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

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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.

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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!

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Questions

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1. Under the McCarran-Ferguson Act, the Sherman Act continues to apply to which activity?

A. Boycott, coercion, or intimidation

B. Price discrimination

C. Advertising

D. None

2. Which of the following is a stated limitation of Guaranty Fund coverage?

A. Large net worth deductible.

B. There is no deductible for claims.

C. The maximum covered claim for WC is unlimited.

D. All lines are fully covered without exclusions.

3. What is the main focus of SAP rules?

A. They maximize shareholder value

B. They minimize tax liabilities

C. The main focus is to protect policyholders

D. They align with international standards

4. In the residual market, which entity is commonly authorized to serve it?

A. Joint Underwriting Association (JUA)

B. State Treasurer's Office

C. Federal Insurance Board

D. Private reinsurers

5. Under novations, the obligations assumed by the assuming insurer are recorded as which of the following?

A. Incurred losses

B. Earned premiums

C. Assets

D. Liabilities

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6. In AMTI, what percentage is applied to income that escapes taxation?

A. 25%

B. 50%

C. 75%

D. 100%

7. Under SSAP 5, liability is defined as which of the following?

A. A present obligation to transfer assets or provide services arising from a past transaction or event

B. A potential obligation that may or may not occur in the future

C. A contractual right to assets

D. A contingent asset

8. Which of the following is NOT listed as a method to derive the discount rate?

A. Risk free approach

B. Portfolio approach

C. Discount rate requested by another party

D. Market-based approach

9. Own Risk & Solvency Assessment (ORSA) is best described as?

A. An internal assessment of the solvency need based on the risk profile

B. A public disclosure document required by Pillar 3

C. An external audit of capital adequacy

D. A model used to price insurance contracts

10. What is the main purpose of Schedule F?

A. It is used to calculate the insurer's taxes

B. It reports the insurer's profitability from direct writing

C. Derive the provision for reinsurance, which is a minimum reserve for the uncollectible reinsurance

D. It lists the insurer's loss reserves

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Answers

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

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Explanations

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1. Under the McCarran-Ferguson Act, the Sherman Act continues to apply to which activity?

A. Boycott, coercion, or intimidation

B. Price discrimination

C. Advertising

D. None

The key idea is that McCarran-Ferguson lets state regulation of the insurance business largely shield federal antitrust rules, but with a clear exception for certain anti-competitive conduct. While the act preserves the application of the Sherman Act to the insurance industry in general when states regulate it, it does not exempt restraints that are inherently anti-competitive. A boycott, coercion, or intimidation used to restrain trade in the insurance market falls into that category and remains actionable under the Sherman Act. In contrast, other activities like price discrimination or advertising aren't the kind of conduct specifically singled out as outside the exemption, so they aren't the focus of this rule.

2. Which of the following is a stated limitation of Guaranty Fund coverage?

A. Large net worth deductible.

B. There is no deductible for claims.

C. The maximum covered claim for WC is unlimited.

D. All lines are fully covered without exclusions.

Guaranty fund protection is not unlimited; there are caps and conditions that limit how much the fund will pay. A key limitation is a deductible tied to the failed insurer's net worth. The fund doesn't start paying claims until that net worth deductible is met, and larger net worth means a larger deductible. That's why the statement about a large net worth deductible is the correct description of a stated limitation. In practice, the fund does have limits on per claim and total payments, and there are lines or situations that aren't fully covered or are excluded. The idea that there's no deductible, that workers' comp coverage is unlimited, or that all lines are fully covered without exclusions doesn't fit how guaranty funds operate.

3. What is the main focus of SAP rules?

A. They maximize shareholder value

B. They minimize tax liabilities

C. The main focus is to protect policyholders

D. They align with international standards

SAP rules are designed with policyholder protection as the priority. They enforce a conservative view of an insurer's financial health, focusing on solvency and adequate reserves so claims can be paid even under adverse conditions. This regulatory accounting aims to present a safe, durable financial position for regulators and policyholders, not to maximize profits for shareholders. That's why the emphasis isn't on maximizing shareholder value or minimizing taxes. And while international alignment exists in some contexts, SAP's primary objective is to safeguard policyholders through prudent, conservative reporting and capital requirements.

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4. In the residual market, which entity is commonly authorized to serve it?

A. Joint Underwriting Association (JUA)

B. State Treasurer's Office

C. Federal Insurance Board

D. Private reinsurers

The residual market exists to provide coverage for high-risk insureds who can't obtain it in the voluntary market. The entity most commonly authorized to serve this market is a Joint Underwriting Association—a state-created pool of insurers that writes policies and shares underwriting risk when private carriers won't provide coverage. It operates under state regulation, setting premiums and forms for these residual-market policies and ensuring access to insurance where the regular market won't. The other options don't fit as the typical residual-market administrator. A State Treasurer's Office isn't generally responsible for underwriting or running insurance pools. There isn't a Federal Insurance Board that administers state residual markets. Private reinsurers may supply capacity, but they don't usually run the residual market itself or issue standard policies to consumers.

5. Under novations, the obligations assumed by the assuming insurer are recorded as which of the following?

A. Incurred losses

B. Earned premiums

C. Assets

D. Liabilities

Under novations, the assuming insurer takes on the existing claim obligations from the ceding insurer. These are the losses that have already occurred but have not yet been paid, so they are recorded as incurred losses (the loss reserves) on the assuming insurer's books. Earned premiums are revenue for the insurer, not obligations; assets are resources, not the obligations being assumed; and while liabilities is a general category, the specific obligations transferred in a novation are the incurred losses, which represents the outstanding claims the assuming insurer now covers.

6. In AMTI, what percentage is applied to income that escapes taxation?

A. 25%

B. 50%

C. 75%

D. 100%

In AMTI calculations, the idea is to broaden the tax base by bringing into tax those items of income that would normally escape taxation under the regular system. A substantial portion of that income is still treated as subject to tax under the minimum tax framework. Specifically, three-quarters of the income that would otherwise escape taxation is included in AMTI and taxed, while a quarter remains exempt even under the alternative minimum tax. That's why the correct choice is 75%—it reflects the portion of income that, despite escaping regular tax, ends up being taxed under AMTI. Keep in mind that, in practice, AMT uses its own rate structure on the AMTI after exemptions, but this question focuses on the proportion of otherwise tax-exempt income that is brought into the AMTI base.

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7. Under SSAP 5, liability is defined as which of the following?

A. A present obligation to transfer assets or provide services arising from a past transaction or event

B. A potential obligation that may or may not occur in the future

C. A contractual right to assets

D. A contingent asset

Under SSAP 5, a liability is a present obligation to transfer assets or provide services that arises from a past transaction or event, and whose settlement is expected to require an outflow of resources. This means the obligation exists now because of something that already happened, and settling it will consume resources. It isn't a potential, future-only obligation, nor is it an asset or a contingent asset. For example, amounts owed under a contract or a legal debt due for payment are liabilities because the entity is currently obligated to pay.

8. Which of the following is NOT listed as a method to derive the discount rate?

A. Risk free approach

B. Portfolio approach

C. Discount rate requested by another party

D. Market-based approach

Discount rate derivation focuses on how to reflect risk and the perspective of the user. In this context, three practical methods are commonly recognized: using a risk-free rate, constructing a rate from the expected return on a chosen portfolio that matches the cash-flow risk, and adopting a rate specified by another party (such as a client) when a specific rate is requested. The market-based approach, while it involves market data, isn't listed as a separate method for deriving the discount rate in this material. It's typically used to inform the other methods rather than stand alone as its own method. Therefore, market-based approach is the one not listed.

9. Own Risk & Solvency Assessment (ORSA) is best described as?

A. An internal assessment of the solvency need based on the risk profile

B. A public disclosure document required by Pillar 3

C. An external audit of capital adequacy

D. A model used to price insurance contracts

ORSA is the insurer's own process for assessing how much capital is needed to cover risks it faces, based on its actual risk profile and business plans. It's forward-looking, not just a snapshot of current capital, and it involves governance and risk management--the board and management evaluate potential adverse scenarios, apply stress tests, and determine whether the available capital is sufficient over a planning horizon. The result guides strategic decisions and capital planning, often summarized in an ORSA report for management and regulators. It isn't a public disclosure (that's the Pillar 3 role), it isn't an external audit, and it isn't a pricing model for contracts.

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10. What is the main purpose of Schedule F?

A. It is used to calculate the insurer's taxes

B. It reports the insurer's profitability from direct writing

C. Derive the provision for reinsurance, which is a minimum reserve for the uncollectible reinsurance

D. It lists the insurer's loss reserves

Schedule F deals with reinsurance and the credit risk it creates. Its main purpose is to derive the provision for reinsurance, which acts as a cushion for the portion of ceded losses that may be uncollectible from reinsurers. This reserve prevents overstatement of reinsurance recoverables and thus protects the insurer's reported financial strength. In other words, Schedule F translates reinsurance activity into a conservative adjustment to recoverables to reflect potential unrecoverability. It's not about calculating taxes, measuring profitability from direct writing, or listing loss reserves themselves—those areas are handled elsewhere.

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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!

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