

# Future Fellows



September 2001

For the Candidates of the Casualty Actuarial Society

Volume 7, No. 3

## Important Dates to Remember

### Fall 2001 Registration Deadline

Exams 6 and 9: **September 20, 2001**

Joint Exams 1-4: **September 24, 2001**

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

### Change of Exam Center Deadline

Exams 6 and 9: **September 20, 2001**

Joint Exams 1-4: **September 24, 2001**

### Deadline for Refund Requests December 31, 2001

## CAS Seminars and Meetings

### Casualty Loss Reserve Seminar

**September 10-11, 2001**

The Fairmont Hotel

New Orleans, Louisiana

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## Official Notices

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## Syllabus Changes for 2002 Posted

Mary Frances Miller, CAS vice president-admissions, announced the following changes for the 2002 *Syllabus of Examinations* in a posting to the Students' Corner of the CAS Web Site on July 20, 2001.

The CAS Executive Council recently approved the following changes to the list of readings for the CAS 2002 *Syllabus of Examinations*. Other changes that may be made are revisions to citations if new editions are published of material that is currently listed in the *Syllabus*. Study Kits for 2002 will be available December 3, 2001.

### EXAM 6

**Add:** Ollodart, B.E., "Loss Estimates Using S Curves: Environmental and Mass Tort Liabilities," *Casualty Actuarial Society Forum*, Winter 1997, pp. 111-132.

Bouska, A.S., "From Disability Income to Mega-Risks: Policy-Event Based Loss Estimation," *Casualty Actuarial Society Forum*, Summer 1996, pp. 291-320.

**Delete:** Bouska, A.S.; and McIntyre, T.S., "Measurement of U.S. Pollution Liabilities," *Casualty Actuarial Society Forum*, Summer 1994 Edition, pp. 73-160.

Linquanti, A.J., "Calculation of Unearned Premium Reserves on Interim Audited Risks—Monthly, Quarterly, and Semi-Annual Basis."

**Update:** Marshall, D.H.; McManus, W.W.; and Scoles, K.N., Jr., *Accounting and Finance for Insurance Professionals* (Second Edition), American Institute for Chartered Property Casualty Underwriters, 2001, Chapter 5, Chapter 11 (pp. 11.1-11.6, 11.26-11.39, 11.45). [NOTE: Although other portions of the text will not specifically be tested, candidates may find this text to be useful as basic accounting background.]

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## Format Announced for Fall 2001 Exams 6 and 9

The Examination Committee has announced that there will be no substantial changes in the format for the Fall 2001 Exam 9 relative to prior years. The Fall 2001 Exam 6 will consist of true/false, multiple choice, and essay questions similar to the Fall 2000 exam, but will be shortened to somewhat less than the usual 100 points.

As has been noted in previous communications, individual exams might not cover all readings on the *Syllabus*, but all syllabus readings will be tested over the course of several exam administrations.✓



*Future Fellows* is published four times per year by the Casualty Actuarial Society, 1100 North Glebe Road, Suite 600, Arlington, Virginia 22201-4798. Telephone: (703) 276-3100; Fax: (703) 276-3108; E-mail: office@casact.org; CAS Web Site: www.casact.org. Third class postage is paid at Arlington, Virginia.

Student Liaison Committee:

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ISSN 1094-169-X

## 2002 Syllabus Changes

From page 1

### EXAM 7-CANADA

**Delete:** Canadian Institute of Actuaries, *Task Force on Health Care Financing*, February 1996.

Insurance Bureau of Canada Position Paper, "Private Delivery of Workers' Compensation Insurance in Canada," January 1998.

KPMG Peat Marwick Thorne, *The Property & Casualty Insurance Industry in Canada*, 1992.

Feldblum, S., "Selected Exhibits from the Canadian Annual Statement," CAS Study Note, February 1996, excluding pp. 12-18.

Office of the Superintendent of Financial Institutions Canada, "Guideline D-5 on Accounting for Structured Settlements."

Office of the Superintendent of Financial Institutions Canada, "Annual Disclosure Requirements (Property and Casualty Insurance Enterprises)," December 1997.

Potvin, R., "Reinsurance (Canadian Companies) Regulations and Reinsurance (Foreign Companies) Regulations," CAS Study Note, 1995.

Inspecteur General des Institutions Financieres, "Insurers with charters from outside Quebec," December 19, 1997.

Troxel, T.; and Bouchie, G.E., *Property-Liability Insurance Accounting and Finance* (Fourth Edition), American Institute for Chartered Property Casualty Underwriters, 1995, pp. 216-236.

Doherty, S., "Sources of Financial Information of Canadian P&C Companies," CAS Study Note, 1995.

**Update:** Chamber of Commerce of the United States, *Analysis of Workers' Compensation Laws*, 2000. Candidates will not be responsible for material contained in the tables.

Financial Services Commission of Ontario, *Section 410 Filing Guidelines—Major for Proposed Revisions to Automobile Insurance Rates and Risk Classification Systems*, February 2001, Part A, Part B, Part C (Sections 3-7 and 10), Appendices B1, B2.

Facility Association, *Plan of Operation*, Consolidated January 2001, pp. 1-9, 25-41.

*Official NAIC Annual Statement Blanks, Property and Casualty*, 2001 (both individual and consolidated basis), pp. 2-4, Schedule P. Candidates will be expected to have knowledge of other sections of the annual statement that are discussed in other *Syllabus* readings.

2001 Uniform Annual Return approved by the Canadian Council of Insurance Regulators—P&C-1, pp. 10.40-10.42, 10.60, 20.10-20.51, 30-15 (Reserves Required), 30-20, 40.10, 40.90, 60.xx, 65.xx, 67.xx, 70.10-70.35, 80.xx, and 99.10.

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### Student Liaison Committee Mission

The Student Liaison Committee communicates with CAS candidates, collectively and individually, who are taking CAS examinations. The Committee counsels 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 Student Liaison Committee at the CAS Office address.

# What Happened on Exam 8 This Spring?

Shortly after the Spring CAS Exam 8 was administered, candidates who sat for this exam criticized it for being too long and difficult. Although the all-essay format for Exam 8 was well received by the candidates last year, the increased difficulty of the Spring 2001 exam resulted in a longer exam. Candidates also discussed a possible defective question.

The Examination Committee deliberated on the best way to deal with the situation.

Question 8, worth four points, did not assign a numerical value to the market variance, which was an oversight in the final construction of the exam. The Examination Committee apologizes if candidates thought there was a trick in calculating this missing variable. The omission was unintentional and was not an attempt to add additional complexity to an already long and difficult problem.

Given the fact that the market variance was not provided, the Examination Committee revised the grading key to try to give appropriate credit to those candidates who demonstrated adequate knowledge to solve the problem. In addition, the Examination Committee made specific modification to the grading process to ensure that candidates were treated fairly based on how they responded to the question.

Full credit was given to candidates who either assumed a value for the market variance or completed the question using market variance as a variable and performed all of the calculations correctly. Partial credit was given for Question 8 consistent with other essay questions.

Grading Question 8 in this manner, the average student received 54 percent of the total points available on the question. As

a result, the Committee felt it would be unreasonable simply to eliminate Question 8 as a defective question. But recognizing that some candidates may have skipped the ques-

**"...actuaries are asked to answer questions without having all of the inputs required to answer the question on a day-to-day basis."**

tion when they recognized it as being defective, the Committee decided to evaluate candidate scores on both a 96-point and 100-point basis. Initial pass marks were established and initial "successful candidate" lists were generated. A comparison of the two lists indicated that there were three candidates who would have passed had Question 8 been excluded but would have failed if Question 8 were included. The Examination Committee concluded that the fairest approach was to set the pass mark including Question 8 and to pass the three additional candidates.

The Committee responsible for Exam 8 understands the frustration that may have resulted and will intensify its efforts to ensure that questions are fair, reasonable, unambiguous, and error-free. Candidates should be advised, however, that in the future the Examination Committee may intentionally ask questions that do not provide all input variables. In the actuarial profession, actuaries are asked to answer questions without having all of the inputs required to answer the question on a day-to-day basis. Understanding the material well enough to determine what variables are omitted and provide a reasonable response to the

missing information is part of what actuaries do. While this was not the intent of the Exam 8 Committee on the question at hand, it may be

appropriate for this exam or any other exam to take this approach.✓



## Important Dates

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### Limited Attendance Seminar on Asset Liability Management and the Principles of Finance

**September 11–12, 2001**

The Fairmont New Orleans  
New Orleans, Louisiana

### Limited Attendance Seminar on Reinsurance

**September 20, 2001**

Downtown Association  
New York, New York

### CAS/CIA Appointed Actuary Seminar

**September 20–21, 2001**

Wyndham Hotel  
Montréal, Canada

### Seminar on Globalization and Technology at the Faculty and Institute of Actuaries GIRO 2001 Meeting

**October 3–5, 2001**

Scottish Exhibition and Conference Centre  
Glasgow, Scotland

### CAS Annual Meeting

**November 11–14, 2001**

Marriott Marquis  
Atlanta, Georgia✓

## 2002 Syllabus Changes

### From page 2

Canadian Council of Insurance Regulators, *Explanatory Notes for the Minimum Capital Test (MCT)*, pp. 1-5, February 2001.

Canadian Council of Insurance Regulators, *Guideline—Minimum Capital Test (MCT) for Property and Casualty Insurers*; pp. 1-10, 13, 14, 20-23, 25 and attachment, February 2001.

2001 Insurance Expense Exhibit.

Insurance Bureau of Canada, *Accurate Financial Statements for P&C Insurers, The role for discounting loss reserves*, April 2001.

Office of the Superintendent of Financial Institutions Canada, "2000 Instructions for the Actuary's Report on Property and Casualty Insurance Business."

**Modify:** Linden, A.M., *Canadian Tort Law* (Sixth Edition) Student Edition (paperback), Butterworths, 1997, pp. 1-32, 97-112, 115-123, 125-146, 155-159, 227-231, 235-242, 271-279, 284-285, 298-301, 325-329, 345-346, 370-372, 453-455, 459-468, 476-481, 486-488, 494-497, 499-503, 511-522, 557-566, 570-584, 588-602, 610-623, 630-643, 650. Candidates will be held responsible for the following cases: *Byrne v. Boadle* (Chapter 8); *Rylands v. Fletcher* (Chapter 14); *Donaghue v. Stevenson* (Chapter 16); and *Just v. British Columbia* (Chapter 17).

McDonald, B.R., *Life Insurance Laws of Canada (Common Law Provinces)*, Life Underwriters Association of Canada, 1995, pp. A1-1, A2-1 to A2-9, B1-1 to B1-2, B2-1 to B2-3, and B4-1 to B4-3. Candidates are responsible for all cases cited in this text.

KPMG, Eckler Partners Ltd. & Exactor Insurance Services, Inc., "Motor Vehicle Insurance in British Columbia—At the Crossroads, Volume I: The Case for Change," Section I, parts A, B, and C; Section

II; and Section VI. Candidates will not be responsible for information in exhibits.

KPMG, Eckler Partners Ltd. & Exactor Insurance Services, Inc., "Motor Vehicle Insurance in British Columbia—At the Crossroads, Volume II: Options and Choices," Section II. Candidates will not be responsible for information in exhibits.

Insurance Accounting and Systems Association, *Property-Casualty Insurance Accounting* (Seventh Edition), 1998, Chapter 17, excluding pp. 17-20, 17-21, 17-24 to 17-29.

A.M. Best Canada Ltd. (formerly T.R.A.C. Insurance Services Ltd.), *Best's Key Rating & Statistical Guide, Property & Casualty*; Parts 1 & 2. Candidates are not expected to memorize the Minimum Asset Test and the details of published insurance statistics.

## EXAM 7-UNITED STATES

**Add:** National Association of Insurance Commissioners, *Accounting Practices and Procedures Manual*, 2001, Preamble; Statement of Statutory Accounting Principles 46, "Investments in Subsidiary, Controlled, and Affiliated Entities," paragraphs 1-22; Statement of Statutory Accounting Principles 53, "Property Casualty Contracts—Premiums," paragraphs 1-17; Statement of Statutory Accounting Principles 62, "Property and Casualty Reinsurance," paragraphs 1-71; Statement of Statutory Accounting Principles 65, "Property and Casualty Contracts," paragraphs 1-45; Statement of Statutory Accounting Principles 68, "Business Combinations and Goodwill," paragraphs 1-13.

Wagner, T., "Insurance Rating Bureaus," *Journal of Insurance Regulation*, Winter 2000.

Harrington, S.E., "Insurance Rate Regulation in the 20<sup>th</sup> Century," *Journal of Insurance Regulation*, Winter 2000.

**Delete:** Siegel, H.W., "Laws and Sausages, How Statutory Accounting Was Codified," *Contingencies*, American Academy of Actuaries, September/October 1998, pp. 36-39.

National Association of Insurance Commissioners, Statutory Codification Project Issue Paper No. 46, "Accounting for Investments in Subsidiary, Controlled and Affiliated Entities," paragraphs 1-23.

National Association of Insurance Commissioners, Statutory Codification Project Issue Paper No. 53, "Property and Casualty Contracts-Premiums."

National Association of Insurance Commissioners, Statutory Codification Project Issue Paper No. 65, "Property and Casualty Contracts," paragraphs 1-39.

National Association of Insurance Commissioners, Statutory Codification Project Issue Paper No. 75, "Property and Casualty Reinsurance," paragraphs 1-14.

National Association of Insurance Commissioners, Statutory Codification Project Issue Paper No. 83, "Accounting for Income Taxes," paragraphs 1-25.

Ettlinger, K.H.; Hamilton, K.L.; and Krohm, G.; *State Insurance Regulation* (First Edition), Insurance Institute of America, 1995, Chapter 4.

Brady, J.L.; Mellinger, J.H.; and Scoles, K.N., *The Regulation of Insurance* (First Edition), Insurance Institute of America, 1995, Chapter 2, pp. 33-42 and 50-61. [NOTE: pp. 43-49 will be retained in the 2002 Syllabus.]

## EXAM 8

**Add:** Hull, J.C., *Options, Futures, and Other Derivatives* (Fourth Edition), Prentice Hall, 1999, Chapter 13, pages 307-337.

**Delete:** CAS Committee on Dynamic Financial Analysis, "Dynamic Financial Models of



# Results of Spring 2001 CAS Examinations

## Summary of Spring 2001 Examinations

Exam	Number of Candidates	Number of Passing Candidates	Number Below 50% of Pass Mark (Ineffective)	Effective Pass Ratio
1	3498	1167	378	37.4%
2	2115	676	193	35.2%
3	1526	651	117	46.2%
4	1008	409	63	43.3%
5	524	190	89	43.7%
7-Canada	48	19	2	41.3%
7-U.S.	494	203	43	45.0%
8	310	124	32	44.6%

## Summary of Spring 2001 Student 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	14%	3.6	3.0	3.7	4.0	3.1
2	12%	3.8	3.5	3.3	3.7	3.6
3	22%	3.5	3.3	3.5	3.8	3.3
4	25%	3.3	3.0	3.5	4.1	3.0
5	23%	3.3	3.2	4.1	4.0	2.8
7-Canada	38%	3.0	3.5	4.1	3.5	2.8
7-U.S.	29%	2.7	2.8	3.5	4.1	2.4
8	34%	2.5	2.4	4.6	4.4	1.9

## 2002 Syllabus Changes

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Property-Casualty Insurers," CAS *Forum*, Winter 2000, pp. 317-347.

Kirschner, G.S.; and Scheel, W.C., "Specifying the Functional Parameters of a Corporate Financial Model for Dynamic Financial Analysis," CAS *Forum*, Summer 1997, Volume 2, pp. 41-88.

Correnti, S.; Sonlin, S.M.; and Isaac, D.B., "Applying A DFA Model to Improve Strategic Business Decisions," CAS *Forum*, Summer 1998, pp. 15-51.

### EXAM 9

**Delete:** Butsic, R.P., "Capital Allocation for Property-Liability Insurers: A Catastrophic Reinsurance Application," Casualty Actuarial Society *Forum*, Spring 1999, Sections 1, 2, 4, and 6.✓

## Actuarial Career Video Available

The Casualty Actuarial Society and the Society of Actuaries have collaborated to produce a new recruiting video for the actuarial career. The fast-paced, nine-minute video includes eight actuaries who describe the benefits and opportunities of an actuarial career. The video is ideal for high school and young college students who are undecided on their career path. A companion brochure is being produced. If you are interested in using the video for recruiting potential actuaries, contact Mike Boa at the CAS Office at [mboa@casact.org](mailto:mboa@casact.org).✓

## CAS Course on Professionalism

The CAS Course on Professionalism will be offered in Orlando, Florida and Washington, D.C. in December 2001. At press time, exact dates and facilities had not been finalized. This information will be included in the electronic version of *Future Fellows* posted in the Students' Corner of the CAS Web Site ([www.casact.org](http://www.casact.org)).✓

# Using the Exam Surveys

By Serhat Guven, Candidate Representative, Student Liaison Committee

One of the goals of the Student Liaison Committee is to supply information about the exams and the exam process. Members of the committee felt that it would be informative and interesting to candidates preparing for Fall 2001 Exams 6 and 9 to review a summary of comments from the surveys conducted last fall.

Janet Katz, a member of the Student Liaison Committee, created the following summary. The numbers in parenthesis show how often the specific comment was made. As I study for Exam 6, I find it particularly interesting to read the comments below about exam quality, syllabus readings, and other observations. But don't take my word, read the following summary and see if you find them informative and interesting too.

## Fall 2000 Student Examination Survey Results

### Summary of Comments

#### Exam 6

(124 responding out of 623)

##### Quality of Exam

- Too Long (26)
- Poor coverage of *Syllabus*; not enough readings covered/too many points on certain readings; multiple questions on same thing while other readings ignored (20)
- Too much Exam 7 material; Schedule F penalty (8)
- Too many true-false questions; true-false poorly written (6)
- Too many calculations; too calculator intensive (6)
- Too many questions on obscure details (3)
- Too many essay questions (2)
- Use round numbers (2)

- Table M should be on Exam 9 (1)

##### Quality of Syllabus

Readings particularly valuable (V) or of questionable quality or value (Q):

Majority responses for questionable quality or value:

- Bouska (13Q, 0V)
- Steeneck (12Q, 0V)
- Resony (4Q, 1V)
- McClenahan (3Q, 1V)
- Kittel (3Q, 1V)
- Balcarek (2Q, 0V)

Majority responses for particularly valuable:

- Clark (15V, 0Q)
- Brosius (10V, 1Q)
- Bornhuetter & Ferguson (6V, 0Q)
- Berquist & Sherman (6V, 0Q)
- Reinarz (4V, 0Q)
- Siewart (4V, 1Q)
- Ludwig (3V, 0Q)
- Fisher & Lange (3V; one said too similar to Adler, Kline)
- Johnson (3V, 1Q)
- Stanard (2V, 0Q)
- Patrik (2V, 0Q)

Responses on both sides or only one mention:

- Fisher & Lester (1V, 0Q)
- Khury (1V, 1Q)
- Pinto & Gogol (4V, 4Q)
- Berry (2V, 1Q)
- Perkins & Teng (1V, 2Q)
- Linqanti (2V, 3Q)
- Warthen & Sommer (5V, 5Q)
- Troxel & Bouchie (1V, 0Q)
- D'Arcy (1Q, 0V)
- Elliott (1V, 0Q)
- Reinsurance readings (3V, 1Q, 3 said too much duplication in readings)

Additional comments on syllabus readings:

- Too many papers/too much material (7)
- It is confusing what accounting material should be on Exam 6

and what should be on Exam 7 (6)

- Many papers not relevant to our business (4)
- Duplication/overlap in reinsurance readings (2)

## General Comments

Overall, the feeling is that the *Syllabus* covers too much material for one exam. Candidates responding to the survey felt there was a significant amount of reading material not tested. The difference in accounting material between Exams 6 and 7 seems to be blurred and has candidates confused.

## Exam 9

(70 responding out of 324)

##### Quality of Exam

- Not enough mix of topics; too much emphasis on Butsic and Bault; not enough coverage of experience and retrospective rating (15)
- Too long (10)
- Pretty good/well balanced (4)
- Too many calculations or long problems (3)
- Not too long compared to last year's exam (2)
- Poor quality essay questions (2)
- Almost all problems vague and ambiguous (1)
- Too hard (1)
- Too much emphasis on Feldblum risk load (1)

##### Quality of Syllabus

Readings particularly valuable (V) or of questionable quality or value (Q):

Majority responses for questionable quality or value:

- Cummins (10Q, 1V)
- Robbin (7Q, 0V)
- Skurnick (3Q, 0V)
- Roth (3Q, 0V)
- Feldblum IRR (2Q, 0V)

Continued on page 7

# Candidates Review Review Courses

By Jeffrey Schmidt, FCAS, Student Liaison Committee

Members of the Student Liaison Committee conducted a quick, informal survey at several insurance companies to determine actuarial candidates' opinions on exam review courses. The following overview reflects the opinions shared by a majority of the candidates who responded to the survey.

The consensus of the candidates is that the greatest value is the study notes that are prepared by the vendors—several candidates indicated that the notes are of greater assistance than the classroom lecture. Other merits of review courses mentioned several times were the opportunity to be away from work and focus entirely on the exam, the ability to receive a different perspective on an article from the instructor, and the sample

problems and solutions provided during the seminar.

Candidates reported almost unanimously that the format of one intensive week can lead to burn out and hinder studying for several days after the course. Candidates expressed a desire for the seminar to be less time consuming. The most interesting comments made by several candidates were the perception that candidates who attend seminars are at an advantage, and the review courses ultimately lead to making the individual exams more difficult. Based on this perception, actuarial candidates feel compelled to attend seminars.

An option to cover select topics in a seminar is important to some candidates. The following quote from a candidate reflects this

concern and may provide a suggestion for vendors: "It would be nice if the review courses were offered in such a way as to enable me to pick and choose which parts of a given course to attend. For example, I am taking [Exam] 7 next spring. I have already passed the old Part 7 and feel confident to take the accounting piece. It might be nice to offer me the chance to only attend the law portion of the review."

If you have any comments on this article or the examination process in general, you may respond using the link to the Student Liaison Committee found at the bottom of the Students' Corner on the CAS Web Site ([www.casact.org](http://www.casact.org)).✓

## Exam Surveys

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Majority responses for particularly valuable:

- Lee (8V, 0Q)
- Gillam & Snader (5V, 2Q)
- D'Arcy & Dyer (5V, 2Q)
- Miccolis (4V, 1Q)
- Finger (2V, 0Q)
- Teng (2V, 0Q)
- Bailey & Simon (2V, 1Q)
- Mahler (2V, 0Q)
- Butsic (2V, 1Q)

Responses on both sides or only one mention:

- Holler (1V, 0Q)
- Ferrari (0V, 1Q)
- Feldblum Risk Load (0V, 1Q for quality of discussions)
- Stone (1V, 1Q)

Additional comments on syllabus readings:

- Most readings were valuable; good quality *Syllabus* (6)
- Excess loss readings are good (1)

- Overlap in retrospective rating papers (1)
- ISO & NCCI papers redundant (1)
- Robbin overlaps with D'Arcy & Dyer (1)
- Feldblum IRR overlaps with D'Arcy & Dyer (1)
- Feldblum got five positive responses that did not specify which Feldblum paper

## General Comments

Out of five general comments, two expressed dissatisfaction with the poor quality of the exam. Two others felt that there were too many quantitative questions, one specifically mentioning the multiple-choice questions. The other response felt core competencies are not being tested, and the Feldblum IRR question was good but too long to be reasonable on an exam.

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Overall, candidates can make up their own minds on whether these surveys are useful to their studying

and the overall exam process. If you have questions or comments regarding these summaries or the exam survey please feel free to contact the Student Liaison Committee using the response link at the bottom of the Students' Corner on the CAS Web Site ([www.casact.org/students/futell/feedback.cfm](http://www.casact.org/students/futell/feedback.cfm)).✓

## Check Your Exam Status

Verify your exam status in the Students' Corner of the CAS Web Site ([www.casact.org](http://www.casact.org)). It is important that credit for joint CAS/SoA Exams 1-4 is properly recorded.✓

# Syllabus Updates for Fall 2001

## Calculator Clarification: TI-30X II

The TI-30X II is an acceptable calculator starting with the Spring 2001 exams. It is available in a solar/battery version (TI 30X IIS) and a battery version (TI 30X IIB—which is sold primarily outside North America). Both are acceptable for all CAS exams, including Exams 1–4 that are jointly administered with the Society of Actuaries.

Last year, Texas Instruments announced on its Web Site a potential problem with TI-30X IIS calculators manufactured before January 2000. Only calculators with date codes earlier than 1299 are affected, for example N0699 or C0899. The date code is either stamped into the plastic or on a small plastic label on the back of the calculators. Date codes begin with either an “N” or a “C,” followed by four numbers.

## Exam 1

Exam 1 will be changed to a four-hour examination while maintaining the same forty-question format beginning with the Fall 2001 administration.

## Exam 3

No additional changes for Fall 2001 are anticipated to Exam 3 beyond those listed below.

The tables for Course/Exam 3 have been updated (January 24, 2001). The formulas under “B.3 The (a, b, 1) class” have been removed from the table. They will no longer be provided in the tables included with the examination.

The complete text of the revised syllabus of readings for Course/Exam 3 is available in the Students’ Corner of the CAS Web Site. Only the changes are listed below.

### Learning Objectives

REMOVED: Learning Objective 24, Define a continuous-time

Markov chain.

### Contingent Payment Models

REMOVED: Sections 8.5, 8.6, 9.6.2, 10.5.2, 10.5.5 of *Actuarial Mathematics* (Second Edition), 1997, by Bowers, Gerber, Hickman, Jones, and Nesbitt.

ADDED: Sections 11.1–11.3 of *Actuarial Mathematics* (Second Edition), 1997, by Bowers, Gerber, Hickman, Jones, and Nesbitt.

### Survival Models

REMOVED: Chapters 2 and 3 of *Survival Analysis*, 1997, by Klein and Moeschberger.

### Frequency and Severity Models

CHANGED: Section 2.7 (excluding Example 2.51) of *Loss Models: From Data to Decisions*, 1998, by Klugman, Panjer, and Willmot has been changed to Sections 2.7.1, 2.7.2 (excluding Example 2.40 and following), 2.7.3, 2.7.6.

REMOVED: Sections 3.6.1, 3.7 (Example 3.15, Theorem 3.4, Example 3.18 and following), 3.9 of *Loss Models: From Data to Decisions*, 1998, by Klugman, Panjer, and Willmot.

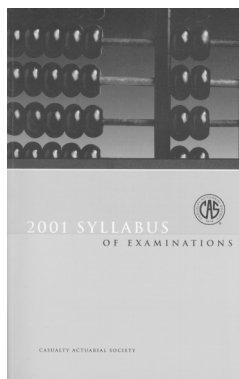
NOTE: Some notation used in *Loss Models: From Data to Decisions* is introduced in Section 3.6.1. The candidate may find it helpful to refer to Section 3.6.1 when studying the later sections of the text.

### Compound Distribution Models

REMOVED: Theorem 4.4 in Section 4.6, Sections 4.6.2–4.6.5, 4.9.4 of *Loss Models: From Data to Decisions*, 1998, by Klugman, Panjer, and Willmot.

### Stochastic Process Models

REMOVED: Chapter 6 and Section 10.4 of *Introduction to Probability Models* (Seventh Edition), 2000, by Ross.



REMOVED: “Stochastic Models for Continuing Care Retirement Communities,” *North American Actuarial Journal*, Volume 1, Number 1, by Jones.

### Ruin Models

REMOVED: Section 14.5 of *Actuarial Mathematics* (Second Edition), 1997, by

Bowers, Gerber, Hickman, Jones, and Nesbitt.

### Simulation of Models

REMOVED: Section 5.5 and Chapter 6 of *Simulation* (Second Edition), 1997, by Ross.

## Exam 4

The tables for Course/Exam 4 have been updated (January 24, 2001). The formulas under “B.3 The (a, b, 1) class” have been removed from the table. They will no longer be provided in the tables included with the examination.

The complete text of the revised syllabus of readings for Course/Exam 4 is available in the Students’ Corner of the CAS Web Site. Only the changes are listed below.

### Estimation and Fitting of Models

REMOVED: Method of scoring in Section 2.4, Section 2.5.3, pages 111 and following in Section 2.8, Section 3.3.4 of *Loss Models: From Data to Decisions*, 1998, by Klugman, Panjer, and Willmot.

### Regression, Forecasting, and Time Series

REMOVED: Chapter 7 of *Econometric Models and Economic Forecasts* (Fourth Edition), 1998, by Pindyck and Rubinfeld.

### Credibility Theory

CHANGED: The credibility readings have been changed to the

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# Joint Committee Announces Exam 1 Fee Waiver Program in U.S.

The Joint CAS/SoA Committee on Minority Recruiting recently approved a program to grant Exam 1 fee waivers to members of certain groups that are under-represented in the actuarial profession, including African Americans, Hispanics, and Native North Americans. Candidates eligible for the exam fee waiver must be either a U.S. citizen or have a permanent resident visa.

Since 1977, the mission of the Joint Committee on Minority Recruiting has been to support education and provide monetary assistance to minority candidates to pursue an actuarial career. The Committee's purpose for introducing the exam fee waiver program is to encourage minority candidates to sit for actuarial exams.

Exam fee waiver applications are available through the Minority Programs section of the actuarial career Web site at [www.BeAnActuary.org](http://www.BeAnActuary.org).√

## Fee Discount Program Helps Candidates in Qualified Countries



The Casualty Actuarial Society and the Society of Actuaries recently updated a program they approved earlier this year to provide financial relief to eligible candidates of qualified countries. The program was initiated with the Spring 2001 exam session.

Eligible candidates must be a current resident of a qualified country and verify that they are personally paying for exam fees and study materials without assistance from employers or other entities. Candidates must write their examinations within a qualified country and can only attempt an exam three times under the reduced exam fee program. Once qualified, the candidate is sent a complete fee schedule. Study Notes for Exams 1-4 are available free-of-charge online as are Web Notes for Exams 5-9. Eligible candidates are not required to pay the additional postage for CAS Study Kits for Exams 5-9. The SoA has a similar program for its exams (Courses 5-8) that are not offered jointly with the CAS.

Detailed information about the program, including a complete list of qualified countries, and application materials are available in the Students' Corner of the CAS Web Site ([www.casact.org](http://www.casact.org)).√

## Syllabus Updates

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following. This replaces the readings in the 2001 *Syllabus* for Exam 4, D. Credibility Theory:

#### Background Readings

Before commencing formal study of the material in this section, candidates should read the following for an introduction to the basic ideas underlying credibility theory:

Philbrick, S.W., "An Examination of Credibility Concepts," *PCAS* LXVII, 1981, pp. 195-212.

Klugman, S.A.; Panjer, H.H.; and Willmot, G.E., *Loss Models: From*

*Data to Decisions*, 1998, John Wiley and Sons, New York, Sections 1.5 and 5.1.

Mahler, H.C.; and Dean, C.G., "Credibility," *Foundations of Casualty Actuarial Science* (Fourth Edition), 2001, Casualty Actuarial Society, Chapter 8, Section 1. [Available on the CAS Web Site under Web Notes. Also available as SoA Study Note 4-21-01.]

In addition, Section 5.2 of *Loss Models: From Data to Decisions* by Klugman, Panjer, and Willmot contains a review of basic statistical concepts that some candidates may find useful.

#### Required Readings

Mahler, H.C.; and Dean, C.G., "Credibility," *Foundations of Casualty Actuarial Science* (Fourth Edition), 2001, Casualty Actuarial Society, Chapter 8, Section 2. [Available on the CAS Web Site under Web Notes. Also available as SoA Study Note 4-21-01.]

The candidate may use either course of reading (1) or (2) listed below for the remainder of the credibility material. The candidate will not be tested on the details of derivations in either course of reading.

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# News from the CAS Regional Affiliates

## CABER—Casualty Actuaries of Bermuda

Casualty Actuaries of Bermuda held its tenth annual golf outing on June 21. As in prior years, members participated in a "Captain's Choice" tournament at St. George's golf course. Dinner and prizes immediately followed the event. The next business meeting will take place in December followed by the annual holiday dinner. For additional information, please contact Jennifer Na at jna@xl.bm.

## CAE—Casualty Actuaries in Europe

On May 18, the CAE met in London. The following new officers were elected: Paul Klauke, president; Alessandra Quane, vice president; and Victoria Grossack, secretary/treasurer. Todd Hess gave an update on Lloyd's and Lisa Walsh spoke on the multiple uses of stop loss reinsurance. The next CAE meeting will be held in connection with the General Insurance Research Organising (GIRO) Committee meeting in Glasgow from October 3-5. Information on the GIRO meeting may be found on the CAS Web Site

under Continuing Education and at [www.actuaries.org.uk](http://www.actuaries.org.uk) under General Insurance. For more on CAE, please contact Victoria Grossack at [victoria.grossack@zurich.com](mailto:victoria.grossack@zurich.com).

## CAFE—Casualty Actuaries of the Far East

Casualty Actuaries of the Far East met on July 3. Members participated in sessions on "How to Pass CAS Actuarial Exams" (Yin Lawn); "Impact of the New Insurance Law" (Deputy Insurance Commissioner from the Ministry of Finance); "Status of German Deregulation" (Rick Tzeng); "Outlook of the Insurance Company in the Taiwan Market" (Chyen Chen); and "An Overview of the P&C Insurance Market in Asia." The new CAFE vice president is Frank Ling. For additional information, please contact CAFE President Ruth Chu at [ruth@fubon.com.tw](mailto:ruth@fubon.com.tw).

## CAGNY—Casualty Actuaries of Greater New York

The CAGNY spring meeting was held on May 30 in New York City. Featured speakers discussed collateralized bond (loan) obliga-

tions, the Lloyd's marketplace, DFA and rating agencies, insurance fraud, data mining, and the personal auto marketplace. CAS President Patrick Grannan discussed current activities and initiatives of the CAS. James Buck assumed the presidency of CAGNY. Members elected Deborah Rosenberg as president-elect and Adrienne Kane as vice president.

The CAGNY fall meeting will be held in early December. For more information, please contact Stewart Gleason at (212) 323-1182 or [stewart.gleason@guycarp.com](mailto:stewart.gleason@guycarp.com).

## CAMAR—Casualty Actuaries of the Mid-Atlantic Region

The CAMAR spring meeting was held in Philadelphia on May 30. Presentations included "The Financial Regulation of Insurance Companies," which explored the monitoring tools and techniques employed by the regulator as well as the critical role played by the actuary in this process, and "Just When You Thought It Was Safe," a discussion about changes in the legal, regulatory, and business

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## Syllabus Updates

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1) Klugman, S.A.; Panjer, H.H.; and Willmot, G.E., *Loss Models: From Data to Decisions*, 1998, John Wiley and Sons, New York, Sections 5.4 and 5.5 (excluding 5.4.6 and 5.5.3).

OR [Alternate Readings]

2a) Mahler, H.C.; and Dean, C.G., "Credibility," *Foundations of Casualty Actuarial Science* (Fourth Edition), 2001, Casualty Actuarial Society, Chapter 8, Sections 3-5. [Available on the CAS Web Site under Web Notes. Also available as

SoA Study Note 4-21-01.] and 2b) Klugman, S.A.; Panjer, H.H.; and Willmot, G.E., *Loss Models: From Data to Decisions*, 1998, John Wiley and Sons, New York, Sections 5.4.4. and 5.5 (excluding 5.5.3).

### Simulation in Estimation and Fitting

REMOVED: Section 9.4 of *Simulation* (Second Edition), 1997, by Ross.

### Exam 9

"Capital Allocation for Property-Liability Insurers: A Catastrophic Reinsurance Application" by Butsic will not be tested.

Study Kits and Updates shipped before February 15, 2001 included incorrect pages for the NCCI Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance. All who were sent the Exam 9 Study Kit or Update were mailed corrected material.

## Index

There is new contact information for Actuarial Bookstore: PO Box 69, Greenland, NH 03840; telephone: (800) 582-9672 (U.S. only) or (603) 430-1252; fax: (603) 430-1258.✓

## Actuarial Career Fairs to be held in New Orleans and Atlanta

For the fifth consecutive year, the Casualty Actuarial Society and Society of Actuaries will host the Actuarial Career Information Fair. Two fairs will be held in 2001, each at the conclusion of the SoA and CAS annual meetings.

October 24, 2001 (Wednesday)

SoA Annual Meeting  
Hilton Riverside Hotel  
New Orleans, Louisiana

November 14, 2001 (Wednesday)

CAS Annual Meeting  
Marriott Marquis  
Atlanta, Georgia

The Information Fairs are designed for high school and college students who want to learn about the actuarial profession. Activities include breakout sessions and an exhibit hall with booths sponsored by companies that employ actuaries. Details about the upcoming Fairs can be found at [www.BeAnActuary.org/newsroom/careerfair/careerindex.htm](http://www.BeAnActuary.org/newsroom/careerfair/careerindex.htm).√

### Regional Affiliates

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environments that are likely to cause big differences in the insurance industry's ultimate losses in classes of business such as asbestos, coal mine compensation, and e-commerce. The education chair announced CAMAR's intent to offer a full slate of fall exam seminars.

The CAMAR annual meeting will be held in Philadelphia in late November or early December. Information on the seminars and the annual meeting will be posted on the CAS Web Site at [www.casact.org/affiliates/camar](http://www.casact.org/affiliates/camar). For more information contact Gary Shook at [gary\\_shook@zurichna.com](mailto:gary_shook@zurichna.com).

### CANE—Casualty Actuaries of New England

Members of the Casualty Actuaries of New England will meet on Monday, September 24, at the Foxwoods Resort Casino, in Mashantucket, Connecticut at 8:00 a.m. For additional information,

please contact William Scully at [wscully@aib.org](mailto:wscully@aib.org).

### CANW—Casualty Actuaries of the Northwest

The next meeting of CANW is scheduled for Friday, September 7, at The Enzion Inn in Leavenworth, Washington. At its March meeting, Mike Kreidler, the Insurance Commissioner for the state of Washington, spoke about his office and the insurance market in Washington. The following topics also were presented: "Availability Crisis: A Case Study," "Construction Defects," and "Gramm-Leach-Bliley." For details about the September meeting, please contact Scott Alexander at (206) 775-4471 or [scoale@safeco.com](mailto:scoale@safeco.com).

### CASE—Casualty Actuaries of the Southeast

CASE will hold its fall meeting on Thursday, September 20, at the Sheraton Gateway Hotel-Atlanta Airport, College Park, Georgia. The meeting will begin with a continental breakfast at 8:30 a.m. and is

expected to adjourn by 4:00 p.m. Scheduled presentations include "What Really Keeps Insurance CEOs Awake at Night: Overview and Outlook for the P/C Insurance Industry" (Robert Hartwig, Insurance Information Institute); "Actuarial Issues and Opportunities from a CFA's Perspective;" "Actuarial Employment Opportunities and Improving Business Communications Through Improvisation" (Robert Morand, D.W. Simpson); and "Regulatory Acceptance of Computer Modelling for Property Insurance Ratemaking—An Update" (Rade T. Musulin, Florida Farm Bureau). For additional information, please contact Katherine Antonello at [kathy\\_antonello@ncci.com](mailto:kathy_antonello@ncci.com).

### MAF—Midwestern Actuarial Forum

Members of MAF will meet on Monday, September 24, at State Farm in Bloomington, Illinois from 9:00 a.m. until 4:00 p.m. For details, contact Randy Brubaker at (312) 701-1845 or [randall\\_brubaker@arw.aon.com](mailto:randall_brubaker@arw.aon.com).√

**Exams 6 and 9 Surveys Online Too!**

# Offer Your Comments on Exams

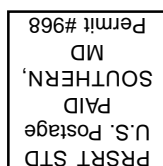
Exam surveys for Exams 6 and 9 will be available online for the first time beginning with the Fall 2001 administration. This is an experiment that will provide an option to the paper survey that will continue to be enclosed in the exam packet. Candidates are asked to complete and submit either the paper copy or the electronic version.

Exams 6 and 9 surveys will be added to the surveys for Exams 1-4 that have been available online since Fall 2000. The exam survey solicits comments about the exams, syllabus readings, and exam centers.

In addition to the exam surveys, the Syllabus Committee has online surveys that ask candidates to rate the difficulty of each reading for a

specific exam.

Surveys are available in the Students' Corner of the CAS Web Site ([www.casact.org](http://www.casact.org)) on the day that the exam is administered. Surveys for Exams 1-4 that are jointly administered with the Society of Actuaries are also available on the SoA Web Site ([www.soa.org](http://www.soa.org)).<sup>✓</sup>



**From:**  
**The Casualty Actuarial Society**  
**1100 North Glebe Road, Suite 600**  
**Arlington, Virginia 22201-4798**