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AMERICAN ACADEMY *of* ACTUARIES

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Thomas S. Terry, MAAA, FSA, FCA, EA, *President*

January 6, 2014

VIA EMAIL – [eking@naic.org](mailto:eking@naic.org)

Richard Marcks, Chair  
NAIC Joint Qualified Actuary (A/B/C) Subgroup (JQA Subgroup)  
c/o Eric King  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

Re: Definition of “qualified actuary”

Dear Richard:

I understand that a charge was given to the JQA Subgroup to recommend a uniform definition of “qualified actuary” for life, health, and property/casualty appointed actuaries signing prescribed NAIC Statements of Actuarial Opinion, identifying any differences that should remain between lines of business.” Thank you for the open invitation to provide input to the JQA Subgroup prior to its next open conference call on January 8, 2014 on this topic.

The American Academy of Actuaries shares your goals to raise and address the challenges faced by state regulators in assuring actuarial qualification requirements are both clearly established and enforced. We appreciate the benefits that uniformity can bring to showing a clear and transparent regulatory intent for the understanding of actuaries, insurers, and consumers.

There are differences between practice areas and insurance products that are reflected on the blanks on which they are reported, and they can account for the differences in the existing rules and definitions governing actuarial opinions (see Appendix). In addition, there are unique histories/experiences behind the timing and development of these definitions that can, in retrospect, be looked at comparatively to ascertain whether there is greater utility in one definition that eliminates all differences among the blanks, or greater utility in one definition with respect to one actuarial credential that can uniformly be applied to all and that still leaves some practice area differences. The Academy is keenly aware of these differentiating factors in that its members come from all areas of practice. Some of the differences in the definitions result from the inclusion of conduct-related requirements. We do not want to suggest a common definition that would result in or even be perceived to weaken any conduct-related requirements.

The Academy is uniquely able to assist you in achieving as much uniformity as possible while maintaining and strengthening specific practice and professionalism requirements. The Academy is the national organization of the U.S. actuarial profession and the only organization focused on the needs of the public in the United States. We exist to support the creation of sound public policy in the U.S. and to formulate the standards governing the practice, qualification, and conduct of the U.S. actuarial profession.

Earlier comments from the Academy to the JQA Subgroup and the three NAIC actuarial task forces have described how the Academy's professionalism mandate has long been exercised through its autonomous boards and committees (Actuarial Standards Board (ASB)), Actuarial Board for Counseling and Discipline (ABCD), and Committee on Qualifications created to be deliberately independent of any actuarial organization's influence and commercial self-interest, or any one organization's commercially strategic objectives. At the same time, the Academy's unique role in actuarial professionalism accomplishes the goal of uniformity: uniformity of U.S. Qualification Standards (USQS), uniformity of actuarial standards of practice (ASOPs), and uniformity of Counseling and Discipline procedures (ABCD).

Academy membership (MAAA designation) requires an actuary to adhere to our code of professional conduct, qualification standards, and practice standards, and offers members counseling on how to do that, as well as disciplinary procedures when a member does not do so. While other actuarial organizations based in the U.S. may acknowledge that actuaries adhere to U.S. specific professionalism mandates as a requirement for practice in the U.S., the Academy is the source and the arbiter of those requirements and, most importantly, is the only organization that is dedicated solely to U.S. specific policy, practice, and qualification requirements.

Therefore, the Academy recommends that one level of the uniformity desired be achieved by reference to one credential: the MAAA. We propose a uniform definition that states: "A 'qualified actuary' is an individual who is a member of the American Academy of Actuaries or a person recognized by the American Academy of Actuaries as qualified to sign a particular prescribed NAIC Statements of Actuarial Opinion."

Because Academy membership requires adherence to the Qualification Standards, an Academy member is required to meet any of the Specific Qualification Standards contained in Section 3 of the Qualification Standards (e.g., Life and A&H, Property and Casualty, and Health) if he/she signs a prescribed NAIC statement. We offer the specific expertise of experienced actuaries from all of the Academy's practice and professionalism areas to assist you in navigating the considerations involved that may be unique to each of the three qualified actuary definitions going forward to develop or work on draft changes you decide are desirable. We welcome the opportunity to work with the NAIC to achieve your goals, which we share.

Should you have any questions regarding these comments, feel free to contact Craig Hanna, the Academy's Director of Public Policy ([hanna@actuary.org](mailto:hanna@actuary.org) / 202-223-8196).

Sincerely,

A handwritten signature in cursive script that reads "Tom Terry".

Tom Terry  
President  
American Academy of Actuaries

cc: Membership, NAIC Jt. Qualified Actuary Subgroup  
Rich Piazza, Chair, NAIC Casualty Actuarial & Statistical Task Force  
Steve Ostlund, Chair, NAIC Health Actuarial Task Force  
Mike Boerner, Chair, NAIC Life Actuarial Task Force  
Mike Angelina, Vice President, Academy Casualty Practice Council  
David Shea, Vice President, Academy Health Practice Council  
Mary Bahna-Nolan, Vice President, Academy Life Practice Council  
Karen Terry, Vice President, Academy Professionalism Council

## APPENDIX

### **Property/Casualty**

The PROPERTY AND CASUALTY ACTUARIAL OPINION MODEL LAW (Model #745) refers to the NAIC Property and Casualty Annual Statement Instructions to provide the definition of the Appointed Actuary.

#### **In the P&C Annual Statement Instructions:**

“Qualified Actuary’ is a person who meets the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, promulgated by the American Academy of Actuaries, and is either:

- (i) A member in good standing of the Casualty Actuarial Society, or
- (ii) A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries.”

*Note that there is also power for a Commissioner to allow another person to fill this role: “These Instructions require that a ‘qualified actuary’ prepare the Opinion. Nevertheless, if a person who does not meet the definition of a ‘qualified actuary’ has been approved by the insurance regulatory official of the domiciliary state, the company must attach, each year, a letter from that official stating that the individual meets the state’s requirements for rendering the Opinion.”*

### **Life**

The ACTUARIAL OPINION AND MEMORANDUM REGULATION (Model #822) says

5B. Qualified Actuary. A “qualified actuary” is an individual who:

- (1) Is a member in good standing of the American Academy of Actuaries;
- (2) Is qualified to sign statements of actuarial opinion for life and health insurance company annual statements in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements;
- (3) Is familiar with the valuation requirements applicable to life and health insurance companies;
- (4) Has not been found by the commissioner (or if so found has subsequently been reinstated as a qualified actuary), following appropriate notice and hearing to have:

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- (a) Violated any provision of, or any obligation imposed by, the Insurance Law or other law in the course of his or her dealings as a qualified actuary;
  - (b) Been found guilty of fraudulent or dishonest practices;
  - (c) Demonstrated his or her incompetency, lack of cooperation, or untrustworthiness to act as a qualified actuary;
  - (d) Submitted to the commissioner during the past five (5) years, pursuant to this regulation, an actuarial opinion or memorandum that the commissioner rejected because it did not meet the provisions of this regulation including standards set by the Actuarial Standards Board; or
  - (e) Resigned or been removed as an actuary within the past five (5) years as a result of acts or omissions indicated in any adverse report on examination or as a result of failure to adhere to generally acceptable actuarial standards; and
- (5) Has not failed to notify the commissioner of any action taken by any commissioner of any other state similar to that under Paragraph (4) above.

**In the Life Annual Statement instructions:**

“Qualified actuary’ as used here means a member in good standing of the American Academy of Actuaries, or a person who has otherwise demonstrated his or her actuarial competence to the satisfaction of the insurance regulatory official of the domiciliary state.”

**Health**

There is no model law or regulation utilized.

**In the Health Annual Statement Instructions:**

“Qualified health actuary,’ as used herein means a member in good standing of the American Academy of Actuaries, or a person recognized by the American Academy of Actuaries as qualified for such actuarial valuation.”

Fyi - The AAA’s Qualification Standards can be found at this link:  
[http://dev.actuary.org/files/qualification\\_standards.pdf](http://dev.actuary.org/files/qualification_standards.pdf)