

Casualty Actuarial Society (CAS) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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

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- 1. Which method is NOT typically used by producers to locate prospective clients?**
 - A. Television advertising**
 - B. Referrals from current clients**
 - C. Cold canvassing**
 - D. Financial institution partnerships**

- 2. What will fuel the future of holistic risk management?**
 - A. Increased workforce training**
 - B. Network enhancements**
 - C. Capture, storage, and analysis of data**
 - D. Expansion of insurance products**

- 3. How does the risk control function assist with sales?**
 - A. By limiting account acceptability**
 - B. By increasing premium rates**
 - C. By aiding marketing in understanding insureds' business operations**
 - D. By coordinating with claims adjusters**

- 4. Which is a step in the risk management process used to evaluate property loss exposures?**
 - A. Collecting taxes**
 - B. Analyzing sales**
 - C. Identifying risks**
 - D. Reducing staff**

- 5. What does a subject premium refer to?**
 - A. The total premium of reinsurers**
 - B. The rate applied to the primary insurer's underlying policies to determine reinsurance premium**
 - C. The premium charged by reinsurers to primary insurers**
 - D. The premium specifically for facultative reinsurance**

6. What might insurers consider when reducing acquisition expenses?

- A. Increasing payroll for sales staff**
- B. Eliminating all marketing efforts**
- C. Using alternative distribution channels**
- D. Raising commissions for brokers**

7. What are the two major types of marketing information systems?

- A. The internal accounting system and the market monitoring system**
- B. The external accounting system and the internal analysis system**
- C. The financial system and the market analysis system**
- D. The customer information system and the agent system**

8. What type of liability exposure is Maria's injury classified as?

- A. Product liability**
- B. Employment liability**
- C. Premises and operations liability**
- D. Environmental liability**

9. How does more restrictive underwriting criteria typically affect an insurer's premium volume?

- A. It usually increases premium volume**
- B. It has no significant effect**
- C. It usually reduces premiums written**
- D. It typically stabilizes premium volume**

10. During a hard market, how does insurer competition generally shift?

- A. Competition becomes more intense**
- B. Premiums decrease significantly**
- C. Buyers struggle to find coverage**
- D. Operating profit for insurers usually declines**

Answers

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

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Explanations

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1. Which method is NOT typically used by producers to locate prospective clients?

- A. Television advertising**
- B. Referrals from current clients**
- C. Cold canvassing**
- D. Financial institution partnerships**

Producers often use various strategies to locate prospective clients, and one method that is not typically used by them is television advertising. While television advertising can reach a broad audience and may create brand awareness, it is not a targeted approach for generating leads specifically. Producers often rely on methods that establish direct connections with potential clients or leverage existing relationships, making a more personal touch critical in building trust and securing new business. Referrals from current clients are a powerful tool for producers, as they come with a built-in level of trust. Cold canvassing involves reaching out to potential clients through unsolicited calls or visits, which can be an effective way to directly engage with new leads. Financial institution partnerships can also be strategic, allowing producers to tap into an existing client base that may need insurance products. Therefore, television advertising does not align with the more personalized, relationship-focused methods typically employed by producers in their client acquisition strategies.

2. What will fuel the future of holistic risk management?

- A. Increased workforce training**
- B. Network enhancements**
- C. Capture, storage, and analysis of data**
- D. Expansion of insurance products**

The correct answer focuses on the capture, storage, and analysis of data, which is integral to the future of holistic risk management. In today's rapidly evolving risk landscape, organizations increasingly rely on vast amounts of data to make informed decisions. The ability to capture data from multiple sources allows risk managers to gain insights into emerging risks, trends, and behaviors. Storage solutions enable organizations to keep this data accessible and secure, ensuring that it is ready for analysis. The analysis itself transforms raw data into actionable intelligence, helping organizations to identify potential risks early and formulate comprehensive strategies to mitigate them. This data-driven approach fosters a more integrated view of risk across various domains, promoting collaboration among departments and improving decision-making processes. While the other options may contribute to risk management strategies, they do not offer the same foundational significance as data management. For instance, increased workforce training enhances the skills of individuals but does not fundamentally change how risks are assessed and managed. Likewise, network enhancements may improve communication and information flow but rely heavily on the underlying data infrastructure. Finally, the expansion of insurance products can adapt to emerging risks, yet without robust data analysis, the potential effectiveness of these products may be limited. Therefore, the emphasis on data capture, storage, and analysis is pivotal in driving a

3. How does the risk control function assist with sales?

- A. By limiting account acceptability
- B. By increasing premium rates
- C. By aiding marketing in understanding insureds' business operations**
- D. By coordinating with claims adjusters

The risk control function plays a vital role in assisting sales by aiding marketing in understanding insureds' business operations. This understanding is crucial because it enables marketing and sales teams to effectively communicate the value of insurance products and tailor offerings to meet the specific needs of potential clients. When marketing teams have insights into the risk profiles and operational nuances of insureds, they can highlight relevant coverage options that align with those businesses' needs, ultimately fostering better relationships. This alignment not only assists in securing new business but also promotes ongoing service and retention of existing clients, as it enhances the understanding of the risks that the insurance products are designed to mitigate. In contrast, other options may suggest different areas of focus for the risk control function but do not directly relate to how it assists sales. Limiting account acceptability and increasing premium rates are more about underwriting and pricing strategies rather than directly contributing to sales activities. Coordination with claims adjusters is essential for managing post-sale activities, but it does not directly influence the sales process or help marketing understand potential clients' needs effectively.

4. Which is a step in the risk management process used to evaluate property loss exposures?

- A. Collecting taxes
- B. Analyzing sales
- C. Identifying risks**
- D. Reducing staff

Evaluating property loss exposures involves a systematic approach within the risk management process, and identifying risks is a crucial step. This step focuses on discovering potential hazards or vulnerabilities that could lead to property damage or financial loss. By recognizing what specific risks are present—such as fire, theft, natural disasters, or operational failures—organizations can better understand the exposure levels they face. This foundational step sets the stage for subsequent actions like assessing the likelihood of these risks occurring and implementing control measures to mitigate them. In this context, other choices do not align with the core goal of evaluating property loss exposures. Collecting taxes relates to financial operations rather than risk assessment, analyzing sales focuses on business performance, and reducing staff concerns organizational structure rather than property risk management. Understanding risk is essential for making informed decisions about how to manage and protect assets effectively.

5. What does a subject premium refer to?

- A. The total premium of reinsurers
- B. The rate applied to the primary insurer's underlying policies to determine reinsurance premium**
- C. The premium charged by reinsurers to primary insurers
- D. The premium specifically for facultative reinsurance

A subject premium refers specifically to the rate applied to the primary insurer's underlying policies to determine the reinsurance premium. This is the amount that a reinsurer evaluates when considering the risk associated with the policies that the primary insurer is ceding to them. The subject premium acts as the foundation for calculating the reinsurance premium based on the underlying risks identified in the primary insurer's portfolio. This concept is crucial in understanding how reinsurance arrangements are structured and priced. In a reinsurance context, the subject premium allows the reinsurer to assess and quantify the risks it is assuming and helps in determining the appropriate costs associated with covering those risks. It is essential for setting out the financial relationship between the reinsurers and primary insurers based on the risk exposure of the underwritten policies. In contrast, the other options do not accurately characterize the subject premium. The total premium of reinsurers relates to the overall premium collected by reinsurers from all clients, and the premium charged by reinsurers to primary insurers similarly conveys a broader context without focusing on the rate applied specifically to underlying policies. Furthermore, facultative reinsurance refers specifically to a type of reinsurance contract, not a definition of a subject premium. Thus, the definition aligns closely with option B, emphasizing the

6. What might insurers consider when reducing acquisition expenses?

- A. Increasing payroll for sales staff
- B. Eliminating all marketing efforts
- C. Using alternative distribution channels**
- D. Raising commissions for brokers

Insurers often look at various strategies to optimize their acquisition expenses, and one effective method is utilizing alternative distribution channels. By exploring different avenues for reaching potential customers, insurers can enhance their marketing effectiveness while potentially lowering costs. For instance, engaging in online sales, partnering with digital platforms, or using third-party administrators can help insurers reach broader audiences and streamline their distribution processes. This approach often allows for a more efficient allocation of resources, as digital channels can reduce the need for extensive physical marketing efforts or traditional sales personnel. Utilizing alternative distribution not only helps in cutting costs associated with traditional methods but can also lead to better customer reach and engagement. This aligns well with the overall aim of insurers to maximize the return on their marketing investments and reduce unnecessary expense burdens. Other options, such as increasing payroll, eliminating marketing efforts entirely, or raising commissions, may not effectively address the goal of reducing acquisition expenses. These strategies could lead to increased overall costs or diminished effectiveness in reaching new customers.

7. What are the two major types of marketing information systems?

- A. The internal accounting system and the market monitoring system**
- B. The external accounting system and the internal analysis system**
- C. The financial system and the market analysis system**
- D. The customer information system and the agent system**

The correct response identifies internal accounting systems and market monitoring systems as the two major types of marketing information systems. Internal accounting systems play a crucial role in recording and managing a company's financial transactions, providing insights into the organization's financial performance, sales results, and operational effectiveness. This information is essential for making informed marketing decisions, optimizing strategies, and assessing the profitability of different initiatives. Market monitoring systems, on the other hand, gather data about external market conditions, consumer behaviors, competitive activities, and trends within the industry. This system helps organizations understand the dynamics of the market landscape, enabling them to identify opportunities and threats which are essential for strategic planning and improving marketing efforts. These two systems complement each other; while the internal accounting system provides a view of internal metrics and performance, the market monitoring system contributes external insights, ensuring that marketing strategies are aligned with both internal capabilities and external market conditions.

8. What type of liability exposure is Maria's injury classified as?

- A. Product liability**
- B. Employment liability**
- C. Premises and operations liability**
- D. Environmental liability**

Maria's injury being classified as premises and operations liability refers to situations where an individual is injured on a property that is owned or occupied by another party, often due to unsafe conditions or negligence related to maintenance and operations of that premises. This type of liability addresses claims arising from accidents and injuries occurring in the normal course of business operations at a physical location. In this case, for Maria's injury to fall under premises and operations liability, it suggests that the injury was a result of conditions present at a location where services are provided or business is conducted, rather than associated with a product flaw, employment issues, or environmental factors. If, for instance, Maria was injured due to a slip and fall on a wet floor in a store, this would directly tie into the expected responsibilities of the property owner or operator to ensure a safe environment for visitors. The other classifications, such as product liability, pertain to injuries caused by defective products, employment liability relates to issues arising in the workplace involving employees, and environmental liability deals with harm caused by pollution or hazardous activities. Since none of these categories align with the setting of Maria's injury being related specifically to the condition of a location, premises and operations liability is the most fitting classification.

9. How does more restrictive underwriting criteria typically affect an insurer's premium volume?

- A. It usually increases premium volume**
- B. It has no significant effect**
- C. It usually reduces premiums written**
- D. It typically stabilizes premium volume**

More restrictive underwriting criteria typically results in a reduction in the premium volume for an insurer. This occurs because stricter guidelines can limit the number of policyholders the insurer is willing to accept, thereby shrinking the pool of insurable risks. When an insurer implements tighter underwriting standards, it tends to become more selective about the risks it underwrites. Consequently, fewer applications are accepted, which leads to a decrement in the overall premiums written. This response aligns with the insurer's goal of maintaining financial stability and mitigating potential losses by avoiding higher-risk individuals or entities. While a policy of more restrictive underwriting does enhance the quality of the insurance portfolio by focusing on lower-risk customers, it simultaneously poses the risk of impacting the premium volume negatively due to the reduced acceptance of new policies. As a result, the relationship between restrictive underwriting practices and the reduction in premium volume is well-established in the actuarial field, reflecting that careful risk assessment is critical in managing profitability and loss exposure.

10. During a hard market, how does insurer competition generally shift?

- A. Competition becomes more intense**
- B. Premiums decrease significantly**
- C. Buyers struggle to find coverage**
- D. Operating profit for insurers usually declines**

During a hard market, competition among insurers typically decreases, leading to challenges for buyers when seeking coverage. In a hard market environment, insurers become more cautious and selective about the risks they are willing to underwrite. This selective approach often results in higher premiums and more restrictive coverage terms, making it more difficult for buyers to find suitable insurance options. When competition wanes, insurers are not as aggressive in pursuing new business, leading to limited choices for consumers. This contrast to a soft market, where competition is fierce, and insurers aggressively cut premiums to attract customers. Therefore, during a hard market, buyers face increased difficulty in securing the coverage they need, highlighting the reality of the insurance marketplace's dynamics during these periods.

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://cas.examzify.com>

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

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