

AFE 3 OUTLINE

Life and Accident and Health Insurance Accounting, 6th (2018)

Chapter	# of questions	Percentage
Chapter 2 Assets	34	8.42%
• Define “Assets”, “Nonadmitted Assets,” and “Net admitted assets”	13	3.22%
• Differentiate between “Assets”, “Nonadmitted Assets,” and their valuation		
• Define individual categories of “Assets,” Bonds, Stock, etc.	3	0.74%
• Understand what should be included on Schedule BA – Other Invested Assets	1	0.25%
• Understand assets that can be categorized under “Premiums and Consideration Receivable”	9	2.23%
• Understand assets that can be categorized under “Reinsurance”	1	0.25%
• Define the various assets shown for “Health Care and Other Amounts Receivable”	6	1.49%
• Define the various assets that can be shown under “Write-ins for Assets”	1	0.25%
Chapter 3 Bonds and Stock	32	7.92%
• Understand that stocks and bonds are the most common investments of insurers		0.00%
• Obtain a general background in common regulatory restrictions, reporting and accounting bases of insurer investments	5	1.24%
• Identify the characteristics and types of Bonds	5	1.24%
• Understand statutory reporting classifications of Bonds	4	0.99%
• Understand the accounting methods and valuation of Bonds	8	1.98%
• Identify the characteristics and types of Preferred Stocks, along with their accounting and valuation	3	0.74%
• Identify the characteristics and types of Common Stocks, along with their accounting and valuation	1	0.25%
• Obtain and understanding of Derivative Securities for insurers	3	0.74%
• Understand the treatment of Investments in Subsidiaries and Affiliates	2	0.50%
• Understand investment systems, processes and controls	1	0.25%
Chapter 4 Real Estate Investments & Joint Ventures	21	5.20%
• Obtain an understanding of the history of real estate holdings for insurers		0.00%
• Define types of Real Estate Investments		0.00%
• Understand general legal limitations of Real Estate Investments	3	0.74%
• Explain the valuation and accounting treatment for Real Estate	12	2.97%

• Define types of Joint Venture Organizational Structures along with their funding, accounting treatment and tax considerations	2	0.50%
• Develop an understanding of the Statutory Reporting of Real Estate	4	0.99%
Chapter 5 Mortgage Loans	27	6.68%
• Obtain an understanding of the history of Mortgage Loans for insurers		0.00%
• Define types & classifications of Mortgage Loans	2	0.50%
• Understand the affect that governmental regulations has on Mortgage Loans	7	1.73%
• Develop and understanding of the normal documentation for Mortgage Loans	1	0.25%
• Distinguish the sources and accounting for acquiring Mortgage Loans	3	0.74%
• Understand the process of servicing and the accounting of the investment in Mortgage Loans	6	1.49%
• Describe the Statutory Reporting of Mortgage Loans	8	1.98%
Chapter 6 Policy and Claim Reserve Liabilities	40	9.90%
• Obtain an understanding of the history of Policy and Claim Reserves		0.00%
• Describe the elements and methods of Individual Life Reserves including modifications and assumptions	9	2.23%
• Understand the methods for computing Individual Life Reserves	14	3.47%
• Define other types of plans and policies, such as indeterminate premium, deposit, universal life, multiple life, etc.	7	1.73%
• Generally understand the valuation and regulation of XXX life insurance policies	2	0.50%
• Define the other miscellaneous life reserves of a life insurer	8	1.98%
Chapter 7 Liabilities for Other Policy Amounts Held including Funds on Deposit	13	3.22%
• Understand the provisions of Liabilities for Policyholders' Dividends or Coupon Amounts	5	1.24%
• Understand the provisions of Experience Rating Refunds	2	0.50%
• Define the elements of the Liability for Deposit-Type Contracts	3	0.74%
• Define the elements of the Liabilities for Premium Amounts and Premium Deposit Funds	3	0.74%
Chapter 8 All Other Statement Liabilities, Including AVR and IMR	32	7.92%
• Define the treatment of commissions to agents due or accrued	7	1.73%
• Understand the provisions of various reinsurance liabilities that may be established	8	1.98%
• Describe the elements of Taxes, Licenses and Fees Due or Accrued	5	1.24%
• Describe the composition of Federal and Foreign Income Taxes	3	0.74%
• Define other statement liabilities that can be shown and their statutory treatment	3	0.74%
• Understand the composition and calculation of the IMR and AVR	6	1.49%

Chapter 9 Capital and Surplus	13	3.22%
• Understand the perspectives on capital and surplus by various stakeholders	2	0.50%
• Comprehend the aspects of the initial financing of insurers	2	0.50%
• Define the ongoing financial requirements to organizations for capital and surplus	2	0.50%
• Understand the classifications of types of surplus	2	0.50%
• Identify the elements in the Capital and Surplus reconciliation	4	0.99%
• Describe other statutory requirements affecting surplus	1	0.25%
Chapter 10 Revenues	16	3.96%
• Obtain a general understanding of the statutory treatment of life insurer revenues	2	0.50%
• Identify the definitions and computation methods of premium income for life insurers	3	0.74%
• Understand the treatment of various types of investment income for life insurers	9	2.23%
• Describe the use of NAIC Model Investment Laws	2	0.50%
Chapter 11 Benefits	12	2.97%
• Understand the history of life insurer product benefits		0.00%
• Describe the types of Benefits (Claims) characteristics	2	0.50%
• Define the categories and reporting of Benefits	4	0.99%
• Understand Benefit (Claim) processing and reporting systems	6	1.49%
Chapter 12 Expenses and Dividends	3	0.74%
• Understand the history of life insurer Expenses and Dividends		0.00%
• Define the process of Expense allocation	1	0.25%
• Describe the classifications of Expense accounting	1	0.25%
• Understand the process of statutory statement Expense reporting	1	0.25%
• Define payment methods of Dividends		0.00%
Chapter 13 Reinsurance	29	7.18%
• Define the uses of Reinsurance for life insurers	1	0.25%
• Understand risk transfer in reinsurance transactions	2	0.50%
• Establish an understanding of the Reinsurance business, including types of reinsurers	2	0.50%
• Understand the types of indemnity reinsurance	1	0.25%
• Describe the accounting treatment of Assumption Reinsurance (or novation)	3	0.74%
• Become familiar with important reinsurance treaty clauses	13	3.22%
• Understand Reinsurance reporting in statutory statements	7	1.73%
Chapter 14 Accounting for Lines of Business	16	3.96%

• Understand the statutory reporting requirements of Accounting for Lines of Business	3	0.74%
• Define the elements of the Analysis of Operations by Lines of Business exhibit	5	1.24%
• Understand the purpose and elements of Schedule H – A & H Insurance exhibit	6	1.49%
• Understand the Line-of-Business Supplements to the statutory statement filings	2	0.50%
Chapter 15 Separate Accounts	1	0.25%
• Understand the origin and purpose of Separate Accounts		0.00%
• Understand the general characteristics of Separate Accounts		0.00%
• Describe the balance sheet treatment of Separate Accounts	1	0.25%
• Describe the Summary of Operations treatment of Separate Accounts		0.00%
• Understand the application of SSAP No. 52 – Deposit-Type Contracts		0.00%
Chapter 16 Federal Income Taxation	32	7.92%
• Understand the general taxation of life insurance companies	5	1.24%
• Describe the treatment and elements of gross income for life insurers	2	0.50%
• Describe the many types of deductions for life insurers	10	2.48%
• Understand the accounting of income taxes under GAAP, SAP and for Federal Tax Purposes	6	1.49%
• Describe the allocation methods used on consolidated federal income tax returns	8	1.98%
• Be familiar with the Life-Non-Life Consolidated Tax Return	3	0.74%
Chapter 17 Risk-Based Capital	23	5.69%
• Understand the history of the establishment of RBC calculations and the categories of risk		0.00%
• Define the RBC elements of C1 - Asset Risk	15	3.71%
• Define the RBC elements of C2 - Insurance risk		
• Define the RBC elements of C3 - Interest and Market Rate Risk		
• Define the RBC elements of C4 – Business Risk		
• Understand the elements of Total Adjusted Capital	4	0.99%
• Understand the action levels of regulatory control under RBC	4	0.99%
• Explain the use of trend and sensitivity tests		0.00%
Chapter 18 Treasury Management	8	1.98%
• Understand the history of life insurer treasury management and its purpose		0.00%
• Describe elements of the U.S. banking environment	2	0.50%
• Understand the elements of a life insurer premium collection and concentration systems	5	1.24%
• Define the application of cash flow forecasting and financial risk management	1	0.25%
Chapter 19 Asset/Liability Management	6	1.49%

• Understand the history of life insurer Asset/Liability Management and its purpose		0.00%
• Describe the life insurance company setting of Asset/Liability Management	2	0.50%
• Describe the basic principles of Asset/Liability Management for life insurers	2	0.50%
• Describe the approaches to Asset/Liability Management for life insurers	2	0.50%
• Understand the evolution Asset/Liability Management techniques		0.00%
• Become familiar with emerging methods and metrics of Asset/Liability Management		0.00%
• Describe best practices in Asset/Liability Management of life insurers		0.00%
Chapter 21 Cost Accounting	11	2.72%
• Understand the use of Cost Accounting for life insurers	1	0.25%
• Describe the Classification of expenses under Cost Accounting	4	0.99%
• Detail the definitions of expenses under Cost Accounting	2	0.50%
• Describe the determination of functional expenses	4	0.99%
Chapter 22 Internal Controls	12	2.97%
• Describe the definition of Internal Controls		0.00%
• Explain the importance of “Tone at the Top”		0.00%
• Understand the objectives of Internal Control Systems	1	0.25%
• Describe the elements of an Internal Control System	5	1.24%
• Explain the NAIC Model Regulation’s requirements in regards to Internal Controls	2	0.50%
• Understand life insurance industry considerations of Internal Controls	1	0.25%
• Describe the importance of cybersecurity	1	0.25%
• Explain Internal Control roles and responsibilities		0.00%
• Understand the coordination of Internal Control with independent auditors	2	0.50%
Chapter 24 Generally Accepted Accounting Principles	18	4.46%
• Describe the sources of Accounting Principles		0.00%
• Understand the history of GAAP for life and health insurance companies		0.00%
• Explain the differences between SAP and GAAP	7	1.73%
• Describe GAAP disclosures of public companies	7	1.73%
• Understand private company alternatives of disclosure	4	0.99%
• Become familiar with the possible future of GAAP		0.00%
Chapter 26 Mergers, Acquisitions, Consolidations & Holding Companies	4	0.99%
• Describe the benefits and risks of insurer acquisitions	2	0.50%
• Understand the Mergers & Acquisitions lifecycle	1	0.25%

• Discuss the requirements of purchase accounting		0.00%
• Become familiar with integration		0.00%
• Become familiar with demutualization and mutual holding companies		0.00%
• Understand general requirements of statutory accounting & reporting Mergers & Acquisitions	1	0.25%
• Explain the purposes of consolidated financial statements		0.00%
• Detail the methods of reporting affiliated investments under GAAP		0.00%
• Discuss statutory accounting principles guidance for affiliated investments		0.00%