

## Errata and Updates for ASM Exam LTAM (First Edition Second Printing) Sorted by Date

Practice Exam 10:A7, 12:A17, and 12:A18 are defective in that none of the answer choices is correct.

[10/25/2018] On page 1626, in question 18(ii), replace “Illustrative Life Table” with “Standard Ultimate Life Table”.

[10/25/2018] On page 1752, in the solution to question 7, replace 197,765.1 with 18,200.3 on lines 3 and 5, and replace the final answer 10,132 with 8,567.

[10/25/2018] On page 1825, change the answer key for question 7 to **(D)**. Make the same change to the answer key on page 1762

[10/25/2018] On page 1776, in the solution to question 10, in the table, replace the entry for  ${}_{t-1}V$  for  $t = 1$  with 0, since this reserve is ignored. Replace the entry for  $\text{Pr}_t$  for  $t = 1$  with 137.178.

[10/25/2018] On pages 1778–1779, replace the solution to question 17 with

We can either calculate single premiums for insurances or annuities. Using insurances:

$$A_{55:\overline{10}|} = 0.61813$$

$$A_{65:\overline{10}|} = 0.62650$$

$${}_{10}E_{55:65} = \left(\frac{l_{75}}{l_{55}}\right)\left(\frac{1}{1.05^{10}}\right) = {}_{20}E_{55}(1.05^{10}) = 0.32819(1.05^{10}) = 0.53459$$

$$A_{55:65:\overline{10}|} = A_{55:65} - {}_{10}E_{55:65}A_{65:75} + {}_{10}E_{55:65} = 0.38891 - 0.53459(0.54810) + 0.53459 = 0.63049$$

$$A_{\overline{55:65:\overline{10}}|} = 0.61813 + 0.62650 - 0.63049 = 0.61414$$

Then the annual net premium is

$$\begin{aligned} P_{\overline{55:65:\overline{10}}|} &= \frac{dA_{\overline{55:65:\overline{10}}|}}{1 - A_{\overline{55:65:\overline{10}}|}} \\ &= \frac{(0.05/1.05)0.61414}{1 - 0.61414} = 0.07579 \end{aligned}$$

The answer is  $1000(0.07579) = \boxed{75.79}$ .

[10/25/2018] On page 1179, replace the solution to question 18 with

We must start with  $A_{67:\overline{18}}^1$  and work back recursively.

$$\begin{aligned} A_{67:\overline{18}}^1 &= \frac{A_{65:\overline{20}}^1 - vq_{65} - v^2p_{65}q_{66}}{{}_2E_{65}} \\ &= \frac{0.43371 - 0.24381 - \frac{0.005915}{1.05} - \frac{(1-0.005915)(0.006619)}{1.05^2}}{(93,398.1/94,579.7)/1.05^2} \\ &= 0.19906 \end{aligned}$$

Doubling  $\mu$  squares  $p_{66}$ , so the revised values are

$$p_{66} = (1 - 0.006619)^2 = 0.986806$$

$$q_{66} = 1 - 0.986806 = 0.013194$$

Now we do two recursions.

$$\begin{aligned} A_{66:\overline{19}}^1 &= v(p_{66}A_{67:\overline{18}}^1 + q_{66}) \\ &= \frac{0.986806(0.19906) + 0.013194}{1.05} = 0.19965 \end{aligned}$$

$$\begin{aligned}
 A_{65:\overline{20}|}^1 &= v(p_{65} A_{66:\overline{19}|}^1 + q_{65}) \\
 &= \frac{0.994085(0.19965) + 0.005915}{1.05} = 0.19465 \\
 1000A_{65:\overline{20}|}^1 &= 1000(0.19465) = \boxed{194.65} \quad (\mathbf{B})
 \end{aligned}$$

[10/19/2018] On page 1772, in the solution to question 5(c), on the last line, change  $\frac{9}{29}$  to  $\frac{10}{29}$  and change the final answer to  $\boxed{10,321.95}$ .

[10/18/2018] On page 1701, in the solution to question 4(a), two lines from the end, change final answer 0.0240 to 0.0230. In the solution to question 4(b), on the second line, replace 0.024 with 0.023 and replace 0.010871847 with 0.010882986.

[10/18/2018] On page 1712, in the solution to question 5(a), on the second line, 12.9754 and 5.2422 should be interchanged so that the fraction is  $\frac{1000(5.2422)}{12.9754}$ .

[10/17/2018] On page 1698, in the solution to question 18, replace the and fifth line with

$$\begin{aligned}
 p(51, 2017) &= 1 - 0.0091(0.98) = 0.991082 \\
 {}_2p(50, 2016) &= (0.9915)(0.991082) = 0.982658
 \end{aligned}$$

[10/16/2018] On page 189, on the last line of the answer to Example 10H, change  ${}_3p_{70}$  to  ${}_3p_{77}$ .

[10/16/2018] On page 1663, replace the solution to question 2 with the following (there is no change to the solution to part (a)):

(a)

$$\begin{aligned}
 152,177.94 \left( \frac{1.06^5}{1.05^5} \right) &= 159,563.86 \\
 0.8(159,563.86) &= \boxed{127,651.09}
 \end{aligned}$$

(b) First we calculate the probability that (62) will survive to 63, 64, and 65.

$$\begin{aligned}
 p_{62} &= \frac{l_{63}}{l_{62}} = \frac{95,534.40}{95,940.60} = 0.995766 \\
 {}_2p_{62} &= \frac{l_{64}}{l_{62}} = \frac{95,082.50}{95,940.60} = 0.991056 \\
 {}_3p_{62} &= \frac{l_{65}}{l_{62}} = \frac{94,579.70}{95,940.60} = 0.985815
 \end{aligned}$$

The EPV of retiree health benefits at age 60 for those retiring at age 62 is

$$\begin{aligned}
 &6500 \left( \frac{1.06^2}{1.05^2} \right) + 6600(0.995766) \left( \frac{1.06^3}{1.05^3} \right) \\
 &+ 6800(0.991056) \left( \frac{1.06^4}{1.05^4} \right) + (0.985815)(152,177.94) \left( \frac{1.06^5}{1.05^5} \right) = 174,349.35 \\
 &0.2(174,349.35) = \boxed{35,537.22}
 \end{aligned}$$

- (c) Using the results of the previous parts, we accrue 1/12 of the age 62 benefit and 1/15 of the age 65 benefit.

$$\frac{1}{12}(0.45)(174,349.35) + \frac{1}{15}(0.45)(159,563.86) = \boxed{11,325.02}$$

- (d) First, we'll remove the first three years of benefits from the expected present value at age 65. We must take into account Standard Ultimate Life Table mortality.

$$\begin{aligned} & 152,177.94 - 7000 - 7200p_{65}\left(\frac{1.06}{1.05}\right) - 7500{}_2p_{65}\left(\frac{1.06}{1.05}\right)^2 \\ &= 152,177.94 - 7000 - 7200\left(\frac{94,020.30}{94,579.70}\right)\left(\frac{1.06}{1.05}\right) - 7500\left(\frac{93,398.10}{94,579.70}\right)\left(\frac{1.06}{1.05}\right)^2 = 130,404.31 \end{aligned}$$

That would be the expected present value of retiree health benefits for a person age 65 in 2018 who retires in 2021. We divide this by  ${}_3p_{65} = l_{68}/l_{65}$ , remove three years of inflation, and accumulate interest for 3 years since we pay it 3 years earlier:

$$\frac{130,404.31}{92,706.10/94,579.70}\left(\frac{1.05}{1.06}\right)^3 = \boxed{129,309.93}$$

[10/15/2018] On page 945, in the solution to exercise 47.22, 3 lines from the end, change  $a_{50:\overline{3}|}$  to  $\ddot{a}_{50:\overline{3}|}$ .

[10/14/2018] On page 1515, in question 6(a), change 267,000 to 333,000.

[10/4/2018] On page 143, in the solution to exercise 8.5, on the second to last line, change 0.08080 to 0.13374. On the last line, change 88,08080 to 88.13374 and change 43.08080 to 42.63374.

[10/4/2018] On page 1376, on the first displayed line, the expression between the two equal signs should be a fraction. Replace the line with

$$\sum_{k=0}^{19} 100,000(1.04^k) = \frac{100,000(1.04^{20} - 1)}{1.04 - 1} = 2,977,808$$

[9/29/2018] On page 198, in the solution to exercise 10.10, on the second line, replace both 0.12s with 0.07s.

[9/20/2018] On page 915, in expression (47.3), change  $\ddot{a}_{x+t:n-(x+t)}^{\overline{II}}$  to  $\ddot{a}_{x+t:n-t}^{\overline{II}}$ .

[9/13/2018] On page 1268, on the second line of Example 65E change both 44,100s to 49,000.

[9/13/2018] On page 1379, 2 lines below the first displayed line, change  $0.7(9.3482)(2.032794)$  to  $0.7(13.0027)(2.032794)$ .

[9/11/2018] On page 1030, replace the solution to exercise 51.7 with

$$p_{50}^{(\tau)} = 114,572.5/117,145.5 = 0.978036. \text{ Also,}$$

$$\frac{q_{50}^{(w)}}{q_{50}^{(\tau)}} = \frac{d_{50}^{(w)}}{d_{50}^{(\tau)}} = \frac{2317.1}{2,317.1 + 115.9 + 140.1} = 0.900509$$

Using formula (51.2),

$$\begin{aligned} p_{50}^{(w)} &= \left(p_{50}^{(\tau)}\right)^{q_{50}^{(w)}/q_{50}^{(\tau)}} \\ &= 0.978036^{0.900509} = 0.980199 \end{aligned}$$

Therefore,  $q_{50}^{(w)} = 1 - 0.980199 = \boxed{0.019801}$ .

[9/7/2018] On page 928, in exercise 47.5, in statement (ii), change  $i = 0.04$  to  $\delta = 0.04$ .

[9/7/2018] On page 939, in the solution to exercise 47.4, on the last line, change  ${}_i p_x^{0j}$  to  ${}_0 p_x^{0j}$ .

[9/4/2018] On page xix, in the caption of the table, change “MLC” to “LTAM”.

[9/4/2018] On page 818, one line above Example 42C, change “is is” to “it is”.

[9/4/2018] On page 848, on the fourth line of the Disability income paragraph, change “atate” to “state”.

[9/4/2018] On pages 911-912, in the solution to Quiz 46-2, on the first line, change  $\bar{a}_{65}^{02}$  to  $200\bar{a}_{65}^{02}$ . Change the last line of the solution to

$$5000(0.53559) + \frac{2000}{1.05^{0.5}}(0.53559) + 200(10.9770) = \boxed{5918.72}$$

[9/4/2018] On page 918, in the answer to Example 47B, change the last 3 lines of the page to

$$\begin{aligned} \frac{d_t V^{(1)}}{dt} &= \delta_{10} V^{(1)} - \mu_{x+10}^{10} ({}_{10}V^{(0)} - {}_{10}V^{(1)}) - \mu_{x+10}^{12} ({}_{10}V^{(2)} - {}_{10}V^{(1)}) \\ &\quad - \mu_{x+10}^{13} ({}_{10}V^{(3)} - {}_{10}V^{(1)}) - \mu_{x+10}^{14} ({}_{10}V^{(1)}) \\ &= (0.05)(45,000) - 0.06(20,000 - 45,000) - 0.14(150,000 - 45,000) \\ &\quad - 0.08(400,000 - 45,000) - 0.02(-45,000) \\ &= \boxed{-38,450} \end{aligned}$$

[9/4/2018] On page 919, in the answer to Example 47C, change the third line to

Once someone enters states 3 or 4, it is impossible to get to state 2, so  $\bar{A}_x^{32} = \bar{A}_x^{42} = 0$ .

Change the first two displayed lines to:

$$\begin{aligned} \frac{d\bar{A}_{x+t}^{02}}{dt} &= \delta \bar{A}_{x+t}^{02} - \mu_{x+t}^{01} (\bar{A}_{x+t}^{12} - \bar{A}_{x+t}^{02}) - \mu_{x+t}^{02} (1 - \bar{A}_{x+t}^{02}) - (\mu_{x+t}^{03} + \mu_{x+t}^{04}) (-\bar{A}_{x+t}^{02}) \\ \frac{d\bar{A}_{x+t}^{02}}{dt} \Big|_{t=10} &= 0.05 \bar{A}_{x+10}^{02} - 0.07 (\bar{A}_{x+10}^{12} - \bar{A}_{x+10}^{02}) - 0.04 (-\bar{A}_{x+10}^{02}) \end{aligned}$$

Change the second two displayed lines to

$$\begin{aligned} \frac{d\bar{A}_{x+t}^{24}}{dt} &= \delta \bar{A}_{x+t}^{24} - \mu_{x+t}^{21} (\bar{A}_{x+t}^{14} - \bar{A}_{x+t}^{24}) - \mu_{x+t}^{23} (\bar{A}_{x+t}^{34} - \bar{A}_{x+t}^{24}) - \mu_{x+t}^{24} (b^{(4)} - \bar{A}_{x+t}^{24}) \\ \frac{d\bar{A}_{x+t}^{24}}{dt} \Big|_{t=10} &= 0.05 (\bar{A}_{x+10}^{24} - \bar{A}_{x+10}^{14}) - 0.01 (\bar{A}_{x+10}^{14} - \bar{A}_{x+10}^{24}) - 0.12 (\bar{A}_{x+10}^{34} - \bar{A}_{x+10}^{24}) - 0.10 (1 - \bar{A}_{x+10}^{24}) \end{aligned}$$

[8/31/2018] On page 655, in the solution to exercise 33.3, on the fifth displayed line on the page, change the denominator 0.04/1.04 to 0.039211. Change the last displayed line of the solution to

$$1000e^{-0.04(31)} - 16.4074 \left( \frac{1 - e^{-0.04(32)}}{0.039211} \right) = -12.7163$$

[8/31/2018] On page 655, in the solution to exercise 33.4, on the first displayed line, delete  $\ddot{a}_{65:\overline{20}|}$ . The line should read

$$P = \frac{A_{65:\overline{20}|}}{\ddot{a}_{65:\overline{20}|}} = \frac{0.43371}{11.8920} = 0.036471$$

[8/31/2018] On page 711, replace the solution to exercise 37.3 with

Let's calculate the gross premium.

$$G(0.95\ddot{a}_{65} - 0.95) = 1000A_{65} + 1000 {}_{20}E_{65} A_{85}$$

$$G = \frac{354.77 + 0.24381(676.22)}{0.95(13.5498) - 0.95} = 43.5854$$

Now we calculate the EPV of benefits and expenses at time 30.

$$2000A_{95} + 0.05G\ddot{a}_{95} = 2(818.97) + 0.05(43.5854)(3.8017) = 1646.22$$

The gross premium reserve is  $1646.22 - 43.5854(3.8017) = \boxed{1480.53}$ .

[8/31/2018] On page 831, in the solution to exercise 42.15, on the third line, change 0.00061728 to 0.00061690. Make the same change in the denominator of the fourth line, and in the numerator, change 6.1728 to 6.1690.

[8/25/2018] On page 524, in exercise 26.14(ii), change  $i = 0.06$  to  $i = 0.05$ .

[8/25/2018] On page 559, in the solution to exercise 27.27, change the last line to

$$G = \frac{6,830}{8.0192 - 1} = \boxed{973.05}$$

[8/19/2018] On page 940, in the solution to exercise 47.6, change the last two lines to

$$\frac{d\bar{a}_{57+t}^{11}}{dt} = \delta \bar{a}_{57+t}^{11} - B_t^{(1)} - \mu_{57+t}^{10}(\bar{a}_{57+t}^{01} - \bar{a}_{57+t}^{11}) - \mu_{57+t}^{12}(-\bar{a}_{57+t}^{11}) - \mu_{57+t}^{13}(-\bar{a}_{57+t}^{11})$$

$$\left. \frac{d\bar{a}_{57+t}^{11}}{dt} \right|_5 = 0.05(4.3298) - 1 - 0.02(2.0216 - 4.3298) - (0.06 + 0.015)(-4.3298) = \boxed{-0.4126}$$

[8/12/2018] On page 198, in the solution to exercise 10.13, on the last line, change 0.062431 to 0.00057305 and change 0.24986 to 0.023938.

[8/12/2018] On page 1260, in the solution to exercise 64.4, replace the displayed line with

$${}_{20}p_{18} = \frac{1 - F(38)}{1 - F(18)} = \frac{1 - 4/7}{1 - 2/7} = \boxed{0.6}$$

[8/8/2018] On page 71, delete the "(5.11)" on the tenth line.

[8/8/2018] On page 215, 6 lines from the bottom, change  $1.06^2 - 1 = 0.1236$  to  $1.05^2 - 1 = 0.1025$ .

[8/8/2018] On page 1425, in the solution to exercise 72.4, on the second line from the end, put an exponent 15 on the first 0.998846:

$$AVTHB = 4000(0.998846^{15}) \left( \frac{1 - 0.998846^5}{1 - 0.998846} + 0.998846^5 \left( \frac{1}{1 - 0.978462} \right) \right)$$

[8/5/2018] On page 1354, on the fifth line of the answer to Example 69I, delete 0.9 from the sum.

[8/5/2018] On page 1355, 2 lines below the table in the answer to Example 69J, change  $r_3$  and  $r_5$  to  $e_3$  and  $e_5$ . In the subsequent calculations on the next 5 lines, change each  $r_i$  to  $e_i$ , where  $i = 1, 2, 3, 4, 5$ .

[7/31/2018] On page 891, on the last line of the page, change 22,560.41 to 21,440.15.

[7/30/2018] On page 195, in the solution to exercise 10.2, replace the solution, starting with the fourth line, with

$${}_{0.5}p(79.5, 2024) = 1 - \frac{0.5q(79, 2024)}{1 - 0.5q(79, 2024)} = 1 - \frac{0.5(0.025203)}{1 - 0.5(0.025203)} = 0.987238$$

The person turned 80 in 2025, so age 80 mortality is projected for 13 years.

$$q(80, 2025) = 0.032658(1 - 0.01)^{13} = 0.028658$$

Half-year survivorship for (80) is

$${}_{0.5}p(80, 2025) = 1 - 0.5(0.028658) = 0.985671$$

The probability that the person dies during calendar year 2025 is  $1 - (0.987238)(0.985671) = \boxed{0.026908}$ .

[7/30/2018] On page 1419, replace the first sentence of the answer to Example 72B with

Out of 93,085.4 lives age 0, 27,925.6 retire immediately and an additional 6,187.6 retire during the first year, 5,573.1 retire at age 61, and 5,017.5 retire at age 62.

[7/29/2018] On page 1413, in the solution to exercise 71.2, on the first displayed line, place 100,000 before the fraction:

$$\text{Total pensionable earnings} = \sum_{k=-12}^{-1} 100,000(1.03^k) = 100,000 \left( \frac{1 - 1/1.03^{12}}{1.03 - 1} \right) = 995,400.4$$

On the last line, a factor of 11.5 is missing. The line should read

$$995,400.4(0.035)(11.5) \left( \frac{0.95}{1.04} \right)^{13} = \boxed{123,520}$$

[7/27/2018] On page 645, on the last line of the answer to Example 33E, change 98,576.4 to 100,000 and change 0.08564 to 0.09866.

[7/27/2018] On page 1400, on the third displayed line of the page, delete (25), (26), and (27), so that the line reads:

$$0.34(47,143.52) \left( \frac{(0.325857)(0.6)(13.1)}{1.05^5} + \frac{(0.053235)(0.8)(12.9)}{1.05^6} + \frac{(0.504927)(1)(12.7)}{1.05^7} \right) = \boxed{111,785.6}$$

[7/23/2018] On page 359, in the solution to exercise 17.3, on the second line, change  $1.05^{12}$  to  $1.05^{1/12}$ . Note, however, that it is unnecessary to calculate  $i^{(12)}$ ; the tables give  $i/i^{(12)} = 1.02271$ , so you just have to multiply 0.18931 by 1.02271 to get the answer.