
Contents

I	Probability Review	1
1	Probability Basics	3
1.1	Functions and Moments	3
1.2	Percentiles	4
1.3	Conditional Probability and Expectation	6
1.4	Probability Distributions	8
	Exercises	8
	Solutions	11
2	Variance	15
2.1	Additivity	15
2.2	Normal Approximation	16
2.3	Mixtures	17
2.4	Bernoulli Shortcut	19
2.5	Conditional Variance	20
	Exercises	21
	Solutions	23
II	Statistics	27
3	Method of Moments	29
	Exercises	35
	Solutions	41
4	Maximum Likelihood	51
	Exercises	58
	Solutions	67
5	Estimator Quality	77
5.1	Bias	77
5.2	Consistency	78
5.3	Mean Square Error	79
5.4	Sufficient Statistics	80
	Exercises	82
	Solutions	89
6	Linear Regression: Standard Form	95
6.1	Background	95
6.2	Calculating α and β	96
	Exercises	99
	Solutions	102
7	Linear Regression: Alternative Forms	105
7.1	No-constant regression	105

7.2	Alternative forms	106
	Exercises	108
	Solutions	111
8	Hypothesis Testing	115
8.1	Background	115
8.2	Typical exam questions	118
8.2.1	Calculate significance or power	118
8.2.2	Determine critical values	120
	Exercises	122
	Solutions	130
9	Confidence Intervals and Sample Size	137
9.1	Confidence intervals	137
9.2	Sample size	138
	Exercises	139
	Solutions	141
10	Confidence Intervals for Means	145
10.1	χ^2 distribution	145
10.2	Student's t distribution	146
10.3	Testing the difference of means from two populations	147
	Exercises	149
	Solutions	153
11	Chi Square Tests	157
11.1	One-dimensional chi-square	157
11.2	Two-dimensional chi-square	159
	Exercises	161
	Solutions	165
12	Confidence Intervals for Variances	169
12.1	Testing variances	169
12.2	Testing ratios of variances; the F distribution	170
	Exercises	172
	Solutions	175
13	Linear Regression: Measures of Fit	179
13.1	Standard error of the regression	179
13.2	R^2 : the coefficient of determination	180
13.3	t statistic	181
13.4	F statistic	183
	Exercises	184
	Solutions	191
14	Uniformly Most Powerful Critical Regions	199
	Exercises	201
	Solutions	204
15	Likelihood Ratio Tests	207
	Exercises	208
	Solutions	211

16 Order Statistics	215
Exercises	219
Solutions	221
III Life Contingencies	227
17 Survival Distributions: Probability Functions, Life Tables	229
17.1 Probability Functions	229
17.2 Life Tables	230
17.3 Relation of Actuarial Functions to Mathematical Probability Functions	232
Exercises	233
Solutions	238
18 Survival Distributions: Force of Mortality	243
Exercises	247
Solutions	256
19 Survival Distributions: Mortality Laws	265
19.1 Mortality Laws for Exam Questions	265
19.1.1 Exponential Distribution, or Constant Force of Mortality	265
19.1.2 Uniform Distribution, or De Moivre's Law	266
19.1.3 Beta Distribution, or Generalized De Moivre's Law	267
19.2 Mortality Laws that May be Used for Human Mortality	268
19.2.1 Gompertz's Law	268
19.2.2 Makeham's Law	268
19.2.3 Weibull Distribution	269
Exercises	269
Solutions	272
20 Survival Distributions: Moments	277
20.1 Complete	277
20.1.1 General	277
20.1.2 Special Distributions	279
20.2 Curtate	282
Exercises	286
Solutions	293
21 Survival Distributions: Percentiles and Recursions	303
21.1 Percentiles	303
21.2 Recursive Formulas for Life Expectancy	304
Exercises	305
Solutions	309
22 Survival Distributions: Fractional Ages	317
Exercises	322
Solutions	326
23 Insurance: Payable at Moment of Death—Moments—Part 1	335
23.1 Definitions and General Formulas	335
23.2 Constant Force of Mortality	338
Exercises	345

Solutions	353
24 Insurance: Payable at Moment of Death—Moments—Part 2	363
24.1 De Moivre's Law	363
24.2 Other Mortality Functions	365
24.2.1 Integrating $ct^n e^{-\delta t}$ (Gamma Integrands)	365
24.3 Variance of Endowment Insurance	367
24.4 Normal Approximation	368
Exercises	369
Solutions	375
25 Insurance Payable at End of Year: Moments	383
Exercises	388
Solutions	400
26 Insurance: Probabilities and Percentiles	413
26.1 Probabilities for Continuous Variables	413
26.2 Probabilities for Discrete Variables	416
26.3 Percentiles	417
Exercises	420
Solutions	424
27 Insurance: Recursive Formulas, Varying Insurances	433
27.1 Recursive Formulas	433
27.2 Increasing and Decreasing Insurance	435
Exercises	441
Solutions	451
28 Annuities: Continuous, Expectation	461
28.1 Whole Life Annuity	462
28.2 Temporary Life and Deferred Life Annuities	464
28.3 n -year certain and life annuity	467
Exercises	469
Solutions	473
29 Annuities: Discrete, Expectation	479
29.1 Annuities-Due	479
29.2 Annuities-Immediate	483
29.3 Actuarial Accumulated Value	486
Exercises	489
Solutions	503
30 Annuities: Variance	513
30.1 Whole Life and Temporary Annuities	513
30.2 Deferred Annuities	515
30.3 Other Annuities	516
30.4 Typical Exam Questions	517
30.5 Combinations of Annuities and Insurances with No Variance	519
Exercises	521
Solutions	528

31 Annuities: Probabilities, Percentiles, Recursive Calculations	543
31.1 Probabilities for Continuous Annuities	543
31.2 Probabilities for Discrete Annuities	547
31.3 Percentiles	548
31.4 Recursive calculations	550
Exercises	552
Solutions	561
32 Premiums: Fully Continuous Expectation	571
32.1 Benefit Premium	571
32.2 Loss at Issue	574
Exercises	576
Solutions	581
33 Premiums: Discrete Expectation	587
33.1 Benefit Premium	587
33.2 Three Premium Principle	592
Exercises	594
Solutions	610
34 Premiums: Variance of Loss at Issue, Continuous	629
Exercises	632
Solutions	637
35 Premiums: Variance of Loss at Issue, Discrete	643
Exercises	645
Solutions	650
36 Premiums: Probabilities and Percentiles of Loss at Issue	657
36.1 Probabilities	657
36.2 Percentiles	661
Exercises	664
Solutions	667
37 Reserves: Prospective Formula	673
Exercises	678
Solutions	684
38 Reserves: Other Formulas	693
38.1 Premium Difference and Paid Up Insurance Formulas	693
38.2 Retrospective Formula	696
38.3 Three Premium Principle	699
Exercises	701
Solutions	708
39 Reserves: Special Formulas for Whole Life and Endowment Insurance	717
39.1 Annuity-ratio formula	717
39.2 Insurance-ratio formula	718
39.3 Premium-ratio formula	719
Exercises	720
Solutions	730

40 Reserves: Variance of Loss	741
Exercises	743
Solutions	747
41 Reserves: Recursive Formulas	755
Exercises	758
Solutions	768
42 Multiple Lives: Joint Life Probabilities	779
42.1 Introduction	779
42.2 The Joint Life Distribution Function	780
42.3 Independence	781
Exercises	784
Solutions	790
43 Multiple Lives: Last Survivor Probabilities	795
Exercises	800
Solutions	804
44 Multiple Lives: Moments	811
44.1 Expected Value	811
44.2 Variance and Covariance	815
Exercises	816
Solutions	820
45 Multiple Lives: Insurances	827
Exercises	830
Solutions	836
46 Multiple Lives: Annuities	843
46.1 Introduction	843
46.2 Three Techniques for Handling Annuities	844
46.3 Other Techniques	847
46.4 Variance	848
Exercises	849
Solutions	858
47 Multiple Decrement Models: Probabilities	867
47.1 Introduction	867
47.2 Life Tables	868
47.3 Examples of Multiple Decrement Probabilities	870
47.4 Discrete Insurances	871
Exercises	872
Solutions	881
48 Multiple Decrement Models: Forces of Decrement	887
Exercises	891
Solutions	898

IV Stochastic Processes	907
49 Multi-State Models (Markov Chains): Probabilities	909
Exercises	917
Solutions	922
50 Multi-State Models (Markov Chains): Premiums and Reserves	929
50.1 Prototype Example	929
50.2 Insurances	929
50.3 Annuities	932
50.4 Premiums and Reserves	934
Exercises	936
Solutions	942
51 The Poisson Process: Probabilities of Events	949
51.1 Introduction	949
51.2 Probabilities—Homogeneous Process	950
51.3 Probabilities—Non-Homogeneous Process	951
Exercises	954
Solutions	958
52 The Poisson Process: Time To Next Event	963
Exercises	966
Solutions	967
53 The Poisson Process: Thinning	969
53.1 Constant Probabilities	969
53.2 Non-Constant Probabilities	971
Exercises	973
Solutions	976
54 The Poisson Process: Sums and Mixtures	983
54.1 Sums of Poisson Processes	983
54.2 Mixtures of Poisson Processes	984
Exercises	988
Solutions	991
55 Compound Poisson Processes	995
55.1 Definition and Moments	995
55.2 Sums of Compound Distributions	997
Exercises	999
Solutions	1004
V Practice Exams	1011
1 Practice Exam 1	1013
2 Practice Exam 2	1021
3 Practice Exam 3	1029
4 Practice Exam 4	1037

5 Practice Exam 5	1045
6 Practice Exam 6	1055
7 Practice Exam 7	1063
8 Practice Exam 8	1073
9 Practice Exam 9	1081
10 Practice Exam 10	1089
Appendices	1097
A Solutions to the Practice Exams	1099
Solutions for Practice Exam 1	1099
Solutions for Practice Exam 2	1106
Solutions for Practice Exam 3	1114
Solutions for Practice Exam 4	1122
Solutions for Practice Exam 5	1131
Solutions for Practice Exam 6	1139
Solutions for Practice Exam 7	1149
Solutions for Practice Exam 8	1157
Solutions for Practice Exam 9	1165
Solutions for Practice Exam 10	1174
B Solutions to Old Exams	1183
B.1 Solutions to CAS Exam 3, Spring 2005	1183
B.2 Solutions to SOA Exam M, Spring 2005	1188
B.3 Solutions to CAS Exam 3, Fall 2005	1194
B.4 Solutions to SOA Exam M, Fall 2005	1198
B.5 Solutions to CAS Exam 3, Spring 2006	1204
B.6 Solutions to CAS Exam 3, Fall 2006	1211
B.7 Solutions to SOA Exam M, Fall 2006	1218
B.8 Solutions to CAS Exam 3, Spring 2007	1225
B.9 Solutions to SOA Exam MLC, Spring 2007	1231
B.10 Solutions to CAS Exam 3, Fall 2007	1237
B.11 Solutions to CAS Exam 3L, Spring 2008	1242
B.12 Solutions to CAS Exam 3L, Fall 2008	1246
B.13 Solutions to CAS Exam 3L, Spring 2009	1252
B.14 Solutions to CAS Exam 3L, Fall 2009	1257
B.15 Solutions to CAS Exam 3L, Spring 2010	1262
B.16 Solutions to CAS Exam 3L, Fall 2010	1267
B.17 Solutions to CAS Exam 3L, Spring 2011	1273
B.18 Solutions to CAS Exam 3L, Fall 2011	1278
C Lessons Corresponding to Questions on Released and Practice Exams	1283

Lesson 22

Survival Distributions: Fractional Ages

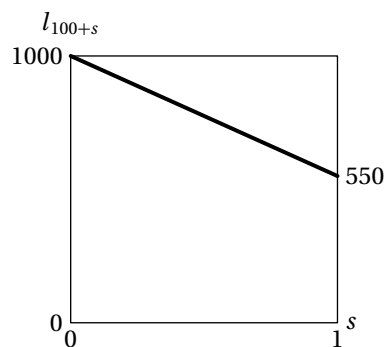
Reading: *Actuarial Mathematics* 3.6 or *Models for Quantifying Risk* (3rd edition) 4.5 or *Models for Quantifying Risk* (4th edition) 6.6.1, 6.6.2

Life tables, such as the Illustrative Life Table, list mortality rates (q_x) or lives (l_x) for integral ages only. Often, it is necessary to determine lives at fractional ages (like $l_{x+0.5}$ for x an integer) or mortality rates for fractions of a year. We need some way to interpolate between ages.

The easiest interpolation method is linear interpolation, or *uniform distribution of deaths* (UDD). This means that the number of lives at age $x + s$, $0 \leq s \leq 1$, is a weighted average of the number of lives at age x and the number of lives at age $x + 1$:

$$l_{x+s} = (1-s)l_x + sl_{x+1} = l_x - sd_x \quad (22.1)$$

The graph of l_{x+s} is a straight line between $s = 0$ and $s = 1$ with slope $-d_x$. The graph at the right portrays this for a mortality rate $q_{100} = 0.45$ and $l_{100} = 1000$.



Contrast UDD with de Moivre. If mortality follows de Moivre's law, l_x as a function of x is a straight line. If UDD is assumed, l_x is a straight line between integral ages, but the slope may vary for different ages. Thus if mortality follows de Moivre's law, UDD holds at all ages, but not conversely.

Using l_{x+s} , we can compute ${}_s q_x$:

$$\begin{aligned} {}_s q_x &= 1 - {}_s p_x \\ &= 1 - \frac{l_{x+s}}{l_x} = 1 - (1 - s q_x) = s q_x \end{aligned} \quad (22.2)$$

That is one of the most important formulas, so let's state it again:

$$\boxed{{}_s q_x = s q_x} \quad (22.2)$$

More generally, for $0 \leq s + t \leq 1$,

$$\begin{aligned} {}_s q_{x+t} &= 1 - {}_s p_{x+t} = 1 - \frac{l_{x+s+t}}{l_{x+t}} \\ &= 1 - \frac{l_x - (s+t)d_x}{l_x - t d_x} = \frac{s d_x}{l_x - t d_x} = \frac{s q_x}{1 - t q_x} \end{aligned} \quad (22.3)$$

where the last equation was obtained by dividing numerator and denominator by l_x . The important point to pick up is that while ${}_s q_x$ is the proportion of the year s times q_x , the corresponding concept at age $x + t$, ${}_s q_{x+t}$, is *not* $s q_x$, but is in fact higher than $s q_x$. The *number* of lives dying in any amount of time is constant, and since there are fewer and fewer lives as the year progresses, the *rate* of death is in fact increasing over the year. The numerator of ${}_s q_{x+t}$ is the proportion of the year being measured s times the death rate, but then this must be divided by 1 minus the proportion of the year that elapsed before the start of measurement.

For most problems involving death probabilities, it will suffice if you remember that l_{x+s} is linearly interpolated. It often helps to create a life table with an arbitrary radix. Try working out the following example before looking at the answer.

EXAMPLE 22A You are given:

- (i) $q_x = 0.1$
- (ii) Uniform distribution of deaths between integral ages is assumed.

Calculate ${}_{1/2}q_{x+1/4}$.

ANSWER: Let $l_x = 1$. Then $l_{x+1} = l_x(1 - q_x) = 0.9$ and $d_x = 0.1$. Linearly interpolating,

$$\begin{aligned} l_{x+1/4} &= l_x - \frac{1}{4}d_x = 1 - \frac{1}{4}(0.1) = 0.975 \\ l_{x+3/4} &= l_x - \frac{3}{4}d_x = 1 - \frac{3}{4}(0.1) = 0.925 \\ {}_{1/2}q_{x+1/4} &= \frac{l_{x+1/4} - l_{x+3/4}}{l_{x+1/4}} = \frac{0.975 - 0.925}{0.975} = \boxed{0.051282} \end{aligned}$$

You could also use equation (22.3) to work this example. □

EXAMPLE 22B For two lives age (x) with independent future lifetimes, ${}_k|q_x = 0.1(k + 1)$ for $k = 0, 1, 2$. Deaths are uniformly distributed between integral ages.

Calculate the probability that both lives will survive 2.25 years.

ANSWER: Since the two lives are independent, the probability of both surviving 2.25 years is the square of ${}_{2.25}p_x$, the probability of one surviving 2.25 years. If we let $l_x = 1$ and use $d_{x+k} = l_x {}_k|q_x$, we get

$$\begin{array}{ll} q_x = 0.1(1) = 0.1 & l_{x+1} = 1 - d_x = 1 - 0.1 = 0.9 \\ {}_1|q_x = 0.1(2) = 0.2 & l_{x+2} = 0.9 - d_{x+1} = 0.9 - 0.2 = 0.7 \\ {}_2|q_x = 0.1(3) = 0.3 & l_{x+3} = 0.7 - d_{x+2} = 0.7 - 0.3 = 0.4 \end{array}$$

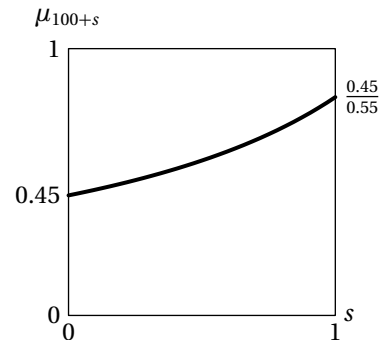
Then linearly interpolating between l_{x+2} and l_{x+3} , we get $l_{x+2.25} = 0.7 - 0.25(0.3) = 0.625$, and ${}_{2.25}p_x = l_{x+2.25}/l_x = 0.625$. Squaring, the answer is $0.625^2 = \boxed{0.390625}$. □

The probability density function of $T(x)$, ${}_s p_x \mu_{x+s}$, is the constant q_x , the derivative of the conditional cumulative distribution function ${}_s q_x = s q_x$ with respect to s . That is another important formula, since the density is needed to compute expected values, so let's repeat it:

$$\boxed{{}_s p_x \mu_{x+s} = q_x} \quad (22.4)$$

It follows that the force of mortality is q_x divided by $1 - s q_x$:

$$\mu_{x+s} = \frac{q_x}{{}_s p_x} = \frac{q_x}{1 - s q_x} \quad (22.5)$$



The force of mortality increases over the year, as illustrated in the graph for $q_{100} = 0.45$ to the right.

Complete Expectation of Life Under UDD

If the complete future lifetime random variable T is written as $T = K + S$, where K is the curtate future lifetime and S is the fraction of the last year lived, then K and S are independent. This is usually not true if uniform distribution of deaths is not assumed. Since S is uniform on $[0, 1)$, $E[S] = \frac{1}{2}$ and $\text{Var}(S) = \frac{1}{12}$. It follows from $E[S] = \frac{1}{2}$ that

$$\dot{e}_x = e_x + \frac{1}{2} \quad (22.6)$$

More common on exams are questions asking you to evaluate the temporary complete expectancy of life under UDD. You can always evaluate the temporary complete expectancy, whether or not UDD is assumed, by integrating ${}_t p_x$, as indicated by formula (20.6) on page 278. For UDD, ${}_t p_x$ is linear between integral ages. Therefore, a rule we learned in Lesson 20 applies for all integral x :

$$\dot{e}_{x:\overline{1}|} = p_x + 0.5q_x \quad (20.10)$$

This equation will be useful. In addition, the method for generating this equation can be used to work out questions involving temporary complete life expectancies for short periods. The following example illustrates this. This example will be reminiscent of calculating temporary complete life expectancy for de Moivre.

EXAMPLE 22C You are given

- (i) $q_x = 0.1$.
- (ii) Deaths are uniformly distributed between integral ages.

Calculate $\dot{e}_{x:\overline{0.4}|}$.

ANSWER: We will discuss two ways to solve this: an algebraic method and a geometric method.

The algebraic method is based on the double expectation theorem, equation (1.3). It uses the fact that *for a uniform distribution, the mean is the midpoint*. If deaths occur uniformly between integral ages, then those who die within a period contained within a year survive half the period on the average.

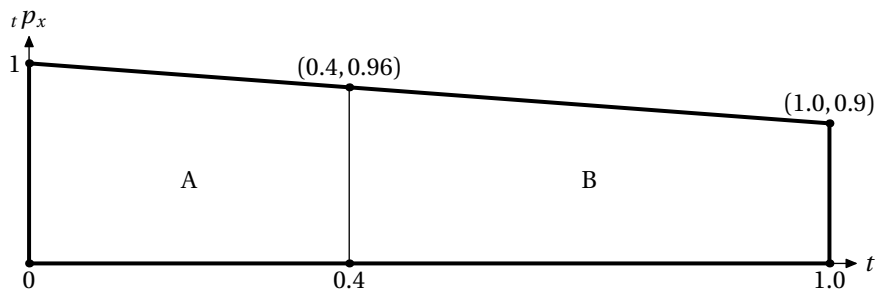
In this example, those who die within 0.4 survive an average of 0.2. Those who survive 0.4 survive an average of 0.4 of course. The temporary life expectancy is the weighted average of these two groups, or ${}_{0.4}q_x(0.2) + {}_{0.4}p_x(0.4)$. This is:

$${}_{0.4}q_x = (0.4)(0.1) = 0.04$$

$${}_{0.4}p_x = 1 - 0.04 = 0.96$$

$$\dot{e}_{x:\overline{0.4}|} = 0.04(0.2) + 0.96(0.4) = \boxed{0.392}$$

An equivalent geometric method, the trapezoidal rule, is to draw the ${}_t p_x$ function from 0 to 0.4. The integral of ${}_t p_x$ is the area under the line, which is the area of a trapezoid: the average of the heights times the width. The following is the graph (not drawn to scale):



Trapezoid A is the area we are interested in. Its area is $\frac{1}{2}(1 + 0.96)(0.4) = \boxed{0.392}$. □



Quiz 22-1 As in Example 22C, you are given

- (i) $q_x = 0.1$.
- (ii) Deaths are uniformly distributed between integral ages.

Calculate $\dot{e}_{x+0.4:\overline{0.6}|}$.

Let's now work out an example in which the duration crosses an integral boundary.

EXAMPLE 22D You are given:

- (i) $q_x = 0.1$
- (ii) $q_{x+1} = 0.2$
- (iii) Deaths are uniformly distributed between integral ages.

Calculate $\overset{\circ}{e}_{x+0.5:\overline{1}}$.

ANSWER: Let's start with the algebraic method. Since the mortality rate changes at $x + 1$, we must split the group into those who die before $x + 1$, those who die afterwards, and those who survive. Those who die before $x + 1$ live 0.25 on the average since the period to $x + 1$ is length 0.5. Those who die after $x + 1$ live between 0.5 and 1 years; the midpoint of 0.5 and 1 is 0.75, so they live 0.75 years on the average. Those who survive live 1 year.

Now let's calculate the probabilities.

$$\begin{aligned} {}_{0.5}q_{x+0.5} &= \frac{0.5(0.1)}{1 - 0.5(0.1)} = \frac{5}{95} \\ {}_{0.5}p_{x+0.5} &= 1 - \frac{5}{95} = \frac{90}{95} \\ {}_{0.5|0.5}q_{x+0.5} &= \left(\frac{90}{95}\right)(0.5(0.2)) = \frac{9}{95} \\ {}_1p_{x+0.5} &= 1 - \frac{5}{95} - \frac{9}{95} = \frac{81}{95} \end{aligned}$$

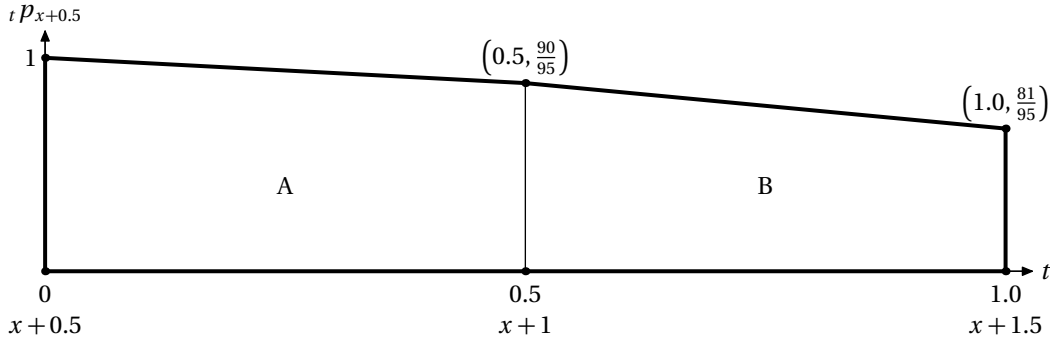
These probabilities could also be calculated by setting up an l_x table with radix 100 at age x and interpolating within it to get $l_{x+0.5}$ and $l_{x+1.5}$. Then

$$\begin{aligned} l_{x+1} &= 0.9l_x = 90 \\ l_{x+2} &= 0.8l_{x+1} = 72 \\ l_{x+0.5} &= 0.5(90 + 100) = 95 \\ l_{x+1.5} &= 0.5(72 + 90) = 81 \\ {}_{0.5}q_{x+0.5} &= 1 - \frac{90}{95} = \frac{5}{95} \\ {}_{0.5|0.5}q_{x+0.5} &= \frac{90 - 81}{95} = \frac{9}{95} \\ {}_1p_{x+0.5} &= \frac{l_{x+1.5}}{l_{x+0.5}} = \frac{81}{95} \end{aligned}$$

Either way, we're now ready to calculate $\overset{\circ}{e}_{x+0.5:\overline{1}}$.

$$\overset{\circ}{e}_{x+0.5:\overline{1}} = \frac{5(0.25) + 9(0.75) + 81(1)}{95} = \boxed{\frac{89}{95}}$$

For the geometric method we draw the following graph:



The heights at $x + 1$ and $x + 1.5$ are as we computed above. Then we compute each area separately. The area of A is $\frac{1}{2} \left(1 + \frac{90}{95} \right) (0.5) = \frac{185}{95(4)}$. The area of B is $\frac{1}{2} \left(\frac{90}{95} + \frac{81}{95} \right) (0.5) = \frac{171}{95(4)}$. Adding them up, we get $\frac{185+171}{95(4)} = \frac{89}{95}$. \square



Quiz 22-2 The probability that a battery fails by the end of the k th month is given in the following table:

k	Probability of battery failure by the end of month k
1	0.05
2	0.20
3	0.60

Between integral months, time of failure for the battery is uniformly distributed. Calculate the expected amount of time the battery survives within 2.25 months.

To calculate $\dot{e}_{x:\overline{n}|}$ in terms of $e_{x:\overline{n}|}$ when x and n are both integers, note that those who survive n years contribute the same to both. Those who die contribute an average of $\frac{1}{2}$ more to $\dot{e}_{x:\overline{n}|}$ since they die on the average in the middle of the year. Thus the difference is $\frac{1}{2} n q_x$:

$$\dot{e}_{x:\overline{n}|} = e_{x:\overline{n}|} + 0.5 n q_x \tag{22.7}$$

EXAMPLE 22E You are given:

- (i) $q_x = 0.01$ for $x = 50, 51, \dots, 59$.
- (ii) Deaths are uniformly distributed between integral ages.

Calculate $\dot{e}_{50:\overline{10}|}$.

ANSWER: As we just said, $\dot{e}_{50:\overline{10}|} = e_{50:\overline{10}|} + 0.5_{10}q_{50}$. The first summand, $e_{50:\overline{10}|}$, is the sum of ${}_k p_{50} = 0.99^k$ for $k = 1, \dots, 10$. This sum is a geometric series:

$$e_{50:\overline{10}|} = \sum_{k=1}^{10} 0.99^k = \frac{0.99 - 0.99^{11}}{1 - 0.99} = 9.46617$$

The second summand, the probability of dying within 10 years is $_{10}q_{50} = 1 - 0.99^{10} = 0.095618$. Therefore

$$\dot{e}_{50:\overline{10}|} = 9.46617 + 0.5(0.095618) = \boxed{9.51398} \quad \square$$

The formulas are summarized in Table 22.1.

Table 22.1: Summary of formulas for fractional ages

$$\begin{aligned}
 l_{x+s} &= l_x - s d_x \\
 {}_s q_x &= s q_x \\
 {}_s p_x &= 1 - s q_x \\
 {}_s q_{x+t} &= \frac{s q_x}{1 - t q_x} \\
 \mu_{x+s} &= \frac{q_x}{1 - s q_x} \\
 {}_s p_x \mu_{x+s} &= q_x \\
 \ddot{e}_x &= e_x + 0.5 \\
 \ddot{e}_{x:\overline{n}|} &= e_{x:\overline{n}|} + 0.5 {}_n q_x \\
 \ddot{e}_{x:\overline{1}|} &= p_x + 0.5 q_x
 \end{aligned}$$

Exercises

22.1. [CAS4-S85:16] (1 point) Deaths are uniformly distributed between integral ages.

Which of the following represents ${}_{3/4}p_x + \frac{1}{2} {}_{1/2}p_x \mu_{x+1/2}$?

- A. ${}_{3/4}p_x$ B. ${}_{3/4}q_x$ C. ${}_{1/2}p_x$ D. ${}_{1/2}q_x$ E. ${}_{1/4}p_x$

22.2. [Based on 150-S88:25] You are given:

- (i) ${}_{0.25}q_{x+0.75} = 3/31$.
(ii) Mortality is uniformly distributed within age x .

Calculate q_x .

Use the following information for questions 22.3 and 22.4:

You are given:

- (i) Deaths are uniformly distributed between integral ages.
(ii) $q_x = 0.10$.
(iii) $q_{x+1} = 0.15$.

22.3. Calculate ${}_{1/2}q_{x+3/4}$.

22.4. Calculate ${}_{0.3|0.5}q_{x+0.4}$.

22.5. You are given:

- (i) Deaths are uniformly distributed between integral ages.
(ii) Mortality follows the Illustrative Life Table.

Calculate the median future lifetime for (45.5).

22.6. You are given:

(i) Deaths are uniformly distributed between integral ages.

(ii)

x	q_x
52	0.10
53	0.11
54	0.13

Calculate ${}_3m_{52}$.

22.7. [160-F90:5] You are given:

(i) A survival distribution is defined by

$$l_x = 1000 \left(1 - \left(\frac{x}{100} \right)^2 \right), \quad 0 \leq x \leq 100.$$

(ii) μ_x denotes the actual force of mortality for the survival distribution.

(iii) μ_x^L denotes the approximation of the force of mortality based on the uniform distribution of deaths assumption for l_x , $50 \leq x < 51$.

Calculate $\mu_{50.25} - \mu_{50.25}^L$.

A. -0.00016

B. -0.00007

C. 0

D. 0.00007

E. 0.00016

22.8. A survival distribution is defined by

(i) $s(k) = 1/(1 + 0.01k)^4$ for k a non-negative integer.

(ii) Deaths are uniformly distributed between integral ages.

Calculate ${}_{0.4}q_{20.2}$.

22.9. [150-82-94:5] You are given:

(i) Deaths are uniformly distributed over each year of age.

(ii) ${}_{0.75}p_x = 0.25$.

Which of the following are true?

I. ${}_{0.25}q_{x+0.5} = 0.5$

II. ${}_{0.5}q_x = 0.5$

III. $\mu_{x+0.5} = 0.5$

A. I and II only

B. I and III only

C. II and III only

D. I, II and III

E. The correct answer is not given by A, B, C, or D.

22.10. [3-S00:12] For a certain mortality table, you are given:

- (i) $\mu(80.5) = 0.0202$
- (ii) $\mu(81.5) = 0.0408$
- (iii) $\mu(82.5) = 0.0619$
- (iv) Deaths are uniformly distributed between integral ages.

Calculate the probability that a person age 80.5 will die within two years.

- A. 0.0782 B. 0.0785 C. 0.0790 D. 0.0796 E. 0.0800

22.11. You are given:

- (i) Deaths are uniformly distributed between integral ages.
- (ii) $q_x = 0.1$.
- (iii) $q_{x+1} = 0.3$.

Calculate $\dot{e}_{x+0.7:\overline{1}}$.

22.12. You are given:

- (i) Deaths are uniformly distributed between integral ages.
- (ii) $q_{45} = 0.01$.
- (iii) $q_{46} = 0.011$.

Calculate $\text{Var}(\min(T(45), 2))$.

22.13. You are given:

- (i) Deaths are uniformly distributed between integral ages.
- (ii) ${}_{10}p_x = 0.2$.

Calculate $\dot{e}_{x:\overline{10}} - e_{x:\overline{10}}$.

22.14. [4-F86:21] You are given:

- (i) $q_{60} = 0.020$
- (ii) $q_{61} = 0.022$
- (iii) Deaths are uniformly distributed over each year of age.

Calculate $\dot{e}_{60:\overline{1.5}}$.

- A. 1.447 B. 1.457 C. 1.467 D. 1.477 E. 1.487

22.15. [150-F89:21] You are given:

- (i) $q_{70} = 0.040$
- (ii) $q_{71} = 0.044$
- (iii) Deaths are uniformly distributed over each year of age.

Calculate $\dot{e}_{70:\overline{1.5}}$.

- A. 1.435 B. 1.445 C. 1.455 D. 1.465 E. 1.475

22.16. [3-S01:33] For a 4-year college, you are given the following probabilities for dropout from all causes:

$$q_0 = 0.15$$

$$q_1 = 0.10$$

$$q_2 = 0.05$$

$$q_3 = 0.01$$

Dropouts are uniformly distributed over each year.

Compute the temporary 1.5-year complete expected college lifetime of a student entering the second year, $\dot{e}_{1:\overline{1.5}|}$.

- A. 1.25 B. 1.30 C. 1.35 D. 1.40 E. 1.45

22.17. You are given:

(i) Deaths are uniformly distributed between integral ages.

(ii) $\dot{e}_{x+0.5:\overline{0.5}|} = 5/12$.

Calculate q_x .

22.18. You are given:

(i) Deaths are uniformly distributed over each year of age.

(ii) $\dot{e}_{55:2:\overline{0.4}|} = 0.396$.

Calculate $\mu_{55.2}$.

22.19. [150-S87:21] You are given:

(i) $d_x = k$ for $x = 0, 1, 2, \dots, \omega - 1$

(ii) $\dot{e}_{20:\overline{20}|} = 18$

(iii) Deaths are uniformly distributed over each year of age.

Calculate ${}_{30|10}q_{30}$.

- A. 0.111 B. 0.125 C. 0.143 D. 0.167 E. 0.200

22.20. [150-S89:24] You are given:

(i) Deaths are uniformly distributed over each year of age.

(ii) $\mu_{45.5} = 0.5$

Calculate $\dot{e}_{45:\overline{1}|}$.

- A. 0.4 B. 0.5 C. 0.6 D. 0.7 E. 0.8

22.21. [CAS3-S04:10] 4,000 people age (30) each pay an amount, P , into a fund. Immediately after the 1,000th death, the fund will be dissolved and each of the survivors will be paid \$50,000.

- Mortality follows the Illustrative Life Table, using linear interpolation at fractional ages.
- $i = 12\%$

Calculate P .

- Less than 515
- At least 515, but less than 525
- At least 525, but less than 535
- At least 535, but less than 545
- At least 545

Additional released exam questions: CAS3-S05:31, CAS3-F05:13, CAS3-S06:13, CAS3-F06:13, CAS3-S07:24, CAS3L-S08:16, CAS3L-S09:3, CAS3L-F09:3, CAS3L-S10:4, CAS3L-F10:3, CAS3L-S11:3

Solutions

22.1. In the second summand, ${}_{1/2}p_x \mu_{x+1/2}$ is the density function, which is the constant q_x under UDD. The first summand ${}_{3/4}p_x = 1 - \frac{3}{4}q_x$. So the sum is $1 - \frac{1}{4}q_x$, or $\boxed{{}_{1/4}p_x}$. (E)

22.2. Using equation (22.3),

$$\begin{aligned}\frac{3}{31} &= 0.25q_{x+0.75} = \frac{0.25q_x}{1 - 0.75q_x} \\ \frac{3}{31} - \frac{2.25}{31}q_x &= 0.25q_x \\ \frac{3}{31} &= \frac{10}{31}q_x \\ q_x &= \boxed{0.3}\end{aligned}$$

22.3. We calculate the probability that $(x + \frac{3}{4})$ survives for half a year. Since the duration crosses an integer boundary, we break the period up into two quarters of a year. The probability of $(x + 3/4)$ surviving for 0.25 years is, by equation (22.3),

$${}_{1/4}p_{x+3/4} = \frac{1 - 0.10}{1 - 0.75(0.10)} = \frac{0.9}{0.925}$$

The probability of $(x + 1)$ surviving to $x + 1.25$ is

$${}_{1/4}p_{x+1} = 1 - 0.25(0.15) = 0.9625$$

The answer to the question is then the complement of the product of these two numbers:

$${}_{1/2}q_{x+3/4} = 1 - {}_{1/2}p_{x+3/4} = 1 - {}_{1/4}p_{x+3/4} {}_{1/4}p_{x+1} = 1 - \left(\frac{0.9}{0.925}\right)(0.9625) = \boxed{0.06351}$$

Alternatively, you could build a life table starting at age x , with $l_x = 1$. Then $l_{x+1} = (1 - 0.1) = 0.9$ and $l_{x+2} = 0.9(1 - 0.15) = 0.765$. Under UDD, l_x at fractional ages is obtained by linear interpolation, so

$$l_{x+0.75} = 0.75(0.9) + 0.25(1) = 0.925$$

$$\begin{aligned}
 l_{x+1.25} &= 0.25(0.765) + 0.75(0.9) = 0.86625 \\
 {}_{1/2}p_{3/4} &= \frac{l_{x+1.25}}{l_{x+0.75}} = \frac{0.86625}{0.925} = 0.93649 \\
 {}_{1/2}q_{3/4} &= 1 - {}_{1/2}p_{3/4} = 1 - 0.93649 = \boxed{0.06351}
 \end{aligned}$$

22.4. ${}_{0.3|0.5}q_{x+0.4}$ is ${}_{0.3}p_{x+0.4} - {}_{0.8}p_{x+0.4}$. The first summand is

$${}_{0.3}p_{x+0.4} = \frac{1 - 0.7q_x}{1 - 0.4q_x} = \frac{1 - 0.07}{1 - 0.04} = \frac{93}{96}$$

The probability that $(x + 0.4)$ survives to $x + 1$ is, by equation (22.3),

$${}_{0.6}p_{x+0.4} = \frac{1 - 0.10}{1 - 0.04} = \frac{90}{96}$$

and the probability $(x + 1)$ survives to $x + 1.2$ is

$${}_{0.2}p_{x+1} = 1 - 0.2q_{x+1} = 1 - 0.2(0.15) = 0.97$$

So

$${}_{0.3|0.5}q_{x+0.4} = \frac{93}{96} - \left(\frac{90}{96}\right)(0.97) = \boxed{0.059375}$$

Alternatively, you could use the life table from the solution to the last question, and linearly interpolate:

$$\begin{aligned}
 l_{x+0.4} &= 0.4(0.9) + 0.6(1) = 0.96 \\
 l_{x+0.7} &= 0.7(0.9) + 0.3(1) = 0.93 \\
 l_{x+1.2} &= 0.2(0.765) + 0.8(0.9) = 0.873 \\
 {}_{0.3|0.5}q_{x+0.4} &= \frac{0.93 - 0.873}{0.96} = \boxed{0.059375}
 \end{aligned}$$

22.5. Under uniform distribution of deaths between integral ages, $l_{x+0.5} = \frac{1}{2}(l_x + l_{x+1})$, since the survival function is a straight line between two integral ages. Therefore, $l_{45.5} = \frac{1}{2}(9,164,051 + 9,127,426) = 9,145,738.5$. Median future lifetime occurs when $l_x = \frac{1}{2}(9,145,738.5) = 4,572,869$. This happens between ages 77 and 78. We interpolate between the ages to get the exact median:

$$\begin{aligned}
 l_{77} - s(l_{77} - l_{78}) &= 4,572,869 \\
 4,828,182 - s(4,828,182 - 4,530,360) &= 4,572,869 \\
 4,828,182 - 297,822s &= 4,572,869 \\
 s &= \frac{4,828,182 - 4,572,869}{297,822} = \frac{255,313}{297,822} = 0.8573
 \end{aligned}$$

So the median age at death is 77.8573, and median future lifetime is $77.8573 - 45.5 = \boxed{32.3573}$.

22.6. We use the fact that for each age, $L_x = \frac{1}{2}(l_x + l_{x+1})$, so ${}_3L_{52} = \frac{1}{2}(l_{52} + 2l_{53} + 2l_{54} + l_{55})$, and we have

$${}_3m_{52} = \frac{{}_3d_{52}}{\frac{1}{2}(l_{52} + 2l_{53} + 2l_{54} + l_{55})}$$

Dividing numerator and denominator by l_{52} ,

$${}_3m_{52} = \frac{{}_2q_{52}}{1 + 2p_{52} + 2p_{52}^2 + 3p_{52}^3}$$

$$\begin{aligned}
 &= \frac{2(1 - (0.90)(0.89)(0.87))}{1 + 2(0.90) + 2(0.90)(0.89) + (0.90)(0.89)(0.87)} \\
 &= \frac{0.60626}{5.09887} = \boxed{0.11890}
 \end{aligned}$$

22.7. ${}_x p_0 = \frac{l_x}{l_0} = 1 - \left(\frac{x}{100}\right)^2$. The force of mortality is calculated as the negative derivative of $\ln_x p_0$:

$$\begin{aligned}
 \mu_x &= -\frac{d \ln_x p_0}{dx} = \frac{2\left(\frac{x}{100}\right)\left(\frac{1}{100}\right)}{1 - \left(\frac{x}{100}\right)^2} = \frac{2x}{100^2 - x^2} \\
 \mu_{50.25} &= \frac{100.5}{100^2 - 50.25^2} = 0.0134449
 \end{aligned}$$

For UDD, we need to calculate q_{50} .

$$\begin{aligned}
 p_{50} &= \frac{l_{51}}{l_{50}} = \frac{1 - 0.51^2}{1 - 0.50^2} = 0.986533 \\
 q_{50} &= 1 - 0.986533 = 0.013467
 \end{aligned}$$

so under UDD,

$$\mu_{50.25}^L = \frac{q_{50}}{1 - 0.25q_{50}} = \frac{0.013467}{1 - 0.25(0.013467)} = 0.013512.$$

The difference between $\mu_{50.25}$ and $\mu_{50.25}^L$ is $0.013445 - 0.013512 = \boxed{-0.000067}$. (B)

22.8. $s(20) = 1/1.2^4$ and $s(21) = 1/1.21^4$, so $q_{20} = 1 - (1.2/1.21)^4 = 0.03265$. Then

$${}_{0.4}q_{20.2} = \frac{0.4q_{20}}{1 - 0.2q_{20}} = \frac{0.4(0.03265)}{1 - 0.2(0.03265)} = \boxed{0.01315}$$

22.9. First calculate q_x .

$$\begin{aligned}
 1 - 0.75q_x &= 0.25 \\
 q_x &= 1
 \end{aligned}$$

Then by equation (22.3), ${}_{0.25}q_{x+0.5} = 0.25/(1 - 0.5) = 0.5$, making I true.

By equation (22.2), ${}_{0.5}q_x = 0.5q_x = 0.5$, making II true.

By equation (22.5), $\mu_{x+0.5} = 1/(1 - 0.5) = 2$, making III false. (A)

22.10. We use equation (22.5) to back out q_x for each age.

$$\begin{aligned}
 \mu_{x+0.5} &= \frac{q_x}{1 - 0.5q_x} \Rightarrow q_x = \frac{\mu_{x+0.5}}{1 + 0.5\mu_{x+0.5}} \\
 q_{80} &= \frac{0.0202}{1.0101} = 0.02 \\
 q_{81} &= \frac{0.0408}{1.0204} = 0.04 \\
 q_{82} &= \frac{0.0619}{1.03095} = 0.06
 \end{aligned}$$

Then by equation (22.3), ${}_{0.5}p_{80.5} = 0.98/0.99$, $p_{81} = 0.96$, and ${}_{0.5}p_{82} = 1 - 0.5(0.06) = 0.97$. Therefore

$${}_2q_{80.5} = 1 - \left(\frac{0.98}{0.99}\right)(0.96)(0.97) = \boxed{0.0782} \quad (\text{A})$$

22.11. To do this algebraically, we split the group into those who die within 0.3 years, those who die between 0.3 and 1 years, and those who survive one year. Under UDD, those who die will die at the midpoint of the interval (assuming the interval doesn't cross an integral age), so we have

Group	Survival time	Probability of group	Average survival time
I	(0, 0.3]	$1 - {}_{0.3}p_{x+0.7}$	0.15
II	(0.3, 1]	${}_{0.3}p_{x+0.7} - {}_1p_{x+0.7}$	0.65
III	(1, ∞)	${}_1p_{x+0.7}$	1

We calculate the required probabilities.

$$\begin{aligned} {}_{0.3}p_{x+0.7} &= \frac{0.9}{0.93} = 0.967742 \\ {}_1p_{x+0.7} &= \frac{0.9}{0.93} (1 - 0.7(0.3)) = 0.764516 \\ 1 - {}_{0.3}p_{x+0.7} &= 1 - 0.967742 = 0.032258 \\ {}_{0.3}p_{x+0.7} - {}_1p_{x+0.7} &= 0.967742 - 0.764516 = 0.203226 \\ \dot{e}_{x+0.7:\overline{1}|} &= 0.032258(0.15) + 0.203226(0.65) + 0.764516(1) = \boxed{0.901452} \end{aligned}$$

Alternatively, we can use trapezoids. We already know from the above solution that the heights of the first trapezoid are 1 and 0.967742, and the heights of the second trapezoid are 0.967742 and 0.764516. So the sum of the area of the two trapezoids is

$$\begin{aligned} \dot{e}_{x+0.7:\overline{1}|} &= (0.3)(0.5)(1 + 0.967742) + (0.7)(0.5)(0.967742 + 0.764516) \\ &= 0.295161 + 0.606290 = \boxed{0.901451} \end{aligned}$$

22.12. For the expected value, we'll use the recursive formula. (The trapezoidal rule could also be used.)

$$\begin{aligned} \dot{e}_{45:\overline{2}|} &= \dot{e}_{45:\overline{1}|} + p_{45} \dot{e}_{46:\overline{1}|} \\ &= (1 - 0.005) + 0.99(1 - 0.0055) \\ &= 1.979555 \end{aligned}$$

We'll use equation (20.7) to calculate the second moment.

$$\begin{aligned} \mathbf{E}[(T \wedge 2)^2] &= 2 \int_0^2 t {}_t p_x dt \\ &= 2 \left(\int_0^1 t(1 - 0.01t) dt + \int_1^2 t(0.99)(1 - 0.011(t - 1)) dt \right) \\ &= 2 \left(\frac{1}{2} - 0.01 \left(\frac{1}{3} \right) + 0.99 \left(\frac{(1.011)(2^2 - 1^2)}{2} - 0.011 \left(\frac{2^3 - 1^3}{3} \right) \right) \right) \\ &= 2(0.496667 + 1.475925) = 3.94518 \end{aligned}$$

So the variance is $3.94518 - 1.979555^2 = \boxed{0.02654}$.

22.13. As discussed on page 321, by equation (22.7), the difference is

$$\frac{1}{2} {}_{10}q_x = \frac{1}{2}(1 - 0.2) = \boxed{0.4}$$

22.14. Those who die in the first year survive $\frac{1}{2}$ year on the average and those who die in the first half of the second year survive 1.25 years on the average, so we have

$$\begin{aligned} p_{60} &= 0.98 \\ {}_{1.5}p_{60} &= 0.98(1 - 0.5(0.022)) = 0.96922 \\ \dot{e}_{60:\overline{1.5}|} &= 0.5(0.02) + 1.25(0.98 - 0.96922) + 1.5(0.96922) = \boxed{1.477305} \quad (\text{D}) \end{aligned}$$

Alternatively, we use the trapezoidal method. The first trapezoid has heights 1 and $p_{60} = 0.98$ and width 1. The second trapezoid has heights $p_{60} = 0.98$ and ${}_{1.5}p_{60} = 0.96922$ and width $1/2$.

$$\begin{aligned} \dot{e}_{60:\overline{1.5}|} &= \frac{1}{2}(1 + 0.98) + \left(\frac{1}{2}\right)\left(\frac{1}{2}\right)(0.98 + 0.96922) \\ &= \boxed{1.477305} \quad (\text{D}) \end{aligned}$$

22.15. $p_{70} = 1 - 0.040 = 0.96$, ${}_2p_{70} = (0.96)(0.956) = 0.91776$, and by linear interpolation, ${}_{1.5}p_{70} = 0.5(0.96 + 0.91776) = 0.93888$. Those who die in the first year survive 0.5 years on the average and those who die in the first half of the second year survive 1.25 years on the average. So

$$\dot{e}_{70:\overline{1.5}|} = 0.5(0.04) + 1.25(0.96 - 0.93888) + 1.5(0.93888) = \boxed{1.45472} \quad (\text{C})$$

Alternatively, we can use the trapezoidal method. The first year's trapezoid has heights 1 and 0.96 and width 1 and the second year's trapezoid has heights 0.96 and 0.93888 and width $1/2$, so

$$\dot{e}_{70:\overline{1.5}|} = 0.5(1 + 0.96) + 0.5(0.5)(0.96 + 0.93888) = \boxed{1.45472} \quad (\text{C})$$

22.16. First we calculate ${}_t p_1$ for $t = 1, 2$.

$$\begin{aligned} p_1 &= 1 - q_1 = 0.90 \\ {}_2p_1 &= (1 - q_1)(1 - q_2) = (0.90)(0.95) = 0.855 \end{aligned}$$

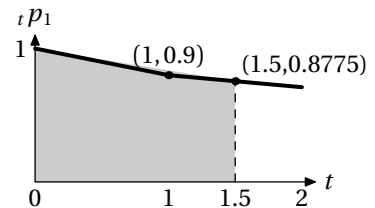
By linear interpolation, ${}_{1.5}p_1 = (0.5)(0.9 + 0.855) = 0.8775$.

The algebraic method splits the students into three groups: first year dropouts, second year (up to time 1.5) dropouts, and survivors. In each dropout group survival on the average is to the midpoint (0.5 years for the first group, 1.25 years for the second group) and survivors survive 1.5 years. Therefore

$$\dot{e}_{1:\overline{1.5}|} = 0.10(0.5) + (0.90 - 0.8775)(1.25) + 0.8775(1.5) = \boxed{1.394375} \quad (\text{D})$$

Alternatively, we could sum the two trapezoids making up the shaded area at the right.

$$\begin{aligned} \dot{e}_{1:\overline{1.5}|} &= (1)(0.5)(1 + 0.9) + (0.5)(0.5)(0.90 + 0.8775) \\ &= 0.95 + 0.444375 = \boxed{1.394375} \quad (\text{D}) \end{aligned}$$



22.17. Those who die survive 0.25 years on the average and survivors survive 0.5 years, so we have

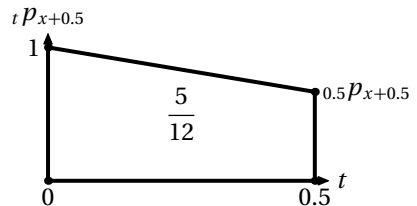
$$\begin{aligned} 0.25 {}_{0.5}q_{x+0.5} + 0.5 {}_{0.5}p_{x+0.5} &= \frac{5}{12} \\ 0.25 \left(\frac{0.5q_x}{1-0.5q_x} \right) + 0.5 \left(\frac{1-q_x}{1-0.5q_x} \right) &= \frac{5}{12} \\ 0.125q_x + 0.5 - 0.5q_x &= \frac{5}{12} - \frac{5}{24}q_x \\ \frac{1}{2} - \frac{5}{12} &= \left(-\frac{5}{24} + \frac{1}{2} - \frac{1}{8} \right) q_x \\ \frac{1}{12} &= \frac{q_x}{6} \\ q_x &= \boxed{\frac{1}{2}} \end{aligned}$$

Alternatively, complete life expectancy is the area of the trapezoid shown on the right, so

$$\frac{5}{12} = 0.5(0.5)(1 + {}_{0.5}p_{x+0.5})$$

Then ${}_{0.5}p_{x+0.5} = \frac{2}{3}$, from which it follows

$$\begin{aligned} \frac{2}{3} &= \frac{1-q_x}{1-\frac{1}{2}q_x} \\ q_x &= \boxed{\frac{1}{2}} \end{aligned}$$



22.18. Survivors live 0.4 years and those who die live 0.2 years on the average, so

$$0.396 = 0.4 {}_{0.4}p_{55.2} + 0.2 {}_{0.2}q_{55.2}$$

Using the formula ${}_{0.4}q_{55.2} = 0.4q_{55}/(1-0.2q_{55})$ (equation (22.3)), we have

$$\begin{aligned} 0.4 \left(\frac{1-0.6q_{55}}{1-0.2q_{55}} \right) + 0.2 \left(\frac{0.4q_{55}}{1-0.2q_{55}} \right) &= 0.396 \\ 0.4 - 0.24q_{55} + 0.08q_{55} &= 0.396 - 0.0792q_{55} \\ 0.0808q_{55} &= 0.004 \\ q_{55} &= \frac{0.004}{0.0808} = 0.0495 \\ \mu_{55.2} &= \frac{q_{55}}{1-0.2q_{55}} = \frac{0.0495}{1-0.2(0.0495)} = \boxed{0.05} \end{aligned}$$

22.19. Since d_x is constant for all x and deaths are uniformly distributed within each year of age, mortality follows de Moivre's law. We back out ω using equation (20.9), $\ddot{e}_{x:\overline{n}|} = {}_n p_x(n) + {}_n q_x(n/2)$:

$$\begin{aligned} 10 {}_{20}q_{20} + 20 {}_{20}p_{20} &= 18 \\ 10 \left(\frac{20}{\omega-20} \right) + 20 \left(\frac{\omega-40}{\omega-20} \right) &= 18 \\ 200 + 20\omega - 800 &= 18\omega - 360 \\ 2\omega &= 240 \\ \omega &= 120 \end{aligned}$$

Alternatively, we can back out ω using the trapezoidal rule. Complete life expectancy is the area of the trapezoid shown to the right.

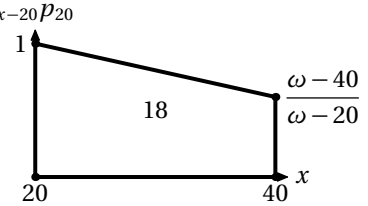
$$\dot{e}_{20:\overline{20}|} = 18 = (20)(0.5) \left(1 + \frac{\omega - 40}{\omega - 20} \right)$$

$$0.8 = \frac{\omega - 40}{\omega - 20}$$

$$0.8\omega - 16 = \omega - 40$$

$$0.2\omega = 24$$

$$\omega = 120$$



Once we have ω , we compute

$${}_{30|10}q_{30} = \frac{10}{\omega - 30} = \frac{10}{90} = \boxed{0.1111} \quad (\text{A})$$

22.20. We use equation (22.5) to obtain

$$0.5 = \frac{q_x}{1 - 0.5q_x}$$

$$q_x = 0.4$$

Then $\dot{e}_{45:\overline{1}|} = 0.5(1 + (1 - 0.4)) = \boxed{0.8}$. (E)

22.21. According to the Illustrative Life Table, $l_{30} = 9,501,381$, so we are looking for the age x such that $l_x = 0.75(9,501,381) = 7,126,036$. This is between 67 and 68. Using linear interpolation, since $l_{67} = 7,201,635$ and $l_{68} = 7,018,432$, we have

$$x = 67 + \frac{7,201,635 - 7,126,036}{7,201,635 - 7,018,432} = 67.4127$$

This is 37.4127 years into the future. $\frac{3}{4}$ of the people collect 50,000. We need $50,000 \left(\frac{3}{4} \right) \left(\frac{1}{1.12^{37.4127}} \right) = \boxed{540.32}$ per person. (D)

Quiz Solutions

22-1. The algebraic method goes: those who die will survive 0.3 on the average, and those who survive will survive 0.6.

$${}_{0.6}q_{x+0.4} = \frac{0.6(0.1)}{1 - 0.4(0.1)} = \frac{6}{96}$$

$${}_{0.6}p_{x+0.4} = 1 - \frac{6}{96} = \frac{90}{96}$$

$$\dot{e}_{x+0.4:\overline{0.6}|} = \frac{6}{96}(0.3) + \frac{90}{96}(0.6) = \frac{55.8}{96} = \boxed{0.58125}$$

The geometric method goes: we need the area of a trapezoid having height 1 at $x + 0.4$ and height $90/96$ at $x + 1$, where $90/96$ is ${}_{0.6}p_{x+0.4}$, as calculated above. The width of the trapezoid is 0.6. The answer is therefore $0.5(1 + 90/96)(0.6) = \boxed{0.58125}$.

22-2. Batteries failing in month 1 survive an average of 0.5 month, those failing in month 2 survive an average of 1.5 months, and those failing in month 3 survive an average of 2.125 months (the average of 2 and 2.25). By linear interpolation, ${}_{2.25}q_0 = 0.25(0.6) + 0.75(0.2) = 0.3$. So we have

$$\begin{aligned}\dot{e}_{0:\overline{2.25}|} &= q_0(0.5) + {}_1|q_0(1.5) + {}_{2|0.25}q_0(2.125) + {}_{2.25}p_0(2.25) \\ &= (0.05)(0.5) + (0.20 - 0.05)(1.5) + (0.3 - 0.2)(2.125) + 0.70(2.25) = \boxed{2.0375}\end{aligned}$$

