Future FELLOWS

March 2007, Volume 13, No. 1

White Paper Proposes New Vision for FCAS Education

By Jonathan T. Marshall, Candidate Representative to the Candidate Liaison Committee

The CAS Board of Directors released its "White Paper on CAS Education Strategy" at the CAS Annual Meeting in November 2006. The paper is the result of a special task force on education and a Board meeting dedicated to educational issues. The CAS posted the White Paper online and hosted a series of WebEx conferences including one specifically for candidates. The CAS also solicited feedback from stakeholders in an online survey through the end of January 2007. Invitees included CAS members and candidates, as well as companies, educators, and regulators. *Future Fellows* spoke with CAS President Thomas G. Myers, author of the White Paper, to shed light on some of the new strategies contained within the paper.

Summary

The White Paper contains three main ideas: pre-Fellowship specialization, flexible methods of education, and the development of new educational materials.

Pre-Fellowship Specialization

Specialization, a key point in the Board's strategy, would require a candidate to pick some area of practice (e.g., ratemaking, reserving, or enterprise risk management) and master educational requirements specific to that area. The CAS Board of Directors believes that "the scope of casualty actuarial practice has expanded to the point where it is no longer practical to set a uniform educa-

→ turn to page 3

Where Did *That* Come From? Fall Exam 6 Catches Many Candidates Off-Guard

By Timothy K. Pollis, FCAS, Candidate Liaison Committee

When preparing for an uncertain event, most people start their preparation with a look at what has happened in similar situations in the past. While actuaries are not "most people," the typical first step for us is still looking to past data. Our training leads us to look for additional information that might indicate if the present case is materially different from the past experience. We would want to know, for example, if the large commercial trucking risk we are pricing has replaced all of its drivers with 18 year old males. Or, it would be nice to know if the claims unit has decided to close everything they could after changing management. When we are pricing or reserving insurance, we have contact with the underwriters, policyholders, and claims managers to ask these questions. But if the uncertain event being prepared for is an actuarial exam, who can we contact to find out if past exams will be predictive of the upcoming exam?

This fall, it was widely believed by Exam 6 candidates that the exam format changed, perhaps drastically, from prior versions. Had something along these lines been hinted at? In some ways, yes it had. Many upper-level exams are moving away from questions that had been staples of prior versions. List ques-

→ turn to page 6

Dates to Remember

Spring Exam
<u>Registration Deadlines</u>

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

March 15, 2007
Exams 3, 5, 7, and 8

March 22, 2007
Exam 1/P

April 2, 2007
Exams 2/FM and 4/C

Summer Exam
<u>Registration Deadline</u>

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

June 28, 2007
Exam 1/P and
VEE Transitional Exams

<u>Refund Deadlines</u>

April 23, 2007
Exams 3, 5, 7, and 8

May 10, 2007
Exams 2/FM and 4/C

May 13, 2007 and noon of the second business day before test appointment
Exam 1/P

→ continued on page 2

A report from a new Fellow on the CAS Annual Meeting held in San Francisco November 12-15, 2006

Lessons Learned at the CAS Annual Meeting

By Jeffrey M. Casaday, FCAS, MAAA

Pay attention. You're about to receive some information known by few non-members of the Casualty Actuarial Society. Upon becoming an FCAS or ACAS, there is:

- no secret hand shake,
- no funny hats like Fred and Barney wore at the Water Buffalo Lodge meeting (although the CAS President does wear a gold medallion around his neck), and
- no group recitation of the Hippocratic Oath or any similar Actuarial Standards of Practice.

Let me fill you in on what really happens at a CAS Annual Meeting. Every CAS Annual Meeting begins with a business session in which all of the attendees gather in one room at a whopping 8:00 a.m. (I know that is earlier than some of you arrive at work – sad but true). The first half-hour is spent with the current CAS President bringing the meeting to order and welcoming everyone, followed by the introduction and comments from the President-Elect. Each President only serves a one-year term, so he or she takes a moment to reflect on the past year's events. Given the hour of the day and the gold medallion being worn, the overall tone is very formal.

Lesson 1: Get a wake-up call.

Now we'll move on to the induction of new members that you have been waiting to hear about. The new Fellows and Associates are all dressed in formal business attire (i.e., a suit) and are sitting in the front of the room. There is an address to the new members which is delivered by a past CAS President. The new associates are called by name. Once a name is called, the person remains standing. After everyone's name in the group is called, the audience applauds their accomplishment and they sit back down. Next, the new Fellows line up to the right of the stage. Each new Fellow's name is called along with the company they work for and some other information about the person (if time allows) as the new Fellows make their way across the stage. The President shakes your hand and hands you a cardboard tube with a ribbon around it. The tube appeared so official that I spent most of the day carrying it around from session to session believing my FCAS certificate was inside. The CAS, however, sends out the actual ACAS and FCAS certificates a couple of weeks after the meeting.

Lesson 2: Dress-up for the photo, but don't expect a diploma.

The induction of new Fellows and Associates concludes and the President hands out awards for volunteer service to the CAS. Since the CAS is run almost entirely by volunteers, the awards are a way of recognizing the dedication of certain

Welcome Reception?

volunteers and their many years of service. This is also a time to reinforce the importance of volunteering within our organization. Finally, the President wraps up the business session with a speech on where we stand and where we are headed as an organization. It is now just after 10:00 a.m., and everybody is ready for the refreshments waiting just outside the doors of the ballroom. As a new Fellow or Associate you must forgo the coffee and head out to get your class picture taken. If the group is large, the pictures are taken in a series with about 20 people in each photo which takes about 30 minutes to complete.

Lesson 3: New Fellows and new Associates don't get donuts.

Since all of your pre-conceived notions about CAS Meetings have now been blown, you should know the reality is that the CAS Meetings are intended to be a meeting of the minds: an opportunity to share ideas with peers and build professional relationships (the proverbial "networking"). There are cocktail reception hours for the new members and a motivational speaker over lunch one day. The featured speaker at the 2006 Annual Meeting in San Francisco was Joey Cheek, the gold medal speed skater at the 2006 Olympics in Torino, Italy. The rest of the meeting is dedicated to learning—emphasizing the importance of continuing education. Some sessions are general sessions where a large number of people attend to hear about current hot topics in the industry, and some are concurrent break-out sessions where you select from a list of smaller, more specialized sessions to attend.

Lesson 4: Learning is more fun when there is no exam afterwards.

The format of the CAS Spring Meeting is similar to the Annual Meetings. The next CAS Spring Meeting is scheduled to be held in Lake Buena Vista, Florida, at *Disney's Contemporary* Resort from June 17-20, 2007. The next CAS Annual Meeting will be held in Chicago, Illinois, at the Chicago Marriott Downtown Magnificent Mile from November 11-14, 2007.

Dates to Remember Dates to Remember

→ From cover

CAS Seminars and Meetings

Seminar on Ratemaking
March 8-9, 2007
Hyatt Regency Atlanta
Atlanta, Georgia

ERM Symposium
March 28-30, 2007
Chicago Marriott Downtown - Magnificent Mile
Chicago, Illinois

CARe Seminar on Reinsurance
May 7-8, 2007
Sheraton Society Hill Hotel
Philadelphia, Pennsylvania

CAS Spring Meeting
June 17-20, 2007
Disney's Contemporary Resort
Lake Buena Vista, Florida

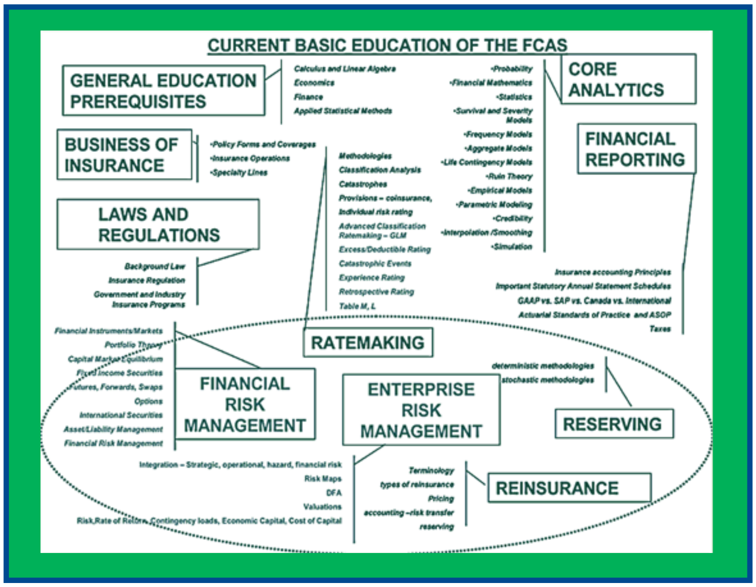
White Paper

From cover

tion process for all Fellowship candidates" [see page 1 of the White Paper]. The Board believes that the best strategy to address this is through pre-Fellowship specialization. Under the proposed structure, the requirements for membership would be divided into three categories: topics for all Fellows to master, those with which all Fellows should be at least familiar, and topics for some but not all Fellows to master. Specialization is a major change and has been the focus of most discussion surrounding the White Paper.

Flexible Methods of Education

The current education system includes multiple methods of evaluation and education, from the exams to college courses and seminars. The White Paper suggests expanding this flexibility to more topics. The Board feels that "many new areas of practice (e.g., generalized linear models, stochastic reserve models, and enterprise risk management) are not conducive to testing by timed, closed-book exams" [page 1]. Common mastery topics would continue to be tested by a rigorous method—read this as "exams." This would likely include most of the current preliminary exam topics, plus basic ratemaking and reserving. Required familiarity topics could include the current VEE topics, policy forms, law, and regulation, and might be assessed by other means such as courses or seminars. Elective topics might be assessed by any of these methods, but as noted, some of the more important electives do not lend themselves to testing by traditional exams.



The White Paper includes a compact diagram of the current CAS learning objectives.

Development of New Educational Materials

The White Paper proposes the development of educational materials to replace the "current patchwork of readings" [page 2]. Many of the current materials on the syllabus were not written to be educational materials but to document research. Mr. Myers believes this to be "less than optimally efficient usage." A Board task force has drafted a Request for Proposals (RFP) to produce some new readings on basic ratemaking and reserving, with the intent of replacing many of the current materials on Exams 5 and 6. The goal is to develop new study materials for use beginning in 2010. The RFP is extended to CAS members as well as professional publishers of educational materials. The goal, according to Mr. Myers, is to create a set of readings that have a "consistent tone, consistent style," specifically designed to educate. He notes that the Institute of Actuaries hired a vendor fifteen years ago to develop materials for them, and they have been very pleased with the results in the years since. The White Paper suggests that the new readings "could have a more significant impact in improving the CAS education process than any other action" [page 2].

Defining a Vision

Over the past ten years, at least four task forces have been established to answer major questions about the education process. Mr. Myers, though not always directly involved in these task forces, has been involved in the administration of CAS education over this entire period. Though previous task forces have produced important changes, Mr. Myers feels some of these efforts have been complicated by the lack of a true vision for pre-Fellowship education. He believes that this White Paper is an excellent step toward establishing such a vision.

How Will the Proposal Affect Candidates?

A key consequence of specialization is that an FCAS specializing in ratemaking or ERM would need to pursue some form of continuing education (as well as fulfilling practice requirements) to sign statutory statements of actuarial opinion on loss reserves. Having said this, Mr. Myers believes that if a member could not "easily switch specialties," the process would be a failure. Thus, the Board will most likely reject post-Fellowship exams as a necessary qualification for signing reserve opinions, instead favoring some other educational method such as a seminar or workshop. Job rotations and role changes are an important part of the casualty actuarial profession, and this proposal does not intend to limit this.

The White Paper's proposal "gives candidates options to try and make education a little bit more relevant to what they want to learn," according to Mr. Myers. Candidates have sometimes questioned why they must study topics that may not directly relate to their current job responsibilities or their future career plans. There will always be some degree of this, and some of it is by design. The Board considers generalist education as a "hallmark of the FCAS designation" [page 8] and believes that there are valuable lessons to be learned in many topics, even when the specific application is not encountered on the job. For example, any new syllabus will contain survival models as a required mastery topic, no matter what specialty a candidate chooses. However, the White Paper proposes a structure flexible enough to meet the diverse needs of those who plan to assume traditional ratemaking or reserving roles and those interested more in fundamental risk modeling. ff

Some highlights of the White Paper

- Executive Summary [pages 1-3]
- Diagram of current system [page 4]
- Potential breakdown of Mastery/Elective topics [page 6]
- Benefits and risks [pages 7-8]
- Recent history of educational task forces and their results [pages 9-13]

View the recorded WebEx Conference on the White Paper at http://www.casact.org/members/index.cfm?fa=viewArticle&articleID=254

Set-up Your MyCAS Page on the CAS Web Site

By Jennifer K. DeMarr, CAS Web Site Manager

The Committee on Online Services (COOS) is please to present the MyCAS section of the CAS Web Site as we celebrate a decade of bringing online services to the CAS membership and actuarial community at-large. MyCAS allows members, affiliates, and candidates to personalize a page on the Web Site to get quick access to information that interests them most.

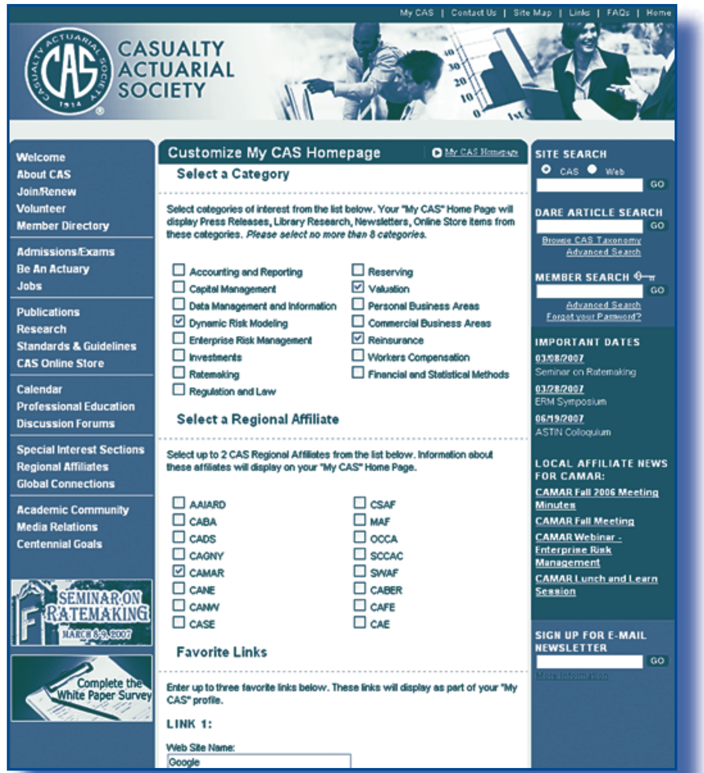
Candidates must submit an Electronic Signature Authorization Form (available online at http://www.casact.org/admissions/index.cfm?fa=esaf) before setting up their profile in MyCAS. To set-up your profile, select up to eight from the following 15 topical areas:

- accounting and reporting
- capital management
- data management and information
- dynamic risk modeling
- enterprise risk management
- investments
- ratemaking
- regulation and law
- reserving
- valuation
- personal business areas
- commercial business areas
- reinsurance
- workers compensation
- financial and statistical methods

Other benefits of setting-up a MyCAS profile include:

- Regional affiliate announcements will be displayed for your local affiliate(s)
- The ability to save up to three of your favorite links, whether it is a favorite Web page on the CAS Web Site (such as the "Admissions/Exams" page) or any other page on the Web.
- An alternative to the CAS home page – by bookmarking MyCAS in your web browser, your personalized page replaces the general home page, automatically including all of the new Featured Items and Important Dates.

Set up your MyCAS profile today by visiting www.casact.org/mycas/, logging in with your CAS username and password, and selecting your topics. Feedback on this feature is welcome – send your comments or questions to CAS Web Site Manager Jennifer DeMarr (jdemarr@casact.org).



Clicking on the Customize MyCAS link on www.casact.org/mycas/ leads to a page where you can select favorite categories, Regional Affiliates, and favorite web links.

Once the page is customized, bookmark your MyCAS page to see all the latest news and favorite pages every time you go online!

Code of Professional Ethics to Be Introduced for CAS Candidates

By Mark J. Larson, Candidate Representative to the Candidate Liaison Committee

We all know that to achieve membership in the Casualty Actuarial Society, we have to complete a rigorous examination process. Upon becoming members of the CAS, Associates and Fellows must agree to abide by a Code of Professional Conduct; the same has not applied to candidates. The new CAS Code of Professional Ethics for Candidates, however, is in the process of being implemented and will be effective January 1, 2008.

The purpose of the new code is to require actuarial candidates to adhere to the high standards of conduct, practice, and qualifications of the actuarial profession, thereby supporting the actuarial profession in fulfilling its responsibility to the public.

The Code of Professional Ethics for Candidates includes seven rules:

- Rule 1: An Actuarial Candidate shall act honestly, with integrity and competence, to uphold the reputation of the actuarial profession.
- Rule 2: An Actuarial Candidate shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation, or commit any act that reflects adversely on the actuarial profession.
- Rule 3: An Actuarial Candidate shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.
- Rule 4: An Actuarial Candidate shall adhere to the CAS Policy on Examination Discipline.
- Rule 5: Actuarial Candidates are not authorized to use membership designations of the CAS until they are admitted to membership by the CAS Executive Council.
- Rule 6: An Actuarial Candidate shall not disclose to another party any confidential information unless authorized to do so by the Principal or required to do so by law, statute, or regulation. Confidential information includes information of a proprietary nature and information that is legally restricted from circulation.
- Rule 7: An Actuarial Candidate shall respond promptly, truthfully, and fully to any request for information by, and cooperate fully with, appropriate counseling and disciplinary body of the CAS in connection with any disciplinary, counseling or other proceeding of such body relating to the Candidate Code. The Actuarial Candidate's responsibility to respond shall be subject to applicable restrictions listed in Rule 6 and those imposed by law, statute, or regulation.

The Complete Code is available in the “Admissions/Exams” section of the CAS Web Site.

Actuarial candidates for the CAS, persons who have registered for a CAS-specific exam but have yet to become members of the CAS, are required to abide by the code. As of January 1, 2008, candidates who register for CAS 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. Additionally, the CAS will make an effort to make employers of CAS candidates aware of the Code and encourage them to read and understand it.

An actuarial candidate who commits a material violation of the provisions of the Candidate Code shall be subject to the counseling and discipline procedures of the CAS. The Casualty Actuarial Society Rules of Procedure for Disciplinary Actions Involving Candidates is available on the CAS Web Site.

Please take time in 2007 to familiarize yourself with the Code and Rules of Procedure so that you are comfortable signing the application for exams in 2008. If you have any questions or concerns about the Code, please contact the Candidate Liaison Committee, via the “Send Feedback to CLC” link at the top of the “Admissions/Exams” section of the CAS Web Site.

New Journal Update

New CAS Journal is Named *Variance*

At the 2006 CAS Annual Meeting in San Francisco, Vice President-Research & Development Roger Hayne announced that the name for the new CAS journal is Variance, and its tagline is “Advancing the Science of Risk.” The name was decided after an intensive process which included soliciting suggestions from members and working with a branding expert. The Publications Implementation Task Force is currently working with a design firm on the layout and cover for the first issue which is set to release this May.

The new journal will replace the *Proceedings* as a forum for peer-reviewed papers with a focus on research that has strong practical applications in the casualty actuarial field. Look for more details about the inaugural issue in the coming months.

Exam 6

From cover

tions, basic rote calculations, and "According to…" questions are being de-emphasized. (Questions citing an author may still appear, typically when there is a method with the author's name attached.) It was felt that these types of questions did not do enough to indicate that the candidate had "demonstrated adequate knowledge" of anything other than what might concisely appear on a carefully written 3x5 index card. In place of some of these were open ended questions, where candidates were asked to demonstrate that the basic concepts covered by the syllabus had been understood. With this change, the exam expects candidates to demonstrate acquired knowledge and understanding, and not just a "brain dump" keying on short term memory.

Candidates submitted very detailed exam surveys, taking great care to write at length about their concerns. While the percentage of surveys received was not out of line with previous exams, the length and quantity of the written responses was significantly greater for Exam 6. After reading through the responses, CAS Examination Committee Chairperson Arlie Proctor reached out for more detailed feedback via a posting on the Actuarial Outpost message board. In particular, Mr. Proctor asked (roughly) the following:

1. Did the change in exam construction surprise you?
2. How could we (the CAS) have more effectively communicated the change to help candidates prepare better?
3. What do you think of the new structure?
4. How was the exam length, or was the time crunch hard to discern given all of the changes?

There was enough consistency within the responses, in both the surveys and online, to create composites:

1. **Yes, the new format caught people off-guard.** Some found some particular points to bring up (such as an emphasis on ERM, perhaps beyond the percent range suggested in the syllabus, at the expense of traditional reserving), but the overwhelming general sentiment was that candidates were not expecting the format they received.
2. **Any specific warning about the change in format would have been beneficial.** To the extent that this exam represented a rapid evolution from prior versions, candidates felt that notice of this change would have been helpful and would have appreciated knowing about it as soon as the Examination Committee was aware of it. (Mr. Proctor called it a "quantum leap" in exam evolution in one of his postings.) Keep in mind that this is tricky, as the exam itself is not in final version until just two months prior to administering, and the CAS is concerned about creating fear when none (or no *more*) need exist. This happened a few years ago, where candidates were warned of the presence of a large point question at the end of an exam. Panic and paranoia swept quickly through cubicles everywhere. The feedback afterwards was nearly unanimously negative. So, the CAS has tried in the past and received strongly negative feedback for trying. However, it is likely that the CAS will remind candidates of the potential for deviations from past exam construction going forward, but without specifically describing the nature of the change.
3. **The candidates were largely in support of the new format.** It was seen as a better test of knowledge than the traditional format. This is very good news.
4. **The exam length is hard to answer, as for most candidates exams run long already.** Some felt that the additional free-response questions could lead to potentially longer exams and that is, of course, a concern. Some felt that the additional reading and writing creates a larger burden on candidates for whom English is a second language. (There exists the availability to notify the CAS on the application that answers will be written in another language. For a fee, they will be translated. Exams will be given in English, however. See the *Syllabus* for more details.)

What to do next? It is likely that the CAS will make a greater effort to inform candidates if there is a perceived change in exam format. The threshold for what is "material" will likely be relaxed, at least for a while. And while the exam itself was held by many to have been out of the ordinary, the percent of candidates deemed to have demonstrated adequate knowledge of the material remained in line with prior years. Changes to exams, as Mr. Proctor mentioned in his postings, are not done. Yet despite a rocky reception in this case, the changes seem to be for the better. ff

For additional info:

Discussion thread started by Mr. Proctor: http://www.actuarialoutpost.com/actuarial_discussion_forum/showthread.php?t=97793

"Admissions/Exams" section of the CAS Web Site: http://www.casact.org/admissions/ (a link to send comments to the CLC is near the top of the page)

Resources & Reminders

The "Admissions/Exams" section of the CAS Web Site includes:

- All updates to the *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

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

NEW: Please note the new refund policy. Refunds must be requested prior to exam dates. Please check the *Syllabus* for specific refund deadlines.

Remember your Candidate Number!

University Students: Apply for the 2007 CAS Trust Scholarship

By Caitlin S. Jennings, CAS Communications Coordinator

Are you in need of some extra money to help you through school? The CAS is once again accepting applications for its scholarship program for college students pursuing a career in actuarial science. The CAS Trust Scholarship program, funded by donations to the CAS Trust, will award up to three $1,500 scholarships to deserving students for the 2007-2008 academic year.

Applicants must be a permanent resident of the U.S. or Canada, or have a permanent resident visa, and admitted as a full-time student to a U.S. or Canadian educational institution to be eligible. Applicants must also have demonstrated high scholastic achievement and a strong interest in mathematics or a mathematics-related field.

Recommendations, transcripts, actuarial exam results, work experience, and written essays will all be considered in selecting the award recipients. Preference will be given to applicants who have passed at least one actuarial exam. Additional details and applications are available online at http://www.casact.org/academic/index.cfm?fa=scholar_apply. Applications are due by May 1, 2007 and winners will be notified by July.

The intent of the scholarships is to further students' interest in the property/casualty actuarial profession and to encourage pursuit of the CAS designation. Established in 1979, the Casualty Actuarial Society Trust affords CAS members and others an income tax deduction for funds contributed and used for scientific, literary, or educational purposes.

For questions about the program, contact Caitlin Jennings at cjennings@casact.org.

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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For information, please contact the CAS Office. Send all letters to the editor to the CAS Office address.
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Results of Fall 2006 Examinations

Summary of Fall 2006 Examinations

Exam	Number of Candidates	Number of Passing Candidates	Number Below 50 of Pass Mark (Ineffective)	Effective Pass Ratio
1/P	2748	908	378	38.3%
2/FM	4444	1952	335	47.5%
3	368	115	85	40.6%
4/C	2050	1157	100	59.3%
6	841	332	75	43.3%
9	469	157	28	35.6%

Summary of Fall 2006 Exam Survey

Exam	Percent Responding	Syllabus Coverage *Inadequate (1) to Adequate (5)*	Exam Clarity *Not Clear (1) to Very Clear (5)*	Exam Length *Too Short (1) to Too Long (5)*	Exam Difficulty *Easy (1) to Difficult (5)*	Exam Quality *Poor (1) to Excellent (5)*
2/FM	3.20%	4.14	3.48	3.06	3.61	3.63
3	41.85%	3.69	3.13	3.71	4.27	3.19
4/C	5.12%	3.72	3.61	3.25	3.46	3.49
6	33.41%	2.76	2.68	3.83	3.99	2.57
9	29.00%	3.77	3.04	4.33	4.17	3.11

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