

Actuarial Club Science

University of Toronto

ISSUE 3 » JAN 2012

Newsletter

- 1 Welcome back Message From
President
By Li Li Lin
- 4 Advice on CFA
By Professor Sharp Keith

Special thanks to

Professor Keith Sharp

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With the email you check most frequently, send a blank email to:
uoftactsci-subscribe@yahoogroups.com

Act Sci Club in Winter 2012

Belated Happy New Year! Wish you joy and happiness in 2012.

Actuarial Science Club presents you 2012 New Year resolutions & advices to 2nd/3rd year students! We have prepared quite a number of new programs for you in the winter term. And I encourage ALL students to participate.

We are launching the **first Property & Casualty Seminar Series**. Property & Casualty is also called the non-life actuarial practice. An example of P&C work is automobile insurance pricing. Data organization or methodology used in P&C is not exactly the same as in life actuarial practice. This is a great opportunity to learn about non-life actuarial concepts since we don't have any courses on such topic. I encourage junior students to attend the seminars and explore other options in the ACT field! Please refer to announcement below for details or keep an eye on my emails.

Besides P&C Seminar Series, we are also holding a very innovative seminar on life actuarial practice! Investment products provided by life insurers are so popular. Going forward from the seminar on "Segregate Funds", how is the equity risks associated with such products dealt? ACT473's professor, Simon Curtis, mentioned that, increase in premium won't be enough to compensate for tail risk and stay competitive.

How is hedging done for investment products such as variable annuity? Come join us on **Monday night, Jan 30th, 2012** for a presentation given by Manulife representatives, Eric Cheong, Christina Lee and Manoj Gandhi. Please see below for details.

In addition to our seminars, we are launching the **first SAS workshop series**. As mentioned on Oct 2011 Newsletter, SAS is heavily used for data analysis or data management purpose. SAS Workshops will likely be on Thursdays in March, 2012. It will be taught by an actuary from Intact (P&C firm) and will be available FREE of charge this year. If you are interested or if you have any question, please email uoftactsci@yahoo.ca

Further, we are holding a site visit to Sun Life Financial's, one of the largest Canadian life insurance companies on March 16th, 2-5pm. Details will be released in February Newsletter.

Last but not the least: social events! Rock Climbing and Basketball Tournament are organized this term! Come out and have fun with other ACT students!

Socials

Rock Climbing!

You CAN'T miss this because we book the place in Scarborough!!! The big and fancy one near Toronto Zoo!

The site we are going: <http://www.climbingacademy.com>

Cost: \$20 (Price is highly subsidized by Act Sci Club)

Date: 2-5pm, Feb 3rd, 2012

Sign Up Deadline: Feb 1st, 2012

Sign up through the link below

<https://docs.google.com/spreadsheet/viewform?formkey=dG15NEVmNlIBQkRlMkFuLW1xTUlMeUE6MQ>

Basketball Tournament

Everyone is welcomed to join!

Registration info and further details TBA

Joint Social with University of Waterloo (Pub Night)

March 2nd, 2012

Dates & Venue TBA

Semi-formal Banquet

March 2012

Friday night, dates & venue TBA



Seminars

Life Actuarial Seminars

1) **Variable Annuity Hedging**

Date: Mon, Jan 30th, 2012

Time: 6pm

Speaker: Eric Cheong, Manoj Gandhi, Christina Le

Room: SS1070

Property & Casualty Seminar Series

1) **Introduction to Property & Casualty Actuarial Practice**

Coverage: basics of P&C policy; nature of time for P&C; data organization.

Date: Tues, Jan 31st, 2012

Time: 6pm

Speaker: David Oakden

Room: UC85

2) **Loss Distributions in P&C**

Coverage: Examples of use of non-normal distribution; credibility; capital measurers

Date: Mon, Feb 6th, 2012

Time: 6pm

Speaker: Chris Townsend

Room: SS1070

3) **Life Contingency in P&C**

Coverage: Disability tables; structured settlements; Actuarial evidence; Premium setting / classification; Occupational disease / latent claims

Date: Feb 28th, 2012

Time: 6pm

Speaker: Tim Reed, Fiona So, Martin Van Driel

Room: UC85

4) **P&C Ratemaking**

Coverage: Premium estimation; rating factors; filing process; Reinsurance & CAT

Date: Mon Mar 5th, 2012

Time: 6pm

Speaker: Stephane McGee, Obaid Rahman, Maki Dahchour

Room: SS1070

5) **P&C Reserving and Reinsurance**

Coverage: Basics of P&C balance; chain ladder; reserve variability; DCAT

Date: Mon Mar 12th, 2012

Time: 6pm

Speaker: Houston Cheng

Room: SS1070

Advice on CFA

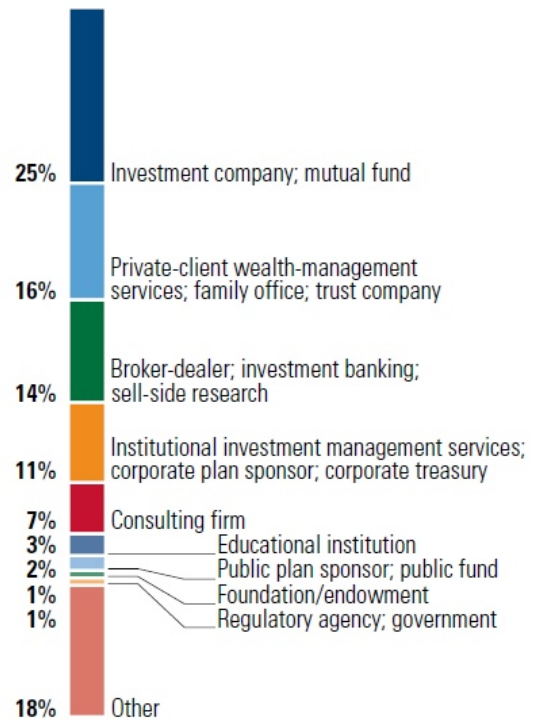
By Professor Keith Sharp

Maybe one-fifth of the study hours compared with FCIA

CFA – Chartered Financial Analyst – has emerged in the last 25 years as a better-known, more widely useful, and certainly much easier designation than our centuries-old actuarial qualifications. The CFA Institute (www.cfainstitute.org) from its Charlottesville VA headquarters has shown a knack for publicity and for building its brand. Ads appear even in local Toronto newspapers and on web sites showing an exhausted but exhilarated Chinese twenty-something man saying ‘It was the toughest thing that I’ve done in my life – but now I’m a CFA Charter-holder’. Not ‘I’m a CFA’ – the CFA Institute forbids a ‘charter-holder’ from calling himself or herself a ‘Chartered Financial Analyst’ for fear of the term becoming generic. Ridiculous? Possibly, but also about ‘the toughest thing’ boast one has to ask ‘compared with what?’ The three CFA exams have been said by CFA Institute to take maybe 250–300 study hours each to have a good chance of passing, maybe one-third less for someone with an actuarial background including a course or two in economics and accounting. Contrast 750 hours with maybe 3,750 hours study to become an actuarial fellow. One-fifth of the hours! A lot of the time series, bond math, option math, portfolio variance and regression model material will be familiar. So perhaps you’ve considered going for CFA in addition to, or instead of, the actuarial qualifications.

Maybe more than one-fifth of the benefit? Maybe you’ll end up a fellow and a CFA. Walk through downtown Toronto and call in at random businesses asking for a job interview. Some medium-sized firms will need financial forecasts and profit-and-loss analyses done, and are likely to know about the CFA qualification. And even more businesses, including retail banks, are trying to sell investment products and regard CFA as adding credibility. But mention your actuarial qualification and many companies will say ‘actuaries – we’ve heard of them – but don’t they work just for insurance companies or pension consulting firms? Try Manulife on Bloor East with that lawn and the weird statues’. It’s annoying to hear that comment after all the

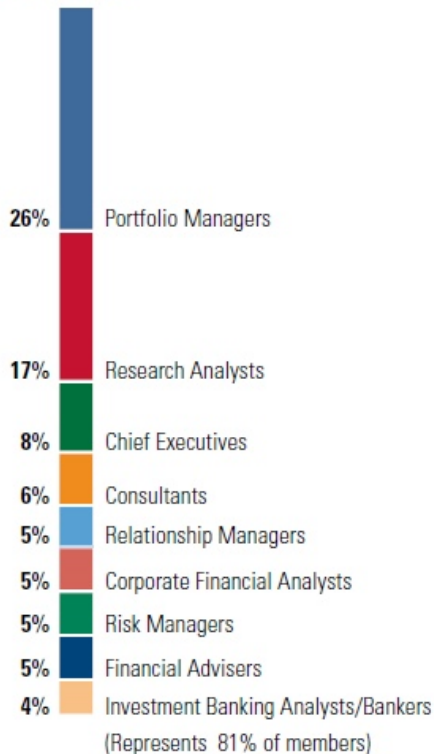
WHO EMPLOYS CFA CHARTERHOLDERS?



*Source: May 2010 Practice Analysis Survey of CFA Institute Members (1,122 respondents; margin of error ±3%)

www.cfainstitute.org

Among these many specialties in the investment profession, CFA charterholders hold the following types of positions in more than 130 countries around the world:



effort expended by actuarial organizations trying to broaden our employment opportunities, and especially annoying after the 3,750 hours of study. On the other hand, those who get actuarial jobs can expect career higher pay than the great majority of CFAs.

Should everyone be switching from actuarial studies to CFA? Well, no. Because:

1. Taking CFA Level I requires you to have graduated or to be in your last year
2. There's too many CFAs – sorry, Charter-holders, in the world already
3. It makes more sense to head for, at least, associateship and for CFA as well

Chartered Financial Analysis of what?

Investment analysts in 1963, when they weren't trying to pick winning stocks were thinking that they deserved more respect. So they set up the CFA qualification. For 30 years, CFAs existed largely unnoticed, quietly coding their spreadsheets from the financial statements of stock exchange – listed companies, and using guesswork, black

magic, overheard conversations – and a little skill – to project profits and price/earnings ratios in future years. The stock bull market of the 1990s gave CFAs the chance to emerge from the shadows, to take over big chunks of Wall Street and Bay Street, to make famously good (Abby Cohen CFA, John Templeton CFA) and famously bad (lots of other CFAs) investment forecasts, and to write books about it.

CFA is as Global as a professional qualification gets

Accountants, actuaries, engineers and doctors are licensed and partially regulated by government in most countries, so they organize on a national or even provincial/state basis. CFAs take advantage of their largely unregulated situation by positioning themselves as arguably the most prominent global professional organisation. There are now over 100,000 CFAs, mostly in the US, China, Canada, Hong Kong and Singapore with some recognition in the UK and the rest of Europe. In year 2010–2011, 82,000 candidates started the exam process at Level 1. The average pass rate in 2001–2010 was 39%, according to Investopia.com, varying somewhat by 'Level'. In 2010 'only' 7,353 people in 96 countries completed the three Levels of CFA studies, which are in English.

That includes the 4,000 exam candidates who fill the CNE National Trade Centre in Toronto. They look much like actuarial students, all the way down to use of a BA II Plus or venerable HP12C calculator. The geographical distribution of membership is shifting from North America. Quoting from the CFA Institute Annual Report: “The global distribution of new candidates entering the CFA Program in fiscal year 2011, with less than one-third from North America and almost one-half from the Asia-Pacific region, is likely indicative of the future membership composition of the organization.”

CFA Job Market

You’ve heard this before: ‘nowadays there are a lot of people with CFA after their names (or FCIA or FSA or PhD or lots of other qualifications) and the number of jobs has not grown as much’. In the case of CFAs there has been particularly fast growth in numbers, and particularly bad luck in that the 2000 and 2008 financial crashes much reduced the number of desks to occupy. So again, we all have to get used to a world where communication skills, get-up-and-go, networking, multiple qualifications in somewhat related fields – and luck – are ways to get jobs, as they were fifty years ago when almost no-one had a degree and now maybe 40% in some areas and age groups has a degree.

The story as usual is that most employers want to see several years of work experience. So there’s no guarantees: look at some of these sites to get some idea of recent trends:

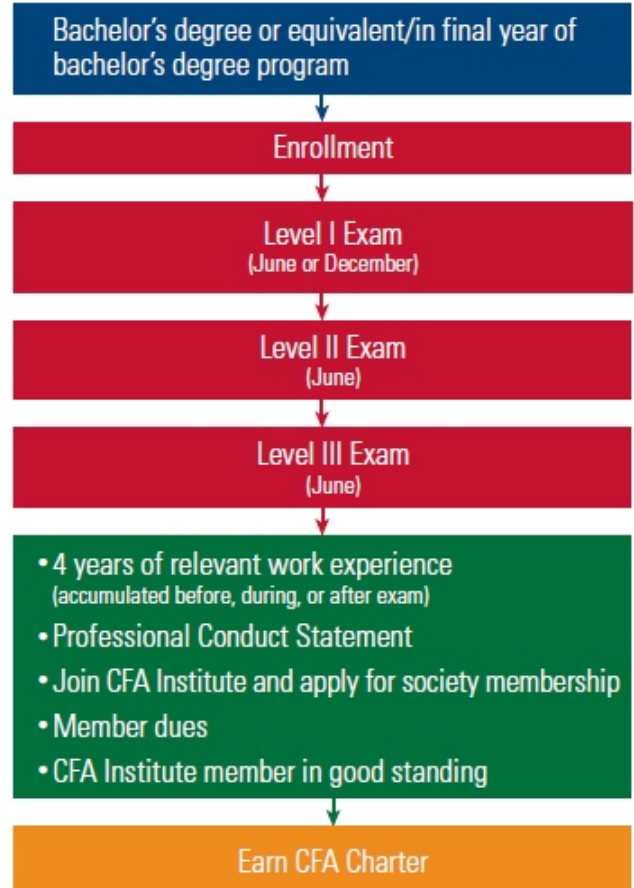
www.efinancialcareers.com

www.doostang.com

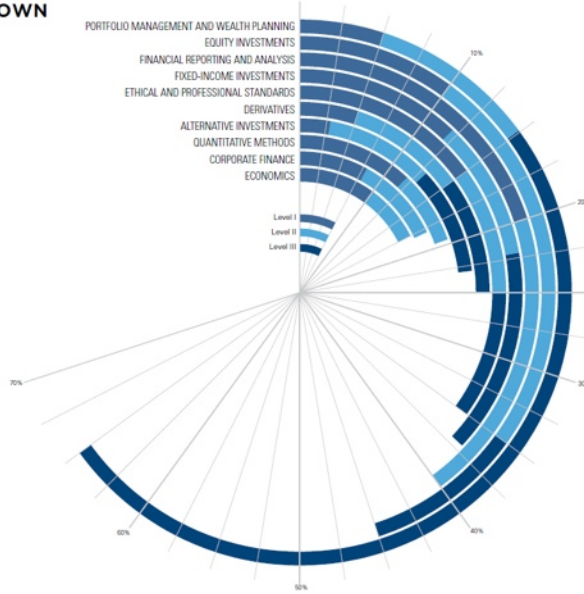
www.analystforum.com (CFA equivalent of our Actuarial Outpost)

www.actuarialoutpost.com (CFA section)

ROADMAP TO THE CFA CHARTER



CURRICULUM TOPIC BREAKDOWN BY EXAM LEVEL



www.cfainstitute.org

Conclusion and disclaimer

If you have fair smarts, good study habits and 250 hours, you might find a CFA Level I pass doable. And you might find that that pass gets you interviews at a wider selection of businesses than actuarial passes alone. But absolutely no guarantees can be given by me or the University of Toronto, and the opinions here are largely guesses based on limited information. Use at your own risk! Try lots of avenues, improve your resume by grabbing work experience any way you can, and stay positive.

GOOD LUCK

Keith Sharp PhD FCIA FSA CFA
December 2011

Acknowledgement

The use of CFA Institute diagrams is gratefully acknowledged.

Reminder

For second year students, you should prepare to write Exam P and FM now. Exam registration deadlines are also posted on Act Sci Club home page. Two exams are essential if you are applying for internship. It's time to start working on your resume and cover letter as well. There are tons of help sessions from U of T career center. Start early and good luck!