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Undeniable

Globalization places actuarial education in new light

by Steve Radcliffe

Chair, CAS/CIA/SOA Joint Task Force on Academic Relations

Major consulting firms and many prominent insurers today clearly broadcast their international focus on their Web sites and in other corporate identity statements. Treaties and agreements such as the General Agreement on Tariffs and Trade are arising that allow products and services, including financial services, to be sold across borders more extensively than at any time in history. Technology has opened national borders to a rapid exchange of information and capital, and this means globalization is here to stay.

Countries, organizations, and professions have simultaneously been thrust into a globalized era. Developments in cross-border issues have mushroomed, often building on previous agreements and events.

It's certain that actuaries will be working in an increasingly globalized business environment. As such, actuaries often will compete for jobs in a global marketplace. Fifteen of the largest consulting firms with an international focus employ 25% of the current SOA members. What does this mean for the education and training of actuaries and for the companies that hire them?

Employers in the new era

Executives, recruiters, and others remain firm in their conviction that actuarial education must retain the same high standards it has had for decades. However, as the business world becomes more global, hiring managers are recognizing that those standards are met by many actuarial organizations. Many firms already recognize the professional qualifications of actuaries who have received designations in the United Kingdom and Australia.

"In our company, we generally

recognize actuarial credentials no matter where they're gained," said Timothy J. Lynch, FSA, chairman and chief executive officer, William M. Mercer. Lynch said the exceptions are when, such as under ERISA, certain documents must be signed by Enrolled Actuaries.

"As a global firm, we've recognized that many issues in one country exist elsewhere and that we need to move professionals from one jurisdiction to another to optimize our learnings to benefit clients," said Neville Henderson, a partner in PricewaterhouseCoopers, Toronto. "As major projects arise, we find consultants working for our firm anywhere in the world who have experience in the same types of projects and send them to the new jurisdictions. So we're really trying to globalize our efforts, and part of that is making sure our consultants and professionals have as broad a base of education as possible."

Recruiter Michael J. Corey, who conducts actuarial searches for LAI Worldwide, said in an article for the July 1999 issue of *The Actuary* (U.K.) published by Staple Inn, "The dynamics of the insurance business have changed radically over the past few years, and the insurance business has become truly global. The actuarial profession is also becoming global, and, in the United States today, FIAs and FFAs are without question held in equal esteem to their North American counterparts."

Actuarial designations around the world

So it's undeniable that we're seeing greater cross-border recognition of national actuarial designations. Many of those designations are earned through credit granted in part, and sometimes in total, for university course credit.

The December 1998 preliminary study of the CAS/CIA/SOA Joint Task Force on Academic Relations notes:

The CAS and SOA appear to be among the few actuarial organizations in the world using an actuarial education and professional qualification system that gives little or no formal recognition to academic work. In most countries, actuarial education and professional qualification are much more university focused.

The report also pointed out that Mexico's actuarial education and professional qualification are totally based on university training, as are those of many European countries. Both the United Kingdom's and Australia's actuarial organizations have "good experience with allowing exemptions from examinations on the basis of a limited number of accredited university programs," the report said.

Several national organizations already grant their designations to individuals belonging to another organization, usually after the person takes only one or a few actuarial exams (residency requirements are usually set, as well).

For example, the SOA gives ASA status to Fellows of the Institute of Actuaries, Faculty of Actuaries, and the Institute of Actuaries of Australia, observed the task force's preliminary report. Under the current E&E system, the SOA gives ASA status to actuaries from other countries in which university accreditation is the only qualification route, such as in Mexico, and after they pass SOA Course 150, "Actuarial Mathematics." The CAS waives the first five exams for Fellows of the British Institute and Faculty. To become an FCIA, Fellows of the Institute and Faculty must satisfy an

educational requirement, take a few exams, and have two years' Canadian experience.

In a globalized business environment, this paradox could become a major problem. How will multinational employers of actuaries, who constitute a small employment pool, handle growing needs for employees with mathematical, statistical, and modeling skills — skills that may no longer be solely the domain of actuaries? What's fair to individual actuaries (and candidates), both those who earned their actuarial designations solely through self-study and those who gained them at least in part through university credit?

On the march

The Education Committee of the International Association of Actuaries (IAA) issued a recommended syllabus and educational guidelines for its member countries in June 1998. The committee is now conducting a member survey to determine how its recommendations compare with the practices of actuarial associations around the world.

It has been determined, however, that IAA member associations will have to adopt the final guidelines to retain voting status in the IAA.

"The IAA's objective is to upgrade overall actuarial qualifications everywhere. In the mean time, a number of organizations are setting up or exploring the possibility of mutually recognizing each other's credentials," noted Henderson, who is chair of the SOA Task Force on Mutual Recognition (see "Meeting globalization," *The Actuary*, June 1999).

Serving their members

The modern actuarial profession has succeeded in part because of its high educational standards. Throughout the world, both actuaries and their employers will insist that those remain. In many countries, those rigorous standards are being met through designations based on some amount of university course credit. Actuarial organizations offering self-study as the only route to a valued designation may not be serving their members and students at the highest possible level.

The joint task force is dedicated to

the excellence of actuarial education. As such, it has taken the position that while university education should be considered, university qualification should not. Actuarial organizations should retain the responsibility of providing actuarial designations through the examination process.

Globalization will continue, and businesses will strive to meet their worldwide employment needs on the basis of needed skills. Actuaries will

compete with each other and perhaps for the first time with professionals, such as financial engineers, trained outside actuarial organizations. The world has changed and will continue to do so. Actuaries must be prepared to succeed in this new world, and to thrive in it.

Steve Radcliffe, executive vice president, American United Life Insurance Co., can be reached by e-mail at Steve.Radcliffe@aui.com.

Recent activities of the Joint Task Force on Academic Relations

List serve

An active list serve set up to communicate with the Academic Relations Task Force saw a flurry of messages in July and August, with more questions than definite answers, on a range of topics:

- Should the SOA/CAS require a college degree as a qualification for an actuarial designation?
- How can you measure the quality of different academic actuarial programs?
- Is the E&E system an education "delivery" system or just an education "verification" system, testing whether an education occurred?

You can get in on these discussions by going to the SOA Web site (www.soa.org) and under *Resources*, go to *List Serves, Public*. Simply hit the "join" button and follow the instructions.

Speakers at ARC

Steve Radcliffe, chair of the academic relations task force, and task force member Jim Hickman led a session at the Actuarial Research Conference in Des Moines, Ia., on Aug. 8. They introduced the possibility of a stronger partnership with academia, exploring the issue of having the universities educate for actuarial science in cooperation with the actuarial profession up to a certain level. The profession would verify that education through a uniform comprehensive exam.

More task force members — Bryan Hearsey, Rob Brown, and Andre Premont — joined Hickman and SOA staff liaison Warren Luckner in a discussion with conference attendees. Topics included a reorganized listing of schools offering actuarial science programs and the pros and cons of a uniform comprehensive examination.

New, expanded school list

One short-term goal of the task force is to reorganize the listing of colleges and universities that offer an actuarial science-related curriculum. After several months of revisions based on feedback from academics and others, the solicitation to build the reorganized listing for the year 2000 has been issued. This solicitation asks for more information than ever before to provide more meaningful information to students, faculty, the business community, and government. To see what information the task force is gathering, go to the SOA Web site (www.soa.org), then to *Academic Relations*, and finally to *2000 College Listing*.