

AMERICAN ACADEMY of ACTUARIES

VIA EMAIL

February 20, 2013

Mr. Richard Marcks
Chair, Joint Qualified Actuary (A/B/C) Subgroup
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Comments on issues raised during open call on February 13, 2013
of the Joint Qualified Actuary (A/B/C) Subgroup

Dear Richard:

On behalf of the Professionalism Council of the American Academy of Actuaries, I thank you for the opportunity to submit these comments regarding issues raised during the above-referenced open call of the Joint Qualified Actuary (A/B/C) Subgroup.

Value of membership in the American Academy of Actuaries (Academy)

The Academy has served as the home of actuarial professionalism – conduct, practice, standards -- as a vital part of its core mission since inception in 1965 when the actuarial organizations coalesced around the idea of creating the central credential of the “MAAA.” In addition to this foundation, some of the major attributes that distinguish the Academy from the other U.S.-based actuarial organizations are:

1. For decades, state and federal regulators have widely recognized and incorporated the “M.A.A.A.” designation into regulations recognizing it as reflective of actuaries who are required to adhere to high and specific standards of conduct and practice through the profession’s Code of Professional Conduct (Code).
2. The Academy is the only actuarial organization that is completely cross practice in nature having members from all practice areas including, life, health, property and casualty, pension, and enterprise risk management.
3. The Academy promulgates the U.S. Qualification Standards which sets the standards and definition for actuarial qualifications to practice in all practice areas in the United States.

4. The Academy houses the Actuarial Standards Board which promulgates actuarial standards of practice in the United States, and houses the Actuarial Board for Counseling and Discipline which routinely counsels actuaries and at times recommends discipline after affording actuaries appropriate due process to assist credentialed actuaries to maintain high standards in their practice.
5. The Joint Committee for the Code of Professional Conduct that monitors the Code is hosted by the Academy.

For regulations to embody the particulars of the Code or the U.S. Qualification Standards within itself would make such regulations unnecessarily unwieldy. As such, given the long track record, expertise, and commitment of the Academy to conduct, practice, and standards, it has become the practice to more succinctly refer to the "M.A.A.A." designation as encapsulating these concepts to define a "qualified actuary".

Finally, with one of the charges of this Subgroup being to find a cross-practice definition of "qualified actuary," and as the only actuarial organization that is completely cross practice, the Academy definition uniquely serves this need. This coupled with the Academy's years of working with state and federal regulators to explain and assist with complex actuarial issues as part of its public policy mission, offers an exceptional understanding if the goals sought by regulators.

Clarification on ABCD Process

During the above-referenced call of the Subgroup mention was made of an ABCD statistic, that last year the ABCD had 62 complaints but only recommended discipline in 3 instances. This would equal the result of the ABCD determining material violations of the Code at the rate of only 4.8%.

To clarify, there were 58 complaints filed in 2012. What is not readily apparent, however, is that 2012 was highly anomalous in that 38 complaints were filed by one complainant involving a political matter widely publicized by that complainant. In short, these matters were quickly identified and dismissed. Thus in 2012, the ABCD had 20 valid complaints of which five resulted in a recommendation for discipline, a 25% rate of determination by the ABCD of a material violation of the Code by actuaries. In fact, the ABCD has delivered a consistent rate of determination of between 22-25% for the past three years.

While we can certainly discuss if 25% findings of material violations of the Code is appropriate, such analysis can only be informative if it accurately reflects the current practice of the ABCD.

As I mentioned on the call, the Academy's Professionalism Council has over the past year set up a task force to review the Academy and ABCD discipline processes to consider and recommend ways to improve the process and to better communicate these processes to the public, and the task force is examining regulators' concerns as part of this effort.

The Academy looks forward to further opportunities to discuss any and all professionalism matters with the Subgroup and welcomes all members to join us at the next NAIC meeting for a lunch and breakfast that the Council on Professionalism plans to hold during that meeting.

Very truly yours,

Karen Terry
Vice President of Professionalism
American Academy of Actuaries