

# GH – Finance & Valuation U.S. Exam Segments A and C

Fall 2019/Spring 2020

## **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 examination. Candidates will not be allowed to bring their copy of the case study into the examination room.

### [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: Reserving

### Learning Objectives

The candidate will understand and apply valuation principles for insurance contracts.

### Learning Outcomes

The Candidate will be able to:

- a) Describe the types of claim reserves (e.g., due and unpaid, ICOS, IBNR, LAE, PVANYD)
- b) Explain the limitations and biases of the traditional valuation methods:
- c) Calculate appropriate claim reserves given data
- d) Reflect environmental factors in reserve calculations (trend, seasonality, claims processing changes, etc.)
- e) Evaluate data resources and appropriateness for calculating reserves
- f) Describe, calculate and evaluate non-claim reserves and explain when each is required
- g) Apply applicable standards of practice related to reserving

### Resources

- *Group Insurance*, Skwire, Daniel D., 7<sup>th</sup> Edition, 2016
  - Ch. 37: Claim Reserves for Short-Term Benefits
  - Ch. 38: Claim Reserves for Long-Term Benefits
- *Individual Health Insurance*, Bluhm, William and Leida, Hans, 2<sup>nd</sup> Edition, 2015
  - Ch. 6: Reserves and Liabilities
  - Ch. 8: Forecasting and Modeling
- GHFV-103-16: Health Reserves
- GHFV-114-19: Canadian Institute of Actuaries Standards of Practice—Insurance, Feb 2018, sections 2120 and 2300 (excluding sections 2320.33-2320.37, 2340, 2350.19-2350.31, 2350.41-2350.45, 2360 & 2370)
- [CIA Educational Note - Valuation of Group Life and Health Policy Liabilities](#), sections 6-14
- [AAA Premium Deficiency Reserves Discussion Reports](#)
- [Read. Think. Write.](#), Health Section News, Oct 2004
- [Claim Reserve Model—How Actuaries Rely Upon the Claim Data They Receive, Long Term Care News](#), Sep 2008
- [ASOP 5: Incurred Health and Disability Claims](#) (excluding Appendix)
- [ASOP 7: Analysis of Life, Health or Property/Casualty Insurer Cash Flows](#) (excluding Appendix)
- [ASOP 22: Statement of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers](#) (excluding Appendix)

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- [ASOP 23: Data Quality](#) (excluding Appendix)
- [ASOP 41: Actuarial Communications](#) (excluding Appendix)
- [ASOP 42: Health and Disability Actuarial Assess and Liabilities Other than Liabilities for Incurred Claims](#) (excluding Appendices)

## 2. Topic: Actuarial Appraisal

### Learning Objectives

The candidate will understand an actuarial appraisal.

### Learning Outcomes

The Candidate will be able to:

- a) Differentiate the components of an actuarial appraisal versus an embedded value
- b) Describe an approach for preparing an actuarial appraisal
- c) Describe risks associated with interpreting an actuarial appraisal and an embedded value
- d) Differentiate traditional, European, and market-consistent embedded value
- e) Describe the actuarial due diligence process
- f) Apply applicable Actuarial Standards of Practice

### Resources

- GHFV-130-19: Ch. 4 of *Insurance Industry Mergers and Acquisitions*, Toole and Herget, sections 4.1-4.5 & 4.7-4.8
- GHFV-131-19: Ch. 5 of *Insurance Industry Mergers and Acquisitions*, Toole and Herget, sections 5.1-5.2, 5.5 & 5.6.1-5.6.2
- GHFV-132-19: 2017 Embedded Value Report for Manulife's Insurance Businesses
- GHFV-133-19: Simple Embedded Value example
- [ASOP 19: Appraisals of Casualty, Health and Life Insurance Businesses](#) (excluding Appendices)
- [Embedded Value: Practice and Theory](#)

### 3. Topic: Government Programs

#### Learning Objectives

The candidate will understand how to describe and evaluate government programs providing health and disability benefits in the U.S.

#### Learning Outcomes

The Candidate will be able to:

- a) Describe Medicare benefits and evaluate pricing and filing
- b) Describe Medicaid program structure and benefits and evaluate pricing and filing
- c) Describe Social Security disability income benefits

#### Resources

- *Group Insurance*, Skwire, Daniel D., 7<sup>th</sup> Edition, 2016
  - Ch. 9: Government Health Plans in the United States
- GHFV-800-15: AAA Issue Brief: Medicare's Financial Condition, Beyond Actuarial Balance
- GHFV-812-16: Medicaid A Primer, pp. 1-33
- GHFV-813-16: Medicaid and Long Term Services and Supports, pp. 1-10
- GHFV-817-18: Section 1115 Medicaid Demonstration Waivers (excluding Appendices B & C)
- GHFV-824-19: Ch. 24 of *Essentials of Managed Healthcare*, Kongstvedt, 6<sup>th</sup> Edition, 2013, pp. 499-513
- GHFV-825-19: Medicare Part D Prescription Drug Benefits
- [ASOP 49, Medicaid Managed Care Capitation Rate Development and Certification](#), pp. 1-12
- [Payment Reform Under the Medicare-Medicaid Financial Alignment Demonstrations](#), Health Watch, May 2013
- [Risk Adjustment in State Medicaid Programs](#), Health Watch, Jan 2008

#### 4. Topic: Financial Statements

##### Learning Objectives

The candidate will understand how to prepare and be able to interpret insurance company financial statements in accordance with U.S. statutory principles and GAAP.

##### Learning Outcomes

The Candidate will be able to:

- a) Prepare financial statement entries in accordance with generally accepted accounting principles
- b) Interpret the results of both statutory and GAAP statements from the viewpoint of various stakeholders, including regulators, senior management, investors
- c) Project financial outcomes and recommend a strategy
- d) Apply applicable standards of practice

##### Resources

- *Group Insurance*, Skwire, 7<sup>th</sup> Edition, 2016
  - Ch. 41: Analysis of Financial and Operational Performance
- GHFV-109-19 Health Insurance Accounting Basics for Actuaries (excluding Ch. 1 & section 2.2)
- GHFV-818-18: Revised Actuarial Statement of Opinion Instructions for the NAIC Health Annual Statement
- GHFV-819-18: Practices for Preparing Health Contract Reserves
- [ASOP 21: Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas](#)
- [ASOP 28: Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets](#) (excluding Appendix)

## 5. Topic: Regulation & Taxation

### Learning Objectives

The candidate will understand how to evaluate the impact of regulation and taxation on companies and plan sponsors in the US.

### Learning Outcomes

The Candidate will be able to:

- a) Describe the regulatory and policy making process in the US
- b) Describe the major applicable laws and regulations and evaluate their impact
- c) Apply applicable standards of practice

### Resources

- *Group Insurance*, Skwire, Daniel D., 7<sup>th</sup> Edition, 2016
  - Ch. 4: Health Care Policy and Group Insurance
  - Ch. 15: Principles of Health Insurance Regulation
  - Ch. 16: Regulation in the United States
  - Ch. 18: The Affordable Care Act
  - Ch. 28: Group Insurance Rate Filings and Certifications
- GHFV-802-13: AAA Health Reform Implementation: Understanding the Terminology
- GHFV-821-18: Employer Guide for Compliance with the Mental Health Parity and Addiction Equity Act, pp. 1-19
- GHFV-823-19: Recent Policy Changes: The Affordable Care Act
- GHFV-827-19: Ch. 25 of *The Handbook of Employee Benefits*, Rosenbloom, 7<sup>th</sup> Edition, pp. 699-720
- [ASOP 8: Regulatory Filings for Health Plan Entities](#) (excluding Appendix)
- [ASOP 26: Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans](#) (excluding Appendix)
- [ASOP 50: Determining Minimum Value and Actuarial Value Under the Affordable Care Act](#), pp. 1-7
- [Implications of Individual Subsidies in the Affordable Care Act—What Stakeholders Need to Understand](#), Health Watch, May 2014
- [ACA Risk Adjustment - A Critical Element in Assuring Market Stability and Affordability](#), The Actuary Magazine, Oct 2016

## 6. Topic: Retiree Benefits

### Learning Objectives

The candidate will understand how to evaluate retiree group and life benefits in the United States.

### Learning Outcomes

The Candidate will be able to:

- a) Describe why employers offer retiree group and life benefits
- b) Determine appropriate baseline assumptions for benefits and population
- c) Determine employer liabilities for retiree benefits under US GAAP
- d) Describe funding alternatives for retiree benefits
- e) Apply actuarial standards of practice to retiree benefit plans

### Resources

- *Group Insurance*, Skwire, Daniel D., 7<sup>th</sup> Edition, 2016
  - Ch. 8: Retiree Group Benefits, pp. 118-129
- GHFV-816-16: US Employers' Accounting of Postretirement Benefits Other Than Pensions Study Note
- [Statement of Financial Accounting Standards No. 106](#), only Illustrations 4 & 5 of Appendix C
- [ASOP 6: Measuring Retiree Group Benefit Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions](#), through pg. 38