

Date Submitted: July 31, 2013

Author: Cande Olsen on behalf of the Life Practice Council



AMERICAN ACADEMY *of* ACTUARIES

July 31, 2013

Submitted electronically via 2013QSComments@actuary.org

American Academy of Actuaries
Committee on Qualifications
Attn: Sheila J. Kalkunte, Esq.
1850 M Street, NW, Suite 300
Washington, DC 20036

Re: U.S. Qualification Standards Request for Comments

Dear Sheila:

The Life Practice Council (LPC) of the American Academy of Actuaries¹ offers the following comments in response to the Committee on Qualifications' (COQ) request for comments on the U.S. Qualification Standards (QS).

Response to the Seven Questions of Particular Interest

1. *Are there portions of the QS that have prevented otherwise qualified actuaries from practicing in certain areas? If so, how can the QS be modified to allow those actuaries to practice in certain areas while maintaining proper qualification standards?*

No. The current qualification standards do not prevent otherwise qualified actuaries from practicing in certain areas.

2. *Are there existing, new, or emerging practice areas that require new specific qualification standards to ensure that actuaries practicing in those areas are qualified to do so? If so, what are these areas and what particular standards should be added to any contemplated specific qualifications?*

There would appear to be new and evolving practice areas, like Enterprise Risk Management (ERM) and Principle-based reserve analysis, that some actuaries (especially regulatory actuaries) have suggested may require revisions to the Qualification Standards. In these cases the input of regulatory actuaries should be specifically solicited. But we would also like to point out that considering the addition of new practice areas such as those noted above raises

¹ The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

the question as to whether or not the structure of Section 3 (Specific Qualification Standards) of the Qualification Standards should be rethought in its entirety. Some comments follow:

- a) The Specific Qualification Standards apply only to Statements of Actuarial Opinion for NAIC Annual Statements. What about other statements of actuarial opinion that are significant with respect to protecting the public or other major stakeholder groups (for example those related to pension funding or GAAP financial reporting)? Shouldn't these statements of actuarial opinion also be subject to Specific Qualification Standards?
 - b) Specific Qualification Standards refer to basic educational requirements of the Society of Actuaries or the Casualty Actuarial Society and yet there is no automatic process to keep the Qualification Standards in sync with changes to either entity's examination syllabus. Should changes either in the Qualification Standards or in the exam syllabus automatically generate a change in the other?
 - c) Or, alternatively, should the concerns brought up in a) and b) be addressed by making the Qualification Standards less prescriptive?
3. *In the current QS, is it clear as to what qualifies as organized, other, professionalism and business activities? If not, what changes do you suggest that would clarify these categories of the QS?*

Yes. The current definitions of organized, other, professionalism and business activities are clear.

4. *Should there be a yearly cap on professionalism CEs? Currently there is a minimum number of professionalism CEs but no maximum. If capped, what maximum amount do you recommend?*
- No. It is not necessary to cap the number of hours on professionalism.

5. *Currently, the QS only apply to actuaries issuing Statements of Actuarial Opinion in the United States, so actuaries providing Actuarial Services without a Statement of Actuarial Opinion are not required to comply with the QS. Should the QS be expanded to include all Actuarial Services as defined in the Code of Professional Conduct?*

No. If there is no finding being relied upon, it would seem that the requirements of the QS are unnecessary. On the other hand, we understand this is not a widely held belief, and we think it would be a good idea to get all the pros and cons of expanding the Qualification Standards on the table.

6. *Section 3.1.1 addresses additional basic and continuing education requirements for actuaries providing NAIC statements of actuarial opinion. Sections 3.1.1.1 (Life), 3.1.1.2 (Property Casualty) and 3.1.1.3 (Health) each list specific topics for actuaries who issue NAIC opinions as shown in the table below. With regard to these specific qualification*

standards, should the topics be updated? If so, what topics do you recommend adding, deleting or changing?

Life and A&H	Property and Casualty	Health
Policy forms and coverages	Policy forms and coverages, underwriting, and marketing	Principles of insurance and underwriting
Dividends and reinsurance	Principles of ratemaking	Principles of ratemaking
Investments and valuations of assets and the relationship between cash flows from assets and related liabilities	Statutory insurance accounting and expense analysis	Statutory insurance accounting and expense analysis
Statutory insurance accounting	Premium, loss, and expense reserves	Premium, loss, expense, and contingency reserves
Valuation of liabilities	Reinsurance	Social insurance
Valuation and nonforfeiture laws.		

The prescriptive nature of this section, although well-intended, may have the unintended consequence that good, relevant CE that is available (such as modeling techniques, ERM topics or credibility analysis) technically does not qualify. Adding topics would only be a temporary solution. It would be preferable to have a structure that allows some degree of judgment by the actuary, while still maintaining specific minimum requirements.

7. *Are the carryover provisions of the QS understandable or do they need to be clarified? If so, what is confusing to you and what suggestions do you have in clarifying the requirements? In addition, should the maximum carryover be reduced so that an actuary will always need to earn some CEs in a given calendar year? Currently an actuary could carry over a full year's CE from the prior year resulting in no additional CEs for the current calendar year. For both of these questions, please address whether your comments apply to general carryover requirements or to specific, organized, professionalism or business requirements*

Yes. The carryover provisions are understandable and do not need to be clarified or limited.

Thank you for the opportunity to comment. We would be pleased to discuss these issues further. If you have any questions about our comments, please contact John Meetz, the Academy's life policy analyst, at meetz@actuary.org or (202) 223-8196.

Sincerely,

Cande Olsen
 Vice President, Life Practice Council
 American Academy of Actuaries