



AMERICAN ACADEMY of ACTUARIES

Objective. Independent. Effective.™

June 29, 2015

BY UNITED STATES MAIL AND ELECTRONIC MAIL

Mr. Richard Piazza, ACAS, MAAA
Chair, Casualty Actuarial and Statistical (C) Task Force
National Association of Insurance Commissioners
1100 Walnut Street
Suite 1500
Kansas City, Missouri 64106-2197

RE: CASTF Consideration of Society of Actuaries General Insurance Track

Dear Mr. Piazza:

We write to address letters dated May 19, 2015, June 15, 2015 and June 23, 2015 (each a “Letter” and, collectively, the “Letters”) from Ann Weber, Director of Regulatory Affairs, Society of Actuaries (“SOA”), concerning (1) the draft Casualty Actuarial and Statistical (C) Task Force (“CASTF”) survey to companies employing actuaries and to actuarial consulting firms and (2) CASTF’s draft reports on its charge concerning the SOA’s general insurance education track.

While the Letters contain much rhetoric, the SOA’s request puts before CASTF (and NAIC more broadly) significant issues of professionalism and qualification in actuarial practice. In fact, as discussed below, these are the only issues that the request raises. The American Academy of Actuaries (the “Academy”) is the only U.S.-based actuarial organization dedicated solely to serving the public and the profession in the United States. The Academy was created to establish and maintain high standards of qualification and professionalism for the U.S. actuarial profession; that remains central to our mission. That is why the NAIC has traditionally looked to the Academy’s Casualty Practice Council (“CPC”) for assistance in determining whether actuaries not credentialed by the Casualty Actuary Society (“CAS”) are qualified to sign statutory Statements of Actuarial Opinion. The Academy’s only interest in matters raised by the Letters is to ensure that actuaries practicing in this area, regardless of their educational backgrounds, are appropriately qualified and meet the applicable professional standards.

Contrary to statements in the Letters, neither the survey nor the CASTF’s review of the SOA general insurance track relates to “competition among actuarial organizations.”¹ The Academy itself is not a commercial competitor of any other actuarial organization, as the Letters implicitly acknowledge. While SOA may intend that its general insurance track be an alternative to

¹ May 19 Letter at 1; *see also* June 15 Letter at 2 (referring to “competition in the market place”).

educational services of CAS, no action that CASTF may take will interfere with the SOA's ability to offer its general insurance track to actuaries.

The question of concern to the Academy, one shared by regulators, with the SOA's request is how best to ensure qualification and professionalism in this area of actuarial practice. The Property and Casualty Actuarial Opinion Model Law (Model #745-1) incorporates the related NAIC Property and Casualty Statement Instructions (the "Instructions"), which define a "Qualified Actuary" as a person who:

- (1) Meets the requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the Academy-promulgated Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (the "Qualification Standards"); and
- (2) Is either (a) a member in good standing of CAS or (b) a member in good standing of the Academy who has been approved as qualified for signing casualty loss reserve opinions by the CPC.

In other words, two criteria exist for actuaries signing statutory Statements of Actuarial Opinion. The first requires that the actuary meet the relevant Qualification Standard. The second can be met in one of two alternative ways – membership in the CAS or membership in the Academy coupled with approval by the CPC.²

In 2013, SOA requested the NAIC amend the Instructions so that its general insurance track would be treated as the equivalent of the CAS general insurance track. That is not a request to enter into competition for education services; NAIC has never attempted to prescribe the offerings available to actuaries. Rather, SOA has requested a benefit for those completing its general insurance track – namely, that they be presumed to have the same qualifications in this area as holders of the CAS credential. That request directly implicates qualification and professionalism. Accordingly, CASTF and NAIC have every right – and, in our view, a duty – to inquire whether granting that request will meet the needs of state insurance regulators and benefit the public.

While CAS can vouch for the quality of its own education programs, there is a substantial difference between a long-standing credential that has gained acceptance in the profession as indicative of qualification to sign statutory Statements of Actuarial Opinion and a new program with no similar record. Inclusion of the CAS credential in the Instructions rests on decades of experience; similar experience is lacking with the SOA credential.

Of course, merely holding the CAS credential is not enough for an actuary to sign Statements of Actuarial Opinion; the actuary must still meet the requirements of the Qualification Standards. But the historical record suggests that actuaries who meet the Qualification Standards and hold the CAS credential are qualified in this area.

Although the Letters raise a number of scattershot objections to CASTF's approach to addressing the SOA's request, they fall into two broad categories: (1) an objection to the proposed survey of

² The Instructions also permit actuaries who do not satisfy the criteria to sign Statements of Actuarial Opinion in limited circumstances.

employers and consultants; and (2) an objection to any involvement of the CPC in assessing the SOA's general insurance track. In the Academy's view, neither has merit.

While the draft survey alone is not sufficient to determine that the SOA request should be granted, it can provide important data for CASTF to analyze. The views of employers and consulting groups are indicative of the qualifications of actuaries bearing the SOA credential and are directly relevant to NAIC's consideration of the educational quality of the SOA general insurance track.

The objections to the survey in the May 19 Letter lack any evidentiary support and border on the frivolous. The May 19 Letter first objects that the survey "has the potential to cause material harm, both to the SOA and to the opportunity for students to have a choice of credential pathways."³ That assertion is demonstrably false. As noted, NAIC's failure to grant a benefit to SOA is not "harm" at all. Moreover, nothing NAIC does can halt the SOA's marketing of its education services for the general insurance track.

The May 19 Letter's second objection is that "opinions offered on the survey will likely be influenced by personal opinions or even bias, company traditions to date or other irrelevant factors" because the "vast majority of property casualty actuaries employed by those to be surveyed are associated with SOA's sole US competitor."⁴ This is an odd contention. Survey or no, persons holding the CAS credential will continue to make most of the employment decisions in this area for the foreseeable future. Their own commercial interests compel them to seek out the most qualified persons to carry out the work of their companies and firms regardless of whether those actuaries hold the CAS or SOA credential or some other credential altogether. This objection effectively asserts that NAIC should ignore the views of those practicing in the area on a daily basis and whose own interests are aligned with those of NAIC – namely, to have the most qualified individuals practicing in this area.

The suggestion that employers and consultants will allow their views to be tainted by their own educational experiences and by bias is both absurd and offensive. The May 19 Letter cites no evidence supporting the assertion. Moreover, actuaries employed by these companies and consulting firms have served the profession with distinction for years. Many have served on the CPC, which has often found actuaries not bearing the CAS credential qualified to sign casualty loss reserve opinions. Their respective educational backgrounds have never interfered with their performance of professional obligations. The May 19 Letter offers no reason to question their professionalism now.

Finally, the May 19 Letter's third objection – that the survey could "influence the market against SOA's new track" – is pure speculation. In many respects, it merely repeats the unfounded bias argument and should be rejected for the same reason.

CASTF should also reject objections, set forth in the June 15 and June 23 Letters, to the CPC's involvement in consideration of the SOA's general insurance track. As CASTF's draft reports recognize, the definition of "Qualified Actuary" in the Instructions has long provided for the CPC to review the qualifications of actuaries who seek to sign statutory Statements of Actuarial Opinion

³ May 19 Letter at 2.

⁴ *Id.*

but do not hold the CAS credential. That will remain true no matter how the SOA's request is resolved.

While the CPC does review individual applications, its reviews of those holding the SOA credential, like the recommended survey, will provide useful data to NAIC in assessing the overall quality of the SOA's education offering in general insurance. If the CPC regularly approves applicants completing the SOA program, that fact would suggest – albeit not conclusively – that the SOA general insurance track meets certain minimum quality thresholds. Alternatively, if CPC finds that a significant number or percentage of applicants completing the SOA general insurance track are not qualified or have limited qualifications, that information would also be instructive to NAIC.

The Letters principally object to the CPC's involvement because such involvement will supposedly delay resolution of the SOA's request and because CPC members supposedly are biased⁵ and have a conflict of interest.⁶ The delay argument is makeweight; SOA is already offering its general insurance track. What it seeks is an additional benefit from NAIC that will assist its marketing of those services. Given the significance of the qualification issues at stake, however, getting the outcome right should trump any concern about delaying the grant of a benefit. As for the bias objections, they are no more substantial here than on the survey issue. CASTF should reject them.

The Letters consistently request an independent review of the quality of the SOA's general insurance track. The Academy does not oppose such a review. But an independent review of the type sought is largely an academic exercise based on subjective expert opinions. Those opinions, if they are truly independent, will also be useful in NAIC's consideration of the SOA's request. But any subjective opinions should be tested against real-world evidence. Both the survey and CPC provide such real-world evidence and are far more likely to inform NAIC's ultimate judgment than an independent academic review done in isolation.

The Academy has previously stated its view that the SOA's request is “not based on any needs of the U.S. actuarial profession or of the NAIC that [the Academy] can identify.”⁷ That remains the Academy's position. Those holding the SOA credential can, as actuaries have for years, meet the definition of “Qualified Actuary” by being members of the Academy and receiving approval from the CPC. That process has worked well for actuaries not holding the CAS credential, regulators and the public at large. Indeed, the CPC process is not limited to individuals with SOA credentials seeking to sign Statements of Actuarial Opinion in the property and casualty area; rather, it offers an *additional* path for qualified actuaries to sign such statements without regard to the source of

⁵ June 23 Letter at 1 (“any CPC report would be inherently biased”).

⁶ June 15 Letter at 2 (“CPC is comprised almost exclusively of individuals having completed the CAS pathway, and even assuming the best intentions for objectivity, there is a conflict of interest”). Bluntly, that statement is offensive; CASTF should reject it out of hand. The June 15 Letter offers no evidence of conflict of interest or any reason why the objectivity and good faith of CPC members should be questioned at all. This besmirching of the professionalism of CPC members effectively argues that anyone holding a CAS credential cannot objectively assess the qualifications of another actuary not holding the CAS credential. The contention is fatuous on its face, and in any event, CPC's history of approving actuaries lacking the CAS credential to sign Statements of Actuarial Opinion conclusively refutes it.

⁷ Letter from Cecil D. Bykerk to Richard Piazza, *et al.*, dated November 1, 2013.

their professional credentials – be it SOA, the Institute and Faculty of Actuaries, L’Institut des Actuaire or some other professional actuarial organization. SOA has offered no reason to alter that approach.

Nonetheless, the Academy understands that NAIC must treat the SOA’s request for a modification of its Instructions under its applicable procedures. In the Academy’s view, the issue facing the NAIC is how best to ensure the qualification and professionalism of actuaries signing Statements of Actuarial Opinion in this area. Seen in that context, the draft survey and review of CPC information are sensible steps in determining what action NAIC should take on the request. Neither has any effect on competition for education services, and both are likely to yield information that will help NAIC make an informed and prudent judgment. The Academy supports both.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Jones". The signature is fluid and cursive, with the first name "Keith" and last name "Jones" clearly distinguishable.

Keith Jones
General Counsel and Director of Professionalism

cc: Kris Defrain (by e-mail only at kdefrain@naic.org)
Tiffany Fosgate (by e-mail only at tfosgate@naic.org)