CASUALTY ACTUARIAL SOCIETY (CAS) EXAM 6 PRACTICE (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Table of Contents

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

1. **Which statement about Ratio 1 is true regarding profitability?**
   A. More profitable insurers can sustain a higher ratio.
   B. More profitable insurers must have lower ratio.
   C. Profitability has no impact on Ratio 1.
   D. Ratio 1 is inversely related to profitability.

2. **Which statement about adjusted reinsurance premium due to a loss event is correct?**
   A. Accrue a Liability for the Additional Premium Due During the Period of the Loss Event
   B. Record as Revenue
   C. Defer the Premium
   D. Ignore the Change

3. **Which policy question concerns burden sharing between the insured and the general public?**
   A. Is federal flood insurance program an appropriate method to manage flood risk? Does it distribute the burden between the insured and the general public
   B. Is flood risk possible for the private market to underwrite
   C. Could flood risk be effectively transferred to the private sector or the capital markets
   D. Should the NFIP debt to the Treasury be forgiven

4. **Which item is not part of the bond investment income components in the Exhibit?**
   A. Amortization of premium on bonds payable
   B. Interest received during the year
   C. Interest due & accrued
   D. Current year's amortization/accretion

5. **What does the Opinion paragraph contain?**
   A. Whether the opinion is for losses & LAE combined or separately
   B. Whether the reserves satisfy the insurance laws of the state in which the insurer is domiciled
   C. The identity of the actuary that the appointed actuary relied on for a material portion of the reserves covered by the scope
   D. Degree of variability or if a reasonable fluctuation can have a material impact on surplus

6. In valuation of real estate, which item is subtracted after applying depreciation to reflect encumbrances?

A. Encumbrances

B. Taxes

C. Maintenance costs

D. Insurance

7. What is the purpose of the Financial Analysis Working Group (FAWG) in regulatory coordination?

A. To centralize all regulatory actions in one body

B. To ensure domestic regulators are effectively dealing with financially troubled, nationally significant insurers

C. To promote rapid liquidations

D. To standardize premium rates nationwide

8. Which criterion requires that losses be fortuitous or accidental?

A. Sufficiently large number of insured

B. Losses must be definite & measurable

C. Losses must be fortuitous or accidental

D. Losses must not be catastrophic

9. The RBC charge for reinsurance recoverables is applied after accounting for what adjustment?

A. The provision for reinsurance

B. The discount rate

C. The tax impact

D. The market value

10. Which statement about RBC (risk-based capital) is true?

A. It is a capital adequacy standard based on risk

B. It guarantees insurer profits

C. It eliminates regulator oversight

D. It applies to all financial institutions equally

Answers

1. A
2. A
3. A
4. A
5. A
6. A
7. B
8. C
9. A
10. A

Explanations

1. Which statement about Ratio 1 is true regarding profitability?

A. More profitable insurers can sustain a higher ratio.

B. More profitable insurers must have lower ratio.

C. Profitability has no impact on Ratio 1.

D. Ratio 1 is inversely related to profitability.

Ratio 1 is about how much of the revenue base an insurer can allocate to certain costs or risk while still hitting its profitability targets. When profitability is high, there's a bigger cushion between actual profits and the minimum required, so the company can sustain a higher value of this ratio without sacrificing earnings. In other words, a profitable insurer can absorb more expense or risk relative to revenue and still stay profitable. If profitability were irrelevant, or if higher profitability required a smaller ratio, that would misalign with the idea of a buffer provided by strong margins. The notion of an inverse relationship would also imply you'd deliberately reduce the ratio as profits rise, which wouldn't make sense given that better profits allow supporting more spending or risk. Hence, the statement that more profitable insurers can sustain a higher Ratio 1 best fits the relationship between profitability and the ratio.

2. Which statement about adjusted reinsurance premium due to a loss event is correct?

A. Accrue a Liability for the Additional Premium Due During the Period of the Loss Event

B. Record as Revenue

C. Defer the Premium

D. Ignore the Change

When a loss event triggers a change in what's owed under a reinsurance contract, the obligation to pay the extra premium arises in the current period. That extra amount is a cost of the reinsurance, not revenue, so it should be recorded as an accrued liability (and the corresponding expense) during the period the loss occurs. Deferring the premium or treating it as revenue would misstate both liabilities and income. For example, if the expected premium is 1,000,000 but the loss event creates an additional 150,000, you would recognize a 150,000 reinsurance expense and a 150,000 liability to the reinsurer in that period.

3. Which policy question concerns burden sharing between the insured and the general public?

A. Is federal flood insurance program an appropriate method to manage flood risk? Does it distribute the burden between the insured and the general public

B. Is flood risk possible for the private market to underwrite

C. Could flood risk be effectively transferred to the private sector or the capital markets

D. Should the NFIP debt to the Treasury be forgiven

Burden sharing in risk management questions centers on who bears the costs of flood risk—the insured and taxpayers. The option that asks whether a federal flood insurance program is an appropriate way to manage flood risk and whether it distributes the burden between the insured and the general public directly addresses this allocation: it's about how costs and risks are spread across those who buy insurance versus the broader public who may fund deficits or subsidies. The other choices focus on whether the private market can underwrite flood risk, whether risk should be transferred to private markets or capital markets, or on debt forgiveness to the Treasury—topics that relate to market feasibility or fiscal actions, not the question of how burden is shared between insured individuals and the general public.

4. Which item is not part of the bond investment income components in the Exhibit?

A. Amortization of premium on bonds payable

B. Interest received during the year

C. Interest due & accrued

D. Current year's amortization/accretion

Bond investment income consists of the cash interest received, interest that is earned but not yet received (accrued), and any amortization or accretion that adjusts the investment's carrying amount over time. The amortization of premium on bonds payable, however, is a liability-side concept for the issuer: it reflects how the issuer handles a premium when selling the bond and reduces interest expense over the life of the debt. It does not represent income from holding the investment. Therefore, that item is not part of the bond investment income components. The other items—interest received, interest due and accrued, and the current year's amortization or accretion—are all standard parts of recognizing bond investment income.

5. What does the Opinion paragraph contain?

A. Whether the opinion is for losses & LAE combined or separately

B. Whether the reserves satisfy the insurance laws of the state in which the insurer is domiciled

C. The identity of the actuary that the appointed actuary relied on for a material portion of the reserves covered by the scope

D. Degree of variability or if a reasonable fluctuation can have a material impact on surplus

The thing being tested is how the opinion is framed in an appointed actuary report. The Opinion paragraph is where the actuary specifies the scope of the opinion, specifically whether it covers losses and loss adjustment expenses (LAE) together or separately. This tells the reader exactly what reserves the opinion is addressing: are losses and LAE treated as a single combined figure, or are they evaluated and stated as separate components? That scope definition is essential for interpreting the opinion correctly, and it's the purpose of the paragraph itself. Other items you might see elsewhere in the report—such as compliance with state insurance laws, the identity of any actuaries relied upon, or discussion of how variability could affect surplus—belong in different sections (scope/reliance, statutory compliance, or risk commentary) and are not part of the Opinion paragraph.

6. In valuation of real estate, which item is subtracted after applying depreciation to reflect encumbrances?

A. Encumbrances

B. Taxes

C. Maintenance costs

D. Insurance

In real estate valuation, you start with the value after accounting for depreciation to reflect wear and tear, then subtract what still reduces the owner's net recoverable value due to financial claims against the property. Those claims are encumbrances, such as liens, which must be settled before the owner can realize proceeds. So the amount subtracted to reflect encumbrances is the encumbrances themselves. Taxes, maintenance costs, and insurance are ongoing costs or separate considerations and do not specifically represent encumbrances reducing net value in this step.

7. What is the purpose of the Financial Analysis Working Group (FAWG) in regulatory coordination?

A. To centralize all regulatory actions in one body

B. To ensure domestic regulators are effectively dealing with financially troubled, nationally significant insurers

C. To promote rapid liquidations

D. To standardize premium rates nationwide

The idea being tested is how regulatory coordination among state authorities works when it comes to insurer financial health. The Financial Analysis Working Group exists to make sure domestic regulators are effectively addressing financial trouble at large, nationally significant insurers. It does this by pooling and sharing financial information, coordinating analyses of solvency, liquidity, and risk exposures, and aligning supervisory actions across jurisdictions. With big insurers that span many states, a unified, informed view helps regulators act promptly and consistently, reducing policyholder risk and preventing fragmented or conflicting responses. The focus is on understanding the financial condition of troubled firms and coordinating supervisory responses, not on centralizing all regulatory authority, forcing rapid liquidations, or setting nationwide premium rates.

8. Which criterion requires that losses be fortuitous or accidental?

A. Sufficiently large number of insured

B. Losses must be definite & measurable

C. Losses must be fortuitous or accidental

D. Losses must not be catastrophic

Fortuity means the loss happens by chance and is not intentional or expected by the insured. This is essential because insurance is meant to cover unforeseen events that are outside the insured's control, not losses the insured plans or can cause on purpose. When losses are accidental, it keeps the risk pool based on random variation, supports fair pricing, and reduces moral hazard—people can't count on insurance for losses they could deliberately trigger or avoid the consequence of predictable, self-inflicted events. The other insurability pieces—having a large number of exposures to average out randomness, losses being definite and measurable for settling claims, and avoiding catastrophes that could overwhelm the insurer—are important, but the specific criterion that ties the concept to the idea of insurability itself is that losses must be fortuitous or accidental.

9. The RBC charge for reinsurance recoverables is applied after accounting for what adjustment?

A. The provision for reinsurance

B. The discount rate

C. The tax impact

D. The market value

In this area, the amount used for reinsurance recoverables in the RBC calculation is the net recoverable after accounting for what is set aside to cover potential reinsurer defaults. That "provision for reinsurance" reduces the gross recoverables to reflect credit risk, and the RBC charge is applied to that net amount. So the adjustment is the provision for reinsurance.   Present value or discounting isn't the adjustment used here, taxes aren't embedded in this particular step, and market value isn't the adjustment being considered for this RBC charge. A quick example: if reinsurance recoverables are 100 and the provision for reinsurance is 20, the RBC calculation uses 80.

10. Which statement about RBC (risk-based capital) is true?

A. It is a capital adequacy standard based on risk

B. It guarantees insurer profits

C. It eliminates regulator oversight

D. It applies to all financial institutions equally

RBC is a capital adequacy standard that ties the amount of capital an insurer must hold to the risk it takes on. The idea is that riskier assets, underwriting activities, or other exposure types require more financial cushion, so the model calculates a required capital amount based on the insurer's risk profile. Because the required capital varies with risk, this makes the framework truly risk-based and helps regulators gauge whether an insurer has enough solvency margin given its mix of risks. It doesn't guarantee profits—earnings depend on underwriting results and investment performance, not on meeting a capital target. It also doesn't remove regulator oversight; rather, RBC provides a formal measure regulators monitor, and a low RBC ratio can trigger supervisory actions. And RBC is not a one-size-fits-all standard for all financial institutions; it's specifically used in the context of insurers (with other industries using their own risk-based or capital frameworks).

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://cas6.examzify.com

We wish you the very best on your exam journey. You've got this!