

Future FELLOWS



March 2005, Volume 11, No. 1

Code of Professional Conduct Applicable to CAS Candidates in 2006

By Anju Arora, FCAS, Candidate Liaison Committee

The Casualty Actuarial Society will require candidates taking Exams 3 and 5-9 to agree to abide by the terms and conditions of the CAS Code of Professional Conduct starting in Spring 2006. What is the Code of Professional Conduct ("Code") and why should you have to agree to abide by it?

The Code is a series of guidelines, termed Precepts, that set forth the "...high standards of conduct, practice, and qualifications of the actuarial profession." Some of these Precepts include additional clarifying statements, termed Annotations, that assist in the practical use of these guidelines.

Until now, a candidate's formal introduction to the Code was at the CAS Course on Professionalism which is required for Associateship. The rationale behind the timing of the course with candidates near Associateship is to recognize that the work performed by an Associate carries a level of responsibility that requires awareness of professional conduct. This notion hasn't changed but what has changed is the recognition that candidates as early as those sitting for Exam 3 are performing responsible actuarial work as well. As such, there is an obligation on the part of each candidate to ensure responsible actuarial work within the framework of the Code.


Therefore, starting in 2006, candidates who register for Exams 3 and 5-9, will be required to sign a statement on the application that they agree to abide by the terms and conditions of the Code. An application without a signed consent will not be accepted. This directive aligns the CAS with

our actuarial colleagues in the life (Society of Actuaries) and Canadian (Canadian Institute Actuaries) societies that require such agreement earlier in the exam process.

The last sentence of the first paragraph of the CAS Code of Professional Conduct states, "An Actuary who commits a material violation of the provisions of the Code shall be subject to the profession's counseling and discipline procedures." The Actuarial Board for Counseling and Discipline ("ABCD") and the Canadian Institute of Actuaries ("CIA") are two national organizations responsible for counseling and discipline. This course of action will be applicable to candidates as well.

Additional information about the Code is available in the "Admissions" section of the CAS Web Site (www.casact.org/admissions/code.htm). There will be links to the following material: the complete Code, background information about the Code, a series of *Future Fellows* articles written by Donna Munt in which she interprets some of the Precepts and Annotations, and the Bylaws of the CAS, where Article V outlines specific information on the Discipline of Members.

Lastly, the 2006 *Syllabus* will contain the entire Code. Please take time in 2005 to familiarize yourself with the Code so that you are comfortable signing the application in 2006.

Look out for more articles regarding this directive in subsequent *Future Fellows* newsletters. If you have any questions or concerns about the Code, please contact the Candidate Liaison Committee, via the "Feedback" link at the end of the "Admissions" page on the CAS Web Site. 

What Do You Read in *Future Fellows*?

The Candidate Liaison Committee would like to have your feedback about *Future Fellows*. Please use the Readers' Survey in the "Admissions" section of the CAS Web Site to indicate what you like, dislike, and would like to see in upcoming issues. Prizes will be awarded!

Dates to Remember Dates to Remember Dates to Remember Dates to Remember Dates to Remember Dates to Remember Dates to Remember Dates to Remember Dates to Remember Dates to Remember

Spring 2005 Exam Registration Deadlines

Exams 3, 5, 7, and 8:
March 23, 2005

Joint Exams 1, 2, and 4:
April 1, 2005

There is only one deadline for each set of exams. Late registrations will not be accepted.

Change of Exam Center Deadlines

Exams 3, 5, 7, and 8:
March 23, 2005

Joint Exams 1, 2, and 4:
April 1, 2005

..... Ratemaking Seminar

March 10-11, 2005

New Orleans Marriott
New Orleans, Louisiana

...

ERM Symposium

May 1-3, 2005

Sheraton Downtown Chicago
Chicago, Illinois

...

CAS Spring Meeting

May 15-18, 2005

Pointe South Mountain Resort
Phoenix, Arizona

...

Seminar on Reinsurance

June 6-7, 2005

Fairmont Hamilton Princess
Hamilton, Bermuda

...

CAS Course on Professionalism

June 2005 (dates TBA)

Chicago, Illinois
Hartford, Connecticut

On the Other Side of the Fence

An Interview with New Members of the Examination Committee

By Erica W. Szeto, FCAS, and Timothy K. Pollis, ACAS, Candidate Liaison Committee

The Candidate Liaison Committee had a Q&A session with two recent Fellows currently volunteering on the Examination Committee. One of the volunteers, Erik Donahue (FCAS 2002), has participated only in writing exam questions, while Ken Fikes (FCAS 2000) has been involved with both the writing and grading aspects of the examination process. Here is some of what we learned:

ff: What motivated you to join the Examination Committee?

ED: Two main points motivated me to join the Exam Committee. First, I wanted to give back to the profession. I thought that starting on the Exam Committee would be a natural fit just after getting through the rigors of taking them. Second, I wanted to get a better understanding of the exam process. As a student, you take the exams and sometimes wonder what the process is like that created the exam. On the Exam Committee you get to understand the process and hopefully help write a good exam.

KF: Several things motivated me. First, I actually liked the exams. I enjoyed the challenge. After being away a few years, I kind of missed them (sorry, I know that is sick). Second, I had written many practice questions when taking the exams, and I felt like I was pretty good at it. Third, I wanted to volunteer for another committee, and it seemed like the logical choice.

ff: For you, what has been the biggest surprise about serving on the Examination Committee?

KF: The amount of work it takes for one exam. However, I am happy to put in the time to make sure I did everything possible to produce the fairest results.

ff: What is the time commitment? Has the grading location always been Las Vegas?

ED: For the exam writing piece of the committee, I would estimate 50 to 75 hours are involved. This would include the time needed to review the exam material for your piece and the whole process of writing the questions.

KF: Grading takes about 30-40 hours prior to the onsite meeting, depending on the number and types of questions you are assigned. The meeting takes about a day and a half. So far, I have been fortunate that the grading location has not changed. It just happens to be one of my favorite cities.

ff: For you, what is the best part about being on the Examination Committee?

ED: The best part for me has been to help try to write a good exam. As a student, I remember some exams being better than others in terms of their ability to differentiate who demonstrates that they have the applicable knowledge and who does not.

KF: The best part is the question writing. It is very challenging to write exam questions. It is also very rewarding to see your questions on the exam. I'd say the trip to Vegas is pretty good too.

ff: What is the biggest myth you heard about the Examination Committee that you would like to dispel?

KF: The biggest myth is that the pass mark is set to pass only a certain percentage of candidates. Selecting the pass mark is very difficult. However, every effort is made to pass those who have demonstrated the appropriate mastery of the subject. I believe the Examination Committee

works very hard to do their best job of accomplishing this.

ff: Do the committee members who write each question also submit a sample solution?

KF: Yes. Sometimes alternate solutions and suggested scoring are also submitted.

ff: Is it true that all committee members have to take a training course to learn to write questions?

ED: Before writing any questions, there is an exam writing seminar to help understand how to write a good question. Additionally the exam chair provides valuable feedback to improve the quality of exam questions.

ff: How is consistency ensured between candidates when the answers are graded?

KF: When grading, we have points assigned to all steps. Typically, the same wrong answer is given multiple times because of a missed step. These "common" answers are identified and the same point value is given to each. There are two graders for each question. My grading partner and I discuss each question which we score differently. Plus, for the very unusual answers, we will have additional discussions prior to and at the onsite meeting.

ff: What message, if any, would you want to share with candidates that they might both make your job as a grader easier and improve their scores?

KF: Please try to make your answers readable. When the handwriting is illegible or the steps are hard to follow, it makes the grading process more difficult.

ff: Do you look at all of the solution steps, or do you often skip down to the boxed final answer? Are outlines really sufficient to earn full credit in some cases?

KF: Yes, I look at all the steps. All the information you can provide is very helpful. On problems, everyone makes mistakes now and then, but if I can tell what you were trying to do, a silly calculator error won't hurt much at all. On essay-type questions, complete sentences are not necessary. You just need to answer the question asked.

ff: In your opinion, which celebrity/superhero (if any) has the necessary qualities to serve on the Examination Committee? Please explain.

KF: The first celebrity that comes to mind is Natalie Portman. Because she is intelligent and very attractive, she should fit in well with our group. I'd even volunteer to be her grading partner.

ff: Many candidates have a lucky outfit or routine they follow when taking the exams. Do you have a favorite grading outfit or routine you feel you need to follow?

KF: At the onsite grading meetings, I wear some variety of IU Math T-shirts, the same kind that I wore when taking the exams. This is probably due to the fact that I consider them lucky (in a town where I need luck), and I own about 15 of them.

ff: Have you ever known from the handwriting (or something else) that you were grading the exam of someone you knew?

KF: No. I was worried about this initially, but I believe it is impossible. You see too many papers. **ff**

International Moves

By Benjamin W. Clark, FCAS, Candidate Liaison Committee

Are you thinking about relocating to another country? Have you thought about what it takes to get to another country? Are there opportunities within your company, or would you need to seek elsewhere to move?

We “sat down” with Laura Masi to get a real life perspective from someone who recently moved to the U.K. within her current company, ACE International.

Interview with Laura Masi, a relocated actuarial student

Laura Masi is an actuarial student for ACE European Group. She recently moved over to their London office, after working for several years for ACE USA in Philadelphia.

Laura is originally from southern New Jersey and has no close family ties to Europe. However, she studied in Spain while in college and had continued interests in working outside of the United States. When a position opened up in ACE’s European office, Laura spoke with the local manager and was able to negotiate a rotation to the London office. She now works in a developing position as both a

pricing and reserving actuary, currently focused on professional liability and personal lines for European exposures.

Laura indicates there were a few steps she had taken to be able to achieve the goal of working outside of the United States. First, she went to work for a company that she knew had offices all over the world. Second, she had some international exposure in college that could support her willingness to relocate outside of the country. Third, the timing was right with her career development when a position opened in London.

Prior to accepting this position, Laura met with someone who had also recently relocated outside of the U.S. to get a good understanding of what it takes to make such a move.

Based on these discussions and her own experiences, Laura has some things one should consider prior to accepting a position:


1. The cost of insurance and what type of personal insurance is needed (i.e. health, dental, etc.)
2. Local tax rates and whether compensation is adjusted (She also highly recommends hiring someone to prepare your taxes that first year, and see if the company covers that as part of the relocation package.)
3. Cost of living (Compensation may not be adjusted or you may be offered salaries similar to local hires.)
4. Housing and transportation (Laura went from owning a home and a car to living in an apartment and commuting on public transportation.)
5. Work environment (Standards around vacation time, average

Panel on Pharmaceutical Liability Scheduled for Spring 2005 Meeting

By Erica W. Szeto, FCAS, and Timothy K. Pollis, ACAS, Candidate Liaison Committee

Whether you care for someone who relies on prescription medication or just own pharmaceutical stock, many actuaries have personal reasons to keep abreast of the endless stream of recent press on pharmaceutical producers. There are many questions we want answered. Do Vioxx, Celebrex, Bextra and Aleve cause heart problems? What was wrong with that flu vaccine anyway? What about the allegations that the public has not had access to the best information concerning the safety of these products?

As insurance practitioners we have other questions, too. How do these companies and their insurers forecast and deal with this changing exposure? What are actuaries doing to reflect recent trends?

These questions and more will be the subject of a concurrent session at the Spring 2005 CAS Meeting in Phoenix. Future Fellows are invited to attend (as well as download the handouts from the CAS Web Site.) 

Letter to the Editor

To the Editor,

This is in response to Rich Yocius’ article, “Exam Construction, Pass Mark Selection, and Spring 2004 Exam 8” from the December 2004 issue of *Future Fellows*.

I believe that the Exam Committee could greatly reduce the potential for criticism, with regard to selection of the pass mark, by making the entire process simpler and more transparent. This could include setting and communicating exam parameters in advance, as well as providing more consistent exams in terms of length and difficulty for each sitting.

Clearly, from the students’ perspective, it is concerning to see the pass mark increase 18 percentage points over a three year period (from 51.5 out of 100 to 59.5 out of 85) because it becomes more difficult to gauge expectations

going forward and it leaves one feeling like they are “shooting at a moving target.” In addition, it is counter-intuitive for the pass mark to be increasing when the total amount of points available for the exam is decreasing, as was the case for the spring 2004 Exam 8. Changes like these that impact the passing score, so that they no longer follow historical norms, also serve to undermine the stated purpose for releasing the passing scores, which is to help candidates prepare for future exam sittings. This is frustrating and confusing for the candidates and invites criticism of the entire process.

The following are suggestions for improving the current examination process:

1. Set pass marks prior to exam

The Examination Committee should take responsibility for setting and communicating the passing mark prior to administering the exams. This would give every candidate a much better idea

of what would be required to pass prior to sitting for the exam.

The exam length and difficulty should be set so that candidates who demonstrate the appropriate mastery would meet or exceed this pre-set pass mark.

Currently, the pass mark is set at the end of the process based on the results of the group of candidates sitting for the exam.

An added benefit of a set pass mark (assume 60%) is that the candidates’ grade and analysis would be more understandable. A numeric grade of 0 would indicate a score of less than 30% and a 5 would indicate a score of at least 54% but less than 60%.

2. Develop solutions along with questions

Model solutions should be developed at the same time as the questions for the exam. Providing text references and page numbers would enhance the educational value. Decomposing the ques-


work week, and lunch times vary by country.)

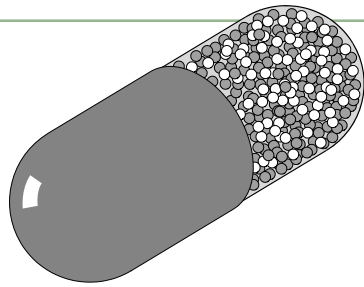
6. Study program (ACE has a separate program for U.S. and U.K. actuaries. Also, there are no CAS exam seminars in London.)
7. Relocation package (What type of moving expenses will be covered? Will housing be covered if position is short-term?)

Laura has had an excellent experience so far. She loves living in London. The city is full of history, culture, and there's always something to do (when you're not studying, of course). It's also easy to travel to just about anywhere in Europe. She is still taking the exams, and has found a study partner in the office.


Laura did have a hard time leaving her family and friends. She also has found the work environment to be much different than in the U.S. For example, actuaries have not been traditionally as involved in developing manual rates as rates do not need to be filed in the U.K., and therefore rating plans are based on what underwriters believe to be adequate rates. However, this has been changing over the past few years as actuaries and underwriters have begun working together to develop actuarially sound rating plans and monitoring rate adequacy and profitability levels.

Looking back after her first few months in London, Laura has found herself to have had a very rewarding experience. She looks forward to her future in London... and beyond.

Sally Ezra at DW Simpson has put together a detailed article on things to consider for those looking to relocate outside the United States. The article will appear in the June 2005 issue of Future Fellows. 




Exam 1 CBT Details Coming in April

Dates when candidates may take Exam 1 during its inaugural administration as a computer-based test will be posted in April in the "Admissions" section of the CAS Web Site as well as on the Web sites of the Canadian Institute of Actuaries and the Society of Actuaries. The registration form, registration deadline, and administration details will be provided. 

Reminders

- In the "Admissions" section of the CAS Web Site are:
 - All updates to the 2005 *Syllabus of Basic Education*
 - "Notice of Examinations"
 - "Verify Candidate Exam Status" to verify that joint exams and VEE credits are properly recorded
- CAS Regional Affiliates have their own section on the CAS Web Site. Check it out!
- If you have not received a confirmation of your registration for Exams 3, 5-9 within two weeks of the registration deadline, please contact the CAS Office.
- Remember your Candidate Number!

Requirements for Course on Professionalism Updated for 2006

In 2005, the eligibility requirements for the CAS Course on Professionalism will remain the same—credit for five exams. Beginning in 2006, a candidate must have credit for five exams and all three VEE topics to be eligible to take the course. 

tion into partial credit values would also be helpful (i.e. 1 point for correct formula, 1 point for the correct solution, etc.).

Currently, "model solutions" are selected from answers submitted for the exam.

Benefits of this approach would include:

- Solutions could be more thoroughly thought through.
- Time constraints make this difficult for the candidates' solutions.
- The text could be reviewed as the solution is developed.
- Reference to texts is not allowed during the exam.
- It would be less likely for the "model solutions" to be incorrect. Several of the current "model solutions" are incomplete or incorrect.

3. Communicate changes from past

practices

Communicate changes, such as exam length, focus of questions, or other "improvements" prior to the exam.

Don't change the rules of the race at the starting line.

Currently, some changes are posted to the CAS Web Site prior to the exam and others come as an unwelcome surprise at the start the exam.

In my opinion, the current process relies too heavily on the results and data generated from the current group of candidates sitting for the exam, as well as the accurate interpretation of this data by the Examination Committee. The Examination Committee is faced with the daunting task of factoring in all relevant variables including exam difficulty, exam length, syllabus changes, points available, as well as relative preparedness of the current group of candidates. Ultimately, the Examination Committee must select the most appropriate passing mark, that differentiates

those candidates who demonstrated appropriate mastery of the material being tested, that is consistent from year to year and accurate to within a quarter of a point. A pre-set passing mark would greatly simplify this process for both the candidates and the Exam Committee.

I applaud the Examination Committee's commitment to continue improving the examination process and I hope they will consider implementing the suggestions presented above.

Sincerely,
Kevin Cormier 

Letters to the Editor, comments, and responses are always welcome. Please send your feedback to:

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Career Profiles

CAS Fellow Named Top Equities Analyst in the Non-life Insurance Sector

By Brian K. Turner, FCAS, Candidate Liaison Committee

How does an actuary become the top equities analyst in the non-life insurance sector in the United States? CAS Fellow Todd Bault received this title from the *Institutional Investor* as part of the magazine's 2004 All-America Research Team. You might think that an MBA from a top tier business school, a CFA designation, and maybe even some underwriting experience would be prerequisites. Well, Todd Bault made it happen without any of the above. Bault is an actuary through and through and has used his finely honed analytical skills along with a high energy outward personality to make a big impression on Wall Street and the actuarial community in his role as Financial Research Analyst at Sanford C. Bernstein.

Bault studied Mathematics and Music Composition at SUNY Buffalo, receiving a Bachelor of Arts and Bachelor of Fine Arts, respectively, summa cum laude. He followed up with a Masters Degree in Operations Research from Michigan State University. It was at Michigan State that Bault decided that the actuarial profession was the best fit for him. It was also during his graduate studies that Bault developed the confidence and self-starter attitude that were crucial to his career development.

Bault got his start at St. Paul where he learned the basics of primary insurance


pricing and reserving. He was quickly noticed in the company and selected for an actuarial secondment in St. Paul's London office. After his year was up, he stayed in London for another year, moving over to St. Paul's reinsurance operation. Upon his return to Minnesota, Bault was promoted to Senior Financial Actuary.

Wall Street jobs are highly sought out. Perhaps the most important skill is enthusiasm—everyone is smart. You have to be able to persuade other smart people who know little about your sector that you are right.

ary. In this role, Bault developed and implemented the ROE, Cost of Capital and Price Monitoring processes and led the financial analysis in corporate acquisitions. Bault's role in corporate acquisitions and strategic planning expanded when he was promoted to Officer-Corporate Planning and Development. He wrote a review of Feldblum's article,

"Risk Loads for Insurers," which was published in the *CAS Proceedings* and became exam material.

After St. Paul, Bault served 18 months as Chief Actuary of TIG/Odyssey Re, where he was then approached by a Bernstein recruiter for a position on Wall Street. Now as a Financial Analyst, Bault's very busy day-to-day activities include waking up early to present research to the sales force before the market opens, advising clients, and keeping abreast of and responding to news and market events. There are also occasional internal and external speaking engagements and the publishing of his research in the Bernstein Black Books. The heavy workload is well worth it to Bault who says this job gives him "...the most freedom, challenge, and influence of any job I have held."

Todd's advice to future or current Fellows interested in an alternative career on Wall Street: "Start pounding the pavement, but be persistent and convincing. Wall Street jobs are highly sought out. Perhaps the most important skill is enthusiasm—everyone is smart. You have to be able to persuade other smart people who know little about your sector that you are right. Actuaries definitely have the quantitative chops to work on Wall Street, but the softer skills may be the crucial issue." 

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.



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Results of Fall 2004 CAS Examinations

Summary of Fall 2004 Examinations

| Exam | Number of Candidates | Number of Passing Candidates | Number Below 50% of Pass Mark (Ineffective) | Effective Pass Ratio |
|------|----------------------|------------------------------|---|----------------------|
| 1 | 5,432 | 1993 | 528 | 40.6% |
| 2 | 3,525 | 1464 | 234 | 44.5% |
| 3 | 368 | 133 | 53 | 42.2% |
| 4 | 2,006 | 1032 | 91 | 53.9% |
| 6 | 630 | 235 | 86 | 43.2% |
| 9 | 360 | 146 | 29 | 44.1% |

Summary of Fall 2004 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> |
|------|--------------------|--|--|---|---|--|
| 1 | 1.35% | 3.87 | 3.57 | 3.71 | 3.85 | 3.61 |
| 2 | 5.62% | 3.43 | 3.21 | 3.41 | 3.89 | 3.30 |
| 3 | 44.29% | 3.62 | 3.21 | 3.56 | 3.82 | 3.32 |
| 4 | 8.49% | 3.37 | 3.10 | 3.41 | 3.80 | 3.19 |
| 6 | 33.81% | 3.69 | 3.42 | 4.28 | 3.78 | 3.32 |
| 9 | 35.00% | 3.42 | 3.25 | 4.20 | 3.57 | 3.25 |

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