

# ILA – Life Financial Management, Canada Exam

Spring 2021/Fall 2021

## 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.

## 1. Topic: Canadian Financial Reporting and Valuation Pre-IFRS 17

### Learning Objectives

The candidate will understand and apply pre-IFRS 17 valuation principles to individual life insurance and annuity products issued by Canadian life insurance companies.

### Learning Outcomes

The Candidate will be able to:

- a) Compare and apply methods for life and annuity product reserves
- b) Evaluate, calculate, and interpret liabilities
- c) Recommend and justify appropriate valuation assumptions

### Resources

- LFM-618-13: OSFI Guideline D-10: Accounting for Financial Instruments Designated as Fair Value Option
- LFM-620-14: OSFI Guideline E15: Appointed Actuary – Legal Requirements, Qualifications and External Review, Sep 2012
- LFM-632-12: OSFI B-3 Sound Reinsurance Practices and Procedures
- LFM-634-19: CIA Standards of Practice: Insurance Sections 2100, 2300, 2400, 2500 & 2700 Dec 2019
- LFM-635-13: Participating Account Management and Disclosure to Participating Policyholders and Adjustable Policyholders
- LFM-637-13: OSFI Letter Evidence for Mean Reversion in Equity Prices
- LFM-652-20: Canadian Life and Health Insurance Guidelines (CLHIA) - Guideline G-6 – Illustrations
- [CIA Educational Note: Best Estimates Assumptions for Expenses](#), Nov 2006
- [CIA Educational Note: Margins for Adverse Deviations \(MfAD\)](#), Nov 2006
- [CIA Educational Note: Valuation of Segregated Fund Investment Guarantees](#), Oct 2005
- [CIA Educational Note: Approximations to the Canadian Asset Liability Method \(CALM\)](#), Nov 2006
- [CIA Educational Note: Expected Mortality: Fully Underwritten Canadian Individual Life Insurance Policies](#), Jul 2002 (excluding Appendices)
- [CIA Educational Note: Considerations in the Valuation of Segregated Fund Products](#), Nov 2007
- [CIA Report: Report of the Task Force on Segregated Fund Liability and Capital Methodologies](#), Aug 2010
- [CIA Educational Note: Reflection of Hedging in Segregated Fund Valuation](#), May 2012
- [CIA Final Communication of a Promulgation of Prescribed Mortality Improvement Rates](#), Jul 2017
- [CIA Draft Report: Task Force on Mortality Improvement](#), Apr 2017
- [CIA Educational Note: Valuation of Universal Life Policy Liabilities](#), Feb 2012
- [CIA Educational Note: Use of Actuarial Judgment in Setting Assumptions and Margins for Adverse Deviations](#), Nov 2006

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- [CIA Educational Note: Currency Risk in the Valuation of Policy Liabilities for Life & Health Insurers](#), Dec 2009
- [CIA Education Note: Investment Returns for Non-fixed Income Returns for Assets](#), Mar 2011
- [Final Communication of Promulgations of the Maximum Net Credit Spread, Ultimate Reinvestment Rates and Calibration Criteria for Stochastic Risk-Free Interest Rates in the Standards of Practice](#), May 2014 (section 2 only)
- [Final Communication of Updated Promulgations of the Ultimate Reinvestment Rates and Calibration Criteria for Stochastic Risk-Free Interest Rates](#), Jul 2019
- [CIA Educational Note: Investment Assumptions Used in the Valuation of Life and Health Insurance Contract Liabilities](#), Sep 2015
- [CIA Research Paper: Calibration of Fixed-Income Returns Segregated Fund Liability](#), Apr 2014
- [CIA Educational Note: Development of the Equilibrium Risk-Free Market Curve for the Base Scenario](#), Dec 2015
- [CIA Educational Note: Selective Lapsation for Renewable Term Insurance Products](#), Feb 2017
- [CIA Educational Note: Valuation of Gross Policy Liabilities and Reinsurance Recoverables](#), Dec 2010
- [CIA Educational Note: CALM Implication of AcSB Section 3855 Financial Instruments – Recognition and Measurement](#), Jun 2006
- [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
- [CIA Research Paper: Lapse Experience under UL Level COI Policies](#), Sep 2015, pp. 4-8

## 2. Topic: Canadian Financial Reporting and Valuation Under IFRS 17

### Learning Objectives

The candidate will understand the professional standards addressing IFRS 17 financial reporting and valuation.

### Learning Outcomes

The Candidate will be able to describe, apply and evaluate the appropriate IFRS 17 accounting and valuation standards for life insurance products.

### Resources

- LFM-141-18: IFRS 17 Insurance Contracts – IFRS Standards Effects Analysis, May 2017, IASB (sections 1, 2, 4 & 6.1-2 only)
- LFM-649-20: 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
- [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: Transition from CALM to IFRS 17 Valuation of Canadian Participating Insurance Contracts](#), Mar 2019
- [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>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: 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-145-20: Global Insurance Regulatory Issues: Implications for U.S. Policy and Regulation</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) &amp; 5.1-5.10 (pp. 5.1-5.56) 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></ul>

## 5. Topic: Capital and Surplus Management

### Learning Objectives

The candidate will understand how to explain and apply the methods, approaches and tools of financial management in a life insurance company context.

### Learning Outcomes

The Candidate will be able to:

- a) Explain and apply methods in determining regulatory capital and economic capital
- b) Explain and evaluate the respective perspectives of regulators, investors, policyholders and insurance company management regarding the role and determination of capital
- c) Explain Canadian regulatory capital framework and principles
- d) Explain and apply methods in capital management

### Resources

- LFM-148-20: The Theory of Risk Capital in Financial Firms
- LFM-636-20: OSFI Guideline A-4 Internal Target Capital Ratio for Insurance Companies, Dec 2017
- LFM-641-19: OSFI: Own Risk and Solvency Assessment (E-19), Dec 2017
- LFM-645-21: OSFI Guideline – Life Insurance Capital Adequacy Test (LICAT), Oct 2018, Ch. 1-11 (excluding Sections 4.2-4.4 & 7.3-7.11)
- [CIA Educational Note: Life Insurance Capital Adequacy Test \(LICAT\) and Capital Adequacy Requirements for Life and Health Insurance \(CARLI\)](#), March 2018
- [Economic Capital for Life Insurance Companies](#), SOA Research Paper, Oct 2016 (excluding sections 5 & 7)
- [A Multi-Stakeholder Approach to Capital Adequacy](#), Conning Research, Actuarial Practice Forum
- [Economic Capital A Case Study to Analyze Longevity Risk](#), Risk & Rewards, Aug 2010
- [Tailoring Global Capital Standards](#), The Actuary, 2017

## 6. Topic: Corporate Financial Management of Insurance Companies

### Learning Objectives

The candidate will understand important insurance company issues, concerns and financial management tools.

### Learning Outcomes

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
- d) Rating agency considerations

### Resources

- LFM-106-07: Chapter 4 of Insurance Industry Mergers & Acquisitions (sections 4.1-4.6)
- LFM-137-16: EVARAROC vs MCEV Earnings – A Unification Approach, Kraus, 2011
- LFM-138-16: Prudential Financial Stockholder's Equity and Operating Leverage, HBR, 2008
- LFM-146-20: The Next Chapter - Creating an understanding of Special Purpose Vehicles
- LFM-147-20: A.M. Best's - Compendium of Publications
- LFM-603-13: OSFI Guideline D-9 -Source of Earning Disclosure (Life Insurance Companies)
- [CIA: Sources of Earnings: Determination and Disclosure](#), Aug 2004
- [Embedded Value: Practice and Theory](#), Actuarial Practice Forum, Mar 2009