

B.A.J. 8, I, 1-3 (2002)

GUEST EDITORIAL

THE GLOBALISATION OF ACTUARIAL EDUCATION

BY R. L. BROWN

It is, indeed, an honour and pleasure to write a guest editorial for *British Actuarial Journal*. The guidelines stated that my topic could be 'education', so, as a lifelong educator (whether any students became educated is another matter), I have chosen that topic as my focus.

I recently had the privilege of participating in a session at the International Congress of Actuaries (Cancun), where the session title was: 'Toward a New Global Education System'. Indeed, as the title implies, our profession is rapidly heading toward a global education model.

Historically, one can split the actuarial world in three approximately equal parts (by membership) in terms of the method of qualification.

In the first of these thirds, we could place most of the non-Anglo-Saxon world. In most of Europe and Latin America, actuaries qualify by going to university and taking a degree (usually a Master's level to finish) in actuarial science. After some period of real-world experience, the candidate is then deemed to be an actuary (this is often accompanied by a government issued certificate).

The second third of the actuarial education world has looked to the United Kingdom for its method of qualification. In this system, the profession defines a syllabus and sets examinations. Students qualify for actuarial certification by passing the examinations defined by the profession. However, for some time now, if a student attends a certain university, takes certain courses and achieves certain marks, the student will be exempted from writing the corresponding professional examination. The university, the course, and the marks are reviewed by the profession, and there is still a great deal of professional control over the process (perhaps less now in Australia, which I am including in this model), even for students who gain a large number of exemptions.

The final third of the actuarial world looks to institutions with head offices in the United States of America (namely the Society of Actuaries (SoA) and the Casualty Actuarial Society (CAS)) for their certification. Here, the Societies define the syllabus and set a series of examinations (I would suggest that each society now has nine modules to Fellowship). This is the one and only route to qualification. There are no exemptions to sitting the professional examinations. Regardless of a student's university programme, each candidate sits for each examination. The vast majority of Canadian and U.S. actuaries qualify under this process.

The developing world has tended to use one of the latter two systems. Under the U.K. model, to date only a very few universities outside of the U.K. have been granted exemption status (e.g. South Africa). So, in general, actuaries in the developing nations have qualified through examination.

These three systems now appear to be converging to something far more common.

Some European countries and Mexico have either instituted or are looking at the possibility of introducing some professionally set and controlled examinations into the qualifying process. One reason given for this initiative is that there is too much variance in content and quality among the university programmes.

Canada and the U.S.A. are looking at introducing some exemptions for courses taken at university (or some other educational process such as e-learning). While the discussions are still in the early stages, there is a higher probability that Canada will adopt some system of exemptions similar to the U.K. and Australia, since Canada has a small number of highly-regarded actuarial science programmes. It is not so clear what will happen in the U.S.A. The issue there seems to be the overwhelming number and wide variety of programmes that might like to qualify for exemptions. If one reviews the university-of-origin of the U.S. profession, the list of universities would easily be in the hundreds. At this time, the SoA/CAS list 142 universities that teach some actuarial science courses in a brochure handed out to high school leavers.

As to convergence of the educational models, North America (ex-Mexico) and the U.K. have joint working groups now actively pursuing a common early syllabus for all of our candidates. While the work is still in the formative stages, the cooperation has been of the highest level, and it would appear that all of 'our' candidates will study virtually the same syllabus, and to the same level, at least in the early going (and perhaps to the Associateship level).

Why is this happening?

First, the actuarial skill set is universal. For example, there is no difference in the probability skill set that one needs, whether one works in Australia or Scotland. (While it may be true that the coin that lands 'heads' in Edinburgh might land 'tails' in Canberra, the probability of either outcome is still one half). This remains true for a wide variety of topics, including economics, financial accounting theory, modelling, life contingencies, credibility theory, and so on. Thus, it is very easy to use one syllabus for the early actuarial education that can be applied around the world.

Second, the profession is globalising. Many actuaries work in a myriad of countries or have clients that are multi-national. This will be increasingly true in the future. This means that future actuaries will have to think globally, and may also decrease the value of the 'nation-specific' skill set.

Third, the world economy is converging. We are now looking at common

accounting standards around the world. Insurance regulators are looking at common reporting requirements. Thus, we should expect our work to become rapidly standardised.

Fourth, the International Actuarial Association has promulgated Educational Guidelines, to take effect in 2005 for all IAA member bodies. While the Faculty/Institute and both North American Societies will satisfy these guidelines, other countries of the world are working very hard to achieve the requirements. This 'pressure' brings a higher level of commonality among the worldwide methods of qualification. This 'commonality', of course, is consistent with requirements of the Groupe Consultative for consistency of qualification criteria amongst European Union members.

Fifth, many countries now have signed Mutual Recognition Agreements, whereby Fellows of one Institute can become Fellows of the signing partner's organisation, with very little in the way of extra examinations. It is a lot easier to agree that our 'Fellows' are equivalent if they have passed through a highly comparable educational process.

Today, the actuarial profession is already highly globalised. In fact, I would submit that we are the most globalised profession in the world. I believe that this is a positive factor — something of which we can be proud. In that regard, the continued globalisation of our education and qualification processes is also a very positive factor, and I look forward with optimism to its continued progress.

Robert L. Brown is Professor of Actuarial Science at the University of Waterloo, Canada, and Director of the Institute of Insurance and Pension Research, and is an Honorary Fellow of the Institute of Actuaries.