

EDUCATION AND EXAMINATION COMMITTEE OF THE SOCIETY OF ACTUARIES (SOA)

FALL 2010

INDIVIDUAL LIFE AND ANNUITIES—DESIGN AND PRICING (DP) EXAM, U.S.

INTRODUCTORY STUDY NOTE

1. The Individual Life and Annuities—DP,U.S. examination for Fall 2010 will be given on **Thursday, November 4, from 8:30 a.m. – 11:45 a.m. and 1:30 p.m. – 4:45 p.m.** The examination will consist of six hours of written answer questions. A read-through time will be given prior to the start of the exam, 15 minutes in the morning session and 15 minutes in the afternoon session.
2. The following table shows a recommended FSA module/exam sequence for the Individual Life & Annuities track:

1	Financial Economics Module
2	Regulation & Taxation Module
3	Design & Pricing (DP) Exam
4	Company Sponsor Perspective (CSP) Exam

This order is NOT mandated. Each candidate will determine the appropriate sequence based on factors including readiness to sit for an exam, exam administration schedules, or study time available. Although neither of the FSA modules nor the DP exam are prerequisites for the CSP exam, please keep in mind that questions for the CSP exam will be set assuming that candidates have a basic familiarity with the general topics and concepts that are covered in the FSA modules and the DP exam.

3. Any changes in the Syllabus for this exam will be published under “Updates” in this exam’s home page on the SOA Web site.

Past exams, solutions and case studies are available at:

<http://www.soa.org/education/exam-reg/syllabus-study-materials/edu-multiple-choice-exam.aspx>

4. The Syllabus material includes textbooks, online readings, as well as the study notes listed below. A complete listing of the Syllabus and Learning Objective is located in this exam’s home page on the SOA Web site. Study notes listed with an asterisk (*) will also be included in the Revision set of study notes.

Code	Title
ILAU-D11-10*	Introductory Study Note (this note)

Code	Title
ILA-D13-09	Case Study
ILA-D101-07	Product Development Trends
ILA-D102-07	Equity Indexed Annuities: Product Design and Pricing Considerations
ILA-D103-07	Innovative Financing: Life Insurance Securitization
ILA-D104-07	Chapter 3 of <i>Actuarial Aspects of Individual Life Insurance and Annuity Contracts</i>
ILA-D105-07	Life and Annuity Products and Features
ILA-D106-07	Gross Premiums for Disability Waiver Benefits
ILA-D107-07	Experience Assumptions for Individual Life Insurance and Annuities
ILA-D109-09	Corporate Default and Recovery Rates, 1920-2008
ILA-D110-07	Policyholder Dividends
ILA-D111-07	Product Design for Life Insurance & Annuities, LOMA Chapters 1 & 2
ILA-D113-09	The Economics of Insurance—How Insurers Create Value for Shareholders
ILA-D114-09	Life Insurance Costing and Risk Analysis
ILA-D115-09	IAA Measurement of Liabilities for Insurance Contracts: Current Estimates and Risk Margins, Chapter 6 and Appendix C and D
ILA-D116-10*	Variable Annuities Chapters 5 and 9–11
ILA-D117-10*	Life and Health Insurance Marketing, pp. 242-243 only
ILA-D800-07	Life Insurance and Annuity Nonforfeiture Practices
ILA-D801-07	NAIC Standard Nonforfeiture Law for Life Insurance
ILA-D802-07	NAIC Standard Nonforfeiture Law for Individual Deferred Annuities
ILA-D803-07	The Role of the Actuary in Product Roll-out
ILA-D804-09	NAIC Life Insurance Illustrations Model Regulation

5. Attached are errata for the following textbook:

Investment Guarantees—Modeling and Risk Management for Equity-Linked Life Insurance, Hardy. Also available at: <http://www.stats.uwaterloo.ca/Faculty/erratum.pdf>

2006 Supplement available for *Life Insurance Modified Endowments Under Internal Revenue Code Sections 7702 and 7702A* at: <http://www.soa.org/files/pdf/2008-life-ins-mod-end-supplement.pdf>

6. Study Note ILA-D13-10 is a Case Study that will be used as a basis for questions on the examination. Be sure to answer the questions asked by referring to the Case Study. For example, if asked for the advantages of some action the company referenced in the Case Study is considering, limit your response to the specifics for that company. Other advantages should not be listed as they are extraneous to the question and will result in no additional credit. Further, if they conflict with the applicable advantages, no credit will be given for either answer. Candidates are advised to familiarize themselves with the Case Study. A copy will be included in the examination booklet. Candidates will not be allowed to bring their study note copy of the Case Study into the examination room.

7. Several book distributors carry some or all of the textbooks for the Society of Actuaries exams. A list appears on the SOA Web site <http://www.soa.org/education/exam-req/resources/edu-txt-manuals.aspx>. A set of order forms from these distributors is included with this study note package.

The order forms contain information about prices, shipping charges, mailing policy and credit card acceptance. Any book distributor who carries books for SOA exams may have their order form included in this set unless the SOA office receives substantial complaints about service. Candidates should notify the Study Materials Administrator of the SOA in writing if they encounter serious problems with any distributor.

8. The examination questions for this exam will be based on the required readings for this exam. If a conflict exists (in definitions, terminology, etc.) between the readings for this exam and the readings for other exams, the questions should be answered on the basis of the readings for this exam.

9. Candidates may ONLY use the battery or solar-powered Texas Instruments BA-35 model calculator, the BA II Plus* the BAII Plus Professional* or TI-30Xa or TI-30X II* (IIS solar or IIB battery) or TI-30X MultiView (XS solar or XB battery). Candidates may use more than one of the approved calculators during the examinations.

Calculator instructions may not be brought into the exam room. During the exam, the calculator must be removed from its carrying case so the supervisor can confirm that it is an approved model. Candidates using a calculator other than the approved models will have their exams disqualified. Candidates can purchase calculators directly from: Texas Instruments, Attn: Order Entry, PO Box 650311, Mail Station 3962, Dallas, TX 75265, phone 800/842-2737 or <http://epsstore.ti.com>.

**The memory of TI-30X II, TI-30X MultiView, BA II Plus and BAII Plus Professional will need to be cleared by the examination supervisor upon the candidate's entrance to the examination room.*

10. Order forms for various seminars/workshops and study manuals are included with this set of study notes. A list appears on the SOA Web site <http://www.soa.org/education/exam-req/resources/edu-sem-workshops.aspx>. These seminars/workshops and study manuals do not reflect any official interpretation, opinion, or endorsement of the Society of Actuaries or its Education & Examination Committee.

11. The Society of Actuaries provides study notes to persons preparing for this examination. They are intended to acquaint candidates with some of the theoretical and practical considerations

involved in the various subjects. While varying opinions are presented where appropriate, limits on the length of the material and other considerations sometimes prevent the inclusion of all possible opinions. These study notes do not, however, represent any official opinion, interpretation or endorsement of the Society of Actuaries. The Society is grateful to the authors for their contributions in preparing study notes.

The American Academy of Actuaries, the Canadian Institute of Actuaries, the Conference of Consulting Actuaries, and the Society of Actuaries jointly sponsor the examinations administered by the Society of Actuaries.