

Sample ACE Memorization Cards (Canada)

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

Market Attractiveness	High	A	A	B
	Medium	A	B	C
	Low	B	C	C
		Strong	Average	Weak
		Business Strength		

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

Transaction Type	Reinsured Assets Held By	Reinsured Reserves Held By
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

Life Insurance Taxation

New Rules

1. Acquired after December 1, 1982 or lost grandfather status
2. Non-exempt policies will have accrual taxation
3. Death for non-exempt policies are taxable to the extent there are un-taxed gains in the policy
4. Dispositions
 - a. Policy dividends and policy loans -- No tax unless disposition exceeds ACB
 - b. Other dispositions -- each disposition is considered partially taxable
5. ACB does not include some rider premiums and is deducted for net cost of pure insurance (NCPI)
6. Annuitization is a taxable disposition