

ILA – Life Financial Management, U.S. Exam

Spring 2025

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 Fall 2020-present are available on SOA website.

[Updates](#)

Candidates should be sure to check for updates on the Exam Study page periodically for additional corrections or notices to the current syllabus.

Individual Life and Annuities - Life Financial Management U.S. Exam
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1. Topic: US GAAP Financial Reporting and Valuation

Learning Objectives

The candidate will understand and apply U.S. GAAP valuation principles and methods applicable to individual life insurance and annuity products issued by U.S. life insurance companies.

Learning Outcomes

The Candidate will be able to:

- a) Describe, apply and evaluate the appropriate valuation methods and techniques and related accounting treatments for reserves and related items (e.g., DAC), and other assets and liabilities for specific insurance products under U.S. GAAP. Further, describe and recommend assumptions and margins appropriate to these GAAP reserves
- b) Describe and apply the requirements, calculations, and disclosures related to U.S. GAAP
- c) Describe, apply and evaluate the appropriate accounting treatments for derivatives and hedging arrangements
- d) Describe, apply and evaluate the appropriate valuation methods and techniques and related accounting treatments for Investments held by insurance companies

Resources

- *US GAAP for Insurers*, Freedman, M., and Frasca, R., 3rd Edition, 2024
 - Chapter 1: US GAAP Objectives and their Implications to Insurers
 - Chapter 3: Product Classification and Measurement
 - Chapter 4: Expenses
 - Chapter 5: Nonparticipating Traditional Life Insurance
 - Chapter 6: Participating Life Insurance
 - Chapter 7: Universal Life Insurance (only sections 1, 2, 5-7)
 - Chapter 8: Long Duration Accident and Health Insurance (only sections 2.8.2, 3-5)
 - Chapter 11: Deferred Annuities
 - Chapter 12: Payout Annuities
 - Chapter 13: Group Pension and Other Institutional Contracts (only sections 2.3, 3 & 4)
 - Chapter 15: Reinsurance
 - Chapter 19: Investment Accounting
 - Chapter 20: Derivatives and Hedging
 - [Companion files for US GAAP for Insurers text](#)
- [Implementation Considerations for VA Market Risk Benefits](#), Financial Reporter, Sep 2019
- [Targeted Improvements Interactive Model](#)

2. Topic: US Statutory Financial Reporting and Valuation

Learning Objectives

The candidate will understand and apply U.S. Statutory valuation principles and methods applicable to individual life insurance and annuity products issued by U.S. life insurance companies.

Learning Outcomes

The Candidate will be able to:

- a) Describe, apply and evaluate the appropriate valuation methods and techniques and related accounting treatments for reserves, and other assets and liabilities for specific insurance products under the U.S. Statutory rules. Further, describe and recommend assumptions and margins appropriate to these statutory reserves
- b) Describe, apply, and evaluate the Principle-Based Reserves valuation methods and techniques for specific insurance products under U.S. Statutory rules
- c) Describe and evaluate the fundamental features and design of the U.S. Statutory regulatory system

Resources

- *Statutory Valuation of Individual Life and Annuity Contracts*, Claire, D., Lombardi, L. and Summers, S., 5th Edition, 2018

Note 1: The Lombardi text contains Excel workbook files which supplement and illustrate the content in the text. Candidates are encouraged to download and review them to gain a deeper appreciation for the methodologies and relationships being illustrated.

Note 2: *The description of products and associated features at the beginning of each chapter will not be tested, but are provided for background reading as it relates reporting and valuation topics*

- Chapter 1: Overview of Valuation Concepts (excluding 1.1-1.9)
- Chapter 2: Product Classifications (2.2 only)
- Chapter 3: NAIC Annual Statement
- Chapter 4: The Standard Valuation Law
- Chapter 5: The Valuation Manual (excluding 5.4)
- Chapter 10: Valuation Assumptions (excluding 10.1.3 & 10.3.8)
- Chapter 11: Valuation Methodologies (excluding 11.3.9-11.3.11)
- Chapter 12: Whole Life (excluding 12.2 & 12.4)
- Chapter 13: Term Life Insurance
- Chapter 14: Universal Life (excluding 14.4.8, 14.4.9, 14.5.0 & 14.6.2-14.6.6)
- Chapter 16: Indexed Universal Life (excluding 16.4.2-16.4.3)
- Chapter 18: Fixed Deferred Annuities (excluding 18.2, 18.3.2, 18.3.3, 18.7.4 & 18.8)
- Chapter 20: Indexed Deferred Annuities
- Chapter 21: Immediate Annuities

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- Chapter 22: Miscellaneous Reserves (excluding 22.3-22.4)
- Chapter 23: VM-20: PBR for Life Products (excluding 23.1)
- Chapter 24: Addendum for Variable Annuity PBR Updates
- Chapter 25: Principle-Based Reserve Report

NOTE: The addendum is available from ACTEX to candidates who have purchased the book.

- LFM-143-20: Fundamentals of the Principle-Based Approach to Statutory Reserves for Life Insurance, Jul 2019
- LFM-822-16: Study Note on Actuarial Guidelines AG 38 and 48 (excluding pp. 6-8)
- [Impacts of AG 48](#), Financial Reporter, Dec 2015
- [PBA Corner](#), Financial Reporter, Jun 2016
- [Interactive Principle-Based Reserves Model](#)
- [Reflection of COVID-19 in Life Insurance Mortality Improvement: A Discussion Brief](#), American Academy of Actuaries, May 2022
- [Practitioner Considerations for Guideline Excess Spread Attribution Methodology under Actuarial Guideline LIII \(AG53\)](#), SOA Research Institute, Jan 2023

3. Topic: US Insurance Product and Insurance Company Taxation

Learning Objectives

The candidate will:

- Understand the significant impact on individual life insurance and annuity product design and management of U.S. insurance product taxation rules.
- Understand and apply the significant rules of U.S. insurance company taxation as they apply to U.S. life insurers.

Learning Outcomes

The Candidate will be able to:

- a) Describe and apply the significant US tax regulations relating to the taxation of individual life and annuity insurance products
- b) Describe, apply and evaluate the valuation methods and techniques for specific insurance products under U.S. taxation rules. Further, evaluate and calculate deferred tax items

Resources

- LFM-845-20: Chapters 1 and 2 of *Life Insurance and Modified Endowments Under IRC §7702 and §7702A*, Desrochers, 2nd Edition
- LFM-846-20: [Company Tax – Introductory Study Note](#)
- LFM-850-22: Changes to Section 7702 (IRC) and Nonforfeiture Interest Rates
- [The Tax Cuts and Jobs Act of 2017— Effects on Life Insurers](#), American Academy of Actuaries, Oct 2020

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4. Topic: Capital Topics
Learning Objectives
The candidate will understand the fundamental purpose of capital, and its determination and stakeholders.
Learning Outcomes
The Candidate will be able to describe and evaluate the theory of capital (including economic capital), and evaluate its applicability for various purposes and its value to different stakeholders
Resources
<ul style="list-style-type: none">• <i>Statutory Valuation of Individual Life and Annuity Contracts</i>, Claire, D., Lombardi, L. and Summers, S., 5th Edition, 2018<ul style="list-style-type: none">○ Chapter 29: Risk-Based Capital• LFM-148-20: The Theory of Risk Capital in Financial Firms• LFM-813-13: U.S. Insurance Regulation Solvency Framework and Current Topics• LFM-852-22: Group Capital Calculation: Public Summary, National Association of Insurance Commissioners, Dec 2020• LFM-853-22: Group Capital Calculation: Pictorial, National Association of Insurance Commissioners, Dec 2020• LFM-854-22: NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual, National Association of Insurance Commissioners, Dec 2017• Economic Capital for Life Insurance Companies, SOA Research Paper, Oct 2016 (Sections 2 & 6)• A Multi-Stakeholder Approach to Capital Adequacy, Conning Research, Actuarial Practice Forum• ASOP 55 – Capital Adequacy Assessment, Section 3 and Appendix 1• Rating Agency Perspectives on Insurance Company Capital, SOA Research Institute, Aug 2023 (excluding Appendices)

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5. 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: <ul style="list-style-type: none">a) Insurance company mergers and acquisitionsb) Management of variable deferred annuitiesc) Embedded Value determinationsd) Source of Earnings analysis
Resources
<ul style="list-style-type: none">• <i>Statutory Valuation of Individual Life and Annuity Contracts</i>, Claire, D., Lombardi, L. and Summers, S., 5th Edition, 2018<ul style="list-style-type: none">○ Chapter 19: Variable Deferred Annuities, Section 19.4• LFM-106-07: Chapter 4 of Insurance Industry Mergers & Acquisitions (sections 4.1-4.6)• LFM-138-16: Prudential Financial Stockholder's Equity and Operating Leverage, HBR, 2008• LFM-152-22: Introduction to Source of Earnings Analysis (excluding Appendices)• Embedded Value: Practice and Theory, Actuarial Practice Forum, Mar 2009

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6. Topic: International Financial Reporting and Valuation
Learning Objectives
The candidate will understand the fundamental features of the U.S. and International regulatory framework.
Learning Outcomes
The Candidate will be able to describe and evaluate: <ul style="list-style-type: none">a) The features of the U.S. regulatory regime and the forces which are shaping the evolution of the regimeb) The features of the International regulatory framework, and its use in Canadac) The valuation methodology specified in IFRS 17
Resources
<ul style="list-style-type: none">• LFM-144-20: The Modernization of Insurance Company Solvency Regulation in the US (excluding sections 7 & 9)• LFM-151-22: IAIS—International Capital Standard, ComFrame, Holistic Framework for Systemic Risk in the Insurance Sector, pp. 1-3, 8-28• LFM-847-20: Life Insurance Regulatory Framework, OSFI, 2012• LFM-857-24: Insurance Contracts First Impressions: 2020 Edition IFRS 17, KPMG, July 2020 (only Sections 1.1-1.2, 3.1, 5.1-5.3, 6.1-6.4, 14.1-14.2, 15.1-15.2, 17.1-17.3, 20.1)• Regulatory Capital Adequacy for Life Insurance Companies: A Comparison of Four Jurisdictions, SOA Research Institute, Jul 2023 Companion Excel Spreadsheet: Comparison of Jurisdictions Tool• Bridging the GAAP: IFRS 17 and LDTI Differences Explored, Financial Reporter, July 2022