

# Update on SOA's Basic Education Redesign and CPD Requirement

PRESENTED TO

**Chicago Actuarial Association**

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SOCIETY OF ACTUARIES

# Today's Presentation

- Update on Basic Education Redesign
- Update on Continuing Professional Development (CPD) requirement



# 2005-07 Basic Education Redesign Objectives

- Provide a more practice-relevant syllabus
- Better prepare actuaries for the future
- Reduce "travel time" to ASA/FSA



# Key Accomplishments - 2005

- Introduced revised Preliminary Exams
- Introduced Validation by Educational Experience (VEE)



# Key Accomplishments - 2006

- Introduced computer-based testing for Exam P
- Rolled out all eight FAP modules
- Administered first FAP1 examination



# Key Accomplishments - 2007

- Added financial economics content to Preliminary Education syllabus
- Provided instant results for Exam P (CBT)
- Began on-demand administration of FAP Final Assessment
- Administered FAP1 exam four times



# Key Accomplishments - 2007

- Administered Spring and Fall Fellowship examinations
- Rolled out all eight FSA-level modules
- Introduced the new CERA designation



# To Do in 2008

- Offer first expanded Fellowship Admissions Course (Atlanta, March 17-19)
- Revise and update FAP modules (throughout the year)
- Replace FAP1 Exam with Interim Assessment
- Continue to evaluate Education Redesign





# Observations

- A massive undertaking – we owe our success to hundreds of volunteers
- Tried to be adaptable and responsive to candidate and employer feedback



# Overview of Education System

- Not tested
- Preliminary Exams
- Fundamentals of Actuarial Practice
- Fellowship Exams
- Fellowship Modules
- Expanded Fellowship Admissions Course



# Not Tested

- Calculus – indirectly tested on all exams
- Validation by Educational Experience (VEE)
  - Introduction to Economics
  - Corporate Finance
  - Applied Statistics



# Preliminary Exams

- P – probability – computer-based – instant results in 2007
- FM – financial mathematics – financial economics added in 2007 – computer-based in 2008
- M – life contingencies – financial economics segment added in 2007
- C – actuarial models – content from M moved here in 2007



# Fundamentals of Actuarial Practice (FAP) Course

- Focus on education over examination
- e-Learning via Web-based modules
- Present key facts, concepts, processes, procedures and principles
- Practical applications, expert experience, examples, case studies and traditional readings
- Opportunities to practice and receive feedback (activities and exercises)



# FAP Course – Change in 2008

- One controlled and graded exercise following Module 5 (Interim Assessment)
  - Interim Assessment must be successfully completed after Module 5 before proceeding



# FAP Course

- One controlled and graded exercise following Module 8 (Final Assessment)
  - Final Assessment cannot be taken before Modules 1-8 and Interim Assessment are completed



# FAP Course - Registrations and Candidate Status

- More than 6000 candidates have registered
- More than 2300 candidates have completed the FAP course in 2 years





# FAP Candidate Feedback

- Very positive
- FAP course is relevant to their work
- SOA e-Learning platform is excellent
- Course material generally well presented
- Candidates' knowledge increased
- Overall quality of FAP course rated exceptionally high



# Employer Feedback on FAP

- Quite positive, but not as positive as candidates'
- FAP course is relevant to candidates' work
- Candidates' knowledge increased



# Employer Feedback on FAP

- Overall quality of FAP course rated as high
- Some (a very few) employers rate FAP as a failure
- Concern that FAP may have less educational content than exams FAP replaced



# FAP Improvements Planned

- Reduce redundancy in readings and reduce the amount of readings, particularly Module 2
- Increase the use of case studies for all modules
- Improve relevancy of end-of-module exercises



# FAP Improvements Planned

- Coordinate end-of-module exercises with assessments
- These changes will occur during 2008



# FSA Education

- Critical content rigorously examined
- Other relevant content covered via modular, e-Learning education with exercises
- Some advanced applications also covered in educational modules
- Maintain and expand the FAC by including a communication skills component



# FSA Education Redesign

- Examinations – two for each educational track
- Two practice-specific e-Learning modules
- Capstone experience =
  - Decision Making and Communication Module (DMAC)
  - Expanded Fellowship Admissions Course



# FSA Exams

- Two 6-hour exams for each educational track; each exam similar to previous Course 8
- Each exam is offered once per year, alternating between spring and fall exam sessions
- Exams administered in May and November





# FSA Modules

- In addition to the two FSA exams, two e-Learning modules are required for each track:
  - Topics that do not lend themselves to an examination format or that do not need to be rigorously tested
  - Optimal level of consistency across educational tracks with some flexibility
  - End-of-module exercises; review and grading for accountability (similar to FAP)



# New CERA Credential Overview

- Chartered Enterprise Risk Analyst (CERA)
- SOA identified need for new credential to demonstrate ERM competence in traditional and broader financial services marketplace
- June 2005: SOA Board approved development of Chartered Enterprise Risk Analyst credential



# CERA - Marketplace

- CERAs will be employed primarily in banking and broader financial services, whereas the ASA will have its traditional stronghold in the insurance sector
- Marketing efforts are directed at publicizing the unique skill set of CERAs



# CERA for ASAs and FSAs

- Option 1 - Experienced Practitioner Pathway
  - Experience managing interaction among multiple risks
  - Methodology development or implementation
  - Academic research resulting in practical application
  - Applications being accepted through July 1, 2008



## CERA for ASAs and FSAs (cont'd)

- Option 2 – Advanced Finance/ERM exam and Operational Risk module
- For the latest information, visit [www.ceranalyst.org](http://www.ceranalyst.org)

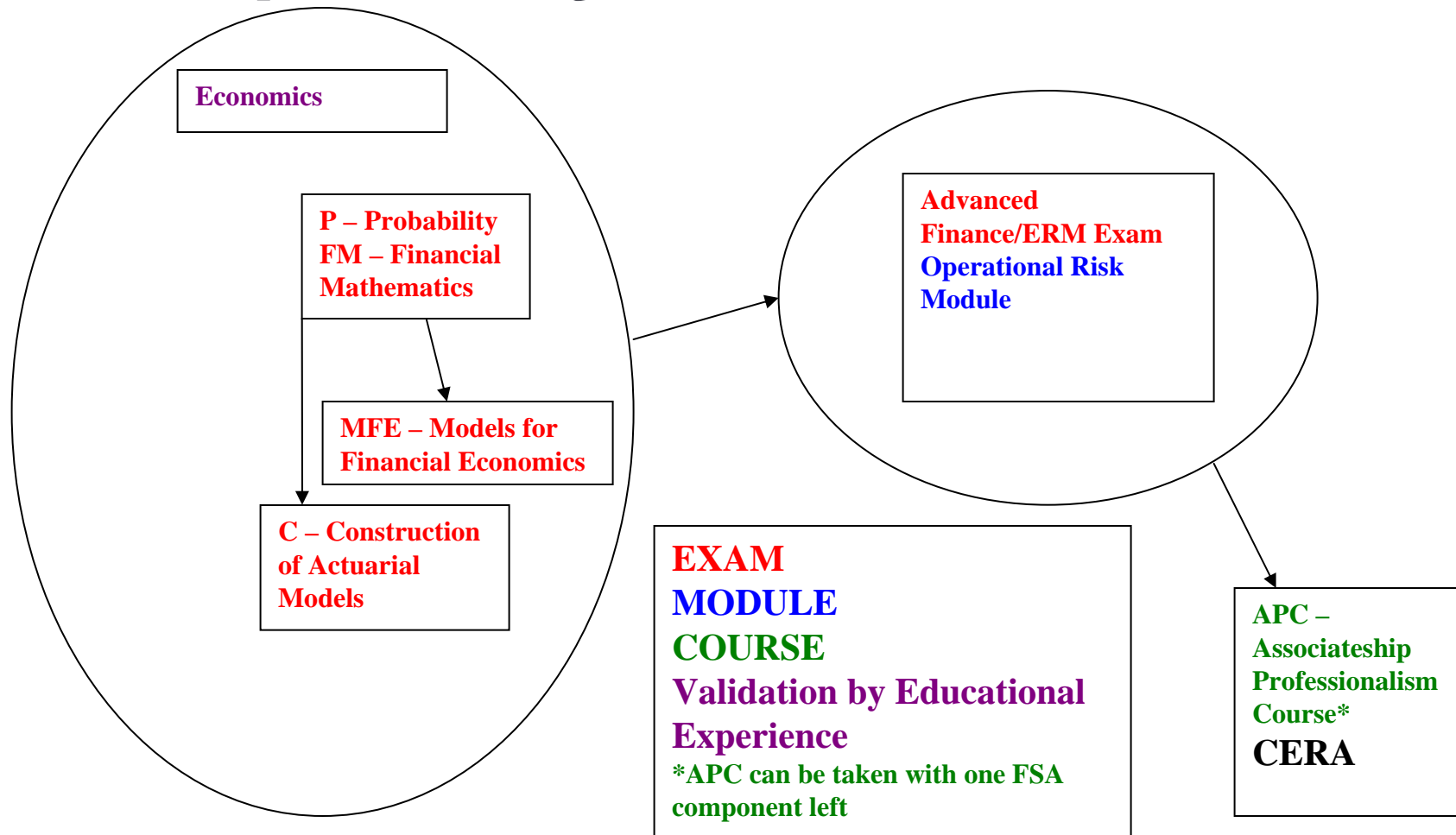


# CERA - Requirements

- For individuals new to the field:
  - Exam P
  - Exam FM (2007 and later)
  - VEE Economics
  - Exam MFE (2007 and later)
  - Exam C (2007 and later)
  - Advanced Finance/ERM Exam
  - Operational Risk portion of FSA-level Module
  - Associate Professionalism Course (APC)



# CERA pathway




# CERA - For Current Members


- If an FSA via the ERM track, qualified for CERA
- Other FSAs who practice in the ERM area will be provided a pathway to CERA that will involve a seminar experience. **Information is available at [www.ceranalyst.org](http://www.ceranalyst.org)**








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### Risk Management Has a New Face: Chartered Enterprise Risk Analyst

Risk Management Has a New Face: The Chartered Enterprise Risk Analyst, a new international credential encompassing the most comprehensive and rigorous demonstration available of enterprise risk management. CERAs possess the unique ability to anticipate, identify, quantify and optimize risk to bring about creative solutions to complex financial challenges facing business and society.

The CERA credential was developed in response to the business world's increasing reliance on professionals who are best equipped to convert risk into opportunity. CERAs don't merely speak to what we can lose; they focus on what we can gain.





# For More Information

- General comments and questions may be sent to [eq2005@soa.org](mailto:eq2005@soa.org).
- Questions specific to VEE may be sent to [vee@soa.org](mailto:vee@soa.org).
- Questions specific to FAP modules and exams may be sent to [fap@soa.org](mailto:fap@soa.org).
- Questions specific to FSA modules may be sent to [fsamodules@soa.org](mailto:fsamodules@soa.org).
- Questions specific to the CERA credential may be sent to [cmcgill@soa.org](mailto:cmcgill@soa.org).



# Continuing Professional Development

- Provisions
- Compliance
  - Alternative Compliance
- FAQs
- Exposure Draft Process
  - Released on November 8, 2007
  - Comment period ends on February 22, 2008



# Program provisions

- **30 units per year**, in a rolling 2-year cycle (60 units every 2 years).
  - **One unit = 50 minutes** (1 hour = 1.2 units)
  - At the end of each year, the member will certify that during the past two calendar years, he/she has obtained enough CPD credit to fulfill the requirement within that 2-year period.



# Summary of key provisions

Summary of Key Provisions of the CPD Requirement (per cycle)			
Category	Requirement (% of credits)	Requirement (units per cycle)	Structured or self-study
Professionalism	5 percent of credits <b>minimum</b>	3 units <b>minimum</b>	At least 3 units as structured credit
Job-relevant skills	50 percent of credits <b>minimum</b>	30 units <b>minimum</b>	Can be either
Business and management skills	25 percent of credits <b>maximum</b>	15 units <b>maximum</b>	Can be either
<b>Total required credits</b>		60 units	At least 30 units per cycle must be structured credit*

\*At least three units of structured credit per cycle must be in professionalism; other structured units can be in any combination of job-relevant and business skills that meet the required minima and maxima. **At least 7.5 units of structured credit must be from a source other than the employer.**



# Definitions

- **Professionalism:** Professional and ethical standards expected of actuaries when carrying out their professional obligations
- **Job-relevant:** CPD credits are job-relevant if they broaden or deepen a member's knowledge of work
- **Business and management skills:** Skills not unique to the actuarial profession that improve personal effectiveness



## Definition: Structured credit

- Any organized learning experience with opportunity for interaction among participants
  - Examples: Meetings, seminars, webcasts, some volunteer activities
  - Must be a forum for questions
- Must obtain at least 7.5 units of structured credit per cycle from a non-employer source
  - Outside-speaker exception



# Definition: Self-Study

- No limit on activities that count as self-study credit, except that normal work duties do not count
  - Examples: Reading professional literature, statutes or regulations; writing professional papers; listening to recordings of meetings; research; distance learning; preparing for a presentation; studying for actuarial examinations; and reading materials for the completion of modules





# Students

- Must comply with CPD once you have ASA or CERA (and therefore become a member)
- If you're still taking exams, you earn structured credit for...
  - An “effective attempt” at an FSA examination
  - Successful completion of an FSA module
- Studying for exams and reading module materials is self-study
- Most students should easily comply
  - May need to get specific professionalism credits



# International members

- No special provisions for international members
  - Requirement is “country-neutral”
  - “Job-relevant” is job-relevant to you, based on your practice
- International members may have concerns
  - Members who have difficulty earning structured credit may submit a plan for an alternative source of structured credit (see Section C7(j) including the example)



# Compliance

- All members (ASAs, CERAs and FSAs) are subject to the SOA's CPD requirement
- Members must certify compliance annually as of December 31 of each year, beginning on December 31, 2010
  - Members will maintain a log of CPD activity
  - The SOA will create an online tracking tool to facilitate the recording process, but members will not be required to use it



# Compliance

- Members who elect not to fulfill the requirement must...
  - Inform their employer and anyone else relying on their actuarial expertise that the SOA credential is denoted “(inactive)”
  - Use the SOA credential only with “(inactive)”
    - ◆ Example: John Member, ASA (inactive)
  - Retired members eligible for dues waiver may use the term “(emeritus)” instead
    - ◆ Example: Jane Retired Member, FSA (emeritus)



# Alternative compliance

- Members who must comply with the *Code of Professional Conduct* Qualification Standards (U.S.) or the CIA's CPD standards may cite them as an alternative method of compliance
- We expect most U.S. and Canadian members to comply with the SOA standard through alternative compliance



# Frequently Asked Questions

- Issued over 60 FAQs to date
- Structured by topic (background, definitions, compliance, etc.)
- Answer the tough questions
- As questions/comments come in, we scan them for new FAQs



# Exposure Draft Process

- CPD Requirement web page [www.soa.org/cpd](http://www.soa.org/cpd)
  - Exposure Draft
  - FAQs
- Comments/questions should be sent to [cpdcomments@soa.org](mailto:cpdcomments@soa.org)
- Comment period ends on **February 22, 2008**



# Questions

