a/s/m

Actuarial Study Materials
Learning Made Easier

Flashcards for SOA Exam STAM
2nd Edition, 3rd Printing

Table 1: Lessons in ASM manual corresponding to topic

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Five components of auto insurance

1. *Liability insurance (bodily injury and property damage)*

2. *Uninsured, underinsured, and unidentified motorist coverage*

3. *Medical benefits*

4. *Collision*

5. *Comprehensive*

★

Two ways for insurance company to recover losses

1. *Subrogation*

2. *Salvage*

★

Five components of homeowners insurance

1. *Damage to dwelling*

2. *Damage to garage/other structures on premises*

3. *Damage to contents*

4. *Additional living expenses*

5. *Liability*

★★

Disappearing deductible

Deductible of d that decreases linearly to 0 at d + k

Coinsurance clause

If policy limit is less than $100k\%$ of value at time of damage, insurance pays $\dfrac{limit}{(k \times value)}$ times loss.

★★★★

Loss Elimination Ratio

$$\text{LER}_X(d) = \frac{\mathbf{E}[X \wedge d]}{\mathbf{E}[X]}$$

★★

Loss Elimination Ratio for exponential

116F

$$\text{LER}(d) = 1 - e^{-d/\theta}$$

★★

Loss Elimination Ratio for two-parameter Pareto

117F

$$\text{LER}(d) = 1 - \left(\frac{\theta}{d + \theta}\right)^{\alpha - 1}$$

$$\alpha > 1$$

★★

Loss Elimination Ratio for single-parameter Pareto for $d \geq \theta$

118F

$$\text{LER}(d) = 1 - \frac{(\theta/d)^{\alpha-1}}{\alpha}$$

$$\alpha > 1, d \geq \theta$$

★★★★

Formula for ILF

Severity Distributions ★★★★

$$\text{ILF}(U) = \frac{\mathbf{E}[X \wedge U]}{\mathbf{E}[X \wedge B]}$$

where B is basic limit

★

Three cautions for calculating ILFs

1. *Losses may not be independent of ILF.*

2. *Policy limit selected may depend on likelihood of loss.*

3. *Losses but not LAE are limited.*