



SOCIETY OF ACTUARIES

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## UAP IS NOT IN OUR BEST INTEREST—A PERSONAL VIEW

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The April/May 2013 issue of *The Actuary* featured an article recommending that the SOA board recognize the Canadian Institute of Actuaries' (CIA's) University Accreditation Program (UAP), and another calling for the SOA to embrace university as well as self-study approaches to educating actuaries while implicitly endorsing adoption by the SOA of the CIA's UAP. Under the UAP, students who successfully complete (defined as receiving a certain grade) a class (or classes) devoted to topics covered in certain preliminary actuarial exams are given credit for passing

the SOA's exam. One article was written by James E. Trimble, director of Actuarial Science at the University of Connecticut. I have had the great pleasure of speaking with Professor Trimble's students during my tenure as a presidential officer of the SOA and admire what they have accomplished at UConn. The other article was written by Marcus Robertson, a current SOA board member with whom I have worked over the past few years and whom I greatly respect.

I have met with the leadership of the CIA on multiple occasions and understand their

expressed desire to have the SOA adopt their UAP. I know that the SOA values its Canadian members and some of our leaders, including me, would undoubtedly like to express appreciation of our Canadian counterparts by accommodating their request, if at all feasible.

Nonetheless, I believe the impact of such adoption would be sufficiently negative for the SOA and its members—enough to necessitate denial of the CIA's request. The remainder of this article will explain why I believe adoption is not in the SOA's best interest.

Personally, my most valuable professional and economic asset is my fellowship in the SOA. For me, it is the asset from which all other financial and professional assets emanate. Based upon numerous discussions over many years, I believe this to be true for many, if not most, of you. Consequently, the primary responsibility of both the board and the staff of the SOA must be to maintain, protect and enhance the value of the SOA's credentials. I believe that adoption of the UAP has the potential to impair the value of SOA credentials.

Specialized skill validated by an independent authority is a key component of designation as a professional. Accountants are tested and accredited, despite their rigorous university-based education. My spouse, Karen, is a CPA. She graduated from the University of Illinois with a major in accounting. The University of Illinois is known for the rigorous preparation of its students. Its graduates historically have been extremely successful passing the CPA exam. Nonetheless, graduates of the program are still required to pass the exam. No waiver is granted. Independent, uniform testing is the best way to assure the continued quality of university-trained, future accounting professionals. Similarly, graduates of the nation's finest law schools are required to pass the bar exam before they are allowed to practice law. Medical school graduates must pass their board exams. What makes the actuarial profession different?

Outsourcing the validation of skills of our future professionals introduces important quality control issues. From time to time, we have all read about cheating scandals at some of our most prestigious universities. Although admittedly anecdotal, I have received feedback from a few of our recent FAC graduates. They expressed concerns about the difference in oversight of actuarial exams versus the oversight that existed when they took their final exams in college. These students graduated from schools approved by

the CIA to implement the UAP. In addition, I believe we need to recognize that what does and what does not constitute "cheating" differs by geographic region. We cannot allow university professors around the world to apply their personal interpretation of "cheating" when administering exams that validate our future professionals' competence.

We are also aware of the concept of "grade inflation" in our universities. Grading of SOA-sponsored exams occurs on an anonymous basis. The individuals grading exams in a university setting typically know the individual test takers. How might they react when they consider the personal consequences of giving a certain grade to one of their students? These are quality control risks that we can avoid by rejecting adoption of UAP.

Proponents of the UAP appear to be confusing education versus testing/validation. They have a clear preference for university-based education versus self-study. Having graduated from a university-based actuarial program, you will not find a bigger supporter of university-based actuarial education than me. Adopting UAP is not a referendum on university-based education versus self-study. Rather, it is a decision whether or not to outsource validation of actuarial skills. And it is not limited to Canada. If we were to adopt this proposal, how would we deny outsourcing responsibility to similarly qualified universities in the United States? In Hong Kong? In the rest of the world? The SOA is a large, growing global organization. Decision makers must take into consideration not just the relatively benign consequences of adopting a program in a limited geographic area, but the consequences of adopting the same program worldwide.

Adoption of this proposal and expansion globally would transform the expense structure of the SOA. Testing is scalable with

much of the variable component currently covered by SOA volunteers. Accreditation of university programs is not scalable and would involve substantial incremental expense, not to mention the potential loss of exam revenue, incurred by the SOA. This would eventually result in either an increase in membership dues or a decrease in membership services, as currently provided by the SOA. While not dispositive, this certainly needs to be considered in any decision to adopt the UAP. If the benefits of adoption were overwhelming, the cost would not be a significant concern. Given that the benefits are questionable, at best, the incremental expense must be considered.

The argument I am **not** making is, "We had to pass actuarial exams. You should, too." The SOA is a professional organization, not a fraternity or sorority where membership is subject to an initiation process. I continue to support the existing system simply because uniform testing is the best way to validate the competence and capability of potential future professionals. **A**

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