

Future Fellows



September 1999

For the Candidates of the Casualty Actuarial Society

Volume 5, No. 3

Fall Registration Deadline

September 15, 1999

Change of Center and Late Registration Deadline

September 27, 1999

Deadline for Refund Requests

November 15, 1999

CAS Course on Professionalism

December 6-7, 1999

San Antonio, Texas

December 13-14, 1999

Philadelphia, Pennsylvania

CAS Seminars and Meetings

Casualty Loss Reserve Seminar

September 13-14, 1999

Marriott's Camelback Inn and
Mountain Shadows Resort
Scottsdale, Arizona

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Student Liaison Committee Appoints New Candidate Representatives

By Patrick K. Devlin, FCAS
Chairperson, Student Liaison Committee

Shantelle Johnson and Serhat Guven have been appointed the new candidate representatives to the CAS Student Liaison Committee. Ms. Johnson and Mr. Guven replace James Lynch and Laura Maxwell who served as candidate representatives for the past 3½ years.



Shantelle Johnson



Serhat Guven

Johnson has been employed at Allstate Insurance Company in Northbrook, Illinois, since 1996. Currently Johnson is an actuarial assistant and focuses most of her time in the auto ratemaking area. Prior to joining Allstate, Johnson had two different internships. She graduated from Northwestern University with a degree in mathematics and integrated science. Johnson has completed CAS Parts 1 through 6.

Guven has been with United Services Automobile Association in San Antonio, Texas, since 1996. During his 3 plus years at USAA he has worked in auto ratemaking and an underwriting/pricing information

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Parts 7 and 9 Have New Departure Rule

Effective with the Fall 1999 CAS examinations, candidates will not be permitted to leave the examination room during the final 15 minutes of CAS four-hour examinations in which candidates are allowed to leave after two hours. The new policy is designed to prevent excessive noise during the period immediately preceding the conclusion of the examination time.

For all other CAS-specific examinations, candidates may not leave the examination room before the time for the examination has expired.

All candidates are reminded to arrive at the examination center at least 45 minutes before the examination is scheduled to begin. √



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Jeffrey W. Schmidt, FCAS

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Subscriptions to the newsletter are complimentary to CAS candidates who registered for a CAS Examination during the previous two years.

For information, please contact the CAS Office. Send all letters to the editor to the CAS Office address.

Postmaster: Please send all address changes to: The Casualty Actuarial Society, 1100 North Glebe Road, Suite 600, Arlington, Virginia 22201-4798.

For permission to reprint material, please write to the chairperson of the CAS Student Liaison Committee at the CAS Office address. The CAS is not responsible for statements or opinions expressed in the articles, discussions, or letters printed in this newsletter.

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Candidate Representatives

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area. Guven graduated from the University of Texas with a degree in math and completed two actuarial internships during his college years. Guven has completed approximately five CAS examination parts.

Candidate representatives participate on the *Future Fellows* editorial board and help the Student Liaison Committee identify student issues that should be addressed by the CAS.

One area Guven plans to focus on is communication between the CAS and student actuaries. "The issue is not that the students cannot contact the CAS; the issue is how the CAS treats student feedback. The perception that the CAS ignores the students' concerns and complaints is very widespread. I would like to see a series of *Future Fellows* articles that cites examples of how student input impacted a particular policy decision," said Guven.

Johnson believes it important to identify casualty actuarial students before they register for a CAS-specific exam. "For example, I did not receive a copy of *Future Fellows* until I sat for 3B," said Ms. Johnson. "This was nearly a full year after I started my first P&C actuarial position. This may be a bigger problem when the first four exams are administered jointly with the SoA."

Guven and Johnson will begin their two-year terms at the September meeting of the Student Liaison Committee. ✓

Are You Superstitious?

By Steven D. Armstrong, FCAS

Student Liaison Committee

On exam day, after my morning shave, the bathroom mirror broke. As I was walking out to the car a black cat darted past me. I noticed as I drove into the exam site that the mileage on my car turned to 13,000. As I made my way across the parking lot, I stepped on every crack in the pavement. Nearing the exam room, I walked under a ladder. Right before the exam, my umbrella popped open indoors. All of this bad luck and I still managed to pass the exam!

Real actuarial students have cited the following exam superstitions to ward off any bad luck that exam day may bring.

- Drinking chocolate milk during the exam.
- Attending a worship service the morning of the exam.
- Using new pencils and erasers for the exam as they have never written or erased any mistakes. *Alternative superstition:* Using hand-me-down pencils from someone who passed the exam at the prior sitting.

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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.

News from the CAS Regional Affiliates

CABER—Casualty Actuaries of Bermuda

CABER completed its summer gathering that included a captain's choice golf tournament with 41 participants and a dinner for more than 60 people. The next meeting will be held in December and will feature a discussion of the CAS issue of mutual recognition. The meeting will include the traditional holiday party. For information, please contact Mark Callahan at mcallahan@xl.bm or (441) 292-8515.

CAMAR—Casualty Actuaries of the Mid-Atlantic Region

Members of CAMAR met on June 4, 1999, in Baltimore, Maryland. Presentations were given on loss portfolio transfers and related transactions, Y2K exposures faced by insurers, and the CAS Web Site. These cerebral deliberations were followed by discussions of baseball statistics as many of the attendees went to Camden Yards to watch the Orioles host the Phillies.

The fall meeting will be held in Philadelphia and is preliminarily scheduled for December 7, 1999. Final notice of date and content will be provided through a member mailing and a notice on the CAS

Web Site. For information, please contact Mary Jo Kannon at mkannon@pmare.com or (215) 665-5182.

CANE—Casualty Actuaries of New England

CANE will meet on Thursday, September 23, 1999, from 9:00 a.m. to 4:00 p.m. at Foxwoods Resort and Casino in Ledyard, Connecticut. The meeting will include two breakout sessions, lunch, a business session, and a panel discussion. A complete agenda will be available on the CAS Web Site. For information, please contact Katharine Barnes at barnesk@towers.com or (617) 638-3717.

CANW—Casualty Actuaries of the Northwest

CANW will have its fall meeting on September 10, 1999, at the Inn at Semi-ah-moo in Bellingham, Washington. For information, please contact James Gant at jimgan@safeco.com or (206) 545-5846.

CASE—Casualty Actuaries of the Southeast

CASE members met on August 31, 1999, at the Marriott Marquis in Atlanta, Georgia. Topics included

- Wearing the same sweatshirt and pair of jeans for every sitting.
- Getting a well-deserved haircut after the exam (the Samson theory).
- Chewing four sticks of Big Red gum: one for every hour of a four-hour exam.
- Never opening exam results the same way twice.

Note: This is by no means a paid advertisement for Big Red or Mountain Dew! √

“Current Issues in Medical Professional Liability” by James Hurley, Tillinghast, Towers Perrin; “Insurance Industry Marketing Cycles” by Gregory Alff, Willis Coroon, and Robert Hartwig, Insurance Information Institute; “1999 Table of Insurance Charges” by Robin Gillam, National Council on Compensation Insurance; “Near and Long Term Supply and Demand of Actuaries” by Arlie Proctor, Scruggs Consulting, and Robert Morand, D.W. Simpson; and a business session with the scholarship presentation. For information about the next meeting, please contact Ann Bok at ann_bok@ncci.com or (561) 912-7107.

SWAF—Southwest Actuarial Forum

SWAF convened in San Antonio on June 1, 1999. President Debra Werland chaired the business session that included a discussion of the newly approved actuarial degree at the University of Texas at San Antonio and the SWAF scholarship donations to the University of Texas at Austin and Texas A&M University.

The following presentations were made: “Update on the Job Market for Actuaries,” Professor James Daniel, University of Texas at Austin; “DFA Models—Ratemaking Applications,” Thomas Hettinger, Consulting Actuary, Miller, Rapp, Herbers, & Terry; “Insurance Issues and the Texas Legislature,” Richard Gentry, Executive Director, Texas Insurance Organization; and “Actuary as Expert Witness,” Debra Werland, Executive Director, USAA, and Timothy Ungashick, Executive Director, USAA.

The December meeting of SWAF will be held in Austin. For details, please contact Kimberly Bowen at bowenk@usaa.com or (210) 498-7202. √

Superstitions

From page 2

- Taking three Mountain Dews, two calculators, and new pencils to the examination and playing the theme from *Rocky* in your head.
- Not showering the day of the exam (sure puts you at a competitive advantage for those test takers right near you).

Results of Spring 1999 CAS Examinations

Spring 1999 CAS Student Examination Survey

Exam Part	Study Time Hours	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>	Readings Quality <i>Poor (1) to Excellent (5)</i>
3B	137	3.87	3.39	2.68	3.43	3.43	3.20
4A	186	3.79	3.51	3.30	3.49	3.43	2.99
4B	173	3.60	3.28	3.42	3.91	3.36	3.10
5A	171	3.38	3.17	3.64	3.58	3.15	3.34
5B	181	3.60	3.30	4.13	3.75	3.18	3.91
6	293	3.71	3.57	3.54	3.28	3.51	3.09
8/8C	285	3.74	3.85	3.37	2.91	3.46	2.68
10	340	3.04	3.34	3.24	3.65	2.94	3.05

Spring 1999 Survey Participants

Exam Part	No. of Exams Taken	No. of Survey Responses	Percent Responding	Exam History	Other Exams	No. of Prior Attempts
3B	68	32	47%	3.64	0.88	0.84
4A	448	157	35%	2.76	0.83	0.94
4B	1200	462	38%	2.61	0.83	0.70
5A	109	48	44%	2.37	0.79	0.78
5B	296	127	43%	2.48	0.69	0.83
6	602	192	32%	4.49	0.22	0.97
8/8C	322	126	39%	7.01	0.19	0.94
10	443	146	33%	7.62	0.03	0.75

Survey Envelope Increases Response

At the request of the Student Liaison Committee, the Examination Committee included a business reply ("postage paid") envelope for the Student Exam Survey with the CAS Spring 1999 examinations. The number of candidates responding increased from 24% in Fall 1998 to 37% in Spring 1999. For the couple of sittings prior to Fall 1998, the average response rate was approximately 20%.

U.S. Postal regulations allow for the use of business reply envelopes only in the United States. Candidates outside the U.S. were provided a courtesy reply envelope that required candidates to add the proper postage. √

Five-year Summary of CAS Spring Examinations

Exam 3B	1995	1996	1997	1998	1999
No. of Candidates	375	352	347	87	68
No. of Passing Candidates	160	153	145	26	28
No. Below 50% of Pass Score	51	51	44	19	12
Exam 4A					
No. of Candidates	448	384	356	428	448
No. of Passing Candidates	177	141	125	170	159
No. Below 50% of Pass Score	74	73	79	86	83
Exam 4B					
No. of Candidates	900	830	747	939	1200
No. of Passing Candidates	321	328	272	337	421
No. Below 50% of Pass Score	111	142	137	175	246
Exam 5A					
No. of Candidates	361	320	331	140	109
No. of Passing Candidates	120	127	116	60	40
No. Below 50% of Pass Score	62	51	59	21	21
Exam 5B					
No. of Candidates	372	359	368	288	296
No. of Passing Candidates	149	160	167	95	111
No. Below 50% of Pass Score	46	31	36	63	64
Exam 6					
No. of Candidates	629	622	592	863	602
No. of Passing Candidates	229	246	217	316	265
No. Below 50% of Pass Score	80	50	76	139	70
Exam 8/8C					
No. of Candidates	334	351	352	383	322
No. of Passing Candidates	124	145	135	172	154
No. Below 50% of Pass Score	29	29	30	36	23
Exam 10					
No. of Candidates	335	335	373	383	443
No. of Passing Candidates	129	131	147	136	165
No. Below 50% of Pass Score	29	37	25	36	58

CAS 2000 Syllabus of Examinations

The preliminary manuscript of the CAS 2000 *Syllabus of Examinations* was published in February 1999. The readings listed in the final version of the *Syllabus* will be the same as those listed in the manuscript except for the edition changes listed below—and other edition changes that may occur after this newsletter is printed. All edition changes will be posted in the Students' Corner of the CAS Web Site (www.casact.org). Edition changes are necessary when a publisher prints a new edition and the previous edition is no longer available.

The final edition of the 2000 *Syllabus* will be published after the CAS Board of Directors gives approval at its September 17 meeting to some of the logistical details that will be included in the *Syllabus*. This *Syllabus* should be available in the Students' Corner of the CAS Web Site by October 1. The print version should be mailed the following week.

Update to the Manuscript of the 2000 Syllabus

Exam 5

The second edition (1999) of *Personal Insurance: Property and Liability* from the American Institute for Chartered Property Casualty Underwriters will be used. Revised citations are pp. 17-41, 45-66, 75-96, 205-250, 267-295.

Exam 6

The seventh edition (1998) of *Property-Casualty Insurance Accounting* by the Insurance Accounting and Systems Association (IASA) will be used. Citations from the seventh edition are Chapters 4, 6, 7, 11, and Appendix F (Glossary of Accounting Terms).

Exam 7-Canada

The seventh edition (1998) of *Property-Casualty Insurance Accounting* by the Insurance Accounting and Systems Association (IASA) will be used. Citations from the seventh edition are Chapters 2, 5, 9, 10, 13, and 17.

Exam 7-US

The seventh edition (1998) of *Property-Casualty Insurance Accounting* by the Insurance Accounting and Systems Association (IASA) will be used. Citations from the seventh edition are Chapters 1, 2, 5, 8, 9, 10, 12-14, and 17. (For Chapter 12, only pp. 1-36 and 62-72).

Exam 8

A fourth edition of *Options, Futures and Other Derivatives* by Hull may be available in September 1999. Details will be available on the CAS Web Site.

The fourth edition (1999) of *Investments* by Bodie, Kane, and Marcus will be used. Revised citations should be viewed within the context of the full set of readings for section 8A and read in the order listed in the manuscript. Citations from the fourth edition are:

- Introduction: Financial Instruments and Markets: Chapter 2 (for background, the candidate may wish to refer to Chapter 1, but no questions will be taken from this reading) and Chapter 5 (for background, the candidate may wish to refer to Chapters 3 and 4, but no questions will be taken from this reading).
- Portfolio Theory: Appendices 6A, 8B, and 8C.
- CAPM, Index Models, Arbitrage Pricing: Chapter 13.
- Equity Valuation Models: Chapter 18.
- International Securities: Chapter 25 (pp. 786-793 and 797-799 from "Passive and Active International Investing" up to, but not including, "Asset Allocation").
- Portfolio Management: Chapters 16 (excluding 16.1 and 16.3) and 26 (excluding 26.1 and 26.2). ✓

CAS Adds to Policy on Examination Discipline

The CAS Board of Directors approved the following addition to the CAS Policy on Examination Discipline: "If an actuarial organization with which the CAS has a working relationship (such as the Society of Actuaries) invokes a penalty against a candidate for improper conduct during an examination for which the CAS is not a joint sponsor, the CAS will invoke the same penalty for all CAS-sponsored examinations. If the CAS takes any disciplinary action, it will notify the other actuarial organizations of that action."

The addition became part of the CAS Policy on Examination Discipline that currently is in effect for CAS examinations. ✓

Dates to Remember

From page 1

CAS Annual Meeting

November 14-17, 1999

San Francisco Marriott

San Francisco, California ✓

Role of Actuary Continues To Expand Into Nontraditional Areas

By Steven D. Armstrong, FCAS
Student Liaison Committee

How often has this happened to you? You find yourself at a social gathering and a stranger starts up a conversation with you. During your talk, the stranger asks what you do for a living. You have been caught in this trap before—will this individual know what an actuary is? Should I just say that I work for insurance company and leave it at that?

As of November of 1998, roughly half of all CAS Fellows and Associates could have simply stated that they work for a property/liability insurance company. There is no doubt that insurance companies will continue to need actuaries, but apart from other areas of actuarial employment such as consulting, government, reinsurance, and academia, there are several new employment opportunities for casualty actuaries.

One of the hottest trends right now lives in the financial sector. One area of opportunity is financial risk management which encompasses the world of insurance securitization. Actuaries are being asked to price catastrophe bonds and hedge the risk with equity puts. Knowledge of forwards, futures, options, swaps, and other financial derivatives, plus an actuarial mind, could translate into a career in financial risk management.

Another part of the financial sector getting attention from casualty actuaries is banking, particularly in credit risk management which uses actuarial skills such as regression modeling, Bayesian analysis, and time series.

Dynamic financial analysis is also catching the eye of many actuaries these days. Casualty actuaries are becoming more

involved with issues such as capital allocation, simulation, parameterizing distributions, and determining optimal insurance structures for a firm.

In addition to the risk management fields, casualty actuaries are branching out more and more into areas involving marketing, upper management, and mergers and acquisitions, to name a few.

As you progress through your career as a casualty actuary, consider some of these “nontraditional” roles as employment opportunities. Refer to Web sites or talk to other actuaries either online or at conventions and see what kind of jobs actuaries are doing. Who knows what kind of opportunities lay in waiting—an analytical mind knows no boundaries and no boundaries exist for an analytical mind. ✓

FAQ Added to Students' Corner

The Student Liaison Committee compiled a list of frequently asked questions (FAQ) and developed replies for each question. In May, the FAQ were added to the Students' Corner of the CAS Web Site (www.casact.org). Below is the list of questions. Do you know the answers? If not, check out the Students' Corner.

- Where can I obtain study and syllabus materials?
- Why don't CAS Study Kits include all of the syllabus readings?
- Is there an on-line version of the *Syllabus*?
- How can I participate in the e-mail study groups?
- What process does the CAS use to put together a quality examination?
- When will my exam results be available?
- How does the CAS set passing scores for each exam?
- What is the process the CAS uses to ensure that the grading process is fair and accurate?
- What can I do if I think the pass/fail score for my exam is wrong?
- Why does it take so long to grade an exam that is all multiple choice?
- Why doesn't the CAS provide a grade when you pass?
- Why doesn't the CAS provide the passing score? Why won't the CAS give me my raw score for my exam?
- Why aren't all of the exams given twice a year?
- On average, how many years does it take to pass all the exams?
- What are the important deadlines?
- Does the CAS have study groups?
- What is CASNET? How can I join CASNET? ✓

1999 Syllabus Updates

Part 3B—Although the second edition of *Personal Insurance: Property and Liability* by Hamilton and Malecki has been published, the first edition will be used for the Fall 1999 examination. Please specify the **first edition** when ordering.

Part 4A—The third edition of *The Theory of Interest and Life Contingencies with Pension Applications: A Problem-Solving Approach* by Parmenter (Mad River Books, 1999) has been released. Candidates may use the third edition with the citations listed in the *Syllabus*, i.e., chapters 1-4, 7, and 8 (8.1).

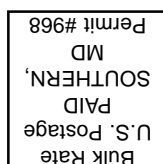
Part 4B—The second edition of *Introductory Statistics with Applications in General Insurance* by Hossack, Pollard and Zehnwrith (Cambridge University Press) has been released. Candidates may use the second edition with the citations listed in the *Syllabus*, i.e., chapters 4 (all sections), 5 (all sections), 6 (6.1-6.4), and 8 (excluding 8.7).

Part 7 Canada & US—Although the seventh edition of *Property-Casualty Insurance Accounting* by the Insurance Accounting and Systems Association (IASA) has been published, the sixth edition will be used for the Fall 1999 examination. Please specify the **sixth edition** when ordering from IASA.

Part 9—The following three readings were inadvertently omitted from the original Web version of the 1999 *Syllabus of Examinations*. They are listed under Retrospective Rating.

- **SK** Gillam, W.R.; and Snader, R.H., "Fundamentals of Individual Risk Rating," 1992, Part II.
- **SKU/NEW** National Council on Compensation Insurance, Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (as of July 1, 1998). Candidates are responsible for only the excerpted material.
- **SK** Insurance Services Office, Inc., Retrospective Rating Plan for Automobile, General Liability, Glass and Theft (July 1989 edition).

Index to Text References—Contact information for the Actuarial Bookstore is P.O. Box 430, Somersworth, NH 03878; telephone: (800) 582-9672, or (603) 692-5598, fax: (603) 692-5597; Web site: www.actuarialbookstore.com. ✓



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