

# GI – Financial & Regulatory Environment U.S. Exam

Fall 2022

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

### [Past Exams](#)

Past Exams from 2014-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.

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**1. Topic: Financial Reporting**

**Learning Objective**

The candidate will understand the elements of financial reporting for general insurance companies.

**Learning Outcomes**

The candidate will be able to:

- a) Understand and apply the concepts of insurance accounting
- b) Understand and compare different financial reporting standards for general insurers
- c) Describe the elements of the NAIC Annual Statement
- d) Complete and interpret selected pages/schedules in the NAIC Annual Statement as included in the resources
- e) Understand and apply the concepts of reinsurance accounting
- f) Understand and apply the elements of discounting for general insurance loss reserves
- g) Demonstrate knowledge of taxation for general insurers in the U.S.
- h) Estimate the premium asset for retrospectively rated policies for financial reporting

**Resources**

- *General Insurance Financial Reporting Topics*, Society of Actuaries, Fifth Edition, 2021:
  - Chapter 1 Accounting Concepts for General Insurance
  - Chapter 2 Accounting for Insurance Contracts
  - Chapter 3 Accounting for Financial Instruments
  - Chapter 4 Accounting for Reinsurance Contracts
  - Chapter 5 The Annual Statement, Nonadmitted Assets and Surplus
  - Chapter 6 Schedule F, Statutory Credit for Reinsurance
  - Chapter 7 Schedule P, Statutory Loss Accounting
  - Chapter 8 Notes to Financial Statements
  - Chapter 9 Insurance Expense Exhibit (IEE)
  - Chapter 15 Federal Income Taxes for General Insurers, excluding sections 15.11 and 15.12
- National Association of Insurance Commissioners, Official NAIC Annual Statement Blank, Property / Casualty, for the 2020 reporting year, pages 2-19, 20-29 (Schedule F) and 33-93 (Schedule P)
- FRE-802-19: National Association of Insurance Commissioners (NAIC), Accounting Practices and Procedures Manual, 2018, Preamble
- NAIC, Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles (SSAP)
  - SSAP 5 Revised, "Liabilities, Contingencies, and Impairment of Assets," paragraphs 1-12, 26-29 and 33
  - SSAP 9, "Subsequent Events," paragraphs 1-12
  - SSAP 53, "Property Casualty Contracts-Premiums," paragraphs 1-19
  - SSAP 55, "Unpaid Claims, Loss and Loss Adjustment Expenses," paragraphs 1-6 and 10-17
  - SSAP 62 Revised, "Property and Casualty Reinsurance," paragraphs 1-125.
  - SSAP 63, "Underwriting Pools and Associations Including Intercompany Pools," paragraphs 1-11
  - SSAP 65, "Property and Casualty Contracts," paragraphs 1-47
  - SSAP 66, "Retrospectively Rated Contracts," paragraphs 1-14 excluding 7.b, 9.b and 9.c

*Note: These SSAPs are included within Appendix IV of "A Public Policy Practice Note, Statements of Actuarial Opinion on Property and Casualty Loss Reserves." See Topic 3 (Responsibilities of the Actuary).*

*Resources for this topic are continued on the next page*

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- *“Risk Transfer Testing of Reinsurance Contracts,”* Brehm, P. and Ruhm, D., Variance, 2007, Volume 01, Issue 01, pages 9-17

This article may be accessed at [www.casact.org](http://www.casact.org) through the following navigation:

- Publications & Research

- Browse Research

- Select *“Risk Transfer Testing”* for Category and enter *“2007”* for Year Published, then click *Search*

- Click on *Risk Transfer Testing of Reinsurance Contracts: A Summary of the Report by the CAS Research Working Party on Risk Transfer Testing*

- Click on provided link to pdf file

- *“Estimating the Premium Asset on Retrospectively Rated Policies,”* Teng, M. and Perkins, M., Casualty Actuarial Society, 1996 Proceedings, Vol. LXXXIII, pages 611-647, excluding Section 5

This article may be accessed at [www.casact.org](http://www.casact.org) through the following navigation:

- Publications & Research

- CAS Internal Publications \ Yearbook and Proceedings

- 1996 Proceedings of the Casualty Actuarial Society, Volume LXXXIII (pages 611-647)

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**2. Topic: Financial Health Measurement**

**Learning Objective**

The candidate will understand the analysis of a general insurer's financial health through prescribed formulas, ratios and other solvency regulation methods.

**Learning Outcomes**

The candidate will be able to:

- a) Evaluate the financial health of a general insurer using information contained in the Annual Statement
- b) Understand and apply the elements of the NAIC RBC formula
- c) Calculate and interpret the results of financial health ratios
- d) Understand the development and principles of solvency regulation
- e) Demonstrate knowledge of the EU Solvency II standard formula solvency capital requirement
- f) Discuss the Canadian solvency tests
- g) Compare different solvency standards
- h) Demonstrate knowledge of ORSA and its implementations
- i) Discuss the function of credit rating agencies and their influence on general insurers

**Resources**

- *General Insurance Financial Reporting Topics*, Society of Actuaries, Fifth Edition, 2021:
  - Chapter 10 Performance Measurement for General Insurers
  - Chapter 11 Financial Ratios for Insurers
  - Chapter 12 Solvency Monitoring
    - Including [Errata for General Insurance Financial Reporting Topics, Fifth Edition](#) for corrections
  - Chapter 13 General Insurance Financial Ratings
- “The U.S. National State-Based System of Insurance Regulation and the Solvency Modernization Initiative,” NAIC White Paper, 2013, excluding all Appendices, Section 4 and Section 5 paragraphs 30-45, 69-86, [http://www.naic.org/documents/committees\\_e\\_isftf\\_related\\_white\\_paper\\_state-based\\_financial\\_reg\\_smi\\_130825.pdf](http://www.naic.org/documents/committees_e_isftf_related_white_paper_state-based_financial_reg_smi_130825.pdf)
- “NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual,” NAIC, as of December 2017, [https://www.naic.org/documents/prod\\_serv\\_fin\\_recievership\\_ORSA-2014.pdf](https://www.naic.org/documents/prod_serv_fin_recievership_ORSA-2014.pdf)
- “The Implications of Solvency II for U.S. Insurance Regulation,” Vaughan, T., Policy Brief, Networks Financial Institute at Indiana State University, 2009-PB-03, February 2009—Available at SSRN, <https://ssrn.com/abstract=1350539> (Use link for “Open PDF in Browser”)

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**3. Topic: Responsibilities of the Actuary**

**Learning Objective**

The candidate will be able to apply the standards of practice regarding the responsibilities of the actuary as defined by regulators and the American Academy of Actuaries.

**Learning Outcomes**

The candidate will be able to:

- a) Describe, interpret and apply the applicable Standards of Practice
- b) Describe, interpret and apply the responsibilities of the actuary with respect to the Statement of Actuarial Opinion and the Actuarial Report
- c) Compare the Statements of Actuarial Opinion in the U.S. and Canada
- d) Describe and apply the concept of materiality
- e) Discuss the International Actuarial Association position on the function of the actuary in prudential supervision

**Resources**

- *General Insurance Financial Reporting Topics*, Society of Actuaries, Fifth Edition, 2021:
  - Chapter 14 The General Insurance Actuarial Opinion
- Actuarial Standards of Practice, Actuarial Standards Board of the American Academy of Actuaries,
  - No. 1, Introductory Actuarial Standard of Practice
  - No. 20, Discounting of Property/Casualty Unpaid Claim Estimates
  - No. 21, Responding to or Assisting Auditors or Examiners in Connection with Financial Audits, Financial Reviews, and Financial Examinations
  - No. 23, Data Quality
  - No. 36, Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves
  - No. 38, Catastrophe Modeling (for All Practice Areas)
  - No. 41, Actuarial Communications
  - No. 43, Property/Casualty Unpaid Claim Estimates

<http://www.actuarialstandardsboard.org/standards-of-practice/>
- *“International Standard of Actuarial Practice 1, General Actuarial Practice,”* Revision adopted December 1, 2018, International Actuarial Association,  
[https://www.actuaries.org/IAA/Documents/CTTEES\\_ASC/Final\\_ISAPs\\_Posted/ISAP1\\_Review\\_adopted\\_1Dec2018.pdf](https://www.actuaries.org/IAA/Documents/CTTEES_ASC/Final_ISAPs_Posted/ISAP1_Review_adopted_1Dec2018.pdf)
- *“Statements of Actuarial Opinion on Property and Casualty Loss Reserves, December 2020”* American Academy of Actuaries, Public Policy Practice Note, Casualty Practice Council’s Committee on Property and Liability Financial Reporting, excluding Appendix I–Section I.3, Appendix II–Section IV, and Appendix IV, [https://www.actuary.org/sites/default/files/2021\\_PC\\_Practice\\_Note.pdf](https://www.actuary.org/sites/default/files/2021_PC_Practice_Note.pdf). Appendix III.6 is located at [https://www.actuary.org/sites/default/files/2020-09/Audit\\_Comm\\_Overview\\_2020.pdf](https://www.actuary.org/sites/default/files/2020-09/Audit_Comm_Overview_2020.pdf)  
*Note: See Topic 1 (Financial Reporting) for SSAPs in Appendix IV to be included in the syllabus resources*
- *“Materiality, Concepts on Professionalism,”* American Academy of Actuaries, Task Force on Materiality, Discussion Paper, Professionalism Series, 2006, No. 8,  
[http://www.actuary.org/files/materiality\\_06.8.pdf/materiality\\_06.8.pdf](http://www.actuary.org/files/materiality_06.8.pdf/materiality_06.8.pdf)
- *“The Function of the Actuary in Prudential Supervision,”* International Actuarial Association, September 2002,  
[http://www.actuaries.org/LIBRARY/Papers/Prudential\\_Supervision\\_EN.pdf](http://www.actuaries.org/LIBRARY/Papers/Prudential_Supervision_EN.pdf)

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<b>4. Topic: Regulation</b>
<b>Learning Objective</b>
The candidate will be able to describe the current and historical regulatory environment.
<b>Learning Outcomes</b>
The candidate will be able to:  a) Describe the functions of key regulatory bodies in the U.S. including the NAIC and SEC b) Describe and interpret the current state of general insurance regulation in the U.S. and its development c) Compare different forms of rate regulation d) Discuss the issues regarding usage-based insurance and telematics in automobile insurance e) Describe the development of general insurance programs controlled by government or collective insurance industry organizations and their mechanisms of operation f) Understand the regulation of reinsurance g) Outline the function and regulation of captives
<b>Resources</b>
<ul style="list-style-type: none"><li>• <i>Insurance Regulation</i>, Porter, K., The Institutes, 1st Edition, 2008, excluding Chapters 7, 9 and 10</li><li>• FRE-100-20: “<i>Government Provision of General Insurance</i>,” Cappelletti, A., Society of Actuaries Study Note, Revised November 2019</li><li>• FRE-104-17: “<i>Usage Based Insurance and Telematics</i>,” Cappelletti, A., Society of Actuaries Study Note, Revised October 2016</li><li>• FRE-106-18: “<i>Captive Insurance</i>,” Cappelletti, A., Society of Actuaries Study Note, October 2017</li><li>• “<i>The Economic Crisis and Lessons from (and for) U.S. Insurance Regulation</i>,” Vaughan, T., Journal of Insurance Regulation, National Association of Insurance Commissioners, Volume 28, No. 1, Fall/Winter 2009, <a href="http://www.naic.org/documents/cipr_jir_vaughan.pdf">http://www.naic.org/documents/cipr_jir_vaughan.pdf</a></li><li>• “<i>Use of Credit Scores by Insurers</i>,” Canadian Council of Insurance Regulators, Issues Paper, Credit Scoring Working Group, June 2011, <a href="https://www.ccir-ccrra.org/CreditScoringWorkingGroup">https://www.ccir-ccrra.org/CreditScoringWorkingGroup</a> (Use the link “<i>Issues Paper: Use of Credit Scores by Insurers</i>”)</li><li>• “<i>Insurance and the discrimination laws: motor and travel insurance</i>,” Edmunds, T., House of Commons Library Standard Note SN04601, Published March 2013 (Date on the report is October 2015), <a href="https://commonslibrary.parliament.uk/research-briefings/sn04601/">https://commonslibrary.parliament.uk/research-briefings/sn04601/</a> (Use the link for “<i>Download full report</i>”)</li><li>• “<i>The National Flood Insurance Program: Challenges and Solutions</i>,” Flood Insurance Work Group, Public Policy Monograph, American Academy of Actuaries, Sept. 2020 revision, excluding Sections 7, 8, 11 and the Appendices, <a href="https://www.actuary.org/sites/default/files/2020-09/flood9.20_0.pdf">https://www.actuary.org/sites/default/files/2020-09/flood9.20_0.pdf</a></li><li>• “<i>Understanding the New Financial Reform Legislation: The Dodd-Frank Wall Street Reform and Consumer Protection Act</i>,” Mayer Brown, July 2010, only include Section on Title V – Insurance <a href="https://www.mayerbrown.com/publications/The-Dodd-Frank-Wall-Street-Reform-and-Consumer-Protection-Act-07-09-2010/">https://www.mayerbrown.com/publications/The-Dodd-Frank-Wall-Street-Reform-and-Consumer-Protection-Act-07-09-2010/</a> (Use the link for “<i>Download Document</i>”)</li></ul>

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<b>5. Topic: Law</b>
<b>Learning Objective</b>
The candidate will be able to understand tort law and insurance law with respect to its impact on the general insurance industry.
<b>Learning Outcomes</b>
The candidate will be able to: <ul style="list-style-type: none"><li>a) Describe and interpret the key elements of tort law and the underlying principles of insurance law</li><li>b) Discuss the influence of the U.S. tort law environment in other countries</li><li>c) Discuss the issues of tort trends and tort reform as it applies to the general insurance industry</li><li>d) Understand mass torts/class action suits and discuss their impact on the general insurance industry</li><li>e) Describe and interpret legal cases/issues included in the syllabus resources</li></ul>
<b>Resources</b>
<ul style="list-style-type: none"><li>• FRE-103-14: <i>Excerpts from Business Law for Insurance Professionals</i>, The Institutes, Institutes Custom Publishing, 1st edition, 2013</li><li>• FRE-105-22: “Tort Law – Topics for General Insurance Actuaries,” Cappelletti, A., Society of Actuaries Study Note, October 2021, excluding section 5.5</li></ul>