their own organizations or elsewhere who are knowledgeable on these subjects.

The Part 3 examinations are not published. However, a set of illustrative questions may be obtained by candidates applying for the examination by writing the Secretary at the Casualty Actuarial Society's office. Future examinations may vary somewhat from this set of questions as to the proportion of questions of various styles and subjects; new forms of questions may appear from time to time; and the total number of questions may be increased or decreased. After having covered the study material thoroughly, candidates may wish to test themselves individually by trying to answer the illustrative questions within the indicated allotted time. Such a test will not only provide practice in answering multiple-choice questions but may also indicate areas requiring further work and study.

PART 4

This four-hour multiple-choice examination is jointly administered by the Casualty Actuarial Society, the Society of Actuaries, the American Society of Pension Actuaries, and the Joint Board for the Enrollment of Actuaries.

The topics listed below were the most recent available when this syllabus was printed. Information on any subsequent changes may be obtained by writing the Secretary at the Casualty Actuarial Society's office.

PART 4A

The syllabus for this part of the examination includes the following topics:

(a) Theory of Interest (Approximately 40% of the entire Part 4 examination)

Equivalent rates, accumulated value and present value factors; annuities-certain, including continuous annuities-certain, increasing and decreasing annuities-certain, and perpetuities; annuities-certain in which the payment frequency does not correspond with the frequency at which interest is compounded, and settlement options involving annuities-certain; amortization schedules and sinking funds including the determination of outstanding principal, the split of payments into principal and interest, and the determination of required periodic payments; bonds and related securities, including bond price formulas, bond accounting (split of periodic payments into interest income and asset adjustment), amortization schedules, and the determination of yield rates.

Recommended Reference (Society of Actuaries and Casualty Actuarial Society)

Kellison, S. G. *The Theory of Interest*.

PART 4B

The syllabus for this part of the examination includes the following topics:

(b) Introduction to Life Contingencies (Approximately 60% of the entire Part 4 examination).

Measurement of mortality, including definition and application of standard mortality probability symbols; standard approximations for the evaluation of mortality and survival probabilities for fractional periods; fundamental elements of a mortality table; select, ultimate and aggregate mortality. Life annuities; basic forms, commutation functions, continuous life annuities, life annuities paid more frequently than annually, varying life annuities and periodic premiums for life annuities. Life insurance; basic forms for single and annual premiums, variations in timing of the payment of premiums and benefits, varying insurances and insurance and annuity relationships. Net level premium reserves for life insurance and annuities; prospective and retrospective reserve formulas, successive terminal reserves, reserves at fractional durations, continuous reserves and payment of reserve in addition to face amount. Expense considerations, including simple loading and cash value formulas. Special benefits, including cash refund annuities, life annuities with a term certain, retirement income policies and complete annuities. Population theory, including expectation of life (complete and curtate), central death rate, stationary population and average ages in a stationary population. Multiple life functions, joint-life

probabilities, laws of uniform seniority, last survivor and compound status functions and reversionary annuities. Multiple decrement functions including associated single decrement tables; probability of decrement, central rate of decrement; the construction of service (multiple decrement) tables from associated single decrement tables, disability functions and secondary decrements. Special pension topics within the mathematics of life contingencies including salary scales and their application in estimating future salaries and the application of service (multiple decrement) tables in the pension context.

Recommended Reference (Society of Actuaries and Casualty Actuarial Society)
Jordan, C. W. *Life Contingencies*.

PART 5

Prior to commencing study for this Part, the candidate should read the "Recommendations for Study" section, pages 8 and 9, for study suggestions and guidance in obtaining study notes, out-of-printing readings, past examinations, and other information important to sitting for this examination.

Section (a) of this examination deals with the basic principles of economics and with the theory of risk and insurance. Section (b) covers the insurance product, namely policy forms and coverages. Underwriting and marketing are covered in Section (c).

In studying the references it is recommended that they be read in the order listed.

(a) PRINCIPLES OF ECONOMICS, THEORY OF RISK AND INSURANCE

The candidate will need to have a knowledge of the principles of economics at the college level. The candidate should be familiar with the various key concepts and basic principles of economics included in the recommended reading and be able to explain and apply them. The candidate should know what risk is, the kinds of risk and the ways in which they can be handled, with particular emphasis on its relation to insurance.

Samuelson, P. A. *Economics*. 1976. Chapters 1-4, 6, 10-15, 18-20, 21 (Appendix only), 22-26, 30, 31, 33.

Williams, C. A., Head, G. L., and Glendenning, G. W. *Principles of Risk Management and Insurance*. 1978. American Institute for Property and Liability Underwriters. Vol. 1, pages 1-34, 115-166, 273-334.

Houston, D. B. "Risk, Insurance, and Sampling." *The Journal of Risk and Insurance*. Vol. XXXI, No. 4, p. 511.

(b) POLICY FORMS AND COVERAGES

The insurance policy is the contract describing the services and protection which the insurance company is providing to the insured. It is, in effect, the only "product" which the insurance buyer receives until the time a loss occurs. The candidate should know the policy provisions and the bases of exposure used in the respective lines of insurance, with emphasis on basic coverages and features common to all lines as well as those peculiar to specific lines or types.

Williams, C. A., Head, G. L., and Glendenning, G. W. *Principles of Risk Management and Insurance*. 1978. Vol. II, pages 1-81, 225-244, Chapters 13, 14 and 15.

Kulp, C. A. and Hall, J. W. *Casualty Insurance*. 1968. Chapters 4-10.

Bickelhaupt, D. L. *General Insurance*. 1974. Chapters 14, 15, 19, 20, 25, 26, 27 and Appendix C. (Note: A 1979 edition of this text will be available. Candidates using the new text should write the CAS office to obtain a list of comparable chapters.)

Policy provisions change from time to time so that it is essential to supplement the cited texts by study of the contracts currently in use. The candidate will be held responsible for knowledge of the following policy forms (not the associated endorsements): Personal Auto, Homeowners, Workers' Compensation. Current insurance contracts will be considered to be those in the Alliance of American Insurers' *Study Kit of Policies, Forms and Endorsements-Casualty, Fire, Marine and Life*. 1979 Edition. A review of the National Underwriter

Starts at end of Chapter.

Company's *The Fire, Casualty and Surety Bulletins*, or *Broadened Protection for Personal and Business Risks*, current edition, may be helpful to the candidate in preparing for this section although examination questions will not be derived from these sources. The latter consists of pages from the F.C.&S. Bulletins.

The manual sections listed should be studied as illustrative of the part played by manuals in the forms and coverages area.

Certain of the references encompass material beyond the scope of this subsection, that is the determination of manual or class rates and individual risk rating plans. The examination for this section will not reflect such material.

Insurance Services Office

Private Passenger Automobile Manual. General Rules. pp. 1-27.

Homeowners 76 Policy Program Manual. General Rules. pp. 1-6.

Commercial Lines Manual. Common General Rules. pp. CGR1-2. General Liability. pp. GL1-15.

National Council on Compensation Insurance:

Basic Manual of Rules, Classifications and Rates for Workmen's Compensation and Employers' Liability Insurance. General Rules. pp. R1-R27. \$ 2.00

NOTE: The four manuals listed above should not be requested from either ISO or the NCCI. If a candidate does not have access to this material, excerpts are available from the CAS office which include the pages listed for each manual. The excerpt for each manual is \$2.00 per copy.

(c) UNDERWRITING AND MARKETING

Underwriting is a key function in the insurance business with unique qualities which make it critical to the success of the endeavor. Actuaries will often be working closely with underwriters in their day-to-day operations. The candidate should know what the underwriting function is — its basic purpose, principles and activities.

Product design and product modification are areas in an insurance company's operations in which an actuary may become involved with the marketing function of an insurance company as it relates to pricing, market research, and marketing philosophy. The candidate should be well versed in the responsibilities of the marketing function as well as the basic differences among different marketing systems for insurance products.

~~Webb, B. L., Launic, J. J., Rokes, W. P. and Baglioni, N. A. *Insurance Company Operations*. 1978. American Institute for Property and Liability Underwriters. Vol. I. Chapters 1-6.~~

PART 6

Prior to commencing study for this Part, the candidate should read the "Recommendations for Study" section, pages 8 and 9, for study suggestions and guidance in obtaining the study kit (or update material to a 1979 study kit), out-of-printing readings, past examinations, and other information important to sitting for this examination. References are listed in the suggested order for study. The "Study Kit on Ratemaking Developments", listed for both Parts (a) and (b), should be studied in conjunction with several of the individual readings included in the Syllabus. For example, the Fire and Extended Coverage ratemaking sections should be read along with the Hurley paper, and the section on statistical plans should be studied before reading the individual plans.

(a) PRINCIPLES OF RATEMAKING

Section (a) contains readings which describe ratemaking concepts in broad, general principles as well as in specific detail for many lines of insurance. Certain general subjects of particular importance, such as credibility theory, classification and individual risk ratemaking, trend and loss development factors, and liability increased limits ratemaking are addressed in separate papers.

A candidate for this examination should have a thorough understanding of the general, basic principles of ratemaking such that one can analyze data given, select an appropriate ratemaking technique and develop a solution to a numerical problem. In addition, the candidate should be familiar with the ratemaking techniques presented in the readings, being able to compare and discuss why certain procedures are applicable to individual lines of insurance, as well as to work numerical problems.

The candidate should also be prepared to discuss specialized concepts in ratemaking, such as trend and loss development, and consider their relationship to changes in the economic environment.

The candidate is not responsible for current, specific developments in ratemaking procedures. However, a study kit is provided which contains portions of recent rate filings along with pertinent explanatory memoranda. This information is provided so the candidate will be aware of certain current techniques not covered in the various readings. The candidate will not be required to reproduce detailed procedures from the study kit unless specifically noted in the preface to the study kit. The candidate, however, will be responsible for a general understanding of the types of techniques, their application, and how they relate to changes in the economic and social environment.

The following list of topics is typical of those a candidate should be prepared to discuss:

1. The selection and evaluation of ratemaking technique corresponding to the characteristics of a given line of insurance.
 - a. pure premium versus loss ratio,
 - b. calendar year versus accident year versus policy year,
 - c. credibility, and
 - d. territorial and classification relativities.
2. Methods for trending and projecting losses and premiums (when appropriate).
 - a. internal versus external indices,
 - b. relation to loss development,
 - c. claim cost projection versus current cost index approach, and
 - d. impact of deductibles, coinsurance and insurance to value programs.
3. The candidate should also be prepared to discuss and apply ratemaking principles to problems which may not have generally recognized solutions.

†Webb, B. L., Launie, J. J., Rokes, W. P., and Baglini, N. A. *Insurance Company Operations*. 1978. American Institute for Property and Liability Underwriters. Vol. II, Chapters 8, 9, 10.

†Kulp, C. A. and Hall, J. W. *Casualty Insurance*. 1968. Chapter 22.

Dorweiler, P. "Notes on Exposures and Premium Bases." *PCAS XVI*, 1929, p. 319 or *PCAS LVIII*, 1971, p. 59.

Miller, D. L. and Davis, G. E. "A Refined Model for Premium Adjustment." *PCAS LXIII*, 1976, p. 117.

✓Longley-Cook, L. H. *An Introduction to Credibility Theory*. 1962. (Available from CAS office at cost of \$1.50)

✓Kallop, R. "A Current Look at Workers' Compensation Ratemaking." *PCAS XLII*, 1975, p. 62.

Harwayne, F. "Use of National Experience Indications in Workers' Compensation Classification Ratemaking." *PCAS LXIV*, 1977, p. 74. (Appendix excluded).

Fratello, B. "The Workmen's Compensation Injury Table and Standard Wage Distribution Table—Their Development and Use in Workmen's Compensation Ratemaking." *PCAS XLII*, 1955, p. 110.

Stern, P. K. "Ratemaking Procedures for Automobile Liability Insurance." *PCAS LII*, 1965, p. 139.

Lange, J. T. "General Liability Insurance Ratemaking." *PCAS LIII*, 1966, p. 26.

Newman, S. H. "Burglary Insurance Ratemaking." *PCAS LIII*, 1966, p. 312.

Brannigan, J. F. "Current Ratemaking Procedures in Boiler and Machinery Insurance." *PCAS LIII*, 1966, p. 248.

- Hurley, R. L. "Commercial Fire Insurance Ratemaking Procedures." PCAS LX, 1973. p. 208.
- Walters, M. A. "Homeowners Insurance Ratemaking." PCAS LXI, 1974. p. 15.
- Cook, C. F. "Trend and Loss Development Factors." PCAS LVII, 1970. p. 1.
- Head, G. L. *Insurance to Value*. 1971. Chapters 1, 2, 6-8, and Appendices 1-4.
- Lange, J. T. "The Interpretation of Liability Increased Limits Statistics." PCAS LVI, 1969. p. 163.
- Bartleson, E. L. *Health Insurance Provided Through Individual Policies*. 1968. Chapters 4-7 and Appendices 1 and 4.
- MacIntyre, D. M. *Voluntary Health Insurance and Rate Making*. 1962. Chapters 2, 3 and 5.
- Eilers, R. D. and Crowe, R. M., Eds. *Group Insurance Handbook*. 1965. Part IV, Chapters 16-22.
- 1980 Study Kit on Ratemaking Developments. (Available from the CAS office at a cost of \$10.00; Update material to 1979 Study Kit at a cost of \$2.00).

(b) DATA FOR RATEMAKING

Section (b) includes readings which cover the planning and use of internal statistical material, the compilation and presentation of insurance statistics for statistical and rate-making purposes, and the sources and uses of external statistics, particularly as they may be required in insurance administration and ratemaking.

The candidate should be familiar with the data captured in the individual statistical plans, being able to compare the different plans, noting limitations and possible areas of improvement. The relationship to the various ratemaking techniques should be noted.

- Kimball, S. L. and Denenberg, H. S., Eds. Insurance, Government and Social Policy. 1969. Chapter 13. (Not including Appendix.)

Masterson, N. E. "Economic Factors in Liability and Property Insurance Claim Costs, 1935-1967." PCAS LV, 1968. p. 61.

- 76.00 { Insurance Services Office. *Automobile Statistical Plan*. 2.00
- Insurance Services Office. *Commercial Statistical Plan*. 2.00
- Insurance Services Office. *Personal Lines Statistical Plan for Homeowners Policies, Mobile-homes Policies, Comprehensive Dwelling Policies, Dwelling Policies*. 2.00

NOTE: The statistical plans listed above should not be ordered directly from ISO. Instead, if a candidate needs a copy of the plans, an excerpt of each plan is available from the CAS office at a cost of \$2.00 per plan. The excerpt includes the pages referenced in the study note on statistical plans included in the study kit.

National Council on Compensation Insurance. *Workmen's Compensation Unit Statistical Plan Manual*.

- Study Kit on Ratemaking Developments. (This is the same study kit as required for Part (a)).

PART 7

Prior to commencing study for this Part, the candidate should read the "Recommendations for Study" section, pages 8 and 9, for study suggestions and guidance in obtaining study notes, out-of-printing readings, past examinations, and other information important to sitting for this examination.

Section (a) of this examination deals with the form, content and interpretation of the two major reports an insurance company makes to regulatory authorities, and with sources of comparative data. Section (b) deals with the analytical techniques which an actuary may employ to develop certain of the data required for these reports.

(a) INSURANCE ACCOUNTING AND EXPENSE ANALYSIS

The candidate should obtain a general knowledge of insurance accounting, including its terminology and practice. The candidate should have detailed familiarity with the

contents, purpose, and recent changes in the Annual Statement Blank and the Insurance Expense Exhibit. This includes a knowledge of the methods of preparation and inter-relationships of the various exhibits, schedules, and parts comprising these reports. The candidate should understand the details of and reasons for the differences between the accounting methods employed in these reports and those of normal business accounting. The candidate should also understand the differences between the statistics included in these reports and those used for ratemaking and the various types of experience analysis. The candidate should be able to interpret and evaluate data from the reports, identify potential distortions in the data, and suggest possible means of adjusting for any distortions.

- \ National Association of Insurance Commissioners. *Proceedings*. Blanks Committee (A-1) Reports for years 1975 through Volume I 1980 as applicable to the Fire and Casualty Blank.

(1) *Insurance Accounting*

- \ 1980 Study Kit of Current Articles (available from CAS office at a cost of \$4.00).
- X Association Form of 1979 Annual Statement Blank for Fire and Casualty Companies including the attending instructions (both individual and consolidated basis).
- \ Strain, R. W. *Property-Liability Insurance Accounting*. 1974 or 1976. Chapters 1, 2, 8, 9, 10, 12, 13, 14, 15, 16, 17, Appendices.
- \ New York State Insurance Department. *Examination of Insurance Companies*. Volume 2, Chapters 9 (pp. 461-474 and 494-522), 10 (pp. 557-633). (Available from CAS office at a cost-to-be-determined). ~~9/1~~
- Committee on Annual Statement. "Report on the Annual Statement." *PCAS LII*, 1965. p. 244.
- \ American Institute of Certified Public Accountants. *Audits of Fire and Casualty Insurance Companies*. Chapter 9.
- Balcarek, R. J. "Effect of Loss Reserve Margins in Calendar Year Results." *PCAS LIII*, 1966. p. 1.
- Salzmann, R. "Schedule P on a Calendar/Accident Year Basis." *PCAS LIV*, 1967. p. 120.
- Otteson, P. M. "Some Observations Concerning Fire and Casualty Insurance Company Financial Statements." *PCAS LII*, 1965. p. 215.
- Pruitt, D. M. "Uniform Accounting — A Study of Regulation." *PCAS XXXVI*, 1949. p. 22.
- \ Insurance Accounting and Statistical Association. *Proceedings*.

<u>Year</u>	<u>Page</u>	<u>Article</u>
1965	269	Interpretation and Analysis of Insurance Financial Statements.
1967	695	Analysis of Financial Conditions. (Four Articles).
1969	630	Thoughts About Annual Statement Reporting.
1970	687	Managerial Versus Statutory Accounting.

(2) *Expense Analysis*

- 1979 Insurance Expense Exhibit.
- \ Strain, R. W. *Property-Liability Insurance Accounting*. 1974 or 1976. Chapter 11.
- \ New York State Regulations. Title 11, Parts 105 through 109 (Regulation 30). (Available from CAS Library.)
- \ New York State Insurance Department. *Examination of Insurance Companies*. Volume 4, Chapters 2, 3. (Available from CAS office. Included in booklet referenced in section (1).)

Insurance, Accounting and Statistical Association. *Proceedings*.

<u>Year</u>	<u>Page</u>	<u>Article</u>
1963	273	Review of Uniform Accounting Instructions and Methods Used by Country Mutual in Allocating Expenses.
1971	475	Allocation of Investment Income to Underwriting.
1971	614	Investment Income Allocation.

Morison, G. D. "The 1965 Study of Expenses by Size of Risk." *PCAS LIII*, 1966. p. 61.

(3) *Published Financial Information*

The candidate should be familiar with the sources of published insurance statistics in order to know where to obtain such information when the need arises. The following annual publications constitute a representative list of such sources:

Best, A.M., Co., Inc.

Best's Insurance Reports — Property/Casualty

Best's Reproductions of Convention Statements — Property/Casualty

Best's Aggregates and Averages — Property/Casualty

Best's Executive Data Service

Best's Key Rating Guide — Property/Casualty

The National Underwriter

Argus F. C. & S. Chart

Argus Chart of Health Insurance

~~New York Insurance Department. *Loss and Expense Ratios* (compiled from Insurance Expense Exhibits).~~

New York Insurance Department. *Statistical Tables from Annual Statements*.

(b) **PREMIUM, LOSS AND EXPENSE RESERVES**

An actuary may be expected by an employer to design and test reserving methods, and complete Schedules O and P of the Annual Statement. The candidate should be prepared to discuss such topics as:

1. The selection and evaluation of a loss reserving method appropriate to a given line of insurance:
 - a. For known claims
 - b. For IBNR claims
 - c. For all incurred claims
2. The identification of, and correction for, effects on loss reserves stemming from:
 - a. Changes in the loss climate
 - b. Changes in a company's handling of claims
3. Special reserving problems in a line arising from:
 - a. Catastrophe losses
 - b. Reopened claims
 - c. Policies on a claims-made rather than occurrence basis
 - d. Fidelity and Surety IBNR
 - e. Credit insurance
4. The unearned premium reserve:
 - a. Improving its accuracy
 - b. The reserve for retrospective returns
 - c. Policies on a claims-made basis
 - d. Deposit premiums policies
5. Allocated expense reserves.
6. Unallocated loss expense reserves.
7. Evaluating the adequacy of current loss and loss expense reserve levels.
8. Statutory Annual Statement reserves.

The candidate should also be familiar with current developments in the above areas (a) and (b).

The candidate should be prepared to compare and evaluate the procedures discussed and the arguments advanced in the readings. The answers provided by the candidate will be graded based on their applicability to the specific problem presented and the professional competence evidenced by the answer. While the readings for this part provide the basic factual information necessary, practical experience has often proven helpful in successfully completing the examination.

1980 Study Kit of Current Articles (available from the CAS office at a cost of \$4.00). This is the same study kit as referenced in section (a).

Those pages and schedules of the association form of the 1979 Annual Statement Blank for Fire and Casualty Companies which relate to reserves.

Strain, R. W. *Property-Liability Insurance Accounting*. 1974 or 1976. Chapters 3, 6, 7.

New York State Insurance Department. *Examination of Insurance Companies*. Volume 3, Chapters 2 (pp. 95-110), 3 (except pp. 175-204). (Available from CAS office. Included in the booklet referenced in Part 7a).

Skurnick, D. "A Survey of Loss Reserving Methods". *PCAS LX*, 1973. p. 16.

Fisher, W. H. and Lange, J. T. "Loss Reserve Testing: A Report Year Approach". *PCAS LX*, 1973. p. 189.

Tarbell, T. F. "Incurred But Not Reported Claim Reserves". *PCAS XX*, 1933. p. 275 or *PCAS LVIII*, 1971. p. 84.

Bornhuetter, R. L. and Ferguson, R. E. "The Actuary and IBNR". *PCAS LIX*, 1972. p. 181.

Simon, L. J. "Distortion in IBNR Factors". *PCAS LVII*, 1970, p. 64.

Balcarek, R. J. "Reserves for Reopened Claims on Workmen's Compensation". *PCAS XLVIII*, 1961, p. 1.

Ferguson, R. E. "Actuarial Note on Workmen's Compensation Loss Reserves". *PCAS LVIII*, 1971.

Resony, A. V. "Allocated Loss Expense Reserves". *PCAS LIX*, 1972. p. 141.

Insurance Accounting and Statistical Association. *Proceedings*.

<u>Year</u>	<u>Page</u>	<u>Article</u>
1974	693	Testing and Evaluating Loss Expense Reserves

Fisher, W. H. and Lester, E. P. "Loss Reserve Testing in a Changing Environment". *PCAS LXII*, 1975. p. 154.

McClenahan, C. L. "A Mathematical Model for Loss Reserve Analysis". *PCAS LXII*, 1975. p. 134. (The candidate will not be held responsible for notation or the development of the formulas in this paper.)

FELLOWSHIP PART 8

Prior to commencing study for this Part, the candidate should read the "Recommendations for Study" section, pages 8 and 9, for study suggestions and guidance in obtaining study notes, out-of-printing readings, past examinations, and other information important to sitting for this examination.

(a) INSURANCE LAW, SUPERVISION AND REGULATION

Insurance Supervision and Regulation is predicated on developing law and legal precedent. To better understand the relationship between insurer operations and those authorities empowered to regulate insurance, basic concepts of law and specific concepts of Insurance Law are presented in the readings below. The candidate should concentrate on those concepts of law which relate to the insurance contract, to the conduct of the business of insurance, and

to the way insurance is marketed. The *New York Law* statutes cited are representative of state insurance law which has evolved over time. Since the New York law is periodically revised, care should be exercised in reviewing the most recent version of each section.

The topic of rate regulation is covered extensively in the readings for this section, and the candidate should know both the history of, and the various approaches to, rate regulation in use in different jurisdictions. This topic should be reviewed within the context of the basic objectives of regulation: insurer solvency, availability of insurance, and fair treatment of policyholders and claimants.

Important court cases and legislation which provide the foundations for the present system of regulation should be reviewed as well as proposals to modify the present system.

The NAIC, which is the central body of all state regulation, meets regularly to consider current issues of concern. Its proceedings provide adequate discussion of those issues and has provided in many cases model laws for enactment by each affected state.

The candidate is encouraged to review the Proceedings of the NAIC for committee and subcommittee reports which pertain to *Laws, Legislation, and Regulation* (B), and *Property and Liability* (D).

(1) *Background Law and Insurance*

Barnes, A. J. *Self Review in Business Law*. 1970.

Anderson, R. A. *The Insurer's Tort Law*. 1971.

Kulp, C. A. and Hall, J. W. *Casualty Insurance*. 1968. Chapter 23.

~~New York (State) Laws, Statutes, etc. *New York Insurance Law*. Articles I-V (except IIIa), VII, VIII, X, XIa, XII, XV (except XVa), and XVI.~~

The candidate is responsible only for the sections of the law as stated. If studying from publications such as the Consolidated Laws Service, which cite case histories as well as the law itself, the candidate is not responsible for the case histories although they may be helpful to an understanding of the law. Candidates will not be tested on those sections of the New York Laws dealing exclusively with life insurance and/or annuities.

(2) *Supervision and Regulation*

Hartman, G. R. *Ratemaking for Homeowners Insurance*. 1967. Chapters 4 and 7.

Mertz, A. C. *The First Twenty Years*.

Carlson, T. O. "Rate Regulation and the Casualty Actuary." *PCAS XXXVIII*, 1951. p. 9 (excluding appendices).

New York (State) Insurance Department. *The Public Interest Now in Property and Liability Insurance Regulation*. (A Report to Governor Nelson A. Rockefeller, January 7, 1969.) pp. 3-25, 149-150.

Bureau of Insurance, Richmond, Virginia. *Competition in the Property and Casualty Insurance Industry*. January, 1978. (Available from the C.A.S. library).

The Pricing and Marketing of Insurance — A report of the Department of Justice to the Task Group on Antitrust Immunities — January 1977. pp. iii-xii. (Available from CAS office at a cost of \$2.00.)

Monitoring Competition — A Means of Regulating the Property and Liability Insurance Business — National Association of Insurance Commissioners, May, 1974. Summary — pp. 671-696 (Also published as a supplement to 1974 NAIC Proceedings).

* *Report to the President and the Attorney General of the National Commission for the Review of Antitrust Laws and Procedures* (January, 1979). Chapter 9: General Conclusions and Recommendations. Chapter 11: Insurance.

* Report of Economic Advisory Panel — "Competition and Regulation in the Property/Casualty Insurance Industry."

* Statement of Arthur C. Mertz, before the National Commission for the Review of Antitrust Laws and Procedures.

* (The above three items are available from CAS office as "Excerpts from the Report of the National Commission for the Review of Antitrust Laws and Procedures" at a cost of \$2.00.)

Kimball, S. L. and Denenberg, H. S. Eds. *Insurance, Government and Social Policy*. 1969. Chapters 1-4, 8-10, 18.

National Association of Insurance Commissioners (NAIC) Proceedings for background information and a general understanding of the operation of the NAIC and the Guide to Use of the Proceeding, the Constitution sections along with the NAIC Organization Chart should be reviewed. The 1977, 1978 and 1979 Volumes of the Proceedings should be reviewed for all discussions and committee reports relating to topics covered in section 8(a), as found in reports of the following Committees and their subcommittees.

Laws, Legislation and Regulation (B)

Property and Liability (D)

Post-Assessment Property and Liability Insurance Guaranty Fund — NAIC Model Act — (available from CAS office at a cost of \$2.00).

(b) STATUTORY INSURANCE

This section of this examination part involves a study of insurance coverages mandated by statute. In reviewing the recommended readings the candidate should be aware of the modifications of the tort law system with the introduction of various "First Party" compensation systems. In addition the candidate should be aware of the relationship of Financial Responsibility laws and the presence of Assigned Risk Plans or other mechanisms for involuntary markets.

Finally, social insurance plans are presented. Since Social Security and related programs (OASDHI) affect almost everyone, special attention should be paid to the underlying concepts of benefits, funding, applicability and administration. While the candidate should be prepared to discuss the development of these concepts over time, it is not necessary to memorize the details of each legislative revision or benefit calculation.

The candidate should expect questions requiring knowledge of the scope of current coverage (including recent legislative changes), and should be prepared to define those terms used in connection with social insurance programs. The candidate should be familiar with current issues as presented in the Myers text and in the trade press.

Disability insurance is also classed as social insurance and, therefore, should be approached by the candidate in a manner similar to the Social Security Programs.

(1) Statutory Automobile Insurance

Kulp, C. A. and Hall, J. W. *Casualty Insurance*. 1968. Chapters 11 (pp. 372-386 and 411-478), 12 and 13.

Department of Transportation. *Motor Vehicle Crash Losses and Their Compensation in the United States*. March 1971.

Aponte, J. and Denenberg, H. S. "The Automobile Problem in Puerto Rico: Dimensions and Proposed Solution." *The Journal of Risk and Insurance*. 1968.

American Insurance Association. *Summary of Selected State Laws and Regulations Affecting Automobile Insurance*. 1979 Edition.

a. No-Fault Benefits (pp. 1-11)

b. Add-On Benefits (pp. 12-15)

c. Compulsory Liability, Financial Responsibility, and Uninsured Motorists Laws (pp. 43-61)

d. Residual Market Plans (p. 65)

Department of Transportation, *A Study of Assigned Risk Plans*. August, 1970.

(2) Social Insurance and Allied Programs

Myers, R. J. *Social Security*. 1975. Chapters 1-11, 13 and 15. (Including appendices referred to in these chapters.)

Robertson, A. Haeworth. *Review of Myers' Social Security* (available from the CAS office at no charge).

Robertson, A. Haeworth. *The Outlook for Social Security 1977-2051* (available from CAS office at no charge).

History of the Provisions of the Old-Age, Survivors, Disability and Health Insurance Act 1935-1975. HEW Publication 76-11515.

New York (State) Department of Labor. *Studies in Disability Insurance*. (Special Bulletin #224) Out of print. (Available from CAS Library.)

Schwartz, M. J. "New York Statutory Disability Benefits Law, Coverage, Rates and Rating Plans." PCAS XXXVII, 1950. p. 57.

PART 9

Prior to commencing study for this Part, the candidate should read the "Recommendations for Study" section, pages 8 and 9, for study suggestions and guidance in obtaining study notes, out-of-printing readings, past examinations, and other information important to sitting for this examination.

(a) ADVANCED RATEMAKING

Candidates for this part are expected to have acquired considerable technical knowledge and practical experience in insurance ratemaking. In addition, they should keep in touch with current developments and problems in ratemaking. The examination will assume a working knowledge of basic ratemaking and will deal with advanced problems such as those covered in the papers listed below. The examination will not necessarily be limited to the excerpts expressed in the listed papers. The ability to apply ratemaking knowledge and experience may be tested through questions dealing with problems for which there are no generally recognized solutions. To some degree, they will deal with the types of practical problems which a fully qualified actuary working in ratemaking should be able to solve.

All the papers in this section should be read for illustrations of basic principles and theories, as well as any insights into advanced ratemaking problems and their solutions. In none of the papers is the derivation of formulas or equations to be stressed, but some applications of those techniques may be required. Some papers are included primarily for their historical significance in order to gain perspective on the state of the art and the constancy of ratemaking principles.

1980 Study Kit on Advanced Ratemaking (Available from CAS office at a cost of \$4.00).

Kimball, S. L. and Denenberg, H. S., Eds. *Insurance, Government, and Social Policy*. 1969. Chapter 11.

Bailey, R. A. "Insurance Rates with Minimum Bias." PCAS L, 1963. p. 4.

Lange, J. T. "Implications of Sampling Theory for Package Policy Ratemaking." PCAS LIII, 1966. p. 285.

Longley-Cook, L. H. "Underwriting Profit in Fire Bureau Rates." PCAS LIII, 1966. p. 305.

Lange, J. T. "Application of a Mathematical Concept of Risk to Property-Liability Insurance Ratemaking." *The Journal of Risk and Insurance*. Volume XXXVI, No. 4. 1969.

Finger, R. J. "A Note on Basic Limits Trend Factors." PCAS LXIII, 1976.

Bickerstaff, D. R. "Automobile Collision Deductibles and Repair Cost Groups: The Lognormal Model." PCAS LIX, 1972. p. 68.

Whitman, A. F. and Williams, C. A. "Environmental Hazards and Rating." *The Journal of Risk and Insurance*. Vol. XXXVII, No. 3 September 1970. pp. 419-436.

Dropkin, L. B. "Some Considerations on Automobile Rating Systems Utilizing Individual Driving Records." PCAS XLVI, 1959. p. 165.

Bailey, R. A. and Simon, L. J. "An Actuarial Note on the Credibility of Experience of a Single Private Passenger Car." PCAS XLVI, 1959. p. 159.

Mayerson, A. L. "A Bayesian View of Credibility." PCAS LI, 1964. p. 85.

Mayerson, A. L., Jones, D. A., Bowers, N. L. (Jr.) "The Credibility of the Pure Premium." PCAS LV, 1968. p. 175.

Hewitt, C. C. "Credibility for Severity." PCAS LVII, 1970. p. 148.

Backman, J. *Surety Rate Making*. 1948. Chapters 8, 12, 13.

Roth, R. J. "The Rating of Crop-Hail Insurance." PCAS XLVII, 1960. p. 108.

Wade, R. C. "Expense Analysis in Ratemaking and Pricing." PCAS LX, 1973. p. 1.

(b) INDIVIDUAL RISK RATING

One of the most important functions performed by an actuary is the rating of individual risks. Prior to Part 9, most of the readings were addressed to group or classification risk rating. This part provides detail readings on individual experience risk rating so that the candidate will be prepared to design and manage an individual risk rating system.

Individual risk rating consists of two principal sections:

- 1) Prospective rating which is more commonly known as Experience rating.
- 2) Retrospective rating.

The readings range from those which discuss the theoretical foundation of individual risk rating to those which discuss the application of various plans.

The candidate will be expected to have a good working knowledge of credibility, loss limitation, and rate modification concepts as they apply prospective and retrospective rating and loss distribution, insurance charge and excess loss charge concepts as they apply to retrospective rating. The candidate can be expected to apply these concepts in a creative and problem solving manner.

The candidate is also expected to be knowledgeable in the application of individual risk rating plans currently in use (excluding individual state pages) and should anticipate answering questions in the manner of an insurance consultant for an insured. Finally, the candidate should keep abreast of current developments and problems as they apply to individual risk rating.

Candidates unfamiliar with the general principles underlying individual risk rating plans should review *Michelbacher and Ross*, Chapter 3; *Kulp and Hall*, Chapter 22, or *American Institute for Property and Liability Underwriters, Insurance Company Operations*, Volume II, pages 175 to 195, before studying the required readings for this part. The candidate may gain a better understanding of the application of prospective and retrospective rating plans from John R. Stafford's books, *Workers' Compensation Experience Rating* and *Retrospective Rating*, but will not be held responsible for their contents. It is realized that parts of some technical articles cited in the recommended reading for this part are not current. However, the candidate should study all articles for their explanation of theory.

(1) Experience Rating

Snader, R. H., "Fundamentals of Individual Risk Rating and Related Topics: Part I of Study

Note (This study note is available from CAS office at a cost of \$1.00. Since it represents a compilation of several articles, it should be read in conjunction with the other readings of this section.)

The candidate should study the following rating plans and the forms used in the application thereof:

National Council on Compensation Insurance:

Experience Rating Plan

#1 (Insurance Services Office: Experience and Schedule Rating Plans applicable to: General Liability (Available from the CAS office at a cost of \$2.00 per copy).)

Surety Association of America:

Experience Rating Plan — Financial Institutions.

Dorweiler, P. "A Survey of Risk Credibility in Experience Rating." PCAS XXI, 1934. p. 1

(or PCAS LVIII, 1971. p. 90.

Perryman, F. S. "Experience Rating Plan Credibilities." PCAS XXIV, 1937. p. 60 or PCAS LVIII, 1971. p. 143.

Uhthoff, D. R. "The Compensation Experience Rating Plan — A Current Review." PCAS XLVI, 1959. p. 285.

(2) *Retrospective Rating*

Snader, R. H., "Fundamentals of Individual Risk Rating and Related Topics". Part II of Study Note (see comments in Section (1)).

The candidate should study the following retrospective rating plans and the forms used in the application thereof:

National Council on Compensation Insurance:

Retrospective Rating Plans — Plans A, B, C and J.

Retrospective Rating Plan D.

Retrospective Rating Plan D — Rating Supplement for Workmen's Compensation.

Insurance Services Office:

Retrospective Rating Plan D — Rating Supplement for Liability, Burglary and Glass Lines.

Retrospective Rating Plan D — Rating Supplement for Automobile Physical Damage.

(Each available from CAS office for a cost of \$4.00 per copy).

Dorweiler, P. "On Graduating Excess Pure Premium Ratios." *PCAS XXVIII*, 1941. p. 132.

Carlson, T. O. "An Actuarial Analysis of Retrospective Rating." *PCAS XXVIII*, 1941. p. 283.

Valerius, N. M. "Risk Distributions Underlying Insurance Charges in the Retrospective Rating Plan." *PCAS XXIX*, 1942. p. 96.

Harwayne, F. "Accident Limitations for Retrospective Rating." *PCAS LXIII*, 1976. p. 1.

Foster, R. B. "The Boiler and Machinery Adjustment Rating Plan." *PCAS XLI*, 1954. p. 135.

Skurnick, D. "The California Table L." *PCAS LXI*, 1974. p. 117.

Hewitt, C. C. "Loss Ratio Distribution — A Model." *PCAS LIV*, 1967. p. 70.

(3) *Miscellaneous Rating*

The candidate should study the following rating plans and the forms used in the application thereof:

Insurance Services Office:

Composite Rating Plan (Automobile, General Liability, Burglary, Glass.)

(Each available from CAS office at a cost of \$2.00 per copy).

Insurance Services Office:

Commercial Fire Rating Schedule. Copyright 1975. (Summary available from CAS office at a cost of \$2.00 per copy.)

PART 10

Prior to commencing study for this Part, the candidate should read the "Recommendations for Study" section, pages 8 and 9, for study suggestions and guidance in obtaining study notes, out-of-print readings, past examinations, and other information important to sitting for this examination.

Part 10 represents the final step in the examination process and is designed to test both the breadth and depth of the candidate's understanding of the insurance process. The candidate is expected to have acquired considerable technical knowledge and practical experience during preparation for the previous examinations.

The required reading material for this examination is divided into four sections, each of which builds on information covered in previous examinations. Questions may be asked which require use of material mastered in preparation for these previous examinations.

(a) FINANCIAL OPERATIONS OF INSURANCE COMPANIES

This section explores the various relationships that exist between underwriting results, investment income, and taxes that arise out of the underwriting process and total operating income. The candidate is also expected to develop an appreciation of the varying standards employed in measuring overall operations from the perspective of the stockholder, the

manager, the regulator and the policyholder. The candidate should be prepared to compare and evaluate the procedures discussed and the arguments advanced in the readings.

1980 Study Kit of Current Articles (Available from the CAS office at a cost of \$10.00 per copy).

Herron, S. D., Jr., "Insurance Company Investments." *PCAS LII*, 1965. p. 238.

National Association of Insurance Commissioners. *Measurement of Profitability and Treatment of Investment Income in Property and Liability Insurance*. June, 1970. 1970 Proceedings for NAIC, Vol. IIA. pp. 742-780, 809-817, and 845-893.

Balcarek, R. J., "The Capital Investment Market and the Insurance Industry." *PCAS LV*, 1968. p. 186.

Kimball, S. L. and Denenberg, H. S., Eds. *Insurance, Government and Social Policy*. 1969. Chapter 6.

Strain, R. W., *Property — Liability Insurance Accounting*. 1974 or 1976. Chapter 5.

Beckman, R. W., "Federal Income Taxes." *PCAS LVIII*, 1971.

Ferrari, J. R., "The Relationship of Underwriting, Investments, Leverage, and Exposure to Total Return on Owners' Equity." *PCAS LV*, 1968. p. 295.

Stone, J. M., "A Theory of Capacity and the Insurance of Catastrophe Risks." *The Journal of Risk and Insurance*. Part I in Vol. XL No. 2 (June, 1973) p. 231 and Part II in Vol. XL No. 3 (September, 1973) p. 339.

Ferrari, J. R., "A Theoretical Portfolio Selection Approach for Insuring Property and Liability Lines." *PCAS LIV*, 1967. p. 33.

Brubaker, R. E., "A Constrained Profit Maximization Model for a Multi-Line Property/Liability Company." *Total Return Due a Property/Casualty Insurance Company, 1979*. Casualty Actuarial Society Call Paper Program. p. 28 (Candidate is not responsible for the detailed iterations in the exhibits.) 15.

Bailey, R. A., "Underwriting Profit from Investments." *PCAS LIV*, 1967. p. 1.

(b) REINSURANCE AND EXCESS RATING

This section deals with various techniques for risk sharing between an insurer and a re-insurer as well as between an insured and an insurer.

The candidate should have a general knowledge and understanding of:

1. The various types of reinsurance, the advantages and disadvantages of each type, the purpose of each type, and the effects of reinsurance transactions on the company operating results and other financial information, as well as methods employed to analyze costs.
2. Deductible and excess coverages, and the problems inherent in pricing these coverages for various lines.

Webb, B. L., Launie, J. J., Rokes, W. P. and Baglini, N. A., *Insurance Company Operations*. 1978. American Institute for Property and Liability Underwriters. Vol. I. Chapter 7.

Munich Reinsurance Company, *Reinsurance and Reassurance*. Vol. I-IV.

Ferguson, R. E., "Nonproportional Reinsurance and The Index Clause." *PCAS LXI*, 1974. p. 141.

Miccolis, R. S., "On the Theory of Increased Limits and Excess of Loss Pricing." *PCAS LXIV*, 1977.

Finger, R. J., "Estimating Pure Premiums by Layer." *PCAS LXIII*, 1976. p. 34.

(c) FORECASTING

An actuary may be expected to develop both short and long range forecasts, and to play a key role in the corporate planning process of an insurance company. This section was designed to familiarize the candidate with various techniques employed in forecasting and planning. It is intended to provide an understanding of the advantages and disadvantages of various forecasting methods, how to interpret statistical measures in evaluating various techniques, and the assumptions underlying each.

Wheelright, S. D., Makridakis, S., "Forecasting Methods for Management." Second Edition, 1977, Chapters 1, 2, 3, 5, 7, 11, and 12.

Lommele, J. A. and Sturgis, R. W., "An Econometric Model of Workmen's Compensation." PCAS LXI, 1974. p. 170.

McLagan, D. L., "A Non-Econometrician's Guide to Econometrics." *Business Economics*, Vol. VIII, No. 3, May, 1973, p. 38. (Available from CAS office at no charge).

(d) CURRENT EVENTS AND ISSUES

This section deals with industry topics of current interest with which the candidate should be familiar.

In preparing for this subject, the candidate is expected to be familiar with major issues reported in the general press and in trade journals. The candidate should be able to define the problem involved, and to discuss both sides of the issue.

The candidate's attention should be directed to the general trade press coverage of current events. In certain instances, however, more detailed knowledge may be required from specific related source documents in order to fully respond to a question.

Miss Martha Wilson
617-861-7580
Lexington Mass

INDEX TO READINGS

Readings are available through the library of the Casualty Actuarial Society. However, the following information is furnished for those who wish to purchase the references.

- Alliance of American Insurers, 20 North Wacker Drive, Chicago, Illinois 60606.
- American Institute of Certified Public Accountants. *Audits of Fire and Casualty Insurance Companies*. Chapter 9. American Institute of Certified Public Accountants, 666 Fifth Avenue, New York, New York 10019.
- American Institute for Property and Liability Underwriters. Providence and Sugartown Roads, Malvern, Pennsylvania 19355. 215. 644-2100
- American Insurance Association. *Summary of Selected State Laws and Regulations Relating to Automobile Insurance*. (1978 Edition). American Insurance Association, 85 John Street, New York, New York 10038.
- Anderson, R. A. *The Insurer's Tort Law*. (1971). The Littoral Development Company, 252 South Van Pelt Street, Philadelphia, Pennsylvania 19103.
- Backman, J. *Surety Rate-Making*. (1948). Surety Association of America, 100 Wood Ave., S. Iselin, New Jersey 08830.
- Barnes, A. J. *Self Review in Business Law*. (1970). Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois 60430.
- Bartleson, E. L. *Health Insurance Provided Through Individual Policies*. (1968). The Society of Actuaries, 208 South LaSalle Street, Chicago, Illinois 60604.
- Best, A. M., Company, Inc., Ambest Road, Oldwick, New Jersey 08858.
- Bickelhaupt, D. L. *General Insurance*. (1974). Richard D. Irwin, 1818 Ridge Road, Homewood, Illinois 60430.
- Bradley, Gerald L. *A Primer of Linear Algebra*. (1975). Prentice-Hall, Inc., Englewood Cliffs, New Jersey 07632.
- Bureau of Insurance, Richmond, Virginia. *Competition in the Property and Casualty Insurance Industry*. January 1978. Bureau of Insurance, State Corporation Commission, Richmond, Virginia 23219.
- CPCU Annals, Penn State Building, Media, Pennsylvania 19063.
- Casualty Actuarial Society, One Penn Plaza, 250 West 34th Street, New York, New York 10001.
- Curtis, Charles W. *Linear Algebra, an Introductory Approach*. (Third Edition) (1974). Allyn & Bacon, Inc., College Division, Rockleigh, New Jersey 07647.
- De Groot, Morris H. *Probability and Statistics*. (1975). Addison-Wesley Publishing Co., Inc. Jacob Way, Reading, Massachusetts 01867.
- Department of Health Education and Welfare, (H.E.W.) *History of the Provisions of Old-Age, Survivors, Disability, and Health Insurance 1935-1975*. Social Security Administration, Office of the Actuary. DHEW Publication No. (SSA) 76-11515. Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.
- Department of Transportation. *Motor Vehicle Crash Losses and Their Compensation in the United States*. March, 1971. GPO-1971-0-420-342. Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.
- Eilers, R. D. and Crowe, R. M., Eds. *Group Insurance Handbook*. (1965). Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois 60430.
- Hartman, G. R. *Ratemaking for Homeowners Insurance*. (1967). Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois 60430.
- Harvard Business Review, Reprint Manager, Boston, Massachusetts 02163.
- Head, G. L. *Insurance to Value*. (1971). Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois 60430.

- Hoel, P. G., Port, S. C., and Stone, C. J. *Introduction to Probability Theory and Introduction to Statistical Theory*. 1971 Text Edition. Houghton Mifflin Co., 2 Park Street, Boston, Massachusetts 02107 or 551 Fifth Avenue, New York, New York 10017.
- Hogg, R. V. and Craig, A. T. *Introduction to Mathematical Statistics*. (Fourth Edition) 1978 Text Edition. Macmillan Publishing Company, Inc., 866 Third Avenue, New York, New York 10022.
- Insurance Accounting and Statistical Association, ~~406 West 34th Street, Kansas City, Missouri 64111.~~ *Office of Current Sec'y.*
- Insurance Services Office, 160 Water Street, New York, New York 10038.
- Johnson, R. E., and Kiokemeister, F. L. *Calculus with Analytic Geometry*. (Fourth Edition). Allyn and Bacon, Inc., Rockleigh, New Jersey 07647.
- Jordan, C. W. *Life Contingencies*. (Second Edition) (1967). Society of Actuaries, 208 South LaSalle Street, Chicago, Illinois 60604.
- Journal of Risk and Insurance (The), The American Risk and Insurance Association, Inc., 112 E. Washington Street, Bloomington, Illinois 61701.
- Kellison, S. G. *Fundamentals of Numerical Analysis*. (1975). Text Edition. Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois 60430.
- Kellison, S. G. *The Theory of Interest*. (1970 Edition or 1975 reprint of 1970 Edition). Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois 60430.
- Kimball, S. L. and Denenberg, H. S., Eds. *Insurance, Government and Social Policy*. (1969). Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois 60430.
- Kulp, C. A. and Hall, J. W. *Casualty Insurance*. (Fourth Edition) (1968). The Ronald Press Co., Division of John Wiley and Sons, 605 Third Ave., New York, New York 10017.
- Lang, Serge. *Linear Algebra*. (Second Edition). (1971). Addison-Wesley Publishing Co., Inc., Jacob Way, Reading, Massachusetts 01867.
- Lipschutz, Seymour. *Linear Algebra*. (Schaum's Outline Series) McGraw-Hill Book Company, Manchester Road, Manchester, Missouri 63011.
- Longley-Cook, L. H. *An Introduction to Credibility Theory*. (1962). Casualty Actuarial Society.
- MacIntyre, D. M. *Voluntary Health Insurance and Rate-Making*. (1962). Cornell University Press, 124 Roberts Place, Ithaca, New York 14858.
- McLagan, D. L. "A Non-Econometrician's Guide to Econometrics." *Business Economics*, Vol. VIII, No. 3, May 1973. p. 38.
- Mertz, A. C. *The First Twenty Years*. National Association of Independent Insurers. (Available in many property-liability insurance companies and from Casualty Actuarial Society Library. Do not write to National Association of Independent Insurers.)
- Michelbacher, G. F. and Roos, N. R. *Multiple-Line Insurers: Their Nature and Operation*. (1970). McGraw-Hill Book Company, Manchester Road, Manchester, Missouri 63011.
- Mood, A. M., Graybill, F. A. and Bees, D. C. *Introduction to The Theory of Statistics*. (Third Edition) 1974 Text Edition. McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, New York 10036.
- Munich American Reinsurance Company. *Reinsurance and Reassurance*. (Available in many property-liability insurance companies and from Casualty Actuarial Society Library. Do not write to Munich Reinsurance Company.)
- Myers, R. J. *Social Security*. (1975). Richard D. Irwin, Inc., ~~1818 Ridge Road, Homewood, Illinois 60430.~~
- National Association of Insurance Commissioners, 633 West Wisconsin Ave., Suite 1015, Milwaukee, Wisconsin 53203.
- National Council on Compensation Insurance, One Penn Plaza, New York, New York 10001.
- National Underwriter Company (The), 420 E. Fourth Street, Cincinnati, Ohio 45202.

- New York (State) Department of Labor. Division of Research and Statistics. *Studies in Disability Insurance*. (1949). (Special Bulletin No. 224). The New York State Department of Labor, 80 Centre Street, New York, New York 10013. (Out-of-print. Available from C.A.S. Library.)
- New York (State) Insurance Department, 324 State Street, Albany, New York 12210.
Examination of Insurance Companies. (Available at C.A.S. Office.)
Loss and Expense Ratios.
The Public Interest Now in Property and Liability Insurance Regulation. (A report to Governor Nelson A. Rockefeller, January 7, 1969.)
Statistical Tables from Annual Statements.
- New York (State) Laws, Statutes, etc. *New York Insurance Law*. (This can be obtained from the West Publishing Company, St. Paul, Minnesota.)
- Protter, M. H. and Morrey, C. B. (Jr.) *College Calculus with Analytic Geometry*. (Second Edition) 1970 Text Edition. Addison-Wesley Publishing Company, Inc., Reading, Massachusetts 01867.
- Purcell, E. J. *Calculus with Analytic Geometry*. (Second Edition) 1972 Text Edition. Prentice-Hall, Inc., Englewood Cliffs, New Jersey 07632.
- Samuelson, P. A. *Economics*. (10th Edition). (1976). McGraw-Hill Book Company, Manchester Road, Manchester, Missouri 63011.
- Spiegel, M. R. *Theory and Problems of Statistics*. (Schaum's Outline Series). McGraw-Hill Book Company, Manchester Road, Manchester, Missouri 63011.
- Stafford, John R. *Workers Compensation Experience Rating and Retrospective Rating*. J & M Publication, P. O. Box 338, Palatine, Illinois 60067.
- Strain, R. W. *Property-Liability Insurance Accounting*. (1974 or 1976). The Merritt Company, Insurers Press Products, Box 1265, Santa Monica, California 90406.
- Surety Association of America, 100 Wood Ave., S. Iselin, New Jersey 08830.
- Swift, John S. Company, 70 Bethume Street, New York, New York 10014. 1978 Annual Statement Blanks and 1978 Insurance Expense Exhibit.
- Tanur, Mosteller, Kruskal, Link, Pieters, and Rising. *Statistics: A Guide to the Unknown*. (1972). Holden-Day, 500 Sansome Street, San Francisco, California 94111.
- Thomas, G. B. (Jr.) *Calculus and Analytic Geometry*. (Fourth Edition). 1968 or 1972 Text Edition, Two Parts. Addison-Wesley Publishing Company, Inc., Reading, Massachusetts 01867.
- Wheelright, S. D. and Makridakis, S., *Forecasting Methods for Management*, (Second Edition) (1977). John Wiley and Sons, New York, New York 10016.

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Casualty Actuarial Society



One Penn Plaza, 250 West 34th Street, New York, NY 10001 (212) 560-1018

February 22, 1979

Special Notice to Candidates for Examination Parts 3 and 4

The 1980 Syllabus of Examinations will include a restructuring of Parts 3 (Numerical Analysis and Theory of Interest) and Part 4 (Life Contingencies and Operations Research). As the latter exam is normally offered only in the spring, this May will be the last opportunity to take the existing exams in their current configuration. Effective with the May 1980 exams, these parts will be given in both May and November and will be structured as follows:

1980 SYLLABUS

PART 3

A three-hour multiple choice examination will be jointly administered by the Casualty Actuarial Society and the Society of Actuaries.

a) NUMERICAL ANALYSIS

The Syllabus will be the same as that for the current Part 3(a), as set forth on page 10 of the Recommendations for Study, 24th edition, 1979.

b) OPERATIONS RESEARCH

The Syllabus will be revised but the level of difficulty will be equivalent to the current (1979) Part 4(b). The new study material for the 1980 exam will be released in the fall of 1979.

PART 4 (EA-1)

A three-hour multiple choice examination jointly sponsored by the Casualty Actuarial Society, the Society of Actuaries, the American Society of Pension Actuaries and the Joint Board for the Enrollment of Actuaries. This exam will be at the same level of difficulty as the Joint Board's 1977 and 1978 EA-1 Exams. Candidates obtaining a satisfactory score on this exam can receive credit for the first (EA-1) of the two examinations necessary to meet the examination requirements to perform actuarial services under ERISA.

November 1979 Transitional Exams

Part 3	Numerical Analysis Current Part 3(a) Syllabus	1 3/4 hours
Part 4(a)	Compound Interest Current Part 3(b) Syllabus	1 1/4 hours
Part 4(b)	Life Contingencies See Attachment	1 3/4 hours
Part 4 (EA-1)	Compound Interest and Life Contingencies Current Part 3(b) Syllabus for Compound Interest and topics listed on the attachment for Life Contingencies	3 hours

Candidates who are successful on the special November 1979 Numerical Analysis exam will receive credit for the complete Part 3 under the 1980 Syllabus. Parts 4(a), 4(b) and 4 will each provide credit for the corresponding part under the 1980 Syllabus. In November 1979 only, candidates will be permitted to register for one or more of these parts; however, Parts 4(a) and 4(b) will be administered at the same time as Part 4 (EA-1). In 1980, candidates may only register for partial Part 4 examinations if they require that fraction to achieve credit for Part 4 under the 1980 Syllabus.

Further details on the November 1979 examinations will be released at a later date. The purpose of this advance notice is to assist candidates in planning their exam sequence. Background information concerning these changes appeared in the February Actuarial Review.

David P. Flynn
David P. Flynn
Secretary

Attachment to Special Notice to Candidates for
Examination Parts 3 and 4

Part 4B - Life Contingencies
One and three quarters hours
(60% of the three-hour EA-1 Exam)

The general scope of this subject is indicated by the following topics:

Measurement of mortality, including definition and application of standard mortality probability symbols; standard approximations for the evaluation of mortality probabilities for fractional periods; expectation of life (curtate and complete); select, ultimate, and aggregate mortality, central death rates;

life annuities; basic forms, commutation functions, continuous life annuities; life annuities paid more frequently than annually, varying life annuities, and periodic premiums for life annuities;

life insurance; basic forms for single and annual premiums, variations in timing of the payment of premiums and benefits, and insurance and annuity relationships;

net level premium reserves for life insurance and annuities; prospective and retrospective formulas, successive terminal reserves, and reserves at fractional durations;

cash refund annuities, life annuities with a term certain, complete annuities, and retirement income policies;

multiple life functions, joint life probabilities, laws of uniform seniority, and last survivor and general multi-life functions;

multiple decrement functions including associated single decrement tables; the construction of service (multiple decrement) tables from associated single decrement tables, disability functions and secondary decrements;

special pension topics within the mathematics of life contingencies, including salary scales and their application in estimating future salaries and the application of service (multiple decrement) tables in the pension context.

The textbook "Life Contingencies," by C. W. Jordan (1975) is a recommended reference for this subject.