

Contents

1	The Mathematics of Compound Interest	
1.1	Mathematical Bases of Life Contingencies	1
1.2	Effective Interest Rates	1
1.3	Nominal Interest Rates	2
1.4	Continuous Payments	3
1.5	Interest in Advance	4
1.6	Perpetuities	6
1.7	Annuities	9
1.8	Repayment of a Debt	11
1.9	Internal Rate of Return	13
2	The Future Lifetime of a Life Aged x	
2.1	The Model	15
2.2	The Force of Mortality	16
2.3	Analytical Distributions of T	17
2.4	The Curtate Future Lifetime of (x)	18
2.5	Life Tables	20
2.6	Probabilities of Death for Fractions of a Year	21
3	Life Insurance	
3.1	Introduction	23
3.2	Elementary Insurance Types	23
3.2.1	Whole Life and Term Insurance	23
3.2.2	Pure Endowments	24
3.2.3	Endowments	25
3.3	Insurances Payable at the Moment of Death	26
3.4	General Types of Life Insurance	27
3.5	Standard Types of Variable Life Insurance	29
3.6	Recursive Formulae	31
4	Life Annuities	
4.1	Introduction	35
4.2	Elementary Life Annuities	35

4.3	Payments made more Frequently than Once a Year	37
4.4	Variable Life Annuities	39
4.5	Standard Types of Life Annuity	41
4.6	Recursion Formulae	42
4.7	Inequalities	43
4.8	Payments Starting at Non-integral Ages	46
5	Net Premiums	
5.1	Introduction	49
5.2	An Example	49
5.3	Elementary Forms of Insurance	52
5.3.1	Whole Life and Term Insurance	52
5.3.2	Pure Endowments	53
5.3.3	Endowments	54
5.3.4	Deferred Life Annuities	54
5.4	Premiums Paid m Times a Year	54
5.5	A General Type of Life Insurance	55
5.6	Policies with Premium Refund	56
5.7	Stochastic Interest	56
6	Net Premium Reserves	
6.1	Introduction	59
6.2	Two Examples	59
6.3	Recursive Considerations	61
6.4	The Survival Risk	63
6.5	The Net Premium Reserve of a Whole Life Insurance	63
6.6	Net Premium Reserves at Fractional Durations	64
6.7	Allocation of the Overall Loss to Policy Years	65
6.8	Conversion of an Insurance	68
6.9	Technical Gain	69
6.10	Procedure for Pure Endowments	70
6.11	The Continuous Model	71
7	Multiple Decrements	
7.1	The Model	75
7.2	Forces of Decrement	76
7.3	The Curtate Lifetime of (x)	76
7.4	A General Type of Insurance	77
7.5	The Net Premium Reserve	78
7.6	The Continuous Model	80

8 Multiple Life Insurance	
8.1 Introduction	83
8.2 The Joint-Life Status	83
8.3 Simplifications	84
8.4 The Last-Survivor Status	85
8.5 The General Symmetric Status	87
8.6 The Schuette-Nesbitt Formula	89
8.7 Asymmetric Annuities	90
8.8 Asymmetric Insurances	91
9 The Total Claim Amount in a Portfolio	
9.1 Introduction	93
9.2 The Normal Approximation	93
9.3 Exact Calculation of the Total Claim Amount Distribution	94
9.4 The Compound Poisson Approximation	96
9.5 Recursive Calculation of the Compound Poisson Distribution	98
9.6 Reinsurance	100
9.7 Stop-Loss Reinsurance	101
10 Expense Loadings	
10.1 Introduction	103
10.2 The Expense-Loaded Premium	104
10.3 Expense-Loaded Premium Reserves	105
11 Estimating Probabilities of Death	
11.1 Problem Description	109
11.2 The Classical Method	110
11.3 Alternative Solution	111
11.4 The Maximum Likelihood Method	112
11.5 Statistical Inference	112
11.6 The Bayesian Approach	116
11.7 Multiple Causes of Decrement	116
11.8 Interpretation of Results	118
Appendix A. Commutation Functions	
A.1 Introduction	119
A.2 The Deterministic Model	119
A.3 Life Annuities	120
A.4 Life Insurance	121
A.5 Net Annual Premiums and Premium Reserves	122
Appendix B. Simple Interest	125
References	127
Index	129