

CAS Board Debates the Status of Associates

By J. Michael Boa, CAS Manager, Communications and Research

How many classes of credentialed membership are right for the CAS in the 21st century? If the CAS decided to have only one class of credentialed members, how would the transition occur? Should Associates be granted the right to vote? Should Associates be eligible to serve on the board of directors?

The CAS Board of Directors discussed these questions and others at length during its meeting held on May 16, 2004. With about a dozen observers in attendance, the board heard reports from the chairs of the Task Force on Classes of Membership and the Task Force on the ACAS Vote, and discussed the recommendations contained in the reports. The reports are available on the CAS Web Site in the "Member Services" section.

Sheldon Rosenberg presented the Report on the Task Force on Classes of Membership. The task force was charged with investigating the advantages and disadvantages of having one or more classes of credentialed membership. It was also directed to develop a recommendation for the proper qualifications, rights, and responsibilities associated with these classes of membership.

The task force concluded that there should be only one class of credentialed membership, finding that there virtually no practice rights difference between CAS Fellows and Associates in the United States. (The task force worked under the assumption that the Affiliate class of member would remain in place.) A key consideration was that it is confusing to the public that there are two separate designations (ACAS and FCAS) that each mean "a fully qualified actuary." A second consideration is that the Associate designation connotes lesser standing, even

though the ACAS is fully qualified to sign statements of actuarial opinion. The task force learned that the current structure began with the formation of the CAS in 1914, when there was a much clearer distinction between Fellows and Associates. At that time, Fellows were those who were in charge of actuarial, mathematical, or statistical departments of insurance companies, and Associates were those who worked in such departments and desired to study actuarial science. Currently, there is little or no distinction between Fellows and Associates in the ability to perform professional actuarial services in the United States. However, Fellowship is a requirement for most practice rights in Canada and for membership in the Canadian Institute of Actuaries.

The board's discussion of this issue took into account the various transition options as they apply to current Associates and to candidates on the path to ACAS. Transition options discussed ranged from immediately granting Fellowship to all Associates (and discontinuing the ACAS designation), to discontinuing the ACAS designation after a transition period (and putting the ACAS into "run-off").

With one class of credentialed membership, concerns were raised about the potential negative impact on recruiting new candidates, since the time until achievement of a CAS designation would be longer (a candidate would have to go further than the current Associate designation since there would only be the Fellow designation). The task force recommended that the ideal number of exams for Fellowship

Fall 2004 Registration Deadline

Exams 3, 6, and 9:
September 16, 2004

Exams 1, 2, and 4:
September 24, 2004

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

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Change of Center Deadline

Exams 3, 6, and 9:
September 16, 2004

Exams 1, 2, and 4:
September 24, 2004

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Refund Request Deadline

December 31, 2004

Special Interest Seminar on Predictive Modeling
October 4-5, 2004
Omni Chicago Hotel
Chicago, Illinois

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CAS Annual Meeting

November 14-17, 2004

Fairmont The Queen Elizabeth

Montréal, Québec, Canada

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Course on Professionalism

November 29-30, 2004

Las Vegas, Nevada

December 6-7, 2004

Charlotte, North Carolina

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Survey Says...

Results Suggest Giving Upper-Level Exams Twice a Year

By Louis Sugarman, Candidate Representative to the Candidate Liaison Committee

This report concludes a long discussion, first started at a meeting of Casualty Actuaries of the Southeast (CASE) in Fall 2002. *Future Fellows (FF)* reported on the initial CASE discussion of candidate concerns, then sponsored an online survey last spring that asked candidates to rank their top priorities for the CAS. Forty-five percent of 230 respondents ranked “provide upper-level exams twice a year” as one of their top two concerns, and a recent *FF* article discussed the barriers to the CAS making this a goal. Fifty people took time off from study to reply to a follow-up survey on this topic.

Sixty percent of respondents felt that if consultants were found to write upper-level exam questions for this purpose, they or their employers would be willing to see a 25 percent increase in exam fees. When asked which upper-level exam should first be offered twice a year, 36% voted for Exam 5 and 44% voted for Exam 7. Exam 5 was favored because it is the one taken by the most people each year. Exam 7 was favored for various reasons. Many people noted it is the last exam needed for ACAS, or at

least that is how I interpreted the written-in answer “Isn’t it obvious?!” One respondent noted that since this exam, on average, seems to take the greatest number of sittings to pass, offering it twice a year would do the most to reduce average

“One respondent noted that since [Exam 7], seems to take the greatest number of sittings to pass, offering it twice a year would reduce average travel time.”

travel time. Several people noted that with three spring and two fall upper-level exams, it is common for candidates to be stuck with two spring exams at the end of their studies. Offering one of Exams 5, 7, or 8 in the fall would help rebalance this asymmetry.

The survey asked for input as to how the goal of providing upper-

level exams twice a year could be achieved. Someone pointed out that in the United Kingdom all exams are offered twice a year, with senior actuaries writing the questions and newly qualified actuaries marking exams. While this division of labor might undermine the consistency achieved by having the question writer also mark exams, having newly qualified actuaries train for Examination Committee service by marking exams might help in recruiting exam writers. Many respondents said that the CAS needs more exam volunteers, and the final question of the survey asked whether current candidates would commit to three years of Examination Committee service upon finishing the exams. Sixty percent of respondents said they would make this commitment.

Is this small survey representative of the true potential for volunteer service from today’s candidates? A sustained sixty-percent volunteer rate would not only meet a key CAS Centennial Goal, it would help the CAS admissions committees to tackle this key candidate priority. There is no magic solution to this or any other CAS challenge, there is only hard work to be done for worthwhile goals. **ff**

The Scoop on International Candidates

By Benjamin Clark, FCAS, Candidate Liaison Committee

Earlier this year, the Candidate Liaison Committee introduced a survey for international candidates on the CAS Web Site. Twenty-one candidates from 12 different countries responded to this survey. Among the survey’s results:

- 12 are taking CAS exams.
- 3 are taking CAS and SOA exams.
- 3 are taking only SOA exams.
- 13 indicated that the CAS exams meet their educational needs.

- 4 said that the CAS exams did not meet their educational needs.
- 14 plan to practice in North America some day.
- 12 report having regular contact with CAS candidates outside of their country, most commonly through e-mail study groups.

The full results of the survey are available in the “Admissions” section of the CAS Web Site under *Future Fellows*.

As a result of this survey, the

Candidate Liaison Committee would like to highlight two items: the importance of the discount fee program for international candidates and the appropriateness of Exam 7 for international professionals.

The Casualty Actuarial Society offers a study kit and examination fee discount program for eligible candidates in qualified countries for all exams. To be eligible, a candidate must be paying his or her own exam fees and must be a full-time resident



Future Fellows Career Profile

By Louis P. Sugarman, Candidate Representative to the Candidate Liaison Committee

John Levy was studying at the University of Nebraska Teacher's College, but he was not sure that teaching was his true calling. He took a class "Mathematics of Life Insurance" and was intrigued by the logic and practical application of math. Levy interned for a summer, then worked at Lifeshares Services Company in Lincoln, Nebraska, before deciding to head to the big city. In eleven years at CNA in Chicago, he held various pricing positions before landing his break-through assignment. Levy was recruited into the Risk Management Department, where he set up alternative risk contracts to cover large deductibles for national accounts. Normally a letter of credit is required to guarantee the payment of large deductibles, but Levy set up finite reinsurance contracts to meet this requirement at lower cost. Levy enjoyed working directly with client company CFOs and Risk Managers, rather than on internal actuarial analyses.

Now at AON Reinsurance, Levy describes himself as a nontraditional reinsurance broker. He assists clients (cedants) in finding nontraditional

structured solutions for business that can only be placed in the traditional market at a high price or under restrictive limits. Levy's job requires a combination of underwriting, actuarial, accounting, and business management skills, with



**Career Profile on:
John Levy, FCAS
Vice President
Aon Re Worldwide
Chicago, Illinois**

underwriting as the key. His role is to understand the client's business and to help clients reduce their insurance financing costs. Because nontraditional financial contracts have received added scrutiny of late, this role requires a strong command of accounting regulations in order to model transactions from three points of view: the insured, the insurer, and the reinsurer. Deals only close when Levy can show the overall impact the reinsurance program will have on the cedant's financial statements, and effectively demonstrate to the client that the

transaction adds value.

Levy's key advice to young actuaries is to be "poor, hungry, and driven." Passing exams and mastering the business analytics are not enough. It is essential to realize that decisions are always made with insufficient data, in a shifting and unpredictable environment. Actuaries will be considered only back-room analysts if we avoid making recommendations because "we need more data" or if we bury conclusions in a mountain of caveats. While actuaries must be masters of detail and of fundamental analysis, we must have the courage of our convictions. We naturally begin sentences with "the data shows," but Levy wants us to finish sentences with "here is where the data ends, and this is what I think we should do." ff

Reminders

- **Fall 2004 "Notice of Examinations"** is available in the "Admissions" section of the CAS Web Site. It contains important examination information as well as updated information on review seminars and materials.
- **Check Your Exam Status** in the "Admissions" section of the CAS Web Site (www.casact.org). It is important that credit for joint CAS/CIA/SOA Exams 1, 2, and 4 is properly recorded.
- **CAS Regional Affiliates** have their own section on the CAS Web Site. Check it out! ff

of one of the qualified countries. (The program for Exams 1, 2, and 4 is jointly administered with the Society of Actuaries.) The discount may be used for up to two exams in any one sitting. It also may be used for up to three sittings for any one exam, which is comparable to what many employers offer. Additional details and the one-time application are available online at www.casact.org/admissions/discount.htm.

Current CAS Exams 7-Canada and 7-



United States have country-specific material relating to taxation and regulation. The Education Policy Committee has been looking into alternatives to Exam 7 for non-North American candidates, although a recommendation is still under development. ff

Where to Look for the Latest News

"Latest Admissions Update" is a new category on the "Admissions" section of the CAS Web Site. It contains links to announcements about changes and current initiatives related to the CAS education and examination process. Items are listed chronologically based on the posting date. ff

Workshop Applies DFA to Real-Life Business Situations

By Christopher McKenna, ACAS, Candidate Liaison Committee

Dynamic Financial Analysis (DFA) has become an important tool for actuaries and may become more evident in the basic education process for Fellowship in the future.

Here's why. The CAS has recently accepted General Re Capital Consultants' proposal to design a DFA modeling workshop, train CAS instructors, and provide two years of technical support for the workshop. Beginning in 2005, the CAS hopes to be able to offer up to four of these workshops a year, with a maximum enrollment of 60 attendees per session.

Now, you might ask, "Why should I take the CAS DFA Workshop?" According to the CAS Request for Proposal for this workshop, "The objective of the CAS DFA Workshop is to educate the candidate on all aspects (except parameterization, itself) of DFA modeling in its application to

real-life business situations. The program blends a candidate's technical actuarial expertise with risk/capital management and business strategy fundamentals." Insurance companies are increasing their reliance on DFA to make business decisions, as the DFA model incorporates many different factors into its analysis, such as capital, required rate of return, business growth/mix strategies, reinsurance strategy, etc. If we as actuaries want to take an active role in helping to forge our employer's vision for the future, we must remain on the cutting edge of the most useful business tools, especially one with such potential as DFA.

The CAS has a role to ensure that our business knowledge is constantly refreshed and updated – the DFA modeling workshop is a potentially invaluable opportunity to

make this happen. When the CAS Board removed DFA from the Exam 8 syllabus, it was with the intent of moving this important material to a hands-on workshop, which is now in development.

The basic structure of the workshop will be divided into three parts:

1. Pre-assigned reading (about 20 hours),
2. A 1.5 to 2 day on-site session working with simplified DFA models, and
3. An independent project to be completed by candidate during the subsequent month.

Upon completion of the second "dress rehearsal" of this workshop in December 2004, a decision will be made on whether this workshop would be a requirement for Fellowship or a Continuing Education offering or both.

Stay tuned.... 

Board Debates ACAS Status

From cover

would be eight exams, and that the necessary material could be reorganized to fit into that number of exams.

With so many issues on the table, the board decided to defer action on the report and to release it to the membership for comment.

While the board took no action on the classes of membership, it did take action on the recommendations of the Task Force on the ACAS Vote, following a presentation by Amy Bouska. This task force was charged with investigating the advantages and disadvantages of whether current Associates should have voting rights, and whether other differences between CAS Fellows and Associates should exist, including differences in dues and in the right to hold high-level positions in the CAS.

The task force recognized the lack of true representation within the CAS for Associates, despite the fact that


Associates pay full dues. The CAS' approval of Mutual Recognition has also prompted reconsideration of voting rights, since Fellows who are granted the FCAS designation via Mutual Recognition would have voting rights even though long-time CAS Associates would have no such voting rights.

The board voted on each of the specific recommendations of the task force. Among the changes to CAS governance approved by the board (subject to further approval by the Fellows where necessary) are:

- That the unrestricted right to vote be given to members either upon attainment of Fellowship or five years after their recognition as Associates, whichever should occur first;
- That all voting members be allowed to stand for election to the CAS Board of Directors, with no change in the current size or structure of the board;

- That voting Associates be allowed to hold all officer positions with the exception of president, president-elect, and vice president-admissions; and
- That one seat be added to the Nominating Committee for an Associate with more than 10 years as a voting member.

Granting voting rights to Associates would require approval of a constitutional amendment by the Fellows. While it is not clear whether the move to one class of credentialed membership will require a constitutional amendment, the board intends to develop a process that will allow thorough discussion and exchange of ideas among the members. The board anticipates that, if a vote on the Task Force on Classes of Membership proposal is required, it will precede the vote on voting rights for Associates.

Comments on the Task Force Reports are welcome and can be sent to office@casact.org. 

Syllabus update

Check out the "2004 Syllabus Updates" in the "Admissions" section of the CAS Web Site for the latest information.

2004

Exam 3

A revised version of "Course/Exam 3 Study Note Replacing Chapter 2 Material from Loss Models" by Klugman has been posted online. Please use the fourth printing, December 1, 2003.

The third bullet of Learning Objective A6 has been removed from the syllabus for 2004 ["Apply assumptions about the pattern of failures between integral ages to obtain the associated (discrete) single decrement models from a discrete multiple decrement model as well as the discrete multiple decrement model that results from two or more discrete single decrement models"].

Exam 4

A revised version of "Estimation, Evaluation, and Selection of Actuarial Models" by Klugman has been posted online. Candidate may use the third printing (December 1, 2003) or the fourth printing (May 15, 2004). [Available in the "Admissions" section of the CAS Web Site under Web Notes or as SOA Study Note 4-23-03.]

Exam 6

An erratum has been published for Peck's discussion of Stanard's article, "A Simulation Test of Prediction Errors of Loss Reserve Estimation Techniques." The 2004 Exam 6 Web Notes have been updated accordingly.

The eighth edition of the IASA text, *Property-Casualty Insurance Accounting*, has been published and will be used as the official edition for Exam 6 in Fall 2004. The citations are the same as listed for the seventh edition: Chapters 4 (Earned and Unearned Premiums), 6 (Written Premiums), 7 (Losses and Loss Adjustment

Expenses), 11 (Reinsurance Accounting), and Appendix F (Glossary of Accounting Terms).

Exam 9

Citations for the NCCI *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* (as of March 1, 2003) and *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance* (as of July 1, 2003) are detailed in the 2004 Exam 9 Study Kit and Update.

For "An Application of Game Theory: Property Catastrophe Risk Load" by Mango, exam questions will not be drawn from Section 9.

Additional Updates

Any additional *Syllabus* update will be posted in the "Admissions" section of the CAS Web Site.

2005

In the "Admissions" section of the Web Site, the syllabi for revised preliminary Exams 1-4 are listed, along with the guidelines for Validation by Educational Experience (VEE) for the new requirements of VEE-Economics, VEE-Corporate Finance, and VEE-Applied Statistical Methods. Significant changes to Exams 5-9 for 2005 are also posted in the "Admissions" section.

CAS Regional Affiliates Corner

For current information on all Regional Affiliates, please visit the "Regional Affiliates" section of the CAS Web Site.

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 Spring 2004 CAS Examinations

Summary of Spring 2004 Examinations

Exam	Number of Candidates	Number of Passing Candidates	Number Below 50% of Pass Mark (Ineffective)	Effective Pass Ratio
1	6,577	2,225	795	38.5%
2	3,656	945	266	27.9%
3	364	112	70	38.1%
4	1,728	864	70	52.1%
5	563	229	29	42.9%
7-Canada	48	15	1	31.9%
7-u.s.	373	163	12	45.2%
8	309	148	21	51.4%

Summary of Spring 2004 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	3.41	3.73	3.29	3.66	4.07	3.49
2	4.85	3.36	2.76	3.52	4.26	2.96
3	33.79	3.45	2.94	3.80	4.11	2.98
4	5.99	3.17	2.90	3.41	4.24	2.88
5	34.21	3.57	3.38	4.10	3.59	3.30
7-Canada	37.50	3.78	3.56	4.17	3.17	3.67
7-u.s.	40.05	2.96	2.68	4.14	4.14	2.60
8	34.30	3.62	3.58	3.80	3.31	3.50

Verify your exam status in the "Admissions" section of the CAS Web Site. It is important that credit for joint CAS/SOA Exams is properly recorded.

Check Your Exam Status

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