

Final Exam Study Guide
Fall 2013

Identify the main non-wage employee benefits offered to workers in the U.S
Describe the role of the government, employer and employee in in employee benefits
Describe the coverage features commonly found in group life insurance
Describe the coverage features commonly found in group disability insurance
Describe the three widely used definition of disability
Describe the three approached used by employers to provide group health insurance
Describe the two main types of employer sponsored retirement plans
Explain why the Social Security system was developed
Describe the difference between Social Security, public assistance and private insurance
Describe how Social Security benefits are financed
Describe the different categories of Social Security benefis
Describe some of the current issues facing Social Security
What is securitization
What cash flows have been securitized, which are the most common
What is an SPV
What are the motives for securitization
What is a pass-through security
What is a collateralized debt obligation (CDO)
How does a CDO achieve credit enhancement
What is a tranche
What is “toxic waste” (and why is it called that)
What is a CDO2
What is the effect of default risk correlation on the default risk of different CDO tranches
What are the problems applying standard bond ratings to CDOs
What is the systematic risk of the different CDO tranches
What is the underinvestment/debt overhang problem
How can the debt overhang problem be resolved
What is the asset substitution problem