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Session 8PD Education and Examination Redesign

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Summary: The actuarial profession faces new challenges and opportunities in the future—within traditional areas of employment and in new and emerging areas. Anticipating such developments, the SOA Board of Governors named a task force to determine how, within the context of basic education, the SOA should respond to the challenges of the changing professional environment. The recommendations of the Board Task Force on Education focus on underlying principles to govern the SOA's basic education program. The recommendations of the task force were approved by the SOA Board in January, 1995. This session is intended to provide up-to-date information on the redesign effort and the governing principles that guide the design process. Equally important, the session also offers an opportunity to provide your input and ideas. It is critical that the SOA's basic education system be the best possible, and we want your help in attaining this goal. Suggestions made by participants at earlier sessions have already affected the design.

Mr. Jeffrey A. Beckley: I'm a consulting actuary in Indianapolis. I would like to introduce Godfrey Perrott who is a consulting actuary with Milliman & Robertson, Inc. (M&R) in Boston. Godfrey and I are both members of the Board Task Force on Education. I am the head of the Design Team. Godfrey is going to talk about the original report and findings of the Board Task Force.

Mr. Godfrey Perrott: This session is intended to serve two major purposes: one is to communicate with you, so you know what we're up to; more importantly, it's to solicit your communication back to us, either in questions or comments during the

session, in letters, or e-mail to the SOA office. The redesign of the education system is a major project. It's important that everyone who has opinions is heard and that those opinions are considered; if you keep them to yourself, I assure you that won't happen, so please keep commenting.

There are five areas we'll cover: (1) the principles that we established and have followed in the redesign work and how they have been completed; (2) current status; (3) how input is being used; (4) the current status of the design update; and (5) questions, answers, and comments.

The goal of the Board Task Force on Education, which was formed in 1994 and has been meeting since, was to implement this definition of an actuary: the professional who assesses and manages financial aspects of risk and uncertainty. I believe *risk* and *uncertainty* are virtually the same thing. I prefer to use *uncertainty* because I think it is an outside word. It's a word understood by most of our publics. *Risk*, as we use it, is much more of an inside word.

The Board Task Force viewed its role as identifying, first of all, the distinctive competencies that needed to be enhanced and encouraged by the education process. I would say our basic philosophy is we believe that they are there, and that the education process of the SOA encourages and enhances them. It doesn't create them from scratch.

The competencies we identified are unstructured problem solving, flexibility, adaptability to change, expertise in modeling techniques, global thinking, stochastic and dynamic approaches (in particular, understanding and being able to apply all relevant modeling techniques), expanded application of contingencies—(not just life contingencies) imaginative responses, particularly to regulatory compliance, and adding value to business are at the real core of our future. I think it's fairly predictable that if we do add business value, we have a rosy future, and if we do not, it is much less rosy. We must demonstrate added value to move successfully into new roles and new markets and even, I believe, to preserve our existing roles in existing markets. There is no place for passengers in today's business, like the speaker was telling us.

We felt the system should focus on enhanced development of essential mathematical capabilities with broader business applications enhancing these core competencies. The required knowledge that the system should cover is mathematics and logic, economic security programs, and business content. We have to operate in a business world. We need strong mathematical skills, but we are not just mathematicians, and we won't be successful simply as mathematicians.

Much of our work fits into the context of economic security programs. We need to understand investment and financial vehicles and asset/liability management.

The key capabilities that an actuary has and needs to have are construction of models, setting of assumptions, testing of data, sensitivity testing, analysis, communication, and management of results. What we believe distinguishes actuaries from many other professionals is that we're not constrained by taking an existing model and applying it to a problem. Modeling is our core competency, and we are capable of modifying or even building new models to address the problem that we're trying to solve.

After we came to these conclusions, we established the principles that would guide us in redesigning the system. The first principle was that the Education & Examination (E&E) system of the SOA should examine only those subjects that cover essential elements of an actuary's education. The second principle is to provide a big business context with rigor consistent to that of the current mathematical education. Note that it doesn't say we should get rid of the current mathematical education, but it does say that it should be both a business and a mathematical context. We should include all kinds of contingencies, not just life contingencies, and we should include models from outside the insurance and pension fields.

We identified four levels, or tranches, of education and we called them preliminary, basic, advanced, and professional development. Preliminary education is education that's necessary. It's not actuarial. It's generally taught in universities and colleges. Basic education is actuarial, encompassing significant mathematical rigor along with business context, and it's something that all actuaries need. It is a common thread in whatever we do. Advanced education is a topic that actuaries in a particular field need. It's relatively stable over time and is not primarily country-specific. Professional development covers areas that are highly specialized, that are primarily country-specific, and/or that change quite rapidly. Jeff will now cover the details of our proposal.

Mr. Beckley: The Board Task Force put forth that we should obtain each category of education from the best possible source, and that really fits together somewhat with the four tranches that Godfrey mentioned as far as types of education. Preliminary education is probably best provided at a college or university. We should not really be in the business of providing information that's necessary, but not necessarily actuarial. In the professional development area, there are many providers in addition to the Society out there that provide what would be useful information in looking at that level. In the basic and advanced areas, those are what we view as primarily the purview of the Society, and that is where the work of the

Design Team has taken place. The Board Task Force Report was sent to all members of the Society last summer.

There was a comment/survey form that was included with that report, and we received back many comments. Some of those comments certainly have influenced the design that I'm going to present here, but the most common comments were concerns expressed about not testing the general mathematical skills that are currently parts of Course 100 and 110. There were many people that were concerned with that. Other comments made were that it was a good move not to do that, but probably, by and large, many more comments or concerns were expressed about not doing that than expressions of support.

We received many comments about attracting good candidates with diverse backgrounds. We think that the design will do that or will help that process. We received numerous comments about shortening the travel time—making fewer, but longer exams—something that we've referred to as de-FESing, or, and we got a fair number of comments, wondering where the ASA would be in all of this since it really wasn't addressed in the Board Task Force Report.

The Design Team is a group of about 10 or 11 actuaries with diverse backgrounds who have been pulled together to take the principles that Godfrey and the Board Task Force developed and try to apply those to developing an E&E system. We went back to square one. We didn't start with what we have and say, How can we modify this? We went back and said, OK, given these principles, what would an E&E system look like? We identified six courses that will be part of the basic education.

The first course was titled, "Management and Quantitative Assessment of Risk." It was originally designed with risk management as the underlying topic, and it would use calculus and statistical tools to evaluate those risks. The course evolved to something that resembles that, but is somewhat different. It evolved for a couple of reasons. It evolved because of the comments that were received from various members who responded to the Board Task Force Report, and it also evolved because we've been working with the CAS to try to find common ground, and try to keep as many of the early exams common as we can in an effort not to force a student who is in college to make a decision too early as to which route he or she wants to go. So, I'd say the current title probably doesn't really describe the course anymore.

The course has really evolved more to a calculus and probability exam, using a risk management context to set the questions. So, while it's not Course 1 and 2, or a Course 100 and 110, it's closer to Course 100 and 110 than what was originally

envisioned by the Design Team, and that has been a movement that has resulted from our efforts with the CAS and input of the membership.

The second course covers interest theory, economics, and finance, and it's really an introduction to economics and finance, with interest theory being the primary driver. We feel those three subjects fit together well and that we won't really be testing three subjects, but we'll be integrating the three subjects, to a large extent, using interest theory and integrating it with economics and finance.

The third course is actuarial models for contingencies. This is probably a course something like 150, but broadened to cover additional contingencies beyond life contingencies. A great deal of the analysis of contingencies can be done at a basic level, while Course 150 concentrates on life contingencies. I think most of the principles are applicable to any sort of contingency. So, by concentrating on the basics and showing how it applies to various contingencies, the course should permit actuaries to more easily take the concepts and principles that are there and apply them to any problem that they run into in the future.

The fourth course will cover actuarial modeling. The various subjects that we envision in this course would include subjects like regression, forecasting, risk theory, credibility theory, loss distributions, and simulation techniques.

The fifth course is titled "Application of Basic Actuarial Principles." This would start to get into various areas of application of principles, such as plan or product design (plan being a pension term and product being an insurance term), applications of that design to cover various contingencies, pricing, rate-making, funding, marketing and distribution, administration, and actuarial techniques for valuing the various liabilities and funding techniques.

The sixth course would cover investments and asset management. We don't believe that in today's world it makes sense for any actuary not to have the knowledge of investment and asset management, which certainly wasn't on the exam when I took it. Certainly, over the last few years much of my continuing education has been in this area, as it has been, I think, for many actuaries. We feel it is a critical area. Subjects covered would be various investment vehicles and their markets, asset/liability matching tools and techniques, derivatives and their applications, and principles of portfolio management.

These, as I mentioned earlier, would be the basic courses. Upon completion of these six courses is the point at which we would currently envision the ASA being granted. The second level of courses comprises the advanced courses.

For the advanced portion of the syllabus there would be two courses; one is applied modeling, which would be an intensive seminar, which may or may not include an exam at the end of it. It probably would include some sort of objective test, but it might be in the form of a project, as opposed to what we're used to in the way of a multiple choice examination. Course 8 would be advanced actuarial practice, and you would select one area.

Let's step back a minute and talk about Course 7. The fact that we envision that as an intensive seminar has raised a number of questions and concerns, most of them being the feasibility of having an intensive seminar that everybody has to attend. We've done a great deal of soul-searching about that and, as a Design Team, still believe that this is the best method to deliver the education for applied modeling. The Board Task Force and the Design Team have both placed a strong emphasis on the ability to communicate and on the ability to integrate the various material. We think for an applied modeling course, the best way to cover that material, and to emphasize those qualities, is through an intensive seminar. Now, there are going to be some implementation headaches, which we're going to have to address, and it's possible that this may end up not being an intensive seminar if those headaches turn out to be too big; but I'm a firm believer that this is the best method of delivering this education. I think just because we haven't done it in the past doesn't mean that we shouldn't attempt to provide this through the best vehicle.

We realized that there would be problems. For example, foreign students would be one potential problem. We already are requiring them to come over here for the Fellowship Admissions Course (FAC). To require them to come to the U.S. twice probably is not realistic. We envision that we would probably hold intensive seminars in foreign locations where we would have a sufficient number of students. We also envision there being some options available for those students for whom the intensive seminar is not practical. For example, a research paper, if properly designed, might emphasize and test the same skills. Many implementation issues still have to be worked out here, but I'm enthusiastic about the idea and don't want to give up on it just because there might be some implementation issues that have to be addressed.

For the advanced practice exam we envision that you would select an area. You might ask, how can we cover all of that in one exam? Remember that one of the principles was that the advanced material would not cover country-specific material that would be covered in professional development. This would concentrate on the principles, and if you go through most of the current syllabus, much of that material is country-specific. Time-sensitive material also is not to be covered. Time-sensitive material would be, say, the IRS code for pension plans, or taxing of life insurance companies or whatever seems to change every six months. If you eliminate much

of the time-sensitive material, and the country-specific material, we believe that you'll get down to an amount of material that's manageable for one exam covering each of those areas. So, to recap, the basic area would have six courses. The advanced area would have two, the last of which would be practice-area specific.

Where are we at right now? What are we doing within the Design Team? We've put together all of this information. It was sent out in November to about 200 Society members for comment. We received extensive comments— five-, six-, and ten-page letters.

It was obvious that people had spent a considerable amount of time analyzing what we had done and were commenting on it. By and large the comments were favorable and positive. We have taken all those comments, made some changes to what we did, and tried to address most of the concerns. There are some concerns that, quite honestly, we evaluated and decided that the advantages of what we were doing overrode those concerns.

The Design Team, despite the fact that we've put all this together and made some changes, is continuing to work on establishing the preliminary subjects. If you remember, the four levels were preliminary, basic, advanced, and professional development. What I've discussed are the middle two. We've been working with the board task force on the other two, the preliminary on the front-end, and the professional development on the back-end. We've been working on trying to establish what we call "transition rules" from the current syllabus to the new syllabus. Within those transition rules we've laid out some principles, which I'll share with you.

First, courses that are in the current system will not be offered concurrently with courses in the new system. There will be a date when the current system stops and the new system starts. Next, there will be credit for corresponding courses. For example, if you look at Course 6, which is the investment and asset management course, that's probably similar to 220 and 230. So if you have credit for 220 and 230, you'll get credit for Course 6. Once the transition rules are announced, there'll be at least a two-year period while the existing system remains in place, so that students can take advantage of the rules or decide what's to their best advantage on what courses to take. For those courses that are only offered once a year, we guarantee at least three sittings.

For those courses with no direct correlation from the old system to the new system, we will grant credit toward the professional development requirement for those courses. It's going to be highly unlikely that if you take a course under the existing system, it's not going to translate to credit in the new system. You can dream up a

scenario perhaps in which that would happen, but it will have to be a fairly unusual scenario. Looking at the current Society's population of students, there is nobody in that situation. Those are the principles underlying what we're trying to set up in the way of transition rules. Godfrey's going to cover a timetable for all of this and that includes when we expect to actually publish transition rules for those that are affected by them.

Mr. Perrott: I was going to talk first about the professional development component, although I should warn you that this is not completely finalized. We're at the point where we have made a presentation to the Board and discussed it, and we will be making another presentation tomorrow that responds to the Board's comments. So I'm not going to be specific about the details because the Board could, of course, change them, but some of the concepts that are in the professional development component are intended to cover material that is either highly country-specific, volatile, or very specialized. This is the kind of material that we have to study throughout our careers, or we don't have a career. Jeff made the point earlier that much of the continuing education he had done had been in the asset/liability area, which really was a fairly nominal piece of the exams when Jeff and I took them. Also material that is fast-changing is very unsuited to the Society structure.

An extreme example is what happened in 1975 when I was taking the exams, (when the ERISA was passed), between the time that the catalog was published and the exam was held. All of the pension candidates were told to answer the exam assuming ERISA didn't exist. They were working 12 hours a day trying to understand ERISA, but they still had to write an exam assuming it didn't exist. The thrust is that professional development is something you acquire on your own under a formal process with guidelines, that candidates will certify at the end that they did everything they said they did. They attended the courses they said they did, and that they believe it meets the guidelines. Some courses will probably be accredited by the SOA, but not all courses, and there will be a mixed requirement. There will be some advisor relationship, primarily to ensure that the candidate has a plan of what professional development courses he or she is going to take and just doesn't take whatever comes across his or her desk, and there may or may not be a track specificity requirement.

I want to go on now to the timetable. We expect that we will make another report to the membership, but this is something we will be reviewing with the Board on May 30. We want the report to go out so there is sufficient time for membership comment before the Board meeting in October. Assuming we don't get a large amount of adverse comment, we intend to seek Board approval in October. At some point we hope that the CAS board will approve some part of the syllabus, if

the CAS agrees to common sponsorship in 1997. We expect to publish transition rules and topic level specifications, that is, what topics are in each course, in 1997, most likely but not necessarily simultaneously. We expect to publish spring and fall catalogs with detailed specifications on all reading sources in 1998, and we expect to start administering the new system in 1999. I think it's reasonably safe to say to anyone who is not already an FSA that this is the fastest timetable that can be implemented. If you complete the exam requirements for your FSA by the end of 1998, you won't have to worry about this, but that is the timetable we're currently shooting for.

Ms. Mary G. Avila: I was surprised on the timetable to see the topic-level specifications after the board approval. It seems strange to me that the Board wouldn't approve that.

Mr. Perrott: The report to the membership this summer will include tentative topic-level specifications, but they won't be final until the Board approves them.

Mr. Beckley: I think what you were referring to is that the transition rules and the topic level were listed after the Board approval, but really the topic level could be thought of as detailed blueprints of each of the exams, as opposed to what we now have, which is probably a four- to six-page description of each course, which is fairly detailed. It may talk about interest theory, and it may talk about the types of subjects to be covered, but it doesn't get down to the level of detail that we would need to develop an exam. The document distributed to the membership, which we've been working on, and which was sent out to the review team, is about 40 pages describing the eight courses.

From the Floor: I attended the 121 intensive seminar. It was a week. It was expensive, but it was optional, and students don't have to take it to complete their associateship. I know that there are many people who pay for exams themselves, and I was wondering whether cost is being considered in all of this.

Mr. Beckley: Yes, it is. That's one of the implementation issues and one of the concerns that has been expressed, not only for the students who have to pay for it themselves, but also from the company perspective. We must have support for it from the companies as well.

Mr. Aaron M. Friedman: Are exams still going to be offered twice a year, and if so, is *each* exam going to be offered twice a year?

Mr. Beckley: I'll have to say I don't know; we're not to that point yet. I think it's safe to say that exams will be offered twice a year. Whether we would offer all these exams twice a year or not, I don't know.

From the Floor: I have a followup. I strongly encourage exams to be offered as often as possible.

From the Floor: Where does the FSA come into play? Is it after the advanced portion, exam 8? The professional development is more of an enrolled actuaries type of ongoing education; or is it the other way around, after the professional development?

Mr. Perrott: The FSA level is after the professional development and the FAC. The professional development component will be more structured than, for example, the continuing education requirements of the enrolled actuary or of the Academy. There will be a formal report and some detailed planning around it, but it will be the same type of courses.

Mr. Andrew E. Buckley: I have a question regarding the transition and the credit for corresponding courses. If you're at the point where you have, say, ten elective credits left, what point would you be at if you hit the transition period?

Mr. Beckley: Well, if you have ten elective credits left, you have two years to get them once we announce it. But let's say you don't get them or that's where you're at when the transition period runs out. More than likely what you would need is to complete a small amount of professional development to complete your FSA.

Mr. Buckley: And the FAC.

Ms. Donna R. Jarvis: One thing that you mentioned was that you were trying to reduce the travel time through the exam process. Currently, I assume, people take about seven to ten years to finish it. What amount of time do you see this whole process taking?

Mr. Perrott: It's very difficult to answer that because it obviously depends on success rates, but in terms of the potential for reducing travel time, it is certainly possible to pass a series of eight exams, that are given twice a year, in four years. One point in the design we didn't mention is that you can complete the professional development component concurrently with taking exams. There is, I would say, a practical fast track of completing the education system in four years. I'm quite sure that most people will not accomplish that, but I think someone with

motivation and the ability would be able to do that. I think that's the only answer we can give.

Mr. Beckley: Realistically I would think this should shorten travel time by a half year to a year, but that would just be my expectation, and everyone has their own expectations. The reason I believe it will be shorter is a combination of a couple of things: elimination of some of the preliminary subjects and the fact that professional development can be completed after Course 8. I would think that it would take less time than currently passing equivalent material in the Society's syllabus. Going to larger courses will speed up the travel time. We have seen a continual decrease in the number of credit hours taken every six months, and that has contributed as much as anything to lengthening the travel time under FES.

From the Floor: For the most part, I like what you're doing here. I do hope to complete my FSA before you start this. I'm sure everyone else here does. But one thing I'm concerned about is that you're talking about these longer exams, and from some of the topics that you've mentioned in each exam, it sounds like you're squeezing a great deal into each one, like Exam 200, for instance. I'm just concerned that you're going to be doing this with all of the exams.

Mr. Beckley: Let me assure you that we are also concerned about at least some of these exams. I guess one of the things I've tried to do is decouple the length of the exam with the amount of material. I'm concerned about the amount of material. I think you can test any amount of material and the length of the exam doesn't have to be related. We will have to see, as we move from where we are now to detailed specifications, what those issues are, and how we have to address them. But, we are also concerned about that.

From the Floor: Exam 200 is only 30 credits now, but if you look at some of the exams under the old system that gave 50 credits, I think you'll find that the number of pages can get up well over 2,000 pages. Exam 200 is the least of your worries. You start writing 50 credits, say, then you're going to get more than double the pages for only a marginal increase in the number of credits. I have a couple of questions. The Society was always talking about expanding the actuaries' horizons and opportunities, and I'm wondering how it fits in here. I see some pretty key examples, such as theory or project designs, and process design, expanding from some of the operations-research types of exams. Actuaries could add a great deal of value, and I'm not sure if it has been taken out of the syllabus, or does it still have a place in it?

Mr. Perrott: Operations research, per se, is not in the syllabus, but could conceivably be in the preliminary part of the syllabus that we don't propose to test.

I think the real focus of the Task Force, that is the area in which we believe actuaries can broaden their application, and we strongly would encourage them to, including ourselves, is modeling in the broadest sense. It certainly has been my experience, when dealing with other professionals, that they are very uncomfortable around models, and they're very willing to defer to actuaries to build and interpret the models for them or for a particular project. That is an area we need to take much wider than sort of the narrow insurance applications that has been our history.

A good example of where that's happening today is in the health care field. Many actuaries are now consulting with provider groups and provider organizations, helping them design and understand various different forms of compensation and different forms of practicing, which was not something, I think, any actuaries were doing 10–15 years ago.

From the Floor: I was also wondering about fast tracking and have a general comment in support of the effort to regroup the exams. Currently someone trying to finish under the old exam structure, where it was just in ten parts is now competing against people who are writing 10, 20, and 30 credits a sitting versus trying to write 50 and only 40% or so of the candidates passing. It's going to be a much better weeding process, I believe.

Ms. Mary A. Didion: I was just wondering what form professional development is going to take. Is this going to be exams, just reading, going to seminars, or a little bit of all of that? Do you have some kind of plan?

Mr. Perrott: The basic concept is that professional development will primarily consist of personally attended seminars. At least in the concepts that we're putting forward to the Board, we have included a method other than on-site seminars, for example. We don't want to preclude use of interactive-video-or-CD-ROM-types of education as they become developed, but we have proposed that the Society retain accreditation in that case as a specific vehicle. In general, we do not anticipate people getting credit for professional development through exams, although it isn't precluded. Other than the potential for CD-ROMs or interactive video, there is no component of self-study, unlike, for example, continuing education for the Academy, where half of the requirement can be satisfied by listening to cassettes while you're driving to work. There is no self-study in our proposal for professional development.

From the Floor: Also, are the first eight exams going to be multiple choice, essay, or a combination of both?

Mr. Beckley: In reality, for the first couple of courses, it probably has to be multiple choice just because of the sheer administrative implications of trying to grade something other than multiple choice. I would say beyond that point we certainly are going to leave that up to the implementors and not specify which way the courses will go.

Mr. R. Dale Hall: I notice in your professional development section that you have advisors involved in the process, to validate that people have sufficiently gone through the courses or completed enough material. Where does the Task Force stand? Are they afraid that advisors within someone's own company might be too lenient on someone that reports to them? For instance, if another FSA is needed in a company, that someone might say, yes, they've passed all the things, they've done all the stuff they need to do. Does the Task Force have a position on whether they should have internal or external advisors?

Mr. Perrott: The concept of advisors that we're recommending, is not someone who approves the professional development plan, but someone who reviews it and discusses it with the candidate. The intent is, first of all, that the candidate have a plan, and it seems far more beneficial to us that if someone has prepared a plan, discussing it with an FSA he or she knows is much more productive.

Mr. Beckley: To directly answer your question, no, there's nothing to prevent someone within your company from being your advisor. As a matter of fact, that's probably advisable because your company may be paying for your professional development, and your boss should probably be your advisor.

From the Floor: First, when they broke the exams up last time, one of the sales pieces was that it would help speed people up somehow. The reaction was to take less exams, and it slowed down. Now we're putting them together, and it's going to help speed up again. I wonder whether you anticipated the reaction of the backfire and that people won't take whatever the new thing is. It may actually stop the ASAs instead of getting people to plateau to ASA.

Mr. Beckley: I'm not sure if that was a question or a comment. There are other reasons besides just trying to shorten travel time. One of the reasons, one of the big advantages, was the ability to change the courses as quickly as things changed. With the new design, the intent is that the material that would be on those eight exams would be stable over time. We're dealing with principles. We're not dealing with country-specific or material that's liable to change quickly because of changes in laws or an environment. There's less need for having a system where you can change things quickly.

It's not just an attempt to shorten the travel time, but I agree that's an issue. I think, not to sound sexist, working mothers can also be affected by this, and I suppose working fathers can too, but I think there's less of that probably occurring. There are certain issues with de-FESing that we are aware of.

For the person who is taking ten credits at a time, and I have a couple people who are doing that who work for me, I have to really wrestle with the question of whether they're adding any value, or whether it's doing them any good to study for ten credits every six months and maybe pass every other time, or two out of three times. How long is it going to take them to get to their Fellowship, and can they handle the 30 credits when they have to take it? I don't know if we're doing them any favors by letting them inch their way through the syllabus, to be honest.

Mr. Timothy Grusenmeyer: Getting back for a minute to the professional development, which seems to be the big issue, what is your anticipation of the amount of time and effort that is going to be required in the professional development? Is it going to be, say, equivalent to one of the exams? Two exams? What's the thinking right now?

Mr. Perrott: We haven't tried to establish an exact equivalency, but I would say it's of the general order of one exam.

Ms. Ruth B. Johnson: Just a question about the principles that were first put up and then the conclusion to cover them with fewer, longer exams. Is there any correspondence there, or are the longer exams largely to meet perceived problems with FES? I switched over right about the time I got my ASA and started taking the shorter exams, and I think it fits in with many lifestyles, and I think that's what people are saying who are not taking 50 credits each time. I think the point that the other speaker made was right—that there might be many people who will say getting an FSA just isn't going to fit in with my life now.

Mr. Beckley: The question I think you asked was how do the original principles fit in with the larger/smaller number of exams? I do think that they fit together. The reason I say that is by going to a smaller number of exams, which cover more material, we're able to take a more integrated approach to testing the various material, and we're able to put together material that just naturally fits together, and show the interrelationships of the basic principles to that material, which is much more difficult to do if it's split into, say, three smaller exams. So, yes, I do think that it makes sense with those principles.

In actuality we had no input into that from the outside. The design team decided to do that. When we went out to the review group to get input, it was very positive. I

believe it does fit, and it really wasn't done just as an answer to perceived problems with FES.

From the Floor: I think the longer exams are better. I personally like short, intense pain rather than long, drawn-out pain. Are there any current statistics on travel time? The information I remember seeing was very old. Is there anything current?

Mr. Beckley: The Society office has tracked that on an annual basis and presented information to the Board of Governors on a periodic basis.

From the Floor: Are we going to see the rebirth of the five star?

Mr. Beckley: No.

Mr. Richard F. Coyle: A statement was made during this presentation that the proposed basic examination 6, "Investments and Asset Management," is approximately equivalent to the current examinations 220 and 230. Would it be safe to assume that the proposed basic examination 5, "Applications of Basic Actuarial Principles," would roughly equate to the current 200 plus 210?

Mr. Beckley: To get your Fellowship, you're going to have to pass either 220 and 230, or you're going to have to pass part 6 under the new design. I would say that the first four exams would be equivalent to the old Associateship. If you're an Associate on the old basis, I don't see any way you have to go back and take the first four exams. Course 5 is probably somewhat equivalent, although not directly equivalent, to Courses 200 and 210.

From the Floor: I've been sitting for exams for a while, and I've answered my fair share of questions comparing Canada and the U.S. on certain topics. I notice in the basic and advanced it's primarily stable material that's not country specific, and you really don't get into that until the professional development. Listening to the speaker we tend to take more of a global view of things now. Are there any plans to get information on different aspects of various countries, and how they do their regulations?

Mr. Perrott: I guess my view of not country specific does not mean that the material can contain nothing specific to one country. It means the exam is not country-specific. So drawing examples from other major financial systems, particularly from Canada and the U.S., as the global village gets smaller, is entirely within the purview of the first eight exams.

Mr. Beckley: I would agree with that. I think that the material will use examples from various countries, not necessarily limited to the U.S. and Canada, as examples of basic principles being applied. I don't see you being asked to list the seven items common to the U.S. and Canada's social insurance programs, or something like that.

Ms. Diane Marie Lloyd: You said Courses 5 and 6 would be equivalent to the 200 series. I'm curious what would happen if someone, after the transition, had passed exam 220 but not 230. Would he or she have to take Course 6, and then what credit would he or she receive for the exam that he or she had passed?

Mr. Beckley: That's a question we're still wrestling with. We have not developed final transition rules at this point. That's not scheduled until 1997. We haven't really presented anything to the Board yet. That's a good issue and one I don't have an answer for at this point.

Mr. Perrott: I'd just like to add to that there is a principle that we've adopted that the transition rules must be equitable to the students. So we would not anticipate an environment in which you simply lose credit. That's just unacceptable.

Mr. Mark Swanson: I'm sure many people are thinking, What should my personal response be to what the Board Task Force is doing? People probably have more than two sittings to go to Fellowship, but fewer than a certain amount at which they could have the option of qualifying under the present requirements or the future requirements. I know the Task Force is working hard to improve the syllabus. Would it, therefore, be in the interest of some to defer Fellowship and get a better FSA? If not, why not?

Mr. Perrott: Clearly, the new FSA will be so much better than the current FSA. The value-added strategy would be to do that, but as a practical matter I don't think I could look anyone in the face and say, stop taking exams for a while. You can always pick them up again later. I would strongly encourage people to finish exams as fast as they can, even if the new FSA is better.

From the Floor: Someone could have only professional development left, which would be a great deal easier than sweating through four years, or 50 credits of exams.

Mr. Beckley: That's true, but you're also waiting until 1999 to start. My personal advice to anyone who asked me has been, don't change anything you're doing. Godfrey said that we will be fair. You can believe it, or not believe it, but I'd sit up here and stake my reputation on the fact that the transition rules will be fair. I feel

that very strongly. The transition rules, if anything, will be more lenient than they could be just to be fair.

My advice to all of you is to continue forward on your track toward Fellowship, and when the transition rules are published, then look to see what's to your best advantage. But until that happens I think you would be foolish to change your path, trying to anticipate what this is going to be.

Mr. Perrott: I would not tell someone to not change anything. I would tell them to study harder and faster and get it out of the way before the uncertainty of transition.

From the Floor: That's what I intend to do—I hope to have my FSA before 1999. I'd like to broaden the point. You will have a pre-1999 FSA and a post-1999 FSA out there in a few years. You could also have some people of the opposite opinion, that the old one is a better one because it was harder, and it took longer to get. "Oh, you received one of those easy FSAs." I'm curious to know how that stigma is figuring into your deliberations.

Mr. Perrott: Well, I personally feel that the 1975 FSA is similar to the 1957 Chevy; I think the reality is that an FSA is an FSA is an FSA. It's the reality of the world.

Mr. Beckley: I think that's true also. We've had several changes in the past, and I don't know of anyone who goes to look in a *Yearbook* to see when someone got their FSA to determine what they studied.

I really believe that once you've achieved your FSA, beyond that, what you achieve is based on your abilities, and hopefully through the new process those abilities and assets and attributes that you'll bring to your job will be enhanced by the new education system more so than they are by the current system. So, I really don't anticipate employers saying, "You're an *old* FSA or you're a *new* FSA."

From the Floor: I really like many of the changes that are coming. I think that there's a great deal of positive things there. However, I'm less concerned with the cheapening of one FSA versus another as I am with what's going on with the ASA designation. We've already got a case now where we've got ASAs with five old exams, or 200 credits, versus the newer ASAs who have the 200 series as well. I think we're looking at yet another transition, and really these transitions have been pretty close together. I've been through all of them personally. I went through FES and everything else, so I guess my concern really is, are people going to be looking at the different ASA designations differently?

Mr. Perrott: The Task Force believes that its recommendation of setting the ASA after six exams is at least approximately equivalent to the current definition of ASA, that is, after the 200 series. It's obviously not perfect, but we don't believe that we're changing the ASA yet another time.

Mr. James Tomer Ward: I'm curious about the 100 surveys (200 that you sent out, 100 that you got back), and responses to having larger, fewer exams. Did companies, or chief actuaries who were surveyed, who are responsible for study programs at particular companies, acknowledge the fact that this would require a change in study programs? People who are currently taking 10–20 credits at a time can still have a social life by getting some study time at work and some study time at home. If you're taking 50 credits, or the equivalent thereof, and still getting the same amount of study time at work, you're still a social outcast at night. Was that addressed in any of the responses that you received?

Mr. Perrott: Not to our knowledge. As a point of fact, I don't believe study time policies changed significantly with FES, and realistically I would not assume that they would change with this structure. There is a finite limit to how much study time companies are likely to grant you during a year and I don't think this will change that.

From the Floor: I just have a comment. There are a number of people who are only taking 10 or 15 credits because of their workload. I don't think some companies realize that people aren't going to be able to do the same amount of work as they are now if they're taking exams.