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BROADENING ERM HORIZONS

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THE NEW CERA PATHWAY AND EXPANDED ERM OPPORTUNITIES FOR SOA CANDIDATES

On March 7 of this year, the Society of Actuaries' (SOA) Board of Directors approved exciting enhancements for the pathway to the CERA (Chartered Enterprise Risk Analyst) credential and moved to expand Enterprise Risk Management (ERM) learning opportunities in all tracks for candidates pursuing fellowship. The approved changes will meet the needs of candidates and employers seeking to acquire ERM skills and help the SOA more efficiently deliver comprehensive ERM education.

At the heart of these changes will be a new ERM-focused examination. This exam will reflect the considerable strides that have been made in the ERM arena in the past few years and provide the SOA with the opportunity to create specifically designed ERM courseware rather than a syllabus collected from a variety of sources. As part of the new CERA pathway and the Finance/ERM fellowship track, the ERM exam will exhibit an exclusive ERM focus, with a general scope appropriate for all practice areas.

For candidates pursuing an FSA on tracks other than Finance/ERM there will now be an option to learn ERM and receive the CERA credential. This change has been made in response to a demand from employers and candidates for a mechanism by which future actuaries can acquire significant skills in both their practice area and in ERM. Candidates will continue to be able to choose a route to FSA that includes only their chosen track or the new ERM pathway that results in both an FSA and CERA.

The changes to the CERA pathway are also positive developments for FSAs and ASAs seeking a CERA credential. The focused approach of the ERM exam will provide the requisite education in a more efficient framework.

TASK FORCE RECOMMENDATIONS

In response to candidate interest in obtaining the CERA credential, a growing recognition of the CERA among employer groups and the knowledge the SOA has gained from the recent review of other organizations' CERA pathways, a task force was formed to consider opportunities for changes to the SOA's CERA requirements.

The task force, consisting of Education volunteers with varying practice area backgrounds, completed a careful review and recommended two key changes to the current SOA approach to CERA.

First, a new model for the SOA's CERA pathway should be adopted. In addition to ERM syllabus topics, the CERA Global Association requires that CERAs meet the International Actuarial Association (IAA) definition and requirements for being a Fully Qualified Actuary (FQA). These requirements comprise a list of topics that are viewed as essential for all actuaries and are a subset of the SOA's current requirements for associateship. Because the SOA's new ERM exam will have an exclusive ERM focus, the Fundamentals of Actuarial Practice (FAP) course will be added to ensure that the FQA requirements as established by the IAA continue to be met. Additional benefits of adding the FAP course are that it incorporates practical applications and it provides a strong introduction to ERM, allowing the fellowship-level ERM course to start at a higher level. In addition, as ERM looks at the entire organization's financial structure, it is appropriate to add VEE Corporate Finance to the CERA requirements.



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Second, all SOA tracks should include an *option* that enables candidates to obtain the CERA credential on the way to fellowship. The task force concluded that it would be acceptable for this option, in total, to require some additional examination hours, but not as many as currently result from adding the CERA components from the Finance/ERM track. The task force and the SOA Board were comfortable with the additional hours for the CERA option because those who choose the option receive both the FSA designation and the CERA credential.

BENEFITS

The SOA's Advanced Finance/ERM (AFE) exam (the key ERM exam in the current CERA pathway) is a six-hour exam with a significant portion devoted to non-ERM topics. The new ERM exam will be four hours in length, providing a more focused and efficient pathway to the CERA.

The new ERM exam will provide a more accessible means for candidates in other tracks, as well as current FSAs and ASAs, to acquire a CERA credential with minimal additional exam time—a need that has been expressed by candidates, members and employers.

Courseware will be developed specifically for the new ERM exam to provide a cohesive and comprehensive learning resource for candidates. The SOA believes that this courseware will prepare candidates well for success on the examination.

An opportunity can now be realized to update and rearrange material on the current exams and take advantage of a more clearly implied order for candidates to progress through the exams. This

will be balanced against the goal of a simplified transition.

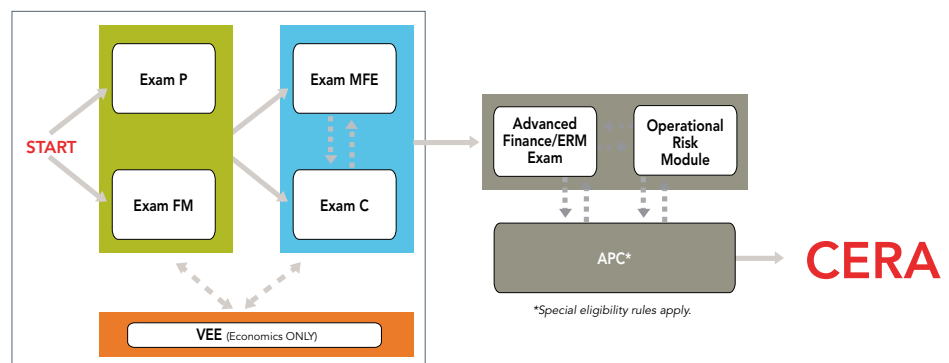
The pathway changes set out by the Board will also ensure that the SOA maintains its position at the forefront of ERM education. The new pathway for the SOA's CERA will align well with the CERA Global Association standard and provides an effective delivery of the necessary learning objectives.

CERA PATHWAY COMPARISON: ORIGINAL AND ENHANCED

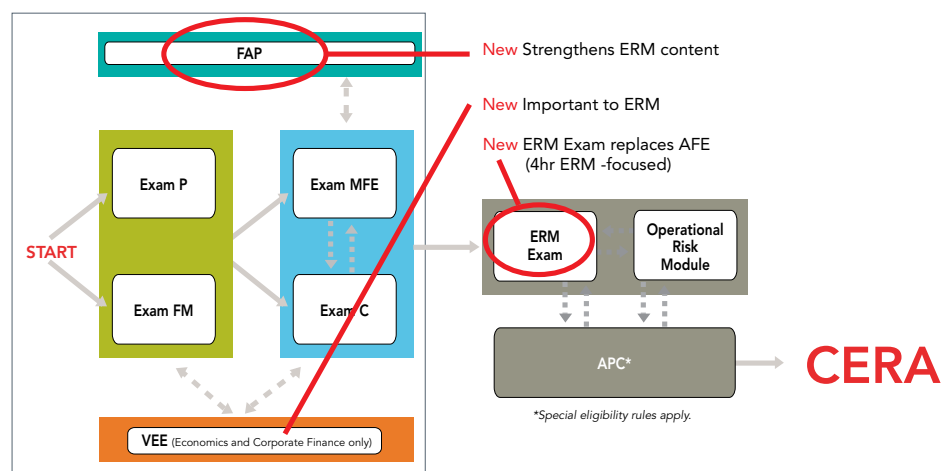
The CERA credential was originally

created and approved by the SOA Board in 2007. At that time, the Board mandated that the new credential be a subset of the existing Finance/ERM Track for fellowship. The new CERA pathway is based on the concept that a candidate must meet both the requirements to be a fully qualified actuary as defined by the IAA and the global CERA syllabus requirements. The SOA's original CERA requirements and the newly approved requirements are shown below.

ORIGINAL CERA PATHWAY



ENHANCED CERA PATHWAY (EFFECTIVE JULY 1, 2012)



The enhanced pathway more than meets the requirements set out in the CERA Global Association syllabus.

As part of the Global Enterprise Risk Management Designation Recognition Treaty, those who complete these new requirements (as well as those completing the current requirements prior to July 1, 2012) receive their CERA from the CERA Global Association. Those who receive

their CERA through the SOA's pathway continue to be eligible to apply for SOA membership as an ASA.

NEW ERM OPTION FOR ALL TRACKS

To meet the goal of providing all candidates with a pathway to the CERA credential, the requirements for the FSA designation will change to provide an optional ERM pathway for every FSA candidate. The current requirements and

the newly approved requirements are shown in the chart below.

Candidates on the Finance/ERM track will not have the option to take a fellowship non-core (two-hour) exam; they must take the ERM Exam. Therefore, candidates taking the Finance/ERM track or the CERA option for any other track will have two hours more of exam time than candidates who do not select the CERA option. Candidates for fellowship who do not choose to earn a CERA will continue to have 12 hours of fellowship-level examinations, as is the case with the current requirements.

ADDITIONAL DETAILS ABOUT THE REVISED EXAMINATIONS

The ERM exam will be four hours in length. The exam will be positioned so that it can be the first exam taken after FAP and will not rely on any material from the other fellowship exams. Three hours of the exam will consist of a common set of ERM questions. The fourth hour of the exam will be devoted to questions relating to a case study. There will be several case studies available, one covering each practice area as well as one that is generic.³ The exam will have a unique set of questions for each case study and candidates will be able to choose which set to answer after receiving their exam. The case study questions will be practical and business oriented.

Of particular note, the new Finance/ERM track Fellowship Advanced exam will be structured as a Corporate Finance and Business Strategy examination, with ERM applications. This will be similar in content to some MBA courses and will provide candidates with business exposure necessary to complement

CURRENT FSA REQUIREMENTS
All ASA requirements
Two Fellowship-level exams - The two exams are 6 hours each (except for U.S. Retirement Benefits, which incorporates the EA exams)
Three FSA modules as specified within the selected track
Decision Making and Communication module (DMAC)
Fellowship Admissions Course (FAC)
ENHANCED FSA REQUIREMENTS (Effective August 1, 2013)
All ASA requirements
Three Fellowship-level exams: <ul style="list-style-type: none"> • (Choice of) ERM Exam (4-hr) or a track-specific Fellowship Non-Core (FNC) Exam (2-hr) • FC (Fellowship Core) track-specific Exam (5-hr)¹ • FA (Fellowship Advanced) track-specific Exam (5-hr)
Three FSA modules as specified within the selected track ²
Decision Making and Communication module (DMAC)
Fellowship Admissions Course (FAC)

their technical skills. The more efficient distribution of material on the Finance/ERM track makes this important addition to the syllabus possible.

TIMING

When making changes such as these, time is needed to prepare a revised syllabus and construct new exams. Candidates should be provided ample time to make decisions about how best to proceed toward their goals. The creation of the ERM exam is less disruptive and affects only one track. Therefore, the new CERA requirements will become effective July 1, 2012 with the first administration of the ERM exam in fall 2012. It will take longer to restructure the fellowship exams and so the new FSA requirements will become effective July 1, 2013 with the new exams given for the first time in fall 2013. Complete details regarding timing and transition are available on the SOA website at www.soa.org/pathwaychanges.

CONCLUSION

The SOA's Strategic Plan requires that continuous improvements be made to the education system, which ensures it provides attractive, efficient and high-quality pathways for its stakeholders. The SOA believes that a CERA credential earned through the SOA's new pathway will provide all SOA candidates with an efficient means of acquiring essential ERM skills for tomorrow's business environment. This new approach to the CERA pathway and to ERM knowledge development has been designed to provide a more comprehensive and forward-looking education that the SOA's CERA credential holders can carry proudly into the global marketplace. **A**

ENDNOTES

- ¹ The requirements for U.S. Retirement Benefits are different. The two EA exams will be taken instead of FC.
- ² Candidates who do not take the Operational Risk module as part of their track requirements must take it as a fourth module to earn a CERA.
- ³ Candidates will not be required to match the practice area case study to the track they ultimately select for fellowship. However, as is the case now, all other elements must be from the same track.

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GLOBAL DEVELOPMENTS

Leaders of other actuarial organizations looked at the increasing role of risk management and the CERA credential and began to think about creating their own pathways. In a remarkable burst of cooperation, the major organizations combined to sign a treaty that created a global entity responsible for granting the CERA credential through a variety of approved pathways. This resulted in the creation of the CERA Global Association. Candidates who complete the SOA's CERA pathway now receive their credential from the CERA Global Association. As before, those who receive their CERA through the SOA's pathway are also eligible to apply for membership as ASAs.

As of this writing, four other associations have been granted the right to offer the CERA credential. A key distinguishing feature is they take an "associateship plus" approach. That is, candidates must first complete the requirements for membership at the associate level and then complete whatever else is needed to comply with the Global CERA learning objectives. The SOA's approach differs in that only those associateship components required by the IAA for designation as a fully qualified actuary are included. **A**