

Companion Guide To The
Global Risk Management
Designation Recognition Treaty

Companion Guide to the Global Enterprise Risk Management Designation Recognition Treaty

The launch of the Chartered Enterprise Risk Analyst (CERA) credential as a global risk management designation is an historic event that was marked by the Society of Actuaries (SOA) and 13 other actuarial organizations¹ signing a multilateral treaty in Hyderabad, India during the November meetings of the International Actuarial Association (IAA). This is the first time in the actuarial profession – and perhaps any profession – that organizations from across the globe have worked together to offer jointly a specialized credential. The Treaty represents a vital collaboration by the international profession and its commitment to lead and uphold best practices in risk management worldwide.

The Global Enterprise Risk Management Designation Recognition Treaty brings many benefits to the actuarial profession as a whole and the SOA in particular:

- The Treaty's signing strengthens international recognition of the actuarial profession's enterprise risk management (ERM) expertise.
- It will promote the development of more actuaries around the world with specialized training in ERM from the nearly 600 CERAs today.
- There will be new opportunities for actuaries worldwide to use their rigorous training and expertise to serve an expanding array of fields and areas of interest.
- The Treaty's signing represents an important and gratifying global endorsement of the strong value created by the SOA when it established the CERA credential in 2007.
- It also sends a strong message to employers and candidates that the skill set of actuaries provides significant insight and risk management expertise, especially in this time of increased globalization.
- As the ASA and FSA are sought after around the world, so will the CERA.

We are pleased to provide a summary of the 62-page treaty as well as a link to the full document.

¹ The organizations signing the treaty include: The Institute of Actuaries of Australia (Australia); Canadian Institute of Actuaries / Institut Canadien des Actuaire (Canada); Deutsche Aktuarvereinigung e.V. (Germany); Institut des Actuaire (France); Israel Association of Actuaries (Israel); Institute of Actuaries of Japan (Japan); Colegio Nacional de Actuarios A.C. (Mexico); Het Actuarieel Genootschap (Netherlands); Actuarial Society of South Africa (South Africa); Svenska Aktuarieföreningen (Sweden); Faculty of Actuaries (United Kingdom); Institute of Actuaries (United Kingdom); Casualty Actuarial Society (USA); Society of Actuaries (USA).

Global Implementation

When the SOA introduced the credential in July 2007, we began registering “CERA” with trademark offices in the US and several other countries. The CERA designation is registered as a “certification mark” – a mark that is awarded to and used by others, and “certifying” that the recipient has met specific educational requirements set by the SOA and has attained an advanced set of skills and competencies related to ERM.

As we experienced success with the launch of the CERA credential, other organizations approached the SOA. They were complimentary of the SOA’s success with the CERA and hoped to work with us in a global effort. Two years of work have resulted in the current Treaty.

In order to take the designation global, the Treaty calls for the SOA to transfer ownership of its rights in the CERA mark to a new entity, to be established under Swiss law, as a holding entity for those proprietary rights. The SOA will be compensated for our ownership rights, as noted below.²

Governance

This new entity will be governed by a Treaty Board, initially comprised of representatives from each of the founding organizations.³ The Treaty Board will:

- oversee the globalization of the CERA designation, and
- implement Treaty provisions designed to maintain the high standards of the designation with any actuarial organization that seeks to be involved in certifying CERA designees.

The governance structure of the Treaty Board involves a “weighted voting” arrangement, based initially on the number of Fully Qualified Actuaries (FQA) in each organization.⁴ For the SOA, this includes both ASAs and FSAs. As a result, the SOA will, for the foreseeable future, have voting power equal to 12.5% of the votes on issues decided by the Treaty Board.

Frank Sabatini, FSA, CERA, MAAA will be the SOA’s representative on the Treaty Board, and Greg Heidrich, SOA Executive Director, will be the SOA’s administrative contact.

² See Part M, clauses 79-83.

³ See Part B.

⁴ See Part X, clauses 143-150.

Costs to the SOA

As noted earlier, the globalization effort requires the creation of a Swiss entity to hold the intellectual property assets associated with the CERA mark. Certain “treaty-level” costs will be incurred to establish this entity and support the global program on an ongoing basis (for example, maintaining a global registry of CERA recipients and maintaining and expanding the trademark registrations as needed).⁵

These initial and ongoing costs will be allocated among the participating organizations, again with some weighting of the allocations according to the numbers of FQA.

- It is expected that the SOA’s share of the annual operating costs will be approximately \$56,000.
- In recognition of the SOA’s transfer of the CERA registrations, the SOA will initially *receive* a payment of \$90,000 as part of the initial costs, funded by the other participating organizations.⁶

Gaining Award Signatory Status

The Treaty defines a rigorous common set of ERM “Learning Objectives” to which all organizations wishing to certify designees must adhere.⁷

- The Learning Objectives were developed through extended and detailed discussions among interested organizations, and they closely follow the objectives and syllabus used by the SOA today.
- The Treaty also establishes a formal process for reviewing the syllabus and educational standards of participating organizations wishing to award the credential, *before* they are allowed to do so.⁸
- Benchmarks have been established for this review process, ensuring that each awarding organization will follow a comprehensive syllabus that meets the learning objectives established.⁹
- Benchmarks will also provide the testing rigor to ensure that the standards of the designation will remain the same for all participating organizations.

Under the Treaty, the only actuarial organization currently able to award the CERA is the SOA. All others, including those that signed the Treaty, must undergo a rigorous review process before gaining approval to be involved in certifying CERA recipients.

⁵ See Part M, clause 79, and Part V, clauses 138-141.

⁶ See Part M, clause 83.

⁷ See Part L and Schedules A and B.

⁸ See Part E.

⁹ See Schedule C.

Organizations qualify for signatory status by:

- demonstrating they are capable of delivering a curriculum that satisfies the learning objectives, and
- rigorously validating those participants in those programs have met the certification requirements.¹⁰

Those organizations that qualify to be involved in awarding the credential will be known as “Award Signatories.” Award Signatories will be subject to due diligence reviews at least every three years by a Review Panel.¹¹ Participating organizations, including the SOA, will appoint two representatives to the Review Panel.¹²

Quality Assurance

A strong quality assurance program will ensure rigorous controls to protect the credential.¹³ The initial evaluation process, conducted by trained external reviewers, will include:

- a review of participating associations' processes to award the credential, and
- a thorough review of the learning objectives, syllabus and learning materials on which each association's status as an Award Signatory will be based.

This initial process will be followed by an annual review, which will include testing processes, pass rates and assurance of quality processes.

Recognition and Membership

Because the CERA will represent a uniform designation regardless of which Award Signatory was involved in certifying the recipient¹⁴, the credential will be *recognized* by all participating organizations regardless of where it was obtained. This means participating organizations will recognize:

- all holders of the CERA designation have been trained and validated through equivalent processes to meet the rigorous educational standards embodied in the common learning objectives, and
- the right of every CERA designee to use the credential after his/her name.¹⁵

¹⁰ See Part E, clause 22.

¹¹ See Parts F and G.

¹² See Part U, clauses 130-137.

¹³ See Schedule C, the Terms of Reference for the Review Panel.

¹⁴ See Part I, esp. clause 55(c).

¹⁵ See Part K, clauses 61, 63 and 64.

Recognition does *not* mean that a CERA holder from any organization becomes eligible, by virtue of gaining the CERA designation, for membership in any other organization.¹⁶

- The Treaty does not alter or affect the requirements for membership in any of the participating organizations, including the SOA.
- Individuals wishing to join any participating organization must continue to meet the separate membership requirements established and controlled by each individual organization.
- Since the CERA's inception by the SOA in 2007, individuals who have earned the CERA through the SOA's processes have also qualified for SOA membership as an Associate of the Society of Actuaries (ASA), based on having met the requirements of membership established by the SOA Board of Directors.
- However, individuals who qualify for the CERA credential through a non-SOA pathway under this Treaty will not automatically qualify for membership in the SOA (nor will those who earn their CERA through the SOA pathway automatically qualify for membership in other participating organizations).
- Individuals who gain the CERA through the SOA pathway will continue to be automatically eligible for SOA membership.
- Individuals who pursue CERA through a non-SOA pathway, and who are interested in becoming members of the SOA, must still pass the appropriate SOA exams and satisfy all other requirements of membership.
- Only those who are members of the SOA are allowed to use the SOA's membership designations – Associate of the Society of Actuaries (ASA) or Fellow of the Society of Actuaries (FSA).

Professionalism

Under the Treaty, every organization accepted as an Award Signatory and involved in certifying CERAs must be a full member association of the IAA¹⁷, having adopted a code of professional conduct and a disciplinary process to ensure conformity with the code. Every recipient of a CERA designation must agree in writing to abide by the code of professional conduct and disciplinary system of the Award Signatory through which the holder obtained the credential.¹⁸

Branding

All participating organizations will adopt a common branding approach that is based on the existing CERA branding strategy developed by the SOA. The new Treaty Board will be responsible for oversight of the branding strategy and the

¹⁶ See Part K, clauses 62 and 65.

¹⁷ See Part E, clause 22.

¹⁸ See Part I, clause 55(b), and Part J.

branding used by the participating organizations. Key messaging and branding will be consistent and will distinguish the CERA credential holder from any other designation of ERM expertise.¹⁹

Future Growth of CERA

The Treaty recognizes that some actuarial organizations that are not currently participants in the Treaty may wish to become affiliated with CERA in the future.²⁰ This is expected and has the potential to be a very exciting development as we see CERA expand and grow in market acceptance. Any organization that wishes to do so will be required:

- to submit a written application to the Treaty Board, and
- to demonstrate its commitment and ability to meet all of the obligations and terms of the Treaty, and
- if the organization wishes to become an Award Signatory as well, to demonstrate to the Review Panel that the education and validation processes it will use meets the rigorous requirements of CERA, just as the initial signatories must do.

The complete Treaty can be accessed and reviewed at <http://www.soa.org/files/pdf/cera-treaty.pdf>.

If you have any questions or comments regarding the Treaty or the global CERA credential, please contact the SOA at cera@soa.org.

¹⁹ See Part N. clauses 94-96.

²⁰ See Part C.