

# GI – Financial & Regulatory Environment U.S. Exam

Spring 2023

## Important Exam Information:

### [Exam Registration](#)

Candidates may register online or with an application.

### [Order Study Notes](#)

Study notes are part of the required syllabus and are not available electronically but may be purchased through the online store.

### [Introductory Study Note](#)

The Introductory Study Note has a complete listing of all study notes as well as errata and other important information.

### [Case Study](#)

A copy of the case study will be provided with the examinations. Candidates will not be allowed to bring their copy of the case study into the examination room

### [Past Exams](#)

Past Exams from 2014-present are available on SOA website.

### [Updates](#)

Candidates should be sure to check the Updates page on the exam home page periodically for additional corrections or notices to the current syllabus.

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**1. Topic: Financial Reporting**

**Learning Objective**

The candidate will understand the elements of financial reporting for general insurance companies.

**Learning Outcomes**

The candidate will be able to:

- a) Understand and apply the concepts of insurance accounting
- b) Understand the different financial reporting standards for general insurers
- c) Describe the elements of the NAIC Annual Statement
- d) Complete and interpret selected pages/schedules in the NAIC Annual Statement
- e) Understand and apply the concepts of reinsurance accounting
- f) Understand and apply the elements of discounting for general insurance loss reserves
- g) Demonstrate knowledge of taxation for general insurers in the U.S.

**Resources**

- *General Insurance Financial Reporting Topics*, Society of Actuaries, Fifth Edition, 2021:
  - Chapter 1 Accounting Concepts for General Insurance
  - Chapter 2 Accounting for Insurance Contracts
  - Chapter 3 Accounting for Financial Instruments
  - Chapter 4 Accounting for Reinsurance Contracts
  - Chapter 5 The Annual Statement, Nonadmitted Assets and Surplus
  - Chapter 6 Schedule F, Statutory Credit for Reinsurance
  - Chapter 7 Schedule P, Statutory Loss Accounting
  - Chapter 8 Notes to Financial Statements
  - Chapter 9 Insurance Expense Exhibit (IEE)
  - Chapter 15 Federal Income Taxes for General Insurers, excluding sections 15.11 and 15.12
- National Association of Insurance Commissioners, Official NAIC Annual Statement Blank, Property / Casualty, for the 2021 reporting year, pages 2-19, 20-29 (Schedule F) and 33-93 (Schedule P)
- [FRE-802-19: National Association of Insurance Commissioners \(NAIC\), Accounting Practices and Procedures Manual, 2018, Preamble](#)
- NAIC, Accounting Practices and Procedures Manual, 2021, Statements of Statutory Accounting Principles (SSAP)
  - SSAP 5 Revised, "Liabilities, Contingencies, and Impairment of Assets," paragraphs 1-12, 26-29 and 33
  - SSAP 9, "Subsequent Events," paragraphs 1-12
  - SSAP 53, "Property Casualty Contracts-Premiums," paragraphs 1-19
  - SSAP 55, "Unpaid Claims, Loss and Loss Adjustment Expenses," paragraphs 1-6 and 10-17
  - SSAP 62 Revised, "Property and Casualty Reinsurance," paragraphs 1-125.
  - SSAP 63, "Underwriting Pools and Associations Including Intercompany Pools," paragraphs 1-11
  - SSAP 65, "Property and Casualty Contracts," paragraphs 1-47
  - SSAP 66, "Retrospectively Rated Contracts," paragraphs 1-14 excluding 7.b, 9.b and 9.c

*Note: These SSAPs are included within Appendix IV of "A Public Policy Practice Note, Statements of Actuarial Opinion on Property and Casualty Loss Reserves." See Topic 3 (Responsibilities of the Actuary).*

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**2. Topic: Financial Health Measurement**

**Learning Objective**

The candidate will understand the analysis of a general insurer's financial health through prescribed formulas, ratios and other solvency regulation methods.

**Learning Outcomes**

The candidate will be able to:

- a) Evaluate the financial health of a general insurer using information contained in the Annual Statement
- b) Understand and apply the elements of the NAIC RBC formula
- c) Calculate and interpret the results of financial health ratios
- d) Understand the development and principles of solvency regulation
- e) Demonstrate knowledge of the EU Solvency II capital requirement
- f) Demonstrate knowledge of ORSA
- g) Discuss the function of credit rating agencies and their influence on general insurers

**Resources**

- *General Insurance Financial Reporting Topics*, Society of Actuaries, Fifth Edition, 2021:
  - Chapter 10 Performance Measurement for General Insurers
  - Chapter 11 Financial Ratios for Insurers
  - Chapter 12 Solvency Monitoring, excluding sections 12.12-12.13
  - Chapter 13 General Insurance Financial Ratings
- *"The U.S. National State-Based System of Insurance Regulation and the Solvency Modernization Initiative,"* NAIC White Paper, 2013, excluding all Appendices, Section 4 and Section 5 paragraphs 30-45, 69-86, [http://www.naic.org/documents/committees\\_e\\_isftf\\_related\\_white\\_paper\\_state-based\\_financial\\_reg\\_smi\\_130825.pdf](http://www.naic.org/documents/committees_e_isftf_related_white_paper_state-based_financial_reg_smi_130825.pdf)
- *"NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual,"* NAIC, as of December 2017, [https://www.naic.org/documents/prod\\_serv\\_fin\\_recievership\\_ORSA-2014.pdf](https://www.naic.org/documents/prod_serv_fin_recievership_ORSA-2014.pdf)

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**3. Topic: Responsibilities of the Actuary**

**Learning Objective**

The candidate will be able to apply the standards of practice regarding the responsibilities of the actuary as defined by regulators and the American Academy of Actuaries.

**Learning Outcomes**

The candidate will be able to:

- a) Describe, interpret and apply the applicable Standards of Practice
- b) Describe, interpret and apply the responsibilities of the actuary with respect to the Statement of Actuarial Opinion and the Actuarial Report
- c) Describe and apply the concept of materiality
- d) Discuss the International Actuarial Association position on the function of the actuary in prudential supervision

**Resources**

- *General Insurance Financial Reporting Topics*, Society of Actuaries, Fifth Edition, 2021:
  - Chapter 14 The General Insurance Actuarial Opinion, excluding sections 14.2.6.3 and 14.4.2
- Actuarial Standards of Practice, Actuarial Standards Board of the American Academy of Actuaries,
  - No. 1, Introductory Actuarial Standard of Practice, Last Revised 2013
  - No. 20, Discounting of Property/Casualty Unpaid Claim Estimates, Last Revised 2011
  - No. 21, Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas, Last Revised 2016
  - No. 23, Data Quality, Last Revised 2016
  - No. 36, Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves, Last Revised 2011
  - No. 38, Catastrophe Modeling (for All Practice Areas), Last Revised 2021
  - No. 41, Actuarial Communications, Last Revised 2010
  - No. 43, Property/Casualty Unpaid Claim Estimates, Last Revised 2011

<http://www.actuarialstandardsboard.org/standards-of-practice/>
- *“International Standard of Actuarial Practice 1, General Actuarial Practice,”* Revision adopted December 1, 2018, International Actuarial Association,  
[https://www.actuaries.org/IAA/Documents/CTTEES\\_ASC/Final\\_ISAPs\\_Posted/ISAP1\\_Review\\_adopted\\_1Dec2018.pdf](https://www.actuaries.org/IAA/Documents/CTTEES_ASC/Final_ISAPs_Posted/ISAP1_Review_adopted_1Dec2018.pdf)
- *“Statements of Actuarial Opinion on Property and Casualty Loss Reserves, December 2021”* American Academy of Actuaries, Public Policy Practice Note, Casualty Practice Council’s Committee on Property and Liability Financial Reporting, excluding Appendix I–Section I.3, Appendix II–Section IV, and Appendix IV,  
[https://www.actuary.org/sites/default/files/2021-12/PC\\_Practice\\_Note\\_2021\\_.pdf](https://www.actuary.org/sites/default/files/2021-12/PC_Practice_Note_2021_.pdf)  
  
*Note: See Topic 1 (Financial Reporting) for SSAPs in Appendix IV to be included in the syllabus resources*
- *“Materiality, Concepts on Professionalism,”* American Academy of Actuaries, Task Force on Materiality, Discussion Paper, Professionalism Series, 2006, No. 8,  
[http://www.actuary.org/files/materiality\\_06.8.pdf/materiality\\_06.8.pdf](http://www.actuary.org/files/materiality_06.8.pdf/materiality_06.8.pdf)
- *“The Function of the Actuary in Prudential Supervision,”* International Actuarial Association, September 2002,  
[http://www.actuaries.org/LIBRARY/Papers/Prudential\\_Supervision\\_EN.pdf](http://www.actuaries.org/LIBRARY/Papers/Prudential_Supervision_EN.pdf)

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<b>4. Topic: Regulation</b>
<b>Learning Objective</b>
The candidate will be able to describe the current and historical regulatory environment.
<b>Learning Outcomes</b>
The candidate will be able to: <ul style="list-style-type: none"><li>a) Describe the functions of key regulatory bodies in the U.S.</li><li>b) Describe and interpret the current state of general insurance regulation in the U.S. and its development</li><li>c) Understand the regulation of reinsurance</li></ul>
<b>Resources</b>
<ul style="list-style-type: none"><li>• <i>Insurance Regulation</i>, Porter, K., The Institutes, 1st Edition, 2008, Chapters 2 to 6, 11 (excluding pages 11.11-11.15, 11.26 - 11.30) and 12</li><li>• “<i>The Economic Crisis and Lessons from (and for) U.S. Insurance Regulation</i>,” Journal of Insurance Regulation, National Association of Insurance Commissioners, Volume 28, No. 1, Fall/Winter 2009, <a href="http://www.naic.org/documents/cjpr_jir_vaughan.pdf">http://www.naic.org/documents/cjpr_jir_vaughan.pdf</a></li><li>• “<i>Understanding the New Financial Reform Legislation: The Dodd-Frank Wall Street Reform and Consumer Protection Act</i>,” Mayer Brown, July 2010, only include Section on Title V – Insurance <a href="https://www.mayerbrown.com/publications/The-Dodd-Frank-Wall-Street-Reform-and-Consumer-Protection-Act-07-09-2010/">https://www.mayerbrown.com/publications/The-Dodd-Frank-Wall-Street-Reform-and-Consumer-Protection-Act-07-09-2010/</a> (Use the link for <i>Download Document</i>)</li></ul>