



Treaty Launches New Risk Management Credential Globally

The Casualty Actuarial Society (CAS) announced the launch of a global risk management credential, the CERA (Chartered Enterprise Risk Analyst), to address the urgent need for highly qualified risk professionals globally, especially in the financial sector. The launch was marked by the CAS signing of a multilateral treaty in Hyderabad, India, during the meetings of the International Actuarial Association (IAA). The treaty was signed by 14 IAA member associations based in 12 countries around the world, including many of the major world economies.

The credential will be awarded through qualified participating associations, and will incorporate and adopt the name CERA, currently

issued by the Society of Actuaries (SOA). It will identify actuaries who meet stringent education requirements in enterprise risk management (ERM) and are governed by a strong code of professional conduct.

Fred Rowley, chair of the Global CERA Steering Group, said, "The demand for highly qualified professionals in this field is growing rapidly as management and boards recognize the need for substantially improved risk management. Markets and regulators are demanding better and more informed decision making and risk controls.

"The SOA CERA qualification has confirmed a strong demand for the qualification and pro-

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Academy's Decision on Reinsurance in CAS 2011 Syllabus Confirmed

Last year, the American Academy of Actuaries' Casualty Practice Council announced that, under the CAS 2011 syllabus, the basic education requirements for signing an NAIC PC Opinion would be CAS Associateship plus new Exam 7 (Advanced Reserving and ERM) which, among other things, covers reinsurance. (See "Requirements for ACAS to Issue NAIC PC Opinions and the 2011 CAS Syllabus" by Mary Frances Miller and David Menning in the September 2009 issue of *Future Fellows*.)

In creating the individual exam syllabi for the 2011 education structure, the Syllabus Committee decided that reinsurance would best be covered on two exams—within the context

of reserving (new Exam 7) and reinsurance ratemaking (new Exam 8). This proposal was submitted to the Academy's Casualty Practice Council to address a concern that new Exam 8 might also be required to sign an opinion. The Casualty Practice Council reviewed the proposal and replied that this change did not cause it to change its previous guidance that, under the 2011 CAS education structure, ACAS and New Exam 7 ("or coverage of the reinsurance topic at the same level of mastery through alternative education") would be required to meet the specific qualification standard for NAIC PC Opinions. **f**

DATES TO REMEMBER

EXAM REGISTRATION DEADLINES

Exam 4/C April/May Test Window
March 18, 2010

Exams 3F/MFE, 3L, 5, 7, and 8 May Tests
March 25, 2010

Exam 2/FM May Test Window
April 7, 2010

Exam 1/P May/June Test Window
April 14, 2010

REFUND DEADLINES

Exam 1/P March/April Test Window
March 22, 2010 and cancellation of appointment by noon of the second business day before test appointment

Exam 4/C April/May Test Window
April 28, 2010 and cancellation of appointment by noon of the second business day before test appointment

Exam 2/FM May Test Window
May 18, 2010 and cancellation of appointment by noon of the second business day before test appointment

Exam 1/P May/June Test Window
May 25, 2010 and cancellation of appointment by noon of the second business day before test appointment

Exams 3F/MFE
April 29, 2010

Exams 3L, 5, 7, and 8
May 3, 2010

CAS SEMINARS AND MEETINGS

RATEMAKING AND PRODUCT MANAGEMENT

SEMINAR

March 15-17, 2010
The Fairmont Chicago,
Millennium Park
Chicago, Illinois

ERM SYMPOSIUM

April 12-14, 2010
Sheraton
Chicago, Illinois

SEMINAR ON REINSURANCE

May 6-7, 2010
Crowne Plaza Times Square
New York, New York

CAS SPRING MEETING

May 23-26, 2010
Hotel del Coronado
San Diego, California

New Risk Management Credential

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vides a firm foundation of insights and experience for the new global credential,” Mr. Rowley said. “The signing of this treaty builds strongly on this demand through the adoption of an updated syllabus and agreements on the recognition of the participants’ education systems.”

John Kollar, 2009 CAS president, said, “The global ERM designation, CERA, will recognize actuaries as experts in the evaluation of enterprise risks and provide actuaries with broad opportunities to apply their skills in risk analysis. The CAS is delighted to join the global actuarial community in offering this designation.”

S. Michael McLaughlin, 2009 SOA president, said, “The technical standards of the qualification establish a benchmark for rigor and quality assurance. The syllabus is comprehensive and addresses the important challenges posed by the current financial pressures, across all major sectors. We are confident that it will satisfy the risk management needs of enterprises and the public they serve, around the world.”

Speaking at the launch, IAA President Mr. Katsumi Hikasa said “The IAA is pleased to see this initiative on the part of fourteen of its full member associations. This combination of technical skills and professional governance will ensure that all actuaries awarded the credential are fully equipped to face current real-world challenges.”

Participating associations include:

The Institute of Actuaries of Australia (Australia)

Canadian Institute of Actuaries (Canada)

Institut des Actuaire (France)

Deutsche Aktuarvereinigung e.V. (Germany)

Israel Association of Actuaries (Israel)

Institute of Actuaries of Japan (Japan)

Colegio Nacional de Actuarios A.C. (Mexico)

Het Actuarieel Genootschap (Netherlands)

Actuarial Society of South Africa (South Africa)

Svenska Aktuarieföreningen (Sweden)

Faculty of Actuaries (UK)

Institute of Actuaries (UK)

Casualty Actuarial Society (USA)

Society of Actuaries (USA)

The CAS ERM Committee was formed in late 2009 in part to help implement and administer the new global ERM designation for the CAS. The Committee, chaired by David Terné, has been busy developing the process CAS members will follow to earn the credential. Details will be posted on the CAS Web Site as soon as they are available. 

Update on Future Education Methods

By Timothy K. Pollis, Chairperson, Candidate Liaison Committee

In August, the presidents of the Casualty Actuarial Society, Society of Actuaries, and the Canadian Institute of Actuaries (the Societies) sent a letter to members asking for feedback on Future Education Methods. The heart of the initiative was that candidates would be able to receive credit for some preliminary exams if they earned above a certain grade in approved classes at universities accredited by the Societies. The expectation was that the grade earned would have to show a mastery of the topic at least as strong as what would be shown by a candidate passing the exams given by the Societies. The schools chosen would all be in North America, and the estimate was that fewer than 25 schools would be granted the exemption by 2013. Each qualifying course at each accredited school would be monitored each semester to ensure the rigor of the course was at least that of the corresponding exam. The CAS provided a collection of links on the topic (see <http://casact.org/admissions/index.cfm?fa=fem>).


The reasons supporting the FEM proposal include improving education of candidates, attracting additional high caliber candidates, and building a stronger link between academic actuarial departments and the profession. The schools to be accredited would have high quality actuarial faculty and a demonstrated history of quality actuarial education with comprehensive courses covering the material on the preliminary exams. The proposed system is similar to systems used successfully in the U.K. and Australia for several decades. The CAS already grants credit for preliminary exams and VEE requirements to those who have credit for specific Core Technical exams of the actuarial societies in Australia, India, and the U.K. where credit for the exam was granted through course-based exemptions.

Member support for the proposal appears to be lacking. In the

most recent consideration, more than 1,000 letters were sent to the Societies, with 200 of them from CAS members. According to the summary (to be found at the link noted earlier), over 84% of the letters received were not in support of the proposal. The full list of concerns cited by the writers is included in the summary. The most prominent concerns were:


1. The current exam process is objective and consistent by sitting. Granting university course credit would compromise this.
2. The process of accrediting and monitoring the schools and the rigor of each class is too labor intensive to be done adequately.

Following this, the SOA Board decided not to pursue the concept in its current form. In September, the CAS Board decided that any decision to be made on the topic should be free from time constraints imposed by other organizations, and that it would revisit the topic in November. Following that, the CAS Board plans on revisiting the topic again in March. The CIA plans on moving forward with the idea and hopes the CAS and SOA will join them.

The original letter seeking feedback sought it from “members,” and many candidates felt strongly enough to respond as well. This newsletter greets you each quarter not just as a hopeful “future Fellow,” but as a future member, hopefully an active member, of the CAS. With this in mind, the CAS and the Candidate Liaison Committee have sought candidate opinion specifically. Over the last month we have e-mailed a sample of candidates from the most recent exam sitting and invited them to register their opinion. Following the completion of the survey, we will compile the responses and share them with the Board, as well as in the June issue of *Future Fellows*. 

CAS Accepts New Nation-Specific Exam

In addition to the Canadian and U.S. exams, the Casualty Actuarial Society will accept the nation-specific exam of the Actuarial Institute of Chinese Taipei (AICT) as fulfilling the nation-specific exam requirement for CAS membership. The CAS Board-approved policy was effective January 1, 2010. In 2010, the AICT exam will be offered in two parts—Exam 7GA2 on Actuarial Standard of Practice and Accounting and Exam 7GB2 on Insurance Regulations and Discipline.

The AICT uses the CAS examinations for its property-casualty actuaries. Prior to 2010, AICT members who wished to become members of the CAS would have to pass an additional nation-specific exam (i.e., CAS Exam 7-Canada or Exam 7-United States). In September 2009, the CAS Board reviewed a proposal from the CAS Education Policy Committee. The proposal provided details of the AICT nation-specific examination and showed that it met the requirements of the CAS nation-specific exam. 

A Journey Back to the Beginning of the CAS Exam Process

By Shane Barnes, Candidate Representative to the Candidate Liaison Committee

Becoming a Fellow is an extraordinary achievement that we all one day (hopefully soon) will obtain during this journey known as the exam process. The exam process has changed many times over the last 96 years. Exams have been a part of the CAS since its inception in 1914.

The world was changing quite rapidly during this era, especially with the beginning of the First World War. The CAS was created to be an organization that would focus on appropriately calculating casualty insurance rates. Many of the founders were actuaries by trade. They worked in the industry and many were members of the Actuarial Society of America. Most people understood actuaries to calculate death benefits and annuities. This new idea was revolutionary in the field of actuarial science. The Society had to prove its validity to the rest of the world. There were 97 charter members from various parts of the country. In comparison, there are 5,195 members today. In order to achieve scientific recognition the founders believed in the importance of the examination process and created guidelines for its specific organization.

The first syllabus of the examination process was created in 1915 with the first exams being administered in October. There were four Associate exams and two Fellowship exams. A candidate could take multiple parts during an exam sitting, but a candidate could not take the second Fellowship exam without credit for the first unless taken at the same time. The registration fee for the exams was \$5. There were even guidelines about writing an original thesis to avoid the second Fellowship exam. Early candidates had the first couple exams waived. Only Part 4 was administered the first sitting, and there were 13 new Associates. The candidates were notified of their passing paper just 16 days after taking the exam. If we only had that speed today. In 1917, the CAS introduced two new Fellows, A.H. Brockway and Robert McManus.

The following were the Associateship and Fellowship exams:

1915 Associateship Exams

1. Elementary Algebra, Plane Trigonometry, Analytical Geometry, and Double-Entry Bookkeeping
2. Advanced Algebra, Differential and Integral Calculus, Finite Differences, and Probability

3. Compound Interest and Annuities Certain, Statistics, Life Annuities and Assurances, and Elements of Economics
4. Applied Statistics, Policy Forms and U/W Practices, Accounting and Insurance Law

1915 Fellowship Exams

1. Calculation of Premiums and Reserves, Inspection of Risks, Adjustment and Settlement of Claims, Investments of Insurance Companies, and "Current Events"
2. Social Insurance, Usage of Government Statistics, Systems of Invalidity, Old Age and Unemployment Insurance, and Calculation of Premiums for Pension funds

Surprisingly, there is a significant portion of the original syllabus still on the syllabus today. Many of these exams closely resemble the current examination structure with some exceptions such as algebra and trigonometry. During my research, I found some of the early exams and a few of the questions were familiar when I studied for Exam 2/FM, e.g., prove that $i - d = id$. Another interesting discovery is the amount of life contingencies in a CAS publication. Life contingencies, used to set reserves for death benefits for workers compensation claims, was part of the exam process then as well, with problems that look eerily familiar.

The exam process is intended to validate qualified professionals, having tested their knowledge of relevant techniques with complex problems. The founders were aware of the importance of the process and that focus has continued throughout the CAS's history. The CAS continues to work on improving the process to ensure the validity of the process and to ensure that the qualifications of the credentialed remain strong.

Research was gathered from the *Proceedings of the Casualty Actuarial Society*, Volumes 1-4.

<http://www.casact.org/about/index.cfm?fa=rules1915>

<http://www.casact.org/pubs/proceed/proceed39/39001.pdf>

<http://www.casact.org/pubs/proceed/proceed89/89264.pdf>



Reflecting on the Exam Survey Summary

By Timothy K. Pollis, Chairperson, Candidate Liaison Committee

CAS members who volunteer on Admissions committees (Education Policy, Syllabus, Examination, and Candidate Liaison), and a few other folks, get a thick envelope sent to them twice a year. In that envelope is the compilation of the post-exam surveys candidates submit. There are the numeric questions, summarized in the March and September issues of *Future Fellows*. Also included is every free response reply sent. I read them all every time. The replies, in their original steam-blowing form (stripped of anything to identify candidates), are an important way for me (and the CAS) to get a feel for what is going on.

Here is a summary of things I learned or thought after reading the Fall 2009 surveys. These are my personal opinions only.

About 70% of exam takers use one or more non-syllabus study guides to prepare. I have yet to get a summary (five years or so) where at least one candidate didn't list a study guide as a "syllabus reading that was particularly valuable/not valuable." Many papers are listed as both valuable and not valuable within the same sitting.

The new Friedland text on Exam 6 was very well received. An accounting text would be equally well received if it had an introduction to accounting in it. I have high hopes for the recently released ratemaking text for Exam 5.

I wish exam sites had better capacity. I wish tables (and candidates) neither shook nor squeaked during

the exam. I don't understand why some proctors can't figure out how to sit still and quiet (other than reading the script) for four hours. I learned "invigilator" is a synonym for "proctor." I wish all the rooms had a clock inside and quiet hallways outside the exam room. Only the clock is within our control. I wish no one had to travel far for exam sites, but has everyone asked their employer to host?


I would like to see an official exam post-mortem posted so we could map questions to syllabus sections. I wish it was better understood that the percents on the syllabus were guidelines only and not promises. I wish each topic/calculation type was only asked once and more topics could be tested. Seven significant digits are likely too many for a calculation. As are five-year weighted averages. Every sitting, at least one candidate experiences the first exam ever that they were unable to finish.

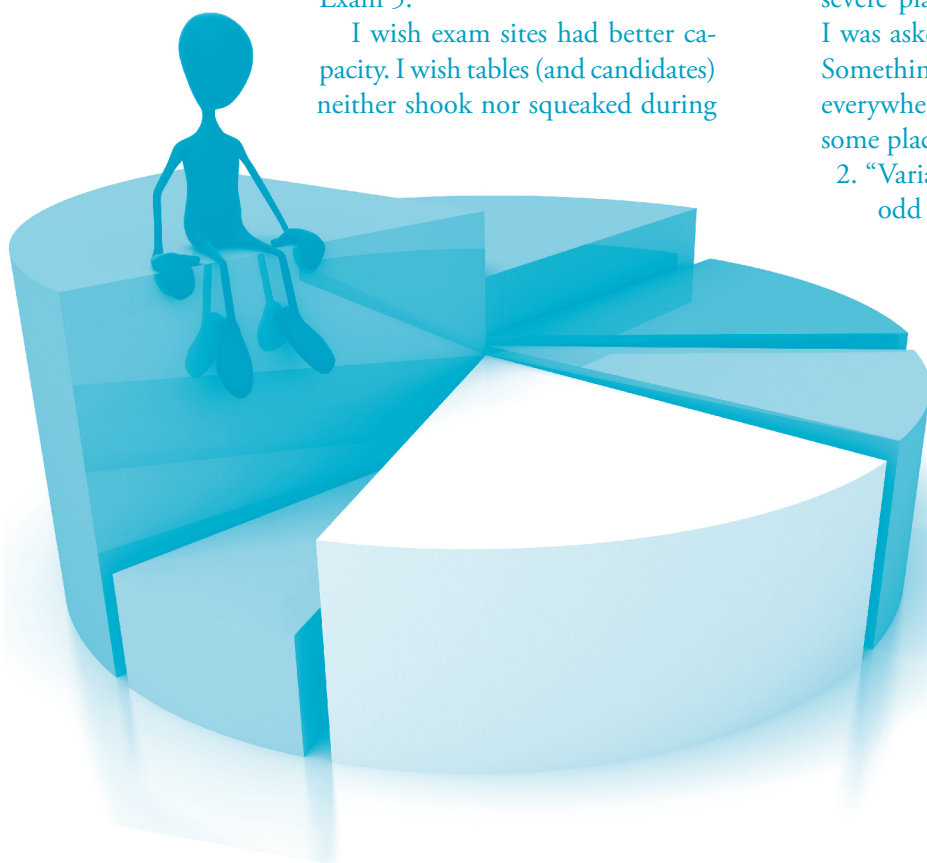
The comments seem to improve in written quality as the exam number increases. While I love the Actuarial Outpost as a place for candidates to discuss the shared experience, sometimes I think it homogenizes comments word for word. Of course, I only go to the Outpost for work reasons. I felt like the candidate using capital letters was really shouting at me.

My favorite comments were these:

3. "In the workplace there is never a time constrain this severe placed on a project." I read this the day after I was asked at 4:45 to figure something out before 5. Something similar has happened in my career almost everywhere I've worked. It isn't ideal, but it happens in some places.

2. "Variance dominated the exam it seems, which is odd because it plays a much smaller role in the profession (so it seems to me)." I am pretty sure that without variance we wouldn't have a profession. In this person's defense, it was a preliminary exam and he/she allowed "so it seems."

1. "How long will candidates have to suffer Redacted's paper? It's horrible. All other complaints about poor or archaic readings are moot in relation to this ugliness." No comment needed. 



CAS Releases Draft Syllabi for New 2011 Education Structure

In January, the CAS Executive Council approved the drafts of the syllabi for new Exams 5-9 as well as the topics to be covered by Modules 1 and 2 that will be implemented in 2011. The syllabi and module topics were posted in the "Admissions/Exams" section of the CAS Web Site. In the new education structure, there will be no significant changes to the VEE requirements and preliminary exams (Exams 1-4).

The syllabus drafts were released so that candidates and educators will have a sense of the learning objectives and readings. The Syllabus Committee will continue work on the syllabi to identify readings currently marked as "TBA." In addition, clarified learning objectives and changes to specific readings may be incorporated into the final edition of the 2011 *Syllabus of Basic Education* that will be released in early November 2010. **ff**

Resources & Reminders

The CAS Web Site is a valuable resource that includes:

- CAS *Syllabus of Basic Education* and updates
- "Notice of Examinations"
- "Verify Candidate Exam Status" to confirm that joint exams and VEE credits are properly recorded
- "Looking at the Exam Process" series
- Feedback button to the Candidate Liaison Committee
- CAS Regional Affiliates news

If you have not received a confirmation of your registration for Exams 3L, and 5-9 two weeks prior to the registration deadline, please contact the CAS Office.

REMEMBER YOUR CANDIDATE NUMBER!

Candidate Liaison Committee Mission

The Candidate Liaison Committee communicates with CAS candidates, collectively and individually, who are taking CAS examinations. The committee informs candidates as to appropriate courses of action available to them. Through periodic communication, this committee informs candidates of results of examination administrations, actions taken on complaints received regarding examination questions, and reasons for syllabus and examination changes being implemented. Communication encompasses existing policies and procedures as well as changes being considered. The committee should advise the CAS and its committees of the interests of the candidates regarding matters that come before the CAS and its committees. Candidates may contact the Candidate Liaison Committee at the CAS Office address. The Casualty Actuarial Society is not responsible for statements or opinions expressed in the articles, discussions, or letters printed in *Future Fellows*.

Future FELLOWS



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For information, please contact the CAS Office. Send all letters to the editor to the CAS Office address.

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Summary of October/November 2009 Examinations

Exam	Number of Candidates	Number of Passing Candidates	Number Below 50% of Pass Mark (Ineffective)	Effective Pass Ratio
1/P*	2596	1067	341	47.3%
2/FM*	2911	1398	233	52.2%
3F/MFE*	3217	1116	371	39.2%
3L	231	86	56	49.1%
4/C*	2198	959	194	47.9%
6	1031	445	64	46.0%
9	627	267	46	46.0%

*For joint Exams 1/P, 2/FM, 3F/MFE and 4/C, the summary includes all candidates who sat for the specified examination.

Summary of October/November 2009 Examination Survey

Exam	Percent Responding	Syllabus Coverage <i>Inadequate (1) to Adequate (5)</i>	Exam Clarity <i>Not Clear (1) to Very Clear (5)</i>	Exam Length <i>Too Short (1) to Too Long (5)</i>	Exam Difficulty <i>Easy (1) to Difficult (5)</i>	Exam Quality <i>Poor (1) to Excellent (5)</i>
3F/MFE	3.13%	3.37	3.31	2.96	4.18	3.28
3L	29.00%	3.58	3.20	3.63	3.97	3.23
6	22.70%	3.38	3.09	4.14	3.75	3.09
9	29.19%	3.37	3.31	3.43	4.18	3.28