

# **Sample ACE Memorization Cards (US)**

## **Instructions for Cards**

- **Extra blank cards are provided, so you can add or delete cards.**
- **Card Layout**
  - **Acronym in top left corner (bold font)**
  - **Bottom left -- Resource (Text, SN, PR)**
  - **Bottom right -- ACE study guide section / page**
- **Make notes or add to cards in white space**
- **Some cards that have multiples resources (syllabus has different texts with the same list)**
- **Consider purchasing the ACE memorization CDs to help you memorize.**
- **Also, please consider attending the ACE seminar!**

# Advantages and Disadvantages of Fixed Premium UL

## Advantages of FPUL (vs. flexible premium)

1. Similar to traditional products
2. Policyholder has minimum guaranteed benefits
3. Higher premium is used in calculating the commission
4. Fixed premiums may enhance persistency

## Disadvantages of FPUL

1. No premium flexibility
2. Additional premiums can complicate administration
3. Vanishing premium dependent on interest rates
4. Vanishing premium provision is subject to lawsuits

# Reasons T-100 Products Have a Low Lapse Rate

## **MR. OIL**

1. Market Sophistication
2. Return of premium option
3. Older issue ages
4. Insured Annuities (Back-to-Backs)
5. Levelized Commissions

# Market attractiveness/Business strength matrix

1. Need to rank each business unit based on market attractiveness (high, medium, and low) and business strength (strong, average, weak)

2. Chart

<b>Market Attractiveness</b>	High	A	A	B
	Medium	A	B	C
	Low	B	C	C
		Strong	Average	Weak
		<b>Business Strength</b>		

3. Analyzing the chart

- a. A = Good investments
- b. B = Average opportunities
- c. C = Low potential

# Analyzing Mortality Experience

# CRAM

1. Credibility
2. Risks covered
3. Adjusting mortality for special situations
  - a. Multiple life policies
  - b. Substandard mortality
  - c. Term conversions
  - d. Anti-selection
  - e. Blending mortality tables
  - f. Adjusting similar experience
4. Mortality studies

# Mortality Studies

1. Anniversary-to-anniversary or calendar year studies
2. 5 years is the typical study period
3. Amounts vs. Counts -- use by amounts to reflect financial impact
4. Mortality rate for a cell = Total Claims / Total Exposure
5. Exact exposures

Situation	Exposure
(A, W)	S
(A, D)	1
(A, B)	1
(N, W)	$s - r$
(N, D)	$1 - r$
(N, B)	$1 - r$

6. Balducci assumption

$$q(x) = \frac{D}{A + (1 - r) \times N - (1 - s) \times W}$$

7. Common to make simplifying assumption that lives lapse at the end of the year and deaths occur in the middle of the year

# Types of Coinsurance

<b>Transaction Type</b>	<b>Reinsured Assets Held By</b>	<b>Reinsured Reserves Held By</b>
Coinsurance	Reinsurer	Reinsurer
Modified Coinsurance	Ceding Company	Ceding Company
Coinsurance with Funds Withheld	Ceding Company	Reinsurer

# Types of Accumulation Annuities

1. SPDA -- Simplest type of accumulation annuity
2. FPDA -- -- Flexible premiums, subject to a much smaller minimum
3. CD Annuity
4. Two-tiered annuity
5. Equity indexed annuity (EIA)
6. Non-Surrenderable Annuity
7. Market Value Adjusted Annuity

7702 Special Products

ROP Products

1. Unlikely that ROP benefit will be taxable since it is not greater than the premiums paid
2. The "cash value" for a ROP contract is simply the sum of past premiums
3. Since there is no guaranteed rate, need to solve for that using:
  - a. End of period cash value
  - b. Beginning of period cash value
  - c. Mortality costs
4. Solved for interest rate =

$$q_{x+n-1} \times \frac{\text{Face} - (n \times GP)}{n \times GP}$$

*Note that the interest rate will vary from period to period*

5. Given that the solved for interest rate does not conflict with 7702 minimums, the gross premium will equal the GLP