COURSE STRATEGY GUIDE

ILA 201-U – Valuation and Advanced Product and Risk Management, U.S.

Nov 2025/Mar 2026/Jul 2026

This Course Strategy Guide ("Guide") is intended to provide an overview of the ILA 201-U course, to help the candidate understand the essence of the topics covered, and to provide a guide for organizing the course of reading for studying the various sections of the syllabus. While this Guide can be a valuable aid in preparation, the material in this Guide will not be tested.

I. Purpose of this Course

The purpose of the ILA 201-U course is to build upon the concepts introduced in ILA 101 and to deepen the candidate's knowledge of valuation standards, financial reporting requirements, risk and capital management issues, and advanced product management as they pertain to the U.S. regulatory and competitive environments. These skills, individually and together, will enhance candidates' abilities to make both strategic and pragmatic decisions for their companies. Although material introduced in ILA 101 will not be directly tested here, a familiarity of concepts and techniques learned there will benefit candidates.

Understanding financial reporting requirements will allow the actuary to ensure regulatory compliance and to better manage capital. Effective product management also enables companies to reduce risk and use capital efficiently.

This course focuses on the United States regulatory environment; for a parallel treatment of these topics in other countries where IFRS 17 requirements apply, please reference the ILA 201-I course.

II. Recommended Approach in Preparing for the Course Assessment

This course is intended to provide a deeper understanding of valuation and financial reporting approaches, risk and capital management, and product management issues pertinent to Individual Life and Annuity products when practicing in the United States. Candidates should focus on both the concepts and principles addressed in the course syllabus, which build upon the learning objectives from the ILA 101 course. Candidates may be asked to apply concepts and principles in a particular context in an assessment question.

We hope this overview helps you connect the themes in the readings into a more integrated, comprehensive understanding of the whole syllabus.

Mastering the Learning Objectives and Outcomes are of paramount importance to success on the course. Do review the Learning Objectives to ensure that you understand how the course of reading fits with them and consider how prior exams have been structured to evaluate your understanding of these topics.

The following study aids are available to assist your preparation for this course:

- Excel files:
- Practice Problems:
- Prior Exam Questions:

Best wishes to you for a successful exam sitting.

III. Exam Syllabus Learning Objectives and Learning Outcomes

The ILA 201-U Course focuses on applying financial reporting and management concepts and frameworks to evaluate, develop and implement appropriate business strategies and solutions. The syllabus for ILA 201-U has been organized into four major areas of focus:

- U.S. Financial Reporting Requirements
- Capital Management
- Management and Evaluation of Life Insurance Risks
- Advanced Product Management

Details of the learning objectives, learning outcomes and syllabus study materials associated with the learning outcomes for each of the four topic sections can be found below and in the Course Syllabus.

The candidate should be familiar with the Learning Outcome Statements as described in the syllabus and repeated in this Guide. These Learning Outcome Statements represent the knowledge candidates are expected to be able to apply following this course and guide the assessment committee when developing questions.

The course of readings builds the candidate's knowledge; each was selected to explain or illustrate one or more Learning Objectives. While studying the syllabus material, candidates may want to consider the organizational approach provided by this overview note and refer to the Learning Outcomes to remain focused on the educational goals being evaluated. Within the major areas of focus, the following represents one way that the candidate might relate syllabus material by topic.

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Topic 1: US Financial Reporting Requirements

The ILA 201-U course builds on the Introduction to Life and Annuity Valuation Concepts, by addressing valuation of specific product types in Learning Objective 1, U.S. Financial Reporting Requirements. The concepts covered prepare the candidate to meet financial reporting requirements on both a U.S. statutory and U.S. GAAP basis by explaining how to apply and evaluate the methods, requirements and techniques applicable to each basis.

Financial reporting helps organizations to set and implement business goals and strategies and to evaluate the performance of the strategies. It is a process to make an organization more competitive by analyzing internal and external factors and the value chain, making decisions, and taking action to create a competitive advantage.

In running any organization, it is essential for management to understand the organization's competitive environment and its competitive advantages. Without this understanding, the organization is unlikely to thrive and succeed under different economic, risk and business environments. The actuary must understand movements in financials in order to properly manage capital. Broadly speaking, reserves help manage risks that are expected; capital helps manage risks that are unexpected.

The U.S. Statutory topics are covered in *Statutory Valuation of Individual Life and Annuity Contracts, Volumes 1 and II, Claire, D., Lombardi, L. and Summers, S., 5th Edition, 2018*. Chapters 1-3 and Chapter 5 provide an overview and explain concepts such as certain statutory accounting principles, the NAIC Annual Statement, and the Valuation Manual. Chapters 10 and 11 cover assumptions and methodologies to use when performing a statutory valuation, while the remaining chapters (12-14, 16, 18, 20-21, 23-25) cover product-specific considerations including principle-based reserves. Note that certain sections within these chapters have been designated as out of scope for this exam; please see the syllabus in the Appendix for the sections that are not required.

U.S. GAAP topics are covered in *US GAAP for Life Insurers, edited by Frasca and Freedman, 3rd Edition, 2024*. Chapters 1, 3 and 4 cover more general concepts under GAAP, including product classification and expense treatment. Chapters 5, 7, 11 and 12 cover product-specific considerations, while Chapter 15 addresses the treatment of reinsurance under GAAP. (Portions of Chapters 7 and 15 are not required; again, see the syllabus for specifics.) A separate reading, *Implementation Considerations for VA Market Benefits, Financial Reporter, Sep 2019,* addresses the determination of market risk benefits for variable annuities under GAAP.

The syllabus materials include two interactive models, one on PBR and one on GAAP targeted improvements. Candidates should view these models as hands-on examples of the syllabus topics and spend time working through them in conjunction with the readings for the applicable product type and accounting basis.

The topics covered on this exam include a broad range of products that the actuary may encounter during their career. It will also provide a foundation for determining reporting requirements for innovative future product designs. A suggested approach to studying this material is to move from simpler products to more complex, and each of the readings is broadly structured in this way. For life insurance products, begin with traditional life products, followed by universal life and indexed universal life. For annuities, begin with immediate annuities and fixed annuities followed by indexed annuities and variable annuities.

Topic 2: Capital Management

The amount of capital required by an insurance company typically reflects the risk and volatility associated with the design of the underlying product features. In managing capital, there are multiple stakeholders. Each stakeholder views risk and required capital differently. Regulatory capital follows a prescribed format as defined by the NAIC and is focused on company solvency. Economic capital is driven by the company's internal view of required capital and is influenced by outside stakeholders, including rating agencies and investors. Generally, economic capital is considered more representative of a market-based view.

Each of the readings for this Learning Objective are aligned with one of the Learning Outcomes. The U.S. regulatory framework known as Risk-Based Capital (RBC), which is used for Statutory reporting but often leveraged by other stakeholders such as rating agencies and investors, is described in Chapter 29 of *Statutory Valuation of Individual Life and Annuity Contracts, Volumes 1 and II, Claire, D., Lombardi, L. and Summers, S., 5th Edition, 2018*. The purpose and application of economic capital is described in Sections 2 and 6 of *Economic Capital for Life Insurance Companies, SOA Research Paper, Oct 2016*. Perspectives on capital for various stakeholders are explained in *A Multi-Stakeholder Approach to Capital Adequacy, Conning Research, Actuarial Practice Forum.* Finally, the application of risk capital methods to decision-making is described in *ILA201-800-25: Theory of Risk Capital in Financial Firms.*

Topic 3: Management and Evaluation of Life Insurance Risks

This section discusses additional considerations when evaluating risk and capital of the broader organization. In contrast to the previous section, this section focuses on the bigger picture of product mix and operational risks. However, many of the stakeholders are the same.

In evaluating capital at the company level, consideration may be given to potential offsets between risks. Notably, the mortality risk on life insurance products may be negatively correlated with the longevity risk on payout annuities or pension risk transfer business, which could reduce the total exposure to these risks to the extent that the underlying populations exhibit similar mortality behavior. This offset is discussed in *ILA201-801-25: Diversification of Longevity and Mortality Risk.* A second reading, *ILA201-100-25: Diversification: Consideration on Modelling Aspects & Related Fungibility and Transferability, CRO Forum, Oct 2013 (pages 1-18)*, discusses more generally the recognition and quantification of risk diversification benefits in the calculation of capital.

Among the external stakeholders interested in the capital of an insurance company, credit rating agencies notably perform a proprietary analysis of the capital position of companies and their ability to absorb losses and still meet their liability obligations. For insurers, this includes their ability to pay benefits and service outstanding debt under certain stress scenarios. Rating agencies assign a credit rating to each company, which are relied upon by customers, lenders and others when evaluating the likelihood that the insurer will be able to remain solvent to keep the long-term promises it has made. The role of rating agencies and the frameworks they use is described in *Rating Agency Perspectives on Insurance Company Capital, SOA Research Institute, August 2023, by Reynolds et al.* (The appendices for this reading are not included in the syllabus.)

The Own Risk and Solvency Assessment (ORSA) is a tool used to evaluate the overall risk of the company. ORSA is a requirement of the U.S. regulatory framework, as discussed in the *ILA021-802-25: NAIC Own Risk and Solvency Assessment Guidance Manual, Dec. 2017.* Depending on the actuary's findings, additional risk monitoring and mitigation may be required. Note that other jurisdictions in Europe, Canada and elsewhere have their own ORSA requirements, although only the U.S. framework is in scope for this examination.

Topic 4: Advanced Product Management

The readings in this section describe tools that the company can use to optimize profitability, capital, risk and competitiveness. For example, the company can tailor its approach to designing and selling policies to improve profitability and reduce required capital. This section also deals with participating policyholder dividends and balancing equitable treatment of policyholders with regulatory requirements and company targets.

The first reading for this section looks at specific examples of inforce management techniques used in practice for certain term life insurance policies. *Evolving Strategies to Improve Inforce Post-Level Term Profitability, Product Matters, Feb. 2015, pp.23-28* looks at actions companies have taken to manage antiselection risk in the later years, after the initial level premium period has ended and premiums often increase substantially. This tends to drive policyholders to lapse their coverage unless they are particularly high mortality risks, but since post-level term premiums are not guaranteed at issue, companies can evaluate the optimal premium level to maximize the profit (or minimize the loss) of premiums collected less benefits paid.

Other techniques used to improve profitability on an inforce block of life insurance are described in *ILA201-101-25: Life In-force Management: Improving Consumer Value and Long-Term Profitability.* These include asset portfolio repositioning, claims management, changes to non-guaranteed elements, reinsurance, and operational efficiency. For products that pay policy dividends, the process for changing the dividend scale is described in *Mechanics of Dividends, SOA Research Institute, Mar 2022.*

The measurement and evaluation of economic value creation is discussed in Chapters 1-4 of ILA201-102-25: *The Economics of Insurance: How Insurers Create Value for Shareholders.* Another measure of inforce profitability, embedded value, is discussed in *Embedded Value: Practice and Theory, SOA Actuarial Practice Forum, March 2009.*

The determination of tax reserves is also addressed in this section, as this affects the federal income taxes payable for an insurer. This topic is addressed in *FAQ on Certain Insurance Reserves Held by Insurance Companies for the Purpose of Determining U.S. Taxable Income after the Passage of the Tax Cuts and Jobs Act of 2017.*