



LPM Sample Flashcards

You have downloaded a sample of our LPM flashcards. The flashcards are designed to help you memorize key material for the SOA's LPM exam.

The flashcards are in a "Q&A" format that is well-suited for reviewing the material at a high level after you complete section of the online course. The cards are sequenced in exactly the same order as the rest of the online course. Practicing your ability to recall the material in the form of an answer to a question is a great way to get ready for the actual exam.

Flashcard Formats Available

The same cards are in each format below. Only the format of the cards differs, as explained below.

1. **"Singles"**. This version contains alternating front/back sides of each card in sequence. This format is well suited for PDF viewers on your computer, tablet, or phone. Simply flip through the pages.
2. **"FrontBack"**. This version has 3 cards per page. If you print this PDF double-sided on U.S. Letter (8.5" x 11") paper, the front and back of each card will be aligned. This format also works well on Avery 5388 3x5" index cards, which can be [purchased on Amazon](#). Printing instructions are included with the full flashcard set available in the online course.
3. **Review in TIA Study**. The Review screen in TIA Study contains exactly the same flashcard content as the PDF versions and also offers additional features, including spaced repetition and a card Inbox that shows cards based on your progress in the course. Your progress on the Review screen stays in sync across all versions of TIA Study (desktop, mobile, etc.).

Samples of the "singles" format are included in this PDF. You can see samples of the mobile flashcards by simply downloading the app for free.

If you have any questions, email me anytime.

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Describe how the 2018 changes in US tax law will affect life insurers.

Source: LPM-150: Tax Reform Impacts on Life Insurance Pricing and Profitability

1. **Higher DAC tax rates** (lowers A/T profits)
2. **New tax reserve method based on 92.81% scalar applied to stat reserve**
 - ▶ **Lowers A/T profits** (less tax reserve to deduct)
3. **Reduction in tax rate from 35% to 21%** (dominate change)
 - ▶ **Increases A/T profits**
4. **Scale RBC factors** by a factor of $\frac{1-0.21}{1-0.35} \approx 122\%$
 - ▶ **Lowers A/T profits** (higher capital requirements)
 - ▶ No guidance from NAIC yet though

Compare the perspectives of a CMO and CFO regarding GMWB pricing.

The CEO

The CMO

Wants **lower price** → **higher sales**

Arguments in favor of higher GMWB sales

- Better guarantee than mutual funds
- Downside floor attracts fixed DA owners
- Solves psychological problems with GMIB
 - Maintain access to principal
 - No loss on death

The CFO

Wants **higher price** → **less risk**

Arguments in favor of lower GMWB sales

- Annuity price wars are “ruinous”
- Hedging could be expensive, even impossible
- Rating downgrade risk

Describe common VA guarantees.

1. **GMDBs: Guaranteed minimum death benefits** = $\max(\text{AV}, \text{GMDB})$ on death
 - ▶ Step-up: GMDB = highest AV on any past anniversary – \sum Withdrawals since anniversary with highest AV
 - ▶ Roll-up: $\text{GMDB}_t = \text{GMDB}_{t-1} \times (1 + r) + \text{Premiums}_t - \text{Withdrawals}_t$
2. **Guaranteed living benefits (GLBs)** – contractholder must be **alive** to exercise
 - ▶ **GMIB**: Guaranteed minimum income benefit
 - ▶ **GMAB**: Guaranteed minimum accumulation benefits
 - ▶ **GMWB**: Guaranteed minimum withdrawal benefits
 - ▶ **GLWB**: GMWB for life (most popular)