# COURSE STRATEGY GUIDE

## ILA 201-I – Valuation and Advanced Product and Risk Management, International

**Nov 2025/Mar 2026/Jul 2026**

This Course Strategy Guide ("Guide") is intended to provide candidates with an approach for organizing the course of reading for studying the various topics of the syllabus; however, while this Guide can be a valuable aid in preparation, the material in this Guide will not be tested.

The Individual Life and Annuities exams cover many of the products individual life and annuities actuaries may encounter throughout their careers. These include individual life products, individual annuity products, structured settlements, pensions, and benefit riders. These products are based on many of the same core actuarial concepts, but each requires their own design, pricing, valuation and management considerations. In addition, the specifics of the products life and annuities actuaries will work with over the course of their career will evolve with regulatory and market changes.

## I. Purpose of this Course

The purpose of the ILA 201-I course is to build upon the concepts introduced in ILA 101 and to deepen the candidate's knowledge of valuation and financial reporting requirements, risk and capital management issues, and advanced product management as they pertain to the international markets. These skills will enhance candidates' abilities to make both strategic and pragmatic decisions for their companies.

Understanding financial reporting requirements will allow the actuary to ensure regulatory compliance and to better manage capital. Effective product management also enables companies to reduce risk and use capital efficiently.

## II. Exam Syllabus Learning Objectives and Learning Outcomes

The syllabus for ILA201-I has been organized into four major areas of focus. Details of the learning objectives, learning outcomes and syllabus study materials associated with the learning outcomes for each of the topic sections can be found in the appendix.

1. International Financial Reporting Requirements
2. Capital Management
3. Management and Evaluation of Life Insurance Risks
4. Advanced Product Management

The candidate should be familiar with the Learning Outcome Statements as described in the syllabus and repeated in this Guide. These Learning Outcome Statements represent the tasks candidates are expected to be able to perform following this course and will guide the

assessment committee when developing questions. The Learning Objectives set out the cognitive level needed to pass this exam and will also provide an indication of what the candidates are expected to get out of the readings.

The course of readings builds the candidate's knowledge; each was selected to explain or illustrate one or more Learning Objectives. While studying the syllabus material, candidates may want to consider both the organizational approach provided by this overview note and refer to the Learning Outcomes to remain focused on the educational goals being evaluated.

## Topic 1: International Financial Reporting Requirements

The importance of this topic is to provide the foundation needed to help a candidate to understand and apply valuation principles to individual life insurance and annuity products issued by international life insurance companies. Although the CSG is not testable, this overview for Topic 1 pulls together information from various source materials, which are on the testable syllabus.

The IFRS 17 *Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of *insurance contracts* within the scope of the Standard which became effective on January 1, 2023. The key concepts of the IFRS 17 Insurance Contracts are covered within the first reading. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Although the Insurance Contracts text - as published by the International Accounting Standard Board – is not included in the syllabus, readings within this learning objective may include references to paragraph numbers (i.e., IFRS 17.x), definitions, application guidance (i.e., IFRS 17.Bx) or basis for conclusions (i.e., IFRS 17.BCx) as defined in the Insurance Contracts standard.

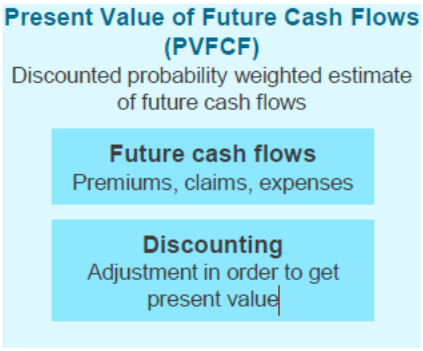
IFRS 17 applies to any contract that is classified as an insurance contract, regardless of whether the issuing entity is an insurer. Many life insurance contracts contain features that are akin to investment contracts or service contracts. IFRS 17 requires the entity to review insurance contracts and identify any embedded derivatives, investment components, and service components and assess whether those components are *distinct* – as noted in IFRS 17.B31–B35.

The chapters in the IAN 100 Application of IFRS 17 provide an overview of the three measurements models under IFRS 17. i.e., GMM, PAA and VFA and the three building blocks under IFRS 17 which are explained further below. Although there are additional chapters of the

GMM included in the IAN 100 note, this material is more effectively covered within the second thru eighth readings which include: CIA Educational Notes on Risk Adjustment, Estimates of Future Cash Flows and Discounting along with the IFoA's note on the CSM.

The measurement of insurance contract liabilities under IFRS 17 includes three "building blocks":

1. **Present value of future cash flows ("PVFCF"):**




2. **Risk adjustment for non-financial risk:** The Risk Adjustment reflects the compensation an entity requires for bearing uncertainty. The RA quantifies the value difference between certain and uncertain liability. The sum of the PVFCFs and the risk adjustment ("RA") for non-financial risk is the fulfilment cash flows ("FCF").

   A high-level comparison of the risks included in the Risk Margin (S2) calculation include:

| Risk | Solvency 2 | IFRS 17 |
|---|---|---|
| UW | Included | Included |
| Operational | Included | General op risk excluded |
| Credit | Included | Excluded |
| Expense | Included | Included (attributable) |

3. **Contractual service margin ("CSM"):** The CSM represents the unearned profit from a group of insurance contracts. At contract inception, if the FCF including all cash flows of the contract (i.e., including acquisition expenses and all premiums) is less than zero, the CSM is established to offset that negative amount so there is no front-ending of profit. The CSM is then released into income as insurance contract services are provided. A loss making, or onerous group of contracts, must be immediately reflected within the Profit

& Loss statement. The CSM is a new concept under IFRS 17. Under previous accounting standards, the front-ending of profits at issue was allowed.

The **general measurement approach** ("GMA") or **general measurement model** ("GMM") described in IFRS 17 is the default approach to valuation.

Insurance contracts with direct participation features (as defined in IFRS 17 Appendix A and IFRS 17.B101) are subject to some different requirements (called the **variable fee approach** ("VFA")). The variable fee approach is used for equity-linked policies, unit-linked policies, segregated fund policies, variable life policies, variable annuities, and similar contracts and in some instances universal life policies. The policyholder receives the fair value of the underlying assets, minus the insurer's variable fee for the sum of administrative expenses, financial guarantees (such as guaranteed minimum death benefits and maturity benefits), risk adjustments for non-financial risk, and acquisition expenses.

There is an additional option to use the simplified **premium allocation approach** ("PAA") for contracts meeting the eligibility requirements in IFRS 17.53. The PAA is available for short term contracts (coverage period of one year or less) and may also be available for longer duration contracts if the PAA provides a reasonable approximation to measurement under the GMA over the life of the contract. Many general insurance contracts, general reinsurance contracts, and group insurance contracts are measured by the premium allocation approach.

The ninth reading in this learning objective discusses in detail the concept of market consistency, and the use of market variables, which are noted throughout the IFRS 17 guidance. Market variables that are used in the determination of FCFs should be consistent with observable market prices. This educational note provides practical application guidance on issues relating to completing a market consistent valuation for insurance contracts that contain financial guarantees. i.e., segregated funds with guarantees, and other products that include interest rate guarantees.

Although most jurisdictions have already transitioned to IFRS 17, for some countries the transition will occur later. The tenth note provides guidance on the fair value measurement under IFRS 13 and supplementary guidance for measuring the fair value of insurance contracts within the scope of IFRS 17. Fair value is defined as "…the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) (IFRS 13.9)." This note also introduces two actuarial valuation techniques which are important for an actuary to understand beyond the transition date to IFRS 17 i.e., adjusted fulfilment cash flows and embedded or appraisal value that would be consistent with the income approach which is used to measure fair value.

The last two notes in this learning objective review guidelines from a regulator's perspective for effective reinsurance practices and procedures along with describing the expectations of the Appointed Actuary ("AA") role including the importance of regular peer review of certain work performed by the AA.

Upon completion of these readings, a candidate is expected to be able to:

- Calculate or assess for completeness the FCFs for a life and annuity product including the underlying assumptions used;
- Calculate the CSM and / or coverage units for an individual insurance contract or group of contracts;
- Construct an IFRS 17 yield curve used to discount the FCFs;
- Construct and explain the statement of profit and loss for a group of insurance contracts including the progression of annual income or loss for key components of the IFRS 17 income statement for Direct Contracts and / or Reinsurance Contracts Held for:
    - Insurance Revenue
    - Insurance Service Expense
    - Insurance Service Result; and
    - Net Insurance Financial Result
- Assess the Fair Value of Insurance Contracts
- Explain or describe the effectiveness of a company's reinsurance risk management policy
- Describe the major responsibilities of the actuary, the actuary's qualifications required to carry out the AA role, and the expectations with respect to peer review of the AA's work and reports.

**Note:** The expected competencies as noted above or in other learning objectives within this guide are not a comprehensive list of what a candidate is expected to know; however, they provide examples of the knowledge that a candidate is expected to have obtained from the readings.

## Topic 2: Capital Management

The Topic provides the foundation needed to help a candidate understand international capital requirements, the approaches and tools of financial capital management for international life insurance companies.

It is recommended that candidates approach this topic first reading the SOA Research Institute's 'Regulatory Capital Adequacy for Life Insurance Companies' as this note introduces the concept of regulatory capital used by four regimes globally.

Although the U.S. Risk-Based Capital is included in this note for comparison purposes only, a candidate will not be expected to calculate regulatory capital in the U.S. and / or compare that capital against capital which is required in Canada (i.e., LICAT) or in the European Union (i.e., Solvency II). The candidate should familiarize themselves with the Excel file 'SOA Capital Adequacy Example.xlsm' to understand how required capital is determined along with the Glossary as it provides a definition of the terms used in regulatory capital.

The next readings establish standards, using a risk-based approach, for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer's regulatory required capital to support these risks. The guideline also defines and establishes criteria for determining the amount of qualifying regulatory available capital.

The Conning Research note 'A Multi-Stakeholder Approach to Capital Adequacy' expands upon current capital analysis by introducing a practical approach that considers the objectives of all stakeholders of an insurance company in setting appropriate capital targets as various stakeholders have differing objectives and therefore can define "risk" and "capital adequacy" differently.

The SOA's Research paper on Economic Capital for life Insurance Companies answers questions on the calculation of economic capital for long-term life insurers including the drivers of economic capital, the development of an internal Economic Capital framework and the uses of Economic Capital within an insurance company.

Upon completion of these readings, a candidate is expected to be able to:

- Assess the capital requirements in various international jurisdictions
- Determine the differences in capital requirements for a given life and annuity product if it were sold in various international jurisdictions
- Describe Economic Capital including capital adequacy

## Topic 3: Management and Evaluation of Life Insurance Risks

The learning objective under this topic discusses additional considerations of evaluating risk and capital of the broader organization. For example, consideration may be given to potential offsets between risks.

Financial Condition Testing ("FCT") is a stress-testing process that fits within the insurer's overall risk management process. The FCT process allows management to understand implications the business plan for an insurer has on capital and provides awareness of the significant risks to which the insurer is exposed. The principal goals of FCT are to identify possible threats to the

financial condition of the insurer and appropriate risk management or corrective management actions to address those threats, while considering the Own Risk and Solvency Assessment ("ORSA"), conclusions, and recommendations. The FCT process goes beyond being a compliance exercise.

ORSA is used for assessing the overall risk of the company; depending on what the actuary's findings, additional risk diversification may be required. In contrast to the previous learning objective, this section focuses on the bigger picture of product mix and operational risks; however, many of the outside stakeholders are the same.

Upon completion of these readings, a candidate is expected to be able to:

- Describe the principles of FCT to an insurer's management or board
- Model the FCT for an insurer and how the regulatory capital would change under various scenarios
- Assess the types of diversification strategies an insurer could deploy to manage risk
- Explain the steps an insurer should take to determine its own capital needs

## Topic 4: Advanced Product Management

This Topic describes the knobs and dials that can be turned to help manage the topics in the previous Topic's learning objectives. The readings in this section describe tools that the company can use to optimize profitability, capital, risk and competitiveness. For example, the company can tailor its approach to designing and selling policies to improve profitability and reduce required capital. This section also deals with participating policyholder dividends and balancing equitable treatment of policyholders with regulatory requirements and company targets.

This section also describes the taxation of life insurance policies in Canada including Investment Income Tax ("IIT"), determination of the tax deductibility of the CSM under IFRS 17 which may vary from country to country, and policyholder taxation of Canadian life insurance policies.

Upon completion of these readings, a candidate is expected to be able to:

- Describe changes to product design and features to enhance profitability while minimizing required capital
- Describe the equitable treatment and fairness when setting policyholder dividends
- Explain the mechanics behind calculating the Embedded Value for an insurer

- Explain the exempt test policy ("ETP") and what changes to policy design could result in a policy failing the ETP

## III. Recommended Approach in Preparing for Course Exam

**Additional Resources**

The following study aids are available to assist your preparation for this course:

- Excel files
- Practice Problems
- Prior Exam Questions

**Conclusion**

Candidates should focus on both the concepts and principles addressed in the course syllabus. Candidates may be asked to apply concepts and principles in a particular context in an examination question.

We hope this overview helps you connect the themes in the readings into a more integrated, comprehensive understanding of the whole syllabus.

Mastering the Learning Objectives and Outcomes are of paramount importance to success on the course. Do review the Learning Objectives to ensure that you understand how the course of reading fits with them and consider how prior exams have been structured to evaluate the candidate's understanding of these topics.

## Appendix: Source Material and Learning Objectives

**Topic 1: International Financial Reporting Requirements**

All readings within this topic will be needed for a candidate to explain or illustrate both **Learning Outcomes**:

- Describe the appropriate IFRS 17 accounting and valuation standards for life insurance and annuity products; and
- Evaluate the appropriate IFRS 17 accounting and valuation standards for life insurance and annuity products

It is recommended that candidates approach this Topic in the following order to effectively build an understanding of the components that go into valuing insurance contracts under IFRS 17 as each reading builds on the knowledge that is expected to be learned from previous readings:

1. ILA201-600-25: IAN 100 Application of IFRS 17 (Chapter 1, Section A – Introduction to GMM only, Chapter 5, Chapters 7 – 9, and Chapter 16)
2. CIA Educational Note: IFRS 17 Risk Adjustment for Non-Financial Risk for Life and Health Insurance Contracts, Jun 2022
3. ILA201-601-25: The IFRS 17 Contractual Service Margin: A Life Insurance Perspective (Sections 2-4.8)
4. IFRS 17 – Coverage Units for Life and Health Insurance Contracts, Dec 2022
5. CIA Educational Note: IFRS 17 Estimates of Future Cash Flows for Life and Health Insurance Contracts, Jun 2022
6. CIA Educational Note – IFRS 17 Discount Rates for Life and Health Insurance Contracts, Jun 2022
7. IFRS 17: Reinsurance Contracts Held and Loss-Recovery Components, SOA Reinsurance News, Feb 2021
8. IFRS 17 Spreadsheet Model
9. CIA Educational Note – IFRS 17 Market Consistent Valuation of Financial Guarantees for Life and Health Insurance Contracts, Jun 2022
10. CIA Educational Note: IFRS 17 – Fair Value of Insurance Contracts, Jun 2022
11. ILA201-602-25: OSFI B-3 Sound Reinsurance Practices and Procedures
12. ILA201-603-25: OSFI Guideline E15: Appointed Actuary - Legal Requirements, Qualification and External Review (Aug 2023)

## Topic 2: Capital Management

All readings within this topic will be needed for a candidate to explain or illustrate the following three **Learning Outcomes**:

- Explain and calculate regulatory capital using various international frameworks
- Explain and evaluate the respective perspectives of regulators, investors, policyholders and insurance company management regarding the role and determination of capital
- Describe the purpose and application of economic capital

It is recommended that candidates approach this Topic by reading the first note on regulatory capital adequacy.

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
2. ILA201-604-25: OSFI Guideline – Life Insurance Capital Adequacy Test (LICAT), November 2024, Chapters 1 - 6, excluding Sections 4.2-4.4,
3. ILA201-605-25: OSFI Guideline A-4 Internal Target Capital Ratio for Insurance Companies, December 2017
4. A Multi-Stakeholder Approach to Capital Adequacy, Conning Research, Actuarial Practice Forum
5. Economic Capital for life Insurance Companies, SOA Research paper, Oct 2016 (only sections 2 and 6)

## Topic 3: Management and Evaluation of Life Insurance Risks

All readings within this topic will be needed for a candidate to explain or illustrate the following three **Learning Outcomes**:

- Analyze the impact of risk diversification, including considerations for modeling and offsets between mortality and longevity risk
- Understand the role and framework used by regulators and credit rating agencies for evaluating life insurance companies
- Explain and understand the use and application of the Own Risk Solvency Assessment (ORSA) report

It is recommended that candidates approach this Topic by reading the first note on diversification.

1. ILA201-100-25: Diversification: Consideration on Modelling Aspects & Related Fungibility and Transferability, CRO Forum, 2013, pages 1-18
2. CIA Educational Note: Financial Condition Testing (FCT) Jan 2023 (Appendix A only)
3. Rating Agency Perspectives on Insurance Company Capital, SOA Research Institute, Aug 2023 (excluding appendices)
4. ILA201-606-25: OSFI: Own Risk and Solvency Assessment (E-19)

## Topic 4: Advanced Product Management

This learning objective under this topic is comprised of the following five **Learning Outcomes**:

- Describe and evaluate fundamental strategies for enhancing value and profitability through active in-force and operational management

- Describe, evaluate, and apply the economic value creation framework
- Recommend and justify changes to policyholder dividends
- Understand corporate taxation, policyholder taxation and calculate investment income tax
- Describe and apply the methods and principles of embedded value for an insurance enterprise

The following readings are utilized for this topic:

1. ILA201-101-25: Life in-force Management: Improving Consumer Value and Long-Term Profitability
2. ILA201-102-25: Economics of Insurance: How Insurers Create Value for Shareholders, pp. 4-31
3. Mechanics of Dividends, SOA Research Institute, Mar 2022
4. *Canadian Insurance Taxation*, Swales, et al., 4th Edition, 2015, Chapter 4, Income for Tax Purposes - General Rules
5. *Canadian Insurance Taxation*, Swales, et al., 4th Edition, 2015, Chapter 5, Investment Income
6. ILA201-607-25: IFRS 17 and Navigating Financial Condition Testing
7. ILA201-608-25: IFRS 17: Tax and the Contractual Service Margin
8. ILA201-609-25: Impact of 2017 Tax Changes on Life Insurance
9. *Canadian Insurance Taxation*, Swales, et al., 4th Edition, 2015, Chapter 9, Investment Income Tax
10. Embedded Value: Practice and Theory, Actuarial Practice Forum, Mar 2009