



SOCIETY OF FINANCIAL EXAMINERS®

AFE 4 – Property and Liability Insurance Accounting STUDY GUIDE

Effective June 2019

The passing score for this test is 70

Reference Guides:

Property-Casualty Insurance Accounting, by IASA 2017, 10th Edition

*Accounting Practices and Procedures Manual, by NAIC, March 2019
Publication*

*Audit and Accounting Guide: Property & Liability Insurance Entities, by
AICPA, updated as of September 1, 2018*

This study guide is a tool to assist you in learning the materials needed to study for this examination. The information provided indicates the areas on which you should focus. The study guide should be used as a starting point and not as a complete listing of topics that will be covered within the exam.

The study guide is in 3 sections, one section for each reference guide

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SECTION I - *Property-Casualty Insurance Accounting, by IASA 2017,*
10th Edition

| <u>Chapter #</u> | <u>Chapter Description</u> |
|------------------|--|
| Chapter 1: | Evolution of Insurance Accounting and Annual Statement Reporting |
| Chapter 2: | Assets |
| Chapter 3: | Bonds and Stock |
| Chapter 6: | Estimating Liabilities for Losses and Loss Adjustment Expenses |
| Chapter 7: | Earned and Unearned Premiums |
| Chapter 8: | Other Liabilities, Capital and Surplus |
| Chapter 9: | Written Premiums |
| Chapter 10: | Losses and Loss Adjustment Expenses |
| Chapter 11: | Other Expenses |
| Chapter 12: | Investment Income |
| Chapter 14: | Reinsurance |
| Chapter 15: | Taxation |
| Chapter 16: | Accounting for Income Taxes |
| Chapter 17: | Risk Based Capital |
| Chapter 23: | Generally Accepted Accounting Principles |
| Chapter 24: | SEC Reporting |
| Chapter 26: | Financial Management |
| Chapter 27: | Financial Strength |

SECTION II - *Accounting Practices and Procedures Manual, by NAIC, March 2019 publication, Volume I*

| <u>No.</u> | <u>Title</u> |
|------------|--|
| - | Preamble |
| 1 | Accounting Policies, Risks & Uncertainties, and Other Disclosures |
| 2 | Cash, Drafts, and Short-Term Investments |
| 3 | Accounting Changes and Corrections of Errors |
| 4 | Assets and Nonadmitted Assets |
| 5R | Liabilities, Contingencies and Impairments of Assets |
| 6 | Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers |
| 9 | Subsequent Events |
| 11 | Postemployment Benefits and Compensated Absences |
| 16R | Electronic Data Processing Equipment and Software |
| 19 | Furniture, Fixtures, Equipment and Leasehold Improvements |
| 20 | Nonadmitted Assets |
| 21 | Leases |
| 22 | Affiliates and Other Related Parties |
| 23 | Bonds |
| 24 | Off-Balance-Sheet and Credit Risk Disclosures |
| 29 | Prepaid Expenses |
| 30 | Unaffiliated Common Stock |
| 32 | Preferred Stock |
| 36 | Mortgage Loans |
| 37 | Acquisition, Development and Construction Arrangements |
| 38 | 40R Real Estate Investments |
| 41 | Surplus Notes |
| 43R | Loan-Backed and Structured Securities |
| 47 | Joint Ventures, Partnerships and Limited Liability Companies |
| 53 | Property Casualty Contracts—Premiums |
| 55 | Unpaid Claims, Losses and Loss Adjustment Expenses |
| 62R | Property and Casualty Reinsurance |
| 63 | Property and Casualty Contracts |
| 64 | Retrospectively Rated Contracts |
| 65 | Allocation of Expenses |
| 66 | Policy Acquisition Costs and Commissions |
| 86 | Derivatives |
| 97 | Investments in Subsidiary, Controlled and Affiliated Entities |

| | |
|-----|--------------|
| 100 | Fair Value |
| 101 | Income Taxes |
| 102 | Pensions |

**SECTION III - *Audit and Accounting Guide: Property & Liability Insurance Entities,*
by AICPA, updated as of September 1, 2018**

| <u>Chapter #</u> | <u>Chapter Description</u> |
|------------------|---|
| Chapter 1: | Nature, Conduct, and Regulation of the Business |
| Chapter 2: | Audit Considerations |
| Chapter 3: | Premiums |
| Chapter 4: | The Loss Reserving and Claims Cycle |
| Chapter 5: | Investments and Fair Value Considerations |
| Chapter 6: | Reinsurance |
| Chapter 7: | Income Taxes |
| Chapter 9: | Captive Insurance Entities |

Test Allocation Summary

AFE 4 – Property and Liability Insurance Accounting test bank sections are referenced as:

Section 1: Property-Casualty Insurance Accounting, by IASA

Section 2: Accounting Practices and Procedures Manual, by NAIC

Section 3: Audit and Accounting Guide: Property & Liability Insurance Entities, by AICPA)

| | Test with Sections (50 Questions) Allocation | % Allocation |
|--|---|---------------------|
| AFE 4 - Property and Liability Insurance Accounting | | |
| Section 1: (Property-Casualty Insurance Accounting, by IASA) | 27 | 54% |
| Section 2: (Accounting Practices and Procedures Manual, by NAIC) | 9 | 18% |
| Section 3: (Audit and Accounting Guide: Property & Liability Insurance Entities, by AICPA) | 14 | 28% |
| Total | 50 | |