

Global ERM Designation for Actuaries

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What is the Problem?

- Organizations unwittingly accepted excessive levels of risk
- Boards of directors did not understand the risk profile of their organizations
- Incentive compensation systems encouraged risk taking
- Rating agencies facilitated risky behavior
- Regulators lacked the knowledge to constrain systemic risks
- Sudden flight from risk brought on the worst global recession since the Great Depression

What is the Solution?

- Risk needs adult supervision
 - Trusted source to evaluate risk
 - Provide transparency for all stakeholders

Potential Candidates

- Quants
 - Math, Physics and Financial Engineering Ph.D.s
 - Lack common sense and/or ethics
 - Accountants
 - After Enron debacle proposed Sarbanes-Oxley checklists
 - Good at measuring tangible items
 - Quantifying uncertainty is beyond their expertise
 - Risk Managers
 - Good at developing effective systems for dealing with risks they understand
 - Mathematical complexity of many risks is beyond their expertise
- Rating agencies
 - Subprime failures
 - Loss of credibility

We are the Solution

- Actuaries
 - Comfortable dealing with uncertainty
 - Able to communicate complex mathematical concepts to nonmathematical managers
 - Members of a profession
 - Standards and practices
 - Discipline body
 - Profession consists of national organizations with established credibility
 - Hazard risk experts
 - Need to expand to other types of risk

Global ERM Designation

- Internationally recognized standard for ERM expertise
- Designation will be termed CERA
 - SOA – Chartered Enterprise Risk Analyst
 - Alternative proposals
 - A is for Actuary
 - C is for Certified
- Attaining this credential would qualify designee to participate in, or manage, ERM within an organization
- Potential regulatory requirement for published risk assessment of organizations
- CERA would allow actuarial profession to fill this role

How Can CAS Members Obtain CERA

- CAS Board authorized signing treaty (6/09)
- Process for awarding designation under review
- Announcement possible in late 2009
- Approaches of other actuarial associations
 - SOA: current members take one 6 hour exam – Advance Finance/ERM (~ 1200 pages of readings)
 - Institute of Actuaries: current members take one 3 hour exam - ST9 Enterprise Risk Management (71 Learning Objectives)

Continuing Education Opportunities in ERM

- CAS
 - Sessions at meetings
 - Online Introduction to ERM Course
 - Enterprise Risk Management and Modeling (ERM²) Seminar
- Other actuarial organizations
- Other professional organizations
 - Professional Risk Manager's International Association (PRMIA)
 - Global Association of Risk Professionals (GARP)
- Universities
 - Enterprise Risk Management International Institute (ERMII)
 - Individual university ERM courses