

The Actuarial Profession

Assessment and Transition Arrangements for the 2005 Education Strategy

Summary

This note sets out the assessment and transition arrangements for the 2005 education strategy.

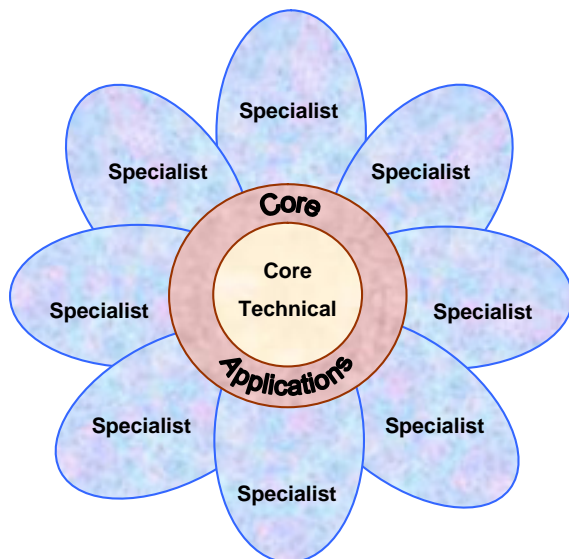
The current 100 series subjects map onto the subjects in the new Core Technical stage. The current 300 series subjects and 201 map onto the new Core Applications and Specialist Technical stages and each student will determine his or her particular mapping. The current 400 series subjects map onto the new Specialist Applications stage.

2005 Education Strategy

A new structure for the examinations from April 2005 has been agreed. There will be four stages:

- Core Technical Stage
- Core Applications Stage
- Specialist Technical Stage
- Specialist Applications Stage

This may be shown diagrammatically as:



In this note we set out the situation for transition arrangements for each stage of the new strategy. Students will be informed of their position in December 2004 and if choices have to be made, this must be done before the next set of examinations in April 2005 and onwards. Once a student has agreed his or her position in the 2005 strategy, changes will normally only be allowed under special circumstances. Further information on the new strategy is available on the profession's website: www.actuaries.org.uk

General Principles

In preparing the transition arrangements the following general principles were taken into account:

1. All passes that a student has gained under the old strategy should be meaningful in the new strategy.
2. All current subjects will map into something in the new strategy.
3. We will aim to be helpful to students in transition while maintaining standards.
4. We would aim to achieve a situation where students do not have to take an increased number of examinations in the new strategy.
5. It would be inappropriate for students to qualify simply because of the syllabus change.
6. University students will be treated in cohorts and we will recognise this could produce some delays in terms of the university students' entry in to the new syllabuses.
7. For subjects where the examinations are temporarily split for transition purposes, we will review the continued availability of the split examinations for the 2007 sittings.

Core Technical Stage / 100 Series

In the Core Technical stage there will be nine subjects. Each of CT1–CT8 will be examined by one paper of three hours duration. For CT4 Models the paper will be set in two halves each of 90 minutes. However the option of sitting one half is only available to students who have an exemption because of transition in the other half.

The ninth subject in the Core Technical stage will be CT9 Business Awareness Module which will not be assessed by a formal examination. Students who have been enrolled in the profession before 1 July 2004, will not be required to take the Business Awareness Module. The module consists of internet-based study, attendance at a two day course and internet-based assessment.

Generally each subject in the 100 series will map onto the equivalent subject in the Core Technical stage. The exception is that both 103 and 104 are required for CT4 Models. We will however set CT4 Models in two halves, one relating to 103 and one relating to 104, for the first two years i.e. up to and including September 2006, so that students who have 103 or 104 need only take the half they are missing.

New Subject	Old Subject
CT1 Financial Mathematics	102
CT2 Finance and Financial Reporting	108
CT3 Probability and Mathematical Statistics	101
CT4 Models	103 and 104
CT5 Contingencies	105
CT6 Statistical Methods	106
CT7 Economics	107
CT8 Financial Economics	109
CT9 Business Awareness Module	—

The four attempts rule will still apply for the Core Technical subjects and attempts on the 100 series subjects will be carried forward to attempts on the corresponding CT subjects. In the case of CT4, we will take the minimum number of attempts on 103 and 104. If one of 103 or 104 has been passed, the number of attempts at CT4 will be set to 0.

Core Applications Stage / 201 Series / 300 Series

In the Core Applications stage we will be covering actuarial concepts. The main Core Applications subject will be assessed by two papers each of three hours in length, one paper covering assets and one covering liabilities and asset-liability management. The two papers will be added together to give a single mark for:

CA1 Core Applications Concepts

It will not, in the long-term, be possible to sit each paper separately. However, during the transition period, until September 2006, we will set the two papers to cover designated parts of the syllabus:

CA11 one paper — assets

CA12 one paper — liabilities and asset-liability management

In addition there will be:

CA2 Modelling

CA3 Communications

Under the transition arrangements, 201 corresponds to CA3 Communications. CA3 Communications will be offered initially in English (CA3) and Chinese (CA3CH). 301 corresponds to CA11 Core Applications Concepts (the assets paper) and the student can choose one out of 302, 303, or 304 to correspond to CA12 Core Applications Concepts (the liabilities and asset-liability management paper). In making the choice the student will need to consider the Specialist Technical stage as well. The CA1 papers may only be taken separately by students who have an exemption through transition from one paper.

A student who has already passed one of the 300 series subjects will not be required to take CA2 Modelling.

This stage corresponds in study time to two 300 series subjects together with 201. CA2 Modelling is new and will require attendance at a two day course with a practical data handling assessment on the second day. The purpose of the first day is to ensure that all students understand the nature of the assessment and are familiar with the software provided.

CA3 Communications will have two questions, each testing a different type of written communication. The paper will be two and a half hours in length.

Specialist Technical Stage / 300 Series

In the Specialist Technical stage there will be seven subjects. ST0 Alternative Specialist Technical will be awarded when a student is given an exemption from a Specialist Technical examination by virtue of undertaking alternative study. Exemption will be considered **after** a qualification has been gained.

Each of ST1–ST6 will be tested by one examination paper of three hours in length. Fifteen minutes reading time will be available at the start of the examination.

Students will in future be required to pass two subjects at the Specialist Technical stage. Each may be thought of as equivalent to a 300 series subject.

New Subject	Old Subject
ST0 Alternative Specialist Technical	—
ST1 Health and Care Specialist Technical	—
ST2 Life Insurance Specialist Technical	302
ST3 General Insurance Specialist Technical	303
ST4 Pensions and other Benefits Specialist Technical	304
ST5 Finance and Investment Specialist Technical A	305
ST6 Finance and Investment Specialist Technical B	CiD (Certificate in Derivatives)

Students will have a choice as to how to translate the 300 series that they have passed into credits in the new Core Applications stage and Specialist Technical stage. Some basic rules will apply:

1. Anyone with all four of the 300 series subjects will be assumed to have passed the Core Applications Concepts subject and two Specialist Technical subjects.
2. 301 will correspond only to the assets part of the Core Applications Concepts subject.
3. 305 will correspond only to Finance and Investment Specialist Technical A.
4. Students will only be allowed to use each 300 series subject they have passed once and cannot take the equivalent paper again in the new strategy.

A student with 302 for example can choose whether to count this as CA12 Core Applications Concepts (the liabilities and asset-liability management paper) or ST2 Life Insurance Specialist Technical. However if CA12 Core Applications Concepts (the liabilities and asset-liability management paper) is chosen the student cannot then take ST2 Life Insurance Specialist Technical. Similar situations exist for 303 which corresponds to ST3 General Insurance Specialist Technical and for 304 which corresponds to ST4 Pensions and other Benefits Specialist Technical.

Appendix A gives a description of the choices available.

Appendix B gives a couple of scenarios for real-life situations.

The current Certificate in Derivatives, which is at present not part of the Fellowship examinations, will map onto the new subject ST6 Finance and Investment Specialist Technical B. This will take effect from 1 January 2005.

Specialist Applications Stage / 400 Series

In the Specialist Applications stage there will be seven subjects. Students will take one subject chosen from:

New Subject	Old Subject
SA0 Research Dissertation Specialist Applications	—
SA1 Health and Care Specialist Applications	—
SA2 Life Insurance Specialist Applications	402 Paper 2
SA3 General Insurance Specialist Applications	403 Paper 2
SA4 Pensions and other Benefits Specialist Applications	404 Paper 2
SA5 Finance Specialist Applications	—
SA6 Investment Specialist Applications	401 Paper 2

Each of SA1–SA6 will be tested by one examination paper of three hours in length. Fifteen minutes reading time will be available at the start of the examination. SA0 Research Dissertation Specialist Applications will be awarded when a student is given an exemption from a Specialist Application examination by virtue of undertaking research dissertation. Any programme will need to be discussed with the profession **before** a student embarks on it.

There is no requirement to have passed the corresponding Specialist Technical subject. However many students will decide to take a Specialist Applications subject that corresponds to one of their Specialist Technical subjects. The Specialist Applications subjects will typically assume knowledge of the corresponding Specialist Technical subject. If a student wishes to take SA5 Finance Specialist Applications they are assumed to have studied the Core Reading in both ST5 and ST6 but need not have passed these subjects.

This stage can be compared with the 400 series subjects. Thus each corresponding 400 series subject will give credit from the corresponding Specialist Applications subject.

A credit will be given for this paper to students who have a pass in the second paper of the 400 series from the current strategy.

Students who were studying under the 1994 strategy or earlier may have passes in either paper 1 or paper 2 of a 400 series subject. A student with a pass in a 400 series paper 1 only will still have to take a Specialist Applications subject but exemptions will be given for the appropriate UK practice module. A student wishing to work in the UK with a pass in a 400 series paper 2 only will be given a test to cover the 400 series paper 1 that is outstanding.

UK Practice Modules

We are also looking at the future requirements of the FSA and the profession for regulatory, legislative and UK practice knowledge. Students working in the UK will have to take an additional paper on UK practice known as a UK Practice Module. These will be tested by multiple choice examinations of one and a half hours in length. The first part will be common to all practice areas and will test the generic principles of UK Financial Services. The second part will test UK business practice, regulation, legislation and professional guidance notes in specific areas. The UK Practice Modules are:

- P1 Health and Care UK Practice Module
- P2 Life Insurance UK Practice Module
- P3 General Insurance UK Practice Module
- P4 Pensions and other Benefits UK Practice Module
- P5 Finance UK Practice Module
- P6 Investment UK Practice Module

In addition a student may on the advice of their employer take the first part, a generic half module on its own. This is P0 Generic UK Practice Half Module.

Current changes being developed in the profession mean that anyone who has not passed a 400 series paper 1, or its earlier equivalent, will need to take a UK Practice Module if they wish to work in the UK. A pass in a UK Practice Module is not needed for the Associate (AIA/AFA) or Fellow (FIA/FFA) qualifications.

Appendix A

Available Choices

Core Technical Stage / 100 Series

Coding	New Subject	Old Subject
CT1	Financial Mathematics	102
CT2	Finance and Financial Reporting	108
CT3	Probability and Mathematical Statistics	101
CT4	Models	103 and 104
CT5	Contingencies	105
CT6	Statistical Methods	106
CT7	Economics	107
CT8	Financial Economics	109
CT9	Business Awareness Module	—

Core Applications Stage / 200 Series / 300 Series

Coding	New Subject	Old Subject
CA1	Core Applications Concepts	
	CA11 one paper — assets (three hour paper)	301
	CA12 one paper — liabilities and asset-liability management (three hour paper)	302 or 303 or 304
CA2	Modelling	—
CA3	Communications	201

Specialist Technical Stage / 300 Series

Coding	New Subject	Old Subject
ST0	Alternative Specialist Technical	—
ST1	Health and Care Specialist Technical	—
ST2	Life Insurance Specialist Technical	302
ST3	General Insurance Specialist Technical	303
ST4	Pensions and other Benefits Specialist Technical	304
ST5	Finance and Investment Specialist Technical A	305
ST6	Finance and Investment Specialist Technical B	CiD

Specialist Applications Stage / 400 Series

Coding	New Subject	Old Subject
SA0	Research Dissertation Specialist Applications	—
SA1	Health and Care Specialist Applications	—
SA2	Life Insurance Specialist Applications	402 Paper 2
SA3	General Insurance Specialist Applications	403 Paper 2
SA4	Pensions and other Benefits Specialist Applications	404 Paper 2
SA5	Finance Specialist Applications	—
SA6	Investment Specialist Applications	401 Paper 2

UK Practice Modules

Coding	New Subject	Old Subject
P0	Generic UK Practice Half Module	—
P1	Health and Care UK Practice Module	—
P2	Life Insurance UK Practice Module	402 Paper 1
P3	General Insurance UK Practice Module	403 Paper 1
P4	Pensions UK Practice Module	404 Paper 1
P5	Finance UK Practice Module	—
P6	Investment UK Practice Module	401 Paper 1

P0 is included in each of P1–P6 inclusive.

Each 300 series will only be allowed to count once in the transition thus:

- 301 → CA11 and CA2
- 302 → (CA12 + CA2) or (ST2 + CA2)
- 303 → (CA12 + CA2) or (ST3 + CA2)
- 304 → (CA12 + CA2) or (ST4 + CA2)
- 305 → ST5 + CA2

Key:

- CA11 = Core Applications Concepts (First paper: assets)
- CA12 = Core Applications Concepts (Second paper: liabilities and asset-liability management)
- CA2 = Modelling
- ST2 = Life Insurance Specialist Technical
- ST3 = General Insurance Specialist Technical
- ST4 = Pensions and Employee Benefits Specialist Technical
- ST5 = Finance and Investment Specialist Technical A

Where a Specialist Technical (ST) subject is required, the corresponding 300 series subject pass cannot also be used to gain credit in another subject. Moreover, a student will not be allowed to re-take a subject that he or she has passed as the 300 series subject equivalent. Thus someone with e.g. 302 can count this against ST2 Life Insurance Specialist Technical or part of Core Applications

but not both. If they choose to count it against part of Core Applications they can not then take ST2 Life Insurance Specialist Technical. Subject to these constraints, the student will be allowed to choose the position in new strategy based on previous 300 series subjects passed.

Where CA11 (the assets paper) and CA12 (the liabilities and asset-liability management paper) are taken together an aggregate mark will be given as these will be treated as one subject in the new strategy.

Credits will then be given according to the following table:

	Passed	Credits	Still to take
All:	301 + 3 out of 4 others	CA11 + CA12 + CA2 + 2 × ST	—
3:	301 + 2 out of 4 others	Either CA11 + CA12 + CA2 + 1 ST	1 × ST
		Or CA11 + CA2 + 2 × ST	CA12
	3 out of 4 × 300 but not 301	CA12 + CA2 + 2 × ST	CA11
2:	301 + 1 out of 302–4	Either CA11 + CA12 + CA2	2 × ST
		Or CA11 + CA2 + 1 × ST	CA12, 1 × ST
	301 + 305	CA11 + CA2 + ST5	CA12, 1 × ST
	2 out of 302–5 but not 301	Either 2 × ST + CA2	CA11 + CA12
		Or CA12 + CA2 + 1 × ST	CA11, 1 × ST
1:	301	CA11 + CA2	CA12, 2 × ST
	305	ST5 + CA2	CA11 + CA12, 1 × ST
	1 from 302–304	1 × ST + CA2	CA11 + CA12, 1 × ST
		Or CA12 + CA2	CA11, 2 × ST

Appendix B

Possible example scenarios

1. In December 2004 a student has passes in all 100 series subjects, 201, 301, 302 and 303 and wants to specialise in Life but has not taken 402 or 304.

The 100 series subjects will map fully onto the Core Technical subjects. As the student has some 300 series subjects, CA2 Modelling will be exempt. 201 will map fully onto CA3 Communications and 301 maps fully onto CA11 Core Applications Concepts (the assets paper). There are then three choices for the student:

- (a) Count 303 as CA12 Core Applications Concepts (the liabilities and asset-liability management paper). Count 302 as one Specialist Technical subject.

The student will then have to take one further Specialist Technical subject (but not Life or General) and one Specialist Applications subject.

- (b) Count 302 as CA12 Core Applications Concepts (the liabilities and asset-liability management paper). Count 303 as one Specialist Technical subject.

This gives the same outcome as (a) with two subjects still remaining.

- (c) Count 302 as one Specialist Technical subject. Count 303 as the second Specialist Technical subject.

The student will then have to take CA12 Core Applications Concepts (the liabilities and asset-liability management paper). This may only be available separately for two years: 2005 and 2006. The Specialist Applications subject is also outstanding.

2. In December 2004 a student has passes in 101, 102, 103, 104, 105, 106 and 107.

The 100 series subjects map onto CT1, CT3, CT4, CT5, CT6 and CT7. The student will then have to take the Core Technical subjects CT2 and CT8, the Core Applications stage, two Specialist Technical subjects and a Specialist Applications subject.

3. In December 2004 a student has passes in 101, 102, 103, 105, 106, 107, 108, 109, 201, 301, 304, and 401.

The student will have exemptions from seven of the eight Core Technical subjects as well as the first half of CT4 Models. The student will still have to take the second half of CT4 Models (corresponding to 104). As the student has some 300 series subjects, CA2 Modelling will be exempt. 201 will map fully onto CA3 Communications and 301 maps fully onto CA11 Core Applications Concepts (the assets paper). There are then two choices for the student:

- (a) Count 304 as CA12 Core Applications Concepts (the liabilities and asset-liability management paper) and 401 as the Specialist Applications subject.

The student will then have to take two further Specialist Technical subjects (but not Pensions and Employee Benefits).

- (b) Count 304 as one Specialist Technical subject and 401 as the Specialist Applications subject.

The student will then have to take CA12 Core Applications Concepts (the liabilities and asset-liability management paper). (This may only be available separately for two years: 2005 and 2006) and one further Specialist Technical subject (but not Pensions and Employee Benefits.)