



SOCIETY OF ACTUARIES

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## Letter From The President

# THE SOA AND GENERAL INSURANCE

BY MARK J. FREEDMAN

**IN MARCH 2012**, the Society of Actuaries' (SOA's) Board of Directors decided to develop a General Insurance/Property & Casualty specialty track. The SOA has achieved great strides since then in developing this track. In this letter, I will explore why this decision was important for both the SOA and the profession, where we are in the process, and what is still left on the horizon for us to complete.

### THE DECISION'S IMPORTANCE

I was fortunate enough to chair the SOA's Strategic Planning Task Force that

our members hold. As a result, the plan's primary focus is to enhance the value of the SOA's credentials while serving our many stakeholders. The SOA's General Insurance track will not only enhance our current and future members' credentials, but it will also strengthen and broaden our profession.

A hallmark of the SOA is its education system and its commitment to providing our students with the strongest educational foundation possible. The SOA provides educational opportunities of uncommon depth and breadth through its specialty

in practice. When I was studying for exams, the SOA only offered an Individual Life Insurance track and a Group track, where the Group track included pensions. Over the years, the profession expanded and the specialty tracks grew to accommodate the widening range of expertise. Until last year, our five specialty tracks covered the central topics of the actuarial profession, but with one glaring omission: They did not cover property/casualty—or general—insurance. By adding a General Insurance track, we have filled that hole and now offer our students access to an educational foundation covering all of the key current areas of actuarial practice.

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developed our current strategic plan in 2012. In developing the strategic plan, we recognized that SOA credentials are among the most valuable, if not the most valuable, professional and economic assets

track offerings. The specialty track approach recognizes the need for students to obtain in-depth education in an area of focus, while providing access to the wide range of disciplines that actuaries may encounter

Why is it important to provide a full range of specialty track offerings? Perhaps the primary reason is that it allows students the choice they deserve as they consider the focus of their actuarial careers. Previously, students were forced to commit to a career in property/casualty insurance at an earlier stage, or risk some time studying examination material that would not transfer between actuarial bodies. Now, students can delay their decision until they start taking fellowship exams, and have some



experience on which to make an informed decision on their area of focus. The General Insurance track also affords students (and future members) flexibility to change their area of practice without having to obtain a second credential.

This flexibility is beneficial beyond the educational opportunities it provides to new students. It also benefits seasoned practitioners by enhancing the integration of research and practice development between general insurance and the other specialty tracks. Topics ranging from risk management to financial reporting to pension funding have all benefited from cross-disciplinary research that is fostered by the coexistence of diverse practice areas under the SOA umbrella. General insurance research has lagged in its ability to tap into these related disciplines to expand its actuarial reach, or to bring its innovations to these other disciplines. Addition of a General Insurance track will enable more cross-disciplinary activity and opportunity. This will be especially valuable to actuaries in multi-line insurers and therefore to the profession in general.

In many parts of the world where the SOA is already strong, distinctions between practice areas are not as sharp as in the United States and Canada. This is particularly true in the developing economies of Asia and South America where, as the middle class grows, general insurance is often one of the most rapidly growing actuarial specialty areas. We want our students and all members of our profession to be able to participate in these opportunities, wherever they live and work. The SOA is not alone in covering all practice areas in its education system. Almost every other actuarial organization,

other than those based in the United States, has gone down this route.

## PROCESS PROGRESS

SOA Staff Fellow Stuart Klugman's article in the February/March 2014 issue of *The Actuary*—"On Track with General Insurance"—discusses the details of where we are in the process. Here are the highlights.

### *Our Model*

The SOA has been very successful in developing high quality specialty tracks. In fact, the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* recognize that an actuary completing any fellowship specialty track offered by the SOA, including a new track such as general insurance, will have automatically satisfied the basic education requirement for issuing many statements of actuarial opinion in the area of practice covered by that specialty track.<sup>1</sup>

### *Textbooks and Exams*

- We published our first text for the exam on general insurance reserving and ratemaking. Written by Jacqueline Friedland, *Fundamentals of General Insurance Actuarial Analysis* is the most up-to-date text of its kind in the world today. We have made the text available to general insurance actuaries globally for their use and as a critical addition to their professional libraries.
- We constructed an Introduction to General Insurance exam, based on Chartered Property Casualty Underwriter (CPCU) reading materials from The Institutes, the leading general educational institution for the U.S.

property/casualty insurance industry.

- We developed a new textbook **Mark J. Freedman** titled *General Insurance Financial Reporting Topics*. It contains study material for the Financial and Regulatory Environment exam and, again, provides general insurance actuaries globally with an important new addition to their professional libraries.
- We developed and released a new Applications of Statistical Techniques module that provides hands-on training for students applying modern statistical techniques to solve actuarial problems.
- We are now spreading general insurance concepts throughout the SOA's education curriculum. In 2012, the new ERM exam included a general insurance extension. To complement the track, we added general insurance material in the Fundamentals of Actuarial Practice course and added sections to the Financial Economics module (with an emphasis on asset-liability management).

We expect to see the track grow slowly, but steadily, during introduction and as students and employers become more familiar with it. Over time, we would expect our proportion of general insurance candidates to be comparable to what other actuarial societies around the world experience. At this early stage, we are seeing our first students coming from a variety of countries (including the United States) and from

traditional employers of general insurance actuaries, and we are delighted to see them moving into our new track.

## IN THE WORKS

### *Recognition by Regulatory and Qualification Bodies*

Critical to the success of each of the SOA's specialty tracks is the recognition of quality by our many stakeholders, including candidates, members, employers and regulators.

Many states and the National Association of Insurance Commissioners (NAIC) already

General Insurance track is certainly focused on our international strategy, regulators in other parts of the world will look to the NAIC and its acceptance of our track as a demonstration of the track's quality. Second, many international students studying in the United States (and taking our exams) do not yet know where they want to practice. If they end up practicing in the United States, they will need the flexibility of such regulatory recognition here.

In addition, we are in the midst of discussions with the Canadian Institute of Actuaries to determine if it will accept our track as a basis

tracks. This is critical, since research is also a cornerstone of the SOA's mission. We are beginning to explore how we can make a contribution in this area and will be looking for opportunities to work with researchers and other actuarial societies in this arena.

As always, if you have questions, please feel free to contact me at [mfreedman@soa.org](mailto:mfreedman@soa.org) with any questions you may have on our General Insurance track or other SOA matters.

I'll sign off by borrowing the closing from Stuart's article referred to earlier in this letter. "Great things have been done and we expect that very soon the SOA's involvement in general insurance will be business as usual." 

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recognize Casualty Actuarial Society (CAS) credentials as an indicator of an actuary's qualification to sign property/casualty statements of actuarial opinion. Consequently, we have asked the NAIC to review our new specialty track and to determine if it will recognize fellows completing the track on the same footing as actuaries on the CAS pathway. We believe we can demonstrate to the NAIC that our new track meets or exceeds the educational standards of those they have already recognized. The NAIC has charged its Casualty Actuarial and Statistical Task Force (CASTF) to review our track and make a recommendation on it by mid-year 2015.

We think this is important for at least two reasons. First, while the introduction of our

for becoming an FCIA in in the property/casualty practice field. We are also talking to other regulatory bodies outside of North America as well.

### *Continuing Professional Development*

Continuing professional development is high on our list of priorities. At this early stage in the process, we are beginning to introduce opportunities in general insurance, though this will take some time to implement and develop.

### *Research*

Research is always a significant aspect of any endeavor we pursue. As with all practice areas, we need to ultimately develop research capabilities and to integrate research opportunities with other practice

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## END NOTES

- <sup>1</sup> There are, of course, experience and continuing education requirements that must also be satisfied when issuing such statements, and there are additional Specific Qualification Standards that apply when actuaries issue certain statements of actuarial opinion for annual statements prescribed by state law.