

# ILA – Life Financial Management, Canada Exam

Spring 2023/Fall 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.

### Syllabus Readings

Readings listed in this syllabus may include study notes, online readings and textbooks. Candidates are responsible for all readings in their entirety, including sections such as Appendices, unless it is stated otherwise in the syllabus.

### [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 case study will not be used for this examination.

### [Past Exams](#)

Past Exams from 2000-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.

## 1. Topic: Canadian Financial Reporting and Valuation

### Learning Objectives

The candidate will understand and apply valuation principles to individual life insurance and annuity products issued by Canadian life insurance companies.

### Learning Outcomes

The Candidate will be able to:

- a) The Candidate will be able to describe, apply and evaluate the appropriate IFRS 17 accounting and valuation standards for life insurance and annuity products
- b) Compare and apply methods for life and annuity product reserves
- c) Evaluate, calculate, and interpret liabilities
- d) Recommend and justify appropriate valuation assumptions

### Resources

- LFM-141-18: IFRS 17 Insurance Contracts – IFRS Standards Effects Analysis, May 2017, IASB (sections 1, 2, 4 & 6.1-2 only)
- LFM-620-14: OSFI Guideline E15: Appointed Actuary – Legal Requirements, Qualifications and External Review, Sep 2012
- LFM-632-23: OSFI B-3 Sound Reinsurance Practices and Procedures
- LFM-634-23: CIA Standards of Practice: Insurance Sections (excluding 2600), Jan 2023
- LFM-635-13: Participating Account Management and Disclosure to Participating Policyholders and Adjustable Policyholders
- LFM-649-22: International Actuarial Note 100: Application of IFRS 17 (excluding section C: Ch.11 & section D)
- LFM-655-21: IFRS Standards Exposure Draft Amendments to IFRS 17, Jun 2019
- LFM-656-21: PwC - In transition: The latest on IFRS 17 implementation, Feb 2020
- LFM-657-22: The IFRS 17 Contractual Service Margin: A Life Insurance Perspective (Sections 1-4.7 & 5)
- LFM-658-23: Risk Adjustments for Insurance Contracts Under IFRS 17, Chapter 2 “Principles Underlying Risk Adjustments”
- [CIA Educational Note: Expected Mortality: Fully Underwritten Canadian Individual Life Insurance Policies](#), Jul 2002 (only sections 100, 200, and 300)
- [CIA Final Communication of a Promulgation of Prescribed Mortality Improvement Rates](#), Jul 2017
- [CIA Educational Note: Selective Lapsation for Renewable Term Insurance Products](#), Feb 2017
- [CIA Educational Note: Guidance on Fairness Opinions Required Under the Insurance Companies Act Pursuant to Bill C-57 \(2005\)](#), Dec 2011
- [CIA Educational Note: Dividend Determination for Participating Policies](#), Jan 2014
- [CIA Report: Lapse Experience Study for 10-year Term Insurance](#), Jan 2014, pp. 6-32

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- [CIA Research Paper: Lapse Experience under UL Level COI Policies](#), Sep 2015, pp. 4-8
- [CIA Draft Explanatory Report: IFRS 17 Expenses](#), Apr 2021
- [CIA Draft Educational Note: IFRS 17 – Fair Value of Insurance Contracts](#), Oct 2021
- [CIA Educational Note: Comparison of IFRS 17 to Current CIA Standards of Practice](#), Sep 2018
- [CIA Educational Note: IFRS 17 Risk Adjustment for Non-Financial Risk for Life and Health Insurance Contracts](#), Jul 2019
- [CIA Educational Note: IFRS 17 Estimates of Future Cash Flows for Life and Health Insurance Contracts](#), Sep 2019
- [CIA Educational Note: IFRS 17 Measurement and Presentation of Canadian Participating Insurance Contracts](#), Apr 2021
- [CIA Educational Note: IFRS 17 Discount Rates for Life and Health Insurance Contracts](#), Jun 2020
- [International Financial Reporting Standards \(IFRS\) 17 Insurance Contracts Example](#)
- [CIA Educational Note: IFRS 17 Coverage Units for Life and Health Insurance Contracts](#), Dec 2019
- [CIA Educational Note: IFRS 17 Market Consistent Valuation of Financial Guarantees for Life and Health Insurance Contracts](#), May 2020

<b>2. Topic: U.S. Regulatory Regimes</b>
<b>Learning Objectives</b>
The candidate will understand U.S. financial and valuation standards, principles and methodologies applicable to life insurance and annuity products.
<b>Learning Outcomes</b>
The Candidate will be able to describe U.S. valuation and capital frameworks, and explain their impact on the valuation of reserves, capital and financial statements.
<b>Resources</b>
<ul style="list-style-type: none"><li>• LFM-143-20: Fundamentals of the Principle Based Approach to Statutory Reserves for Life Insurance, Rudolph</li><li>• LFM-144-20: The Modernization of Insurance Company Solvency Regulation in the US (excluding sections 7 &amp; 9)</li><li>• LFM-149-21: Insurance Contracts, PwC (Accounting Guide for Insurance Contracts), 2020, Sections 1.1 (pg. 1.2), 3.5 (pp. 3.20-3.30), 5.1-5.4, 5.6 and Figures IG 2-1 (pp. 2.4-2.6) &amp; IG 2-2 (pp.2.15-2.18)</li><li>• LFM-650-20: FASB in Focus - ACCOUNTING STANDARDS UPDATE NO. 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts Issued by Insurance Companies</li><li>• <a href="#">Bridging the GAAP: IFRS 17 and LDTI Differences Explored</a>, Financial Reporter, July 2022</li></ul>

<b>3. Topic: Canadian Insurance Product and Insurance Company Taxation</b>
<b>Learning Objectives</b>
The candidate will understand Canadian taxation applicable to life insurance companies and products.
<b>Learning Outcomes</b>
The Candidate will be able to describe and apply the taxation regulations applicable to Canadian life insurance companies and life insurance products.
<b>Resources</b>
<ul style="list-style-type: none"><li>• <i>Canadian Insurance Taxation</i>, Swales, et. al., 4<sup>th</sup> Edition, 2015<ul style="list-style-type: none"><li>○ Ch. 3-6, 9, 10, 11 &amp; 24</li></ul></li><li>• <a href="#">CIA Educational Note: Future Income and Alternative Taxes</a>, Dec 2012 (excluding Appendix D)</li></ul>

<b>4. Topic: Capital and Surplus Management</b>
<b>Learning Objectives</b>
The candidate will understand how to explain and apply the methods, approaches and tools of financial management in a life insurance company context.
<b>Learning Outcomes</b>
The Candidate will be able to: <ul style="list-style-type: none"><li>a) Explain and apply methods in determining regulatory capital and economic capital</li><li>b) Explain and evaluate the respective perspectives of regulators, investors, policyholders and insurance company management regarding the role and determination of capital</li><li>c) Explain Canadian regulatory capital framework and principles</li><li>d) Explain and apply methods in capital management</li></ul>
<b>Resources</b>
<ul style="list-style-type: none"><li>• LFM-148-20: The Theory of Risk Capital in Financial Firms</li><li>• LFM-151-22: IAIS—International Capital Standard, ComFrame, Holistic Framework for Systemic Risk in the Insurance Sector, pp. 1-3 &amp; 8-28</li><li>• LFM-636-20: OSFI Guideline A-4 Internal Target Capital Ratio for Insurance Companies, Dec 2017</li><li>• LFM-641-19: OSFI: Own Risk and Solvency Assessment (E-19), Dec 2017</li><li>• LFM-645-23: OSFI Guideline – Life Insurance Capital Adequacy Test (LICAT), July 2022, Ch. 1-11 (excluding Sections 4.2-4.4 &amp; 7.3-7.10)</li><li>• <a href="#">Economic Capital for Life Insurance Companies</a>, SOA Research Paper, Oct 2016 (excluding sections 5 &amp; 7)</li><li>• <a href="#">A Multi-Stakeholder Approach to Capital Adequacy</a>, Conning Research, Actuarial Practice Forum</li></ul>

<b>5. Topic: Corporate Financial Management of Insurance Companies</b>
<b>Learning Objectives</b>
The candidate will understand important insurance company issues, concerns and financial management tools.
<b>Learning Outcomes</b>
The candidate will be able to describe, apply and evaluate considerations and matters related to: a) Insurance company mergers and acquisitions b) Sources of earnings c) Embedded Value determinations
<b>Resources</b>
<ul style="list-style-type: none"><li>• LFM-106-07: Chapter 4 of Insurance Industry Mergers &amp; Acquisitions (sections 4.1-4.6)</li><li>• LFM-138-16: Prudential Financial Stockholder's Equity and Operating Leverage, HBR, 2008</li><li>• LFM-603-13: OSFI Guideline D-9 -Source of Earning Disclosure (Life Insurance Companies)</li><li>• <a href="#">CIA: Sources of Earnings: Determination and Disclosure</a>, Aug 2004</li><li>• <a href="#">Embedded Value: Practice and Theory</a>, Actuarial Practice Forum, Mar 2009</li></ul>