

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

SPRING 2013

ADVANCED FINANCE EXAM

INTRODUCTORY STUDY NOTE

1. The Advanced Finance examination for Spring 2013 will be given on **Wednesday, May 1st, from 2:30 p.m. – 4:45 p.m.** The examination will consist of two hours of written answer questions. A read-through time of 15 minutes will be given prior to the start of the exam.
2. The following link shows a recommended FSA module/exam sequence for the Finance/ERM track:
<http://www.soa.org/Education/Exam-Req/edu-fsa-recommended.aspx>

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.

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

The Syllabus material includes textbooks, online published readings, as well as the study notes listed below. A complete listing of the Syllabus and Learning Objectives is located in this exam’s home page on the SOA Web site.

CODE	TITLE
AF-100-12	Chapter 4 of <i>Insurance Industry Mergers & Acquisitions</i>
AF-101-12	A Market Cost of Capital Approach to Market Value Margins (formerly FE-C177-11)
AF-102-12	A Comparative Analysis of US, Canadian and Solvency II Capital Adequacy Requirements in Life Insurance (formerly FET-171-10)
AF-103-12	The European Insurance CFO Forum Market Consistent Embedded Value Principles (formerly FET-172-10)
AF-104-12	Chapter 15, Section 15.4 of <i>Financial Enterprise Risk Management</i>
AF-105-12	Black Monday and Black Swans (formerly FE-C166-09)
AF-106-12	Report of the Life Liquidity Work Group of The American Academy of Actuaries to the Life Liquidity Risk Working Group of the NAIC
AF-107-12	Chapters 2 and 3 of <i>Liquidity Risk Measurement and Management: A Practitioner’s Guide to Global Best Practices</i>
AF-108-12	Chapter 9 of <i>Asset/Liability Management of Financial Institutions: Maximizing Shareholder Value Through Risk-Conscious Investing</i>
AF-109-12	Chapter 24 of <i>Asset/Liability Management of Financial Institutions: Maximizing Shareholder Value Through Risk-Conscious Investing</i>
AF-110-12	Chapter 5 of <i>Life, Health & Annuity Reinsurance</i>
AF-111-12	Chapter 7 of <i>Integrated Risk Management</i>

4. **EXAM OVERVIEW**

The syllabus for this exam trains candidates in the financial and risk management aspects of operating and evaluating a financial institution or other entity. This includes gaining an understanding of several subjects, including risk measurement and management, financial analysis, and measuring value.

This overview section is intended to provide candidates with an approach for organizing the course of reading for studying the various sections of the syllabus. In addition, the candidates should be familiar with the Learning Objectives as described in the syllabus. These Learning Objectives were the first ingredient in developing the syllabus, and will provide an indication of the level of understanding required for each major area of focus. While studying the syllabus material, candidates may want to consider both the organizational approach provided by this overview note, and to refer back to the Learning Objectives to remain focused on the goals of the Advanced Finance exam.

The syllabus has been organized into three major areas of focus, which align with the Learning Objectives: Accounting and Value Measures; Risk Quantification and Risk Measures; Risk and Capital Management Topics. Note that some syllabus sources relate to more than one topic. In the exam, candidates will be expected to integrate material across the various topics.

The candidate should focus on both the concepts and principles addressed in the exam syllabus. Candidates may be asked to apply concepts and principles in a particular context in an examination question. So for example, although the candidate is not expected to remember detailed nation-specific capital requirements, the candidate may be expected to understand how to apply capital requirements for products or portfolios within a specific regulatory environment as specified in the examination.

The exam is composed of two types of questions: Focus (covers single Learning Objective), Integrated (synthesizes multiple Learning Objectives).

5. 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>.
6. 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.
7. 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.*

8. A list of various seminars/workshops and study manuals appears on the SOA Web site <http://www.soa.org/education/exam-reg/resources/edu-sem-workshops.aspx> and <http://www.soa.org/education/exam-reg/resources/edu-txt-manuals.aspx>. These seminars/workshops and study manuals do not reflect any official interpretation, opinion, or endorsement of the Society of Actuaries or its Education Committee.

Please note that the Education Committee expects candidates to read the material cited in the *Syllabus* and to use other material as a complement to the primary sources rather than a substitution for them.

9. 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.