



Current CAS Issues and Directions

*Brian Z. Brown, FCAS, MAAA
CAGNY*

December 3, 2008



Agenda

- CAS Centennial Goal
- New CAS Basic Education Structure
- CAS Continuing Education Policy
- Upcoming Events
- Other Initiatives
- Your Input



CAS Centennial Goal

The CAS will be recognized globally as a leading resource in educating casualty actuaries and conducting research in casualty actuarial science. CAS members will advance their expertise in pricing, reserving, and capital modeling; and leverage their skills in risk analysis to become recognized as experts in the evaluation of enterprise risks, particularly for the property and casualty insurance industry.



New CAS Basic Education Structure



Developments Leading to the Revised System

- Board Established Task Force on FCAS Education in September 2004.
- White Paper on CAS Education Strategy released in November 2006.
- Feedback invited through January 2007.
- Board discussed feedback and ideas during 2007 meetings.
- Board approved changes to Basic Exam Structure that will affect Exams 5-9 in March 2008.



Features of the Revised System

- No change to
 - Validation by Educational Experience (VEE)
 - Preliminary Actuarial Exams –
 - Probability,
 - Financial Mathematics,
 - Financial Economics,
 - Life Contingencies and Statistics, and
 - Construction and Evaluation of Actuarial Models



Features of the Revised System

- Two-module self-paced internet based course:
 - Introduction to P&C Insurance, Insurance Operations, Specialized Lines of Business, Miscellaneous Ratemaking Topics, Actuarial Control Cycle.
 - Insurance Accounting Principles, Reinsurance, Background Law, Regulation of Insurance (Canadian and U.S. versions).



Features of the Revised System

- A four-hour exam covering **Basic Ratemaking and Basic Reserving**.
- A four-hour (nation specific) exam covering **Regulation and Financial Reporting**.
- **Course on Professionalism**.

Associate



Features of the Revised System

- **Advanced Ratemaking exam.**
- **Advanced Reserving, Reinsurance and ERM exam.**
- **Investment and Rate of Return exam.**

Fellow



Changes from the Current System

- Additions:
 - **Stochastic Reserving and Reserve Ranges** to the Advanced Reserving Exam and
 - **Actuarial Control Cycle** to the internet-based modules.
- Deletion:
 - Redundant elements of the current Exam 8 which have been moved to the preliminary exams.



Changes from the Current System

- Internet-based course in two modules consisting of parts of current Exams 5-7
- Reduction of volume of study material
- Reduction of the upper level exam hours
 - Currently 5 exams x 4 hours = 20 hours
 - Will be 17 hours (2 four-hour exams and 3 three-hour exams.)



Rationale for the Revisions

- Significant portion of Financial Economics now covered in lower level exams.
- More exams of shorter duration is said to be pedagogically advantageous.
- Syllabus cohesion can be enhanced by covering related topics in the same exam.



Rationale for the Revisions

- Delivery of educational material and testing can be enhanced by leveraging the use of technology.
- Testing material needing only **familiarity** can be more efficiently done online as self-paced units.
- This MAY provide for a more timely achievement of ACAS and FCAS designations.



Transition to the Revised System

- Board is aware of the need to provide a transition process to minimize the disruption for candidates.
- The official conversion to the new education structure will occur no sooner than 2011.
- Approved options facilitate the conversion.



Transition to the Revised System

Transition Rules:

- Current Exam 5 – Credit for Half Exam on Basic Ratemaking and Internet Module 1.
- Current Exam 6 – Credit for Half Exam on Basic Reserving and Exam on Advanced Reserving, Reinsurance and ERM.
- Current Exam 7 – Credit for Exam on Regulation and Financial Reporting and Internet Module 2.
- Current Exam 8 – Credit for Exam on Investments and Rate of Return.
- Current Exam 9 – Credit for Exam on Advanced Ratemaking.



New Educational Materials

- Two consultants engaged to prepare an entire set of materials for the ratemaking and reserving portions of current CAS Exams 5 and 6.
- Implementation Task Forces working closely with authors.
- Final publications due by December 31, 2008.
- Expected to be included on 2010 Syllabus of Exams.



Classes of Membership

- At the September 2008 Board meeting, the Board passed a motion to ratify the existing classes of membership, maintaining both an Associateship and a Fellowship designation, each of which meets and will continue to meet the educational requirement of the IAA.
- The Board also passed a motion to formally consider Associate membership rights, including but not limited to the ACAS right to vote.



Continuing Education



Background

- November 2007 – CAS Board forms Continuing Professional Development Task Force.
- June 2007 – Task Force presented preliminary report to the Board.
- September 2008 – Board approved a motion to release an Exposure Draft of CAS Continuing Education Policy.
- October 2008 – Executive Council releases Exposure Draft to allow members to comment on the Policy.



CAS Code of Professional Conduct

- PRECEPT 2. An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards.
 - ANNOTATION 2-1. It is the professional responsibility of an Actuary to observe applicable qualification standards that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services and to keep current regarding changes in these standards.



How are CAS Members Affected?

CAS members who issue Statements of Actuarial Opinion:

- Would be required to follow local qualification standards or, in cases where no local standards have been established, with the CAS standards.
- The local qualification standards in the U.S. are the AAA standards. Local standards in Canada are the CIA standards.



What are Statements of Actuarial Opinion?

- An opinion expressed by an actuary in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.
- For further guidance, please refer to the AAA Qualification Standards and supporting documentation.



How are CAS Members Affected?

- A CAS member who is a member of another IAA full member organization may meet the continuing education requirements of that organization, provided that the requirements are of parallel rigor with the CAS requirement.
- The CAS recognizes the requirements of:
 - American Academy of Actuaries
 - Canadian Institute of Actuaries
 - Institute of Actuaries and Faculty of Actuaries (UK)
 - Institute of Actuaries of Australia



Documentation

- CAS members must keep appropriate documentation of their continuing education. Beginning with submission of their dues for 2010, members must report whether they expect to perform Actuarial Services in 2010, and if so, whether they have met the CE requirements.
- Beginning in 2010 (for statements issued in 2011), CAS members must maintain records of their continuing education. These records must be available for audit by the CAS.



Timeline

- December 19, 2008 – Deadline for comments on the Exposure Draft.
- March 2009 – Board to formally adopt Policy.
- December 31, 2009 – The requirement would be applicable for all Statements of Actuarial Opinion issued after this date.



Future Events

- Webinar on Global Best Practices in ERM for Insurers and Reinsurers, Dec 10-11
- Online Course: Introduction to ERM, Jan 9-26
- Ratemaking and Product Management (RPM) Seminar, March 9-11, Las Vegas
- ERM Symposium, April 29-May 1, Chicago
- CAS Spring Meeting, May 3-6, New Orleans



Technical Excellence

Board is discussing the questions:

- Have CAS members continued to enhance their collective technical skills?
- Should every actuary be familiar with every topic tested on the current exams?
- Could CAS promote continuing technical advancement by offering specialized courses and issuing certificates?



New CAS Journal

● *Advancing the Science of Risk*
Variance

www.VarianceJournal.org



CAS ERM Initiatives



CAS Enterprise Risk Management Initiatives

- CAS ERM Vision – Actuaries are qualified
- CAS Risk Management Committee
- ERM Symposium (CAS/SOA and others)
- Online Course: Introduction to ERM
- ERM² (Enterprise Risk Management and Modeling)
- Sessions at CAS Meetings and Seminars



The ERM Actuary

- CAS is focused on enhancing our role in ERM by:
 - Providing continuing education on ERM;
 - Conducting research to address unanswered ERM questions (e.g., operational risks, risk aggregation)
 - Promoting actuarial skills in addressing ERM issues;
 - Exploring changes to the CAS syllabus.
- CAS has established a Task Force to explore options for an ERM designation.



I welcome your input regarding:

- CAS Centennial Goal
- CAS Basic Education System
- CAS CE Requirements and Professional Education Offerings
- ERM Initiatives
- Other Topics
- Questions?



Thank You!