



AMERICAN ACADEMY *of* ACTUARIES

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September 29, 2009

Richard Marcks, FCAS, MAAA, Chairperson  
Casualty Actuarial & Statistical Task Force  
c/o Kris DeFrain, Director, Actuarial & Statistical Services  
National Association of Insurance Commissioners  
2301 McGee Street  
Suite 800  
Kansas City, MO 64108

Dear Mr. Marcks:

I am writing on behalf of the Casualty Practice Council of the American Academy of Actuaries (Academy). As you are aware, the National Association of Insurance Commissioners' (NAIC) definition of a "Qualified Actuary," with respect to Statements of Actuarial Opinion (SAOs) for Property and Casualty Annual Statements, is a person who is either:

- (i) A member in good standing of the Casualty Actuarial Society (CAS), 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.<sup>1</sup>

The *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (Including Continuing Education Requirements)* (Qualification Standards), issued by the Academy and effective January 1, 2008, address basic and continuing education and experience requirements for actuaries issuing SAOs.

While membership in the CAS may meet the NAIC's definition of a qualified actuary, some CAS members may not have met the basic education requirements that are specified by the Qualification Standards. For example, it may be that CAS members who:

- Completed CAS Exam 7-Canada (or other non-U.S. exams that may be offered in the future),  
or
- Became members through Mutual Recognition, or
- Complete Associate Level exams under the new CAS syllabus that becomes effective in 2011,

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<sup>1</sup> State authorities have also approved others to act as appointed actuaries, although this has become increasingly rare as the supply of qualified actuaries has grown.

may need to demonstrate that they have either completed the exam topics set forth in Section 3 of the Qualification Standards, which were not included on their exam syllabus, or met the alternative to basic education set forth in Section 3 of the Qualification Standards.

In addition, CAS members in the first two categories may lack sufficient knowledge of the U.S. laws and regulations that are covered under CAS Exam 7-United States.

With respect to the third category, the CAS Board of Directors recently approved changes to the CAS Syllabus that will go into effect in 2011. I am attaching an article, which appeared in the August 2009 edition of *The Actuarial Review*, informing CAS members and candidates that the revised exam requirements for Associateship in the CAS will not cover all of the exam requirements set forth in Section 3 of the Qualification Standards for actuaries issuing the loss and expense reserves actuarial opinion in connection with the NAIC Property and Casualty Annual Statement.

Finally, as noted above, the Qualification Standards also provide experience and continuing education requirements. Thus, while membership in the CAS is necessary to qualify under item (i) of the NAIC's definition, it may not be sufficient to meet all of the Qualification Standards.

We note that the Code of Professional Conduct, which was adopted by the five U.S.-based actuarial organizations and became effective in 2001, states that: "An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience ...." Thus, if an Associate of the CAS who had not met the education requirements were to sign a SAO, he or she may be in violation of the code and therefore could be subject to appropriate counseling and/or disciplinary procedures.

Exhibit B to the NAIC Statement of Actuarial Opinion includes a number of required disclosures, including the basis for the actuary's qualification (as follows):

3. The Appointed Actuary is a Qualified Actuary based upon what qualification?

Enter F, A, M, or O based upon the following:

F if an FCAS;

A if an ACAS;

M if not a member of the CAS, but a Member of the American Academy of Actuaries approved by the Casualty Practice Council (and attach approval letter as documentation); or

O for Other

We recommend that this language be revised to:

3. The Appointed Actuary is a Qualified Actuary based upon what qualification?

Enter CAS, AAA/CPC, or O based upon the following:

CAS, if a member of the CAS who meets the basic education, experience, and continuing education requirements of the Specific Qualification Standard for Statement 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 (Including Continuing Education Requirements)* promulgated by the American Academy of Actuaries;

AAA/CPC if not a member of the CAS, but a Member of the American Academy of Actuaries approved by the Casualty Practice Council (and attach approval letter as documentation) who meets the basic education, experience, and continuing education requirements of the Specific Qualification Standard for Statement 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 (Including Continuing Education Requirements)* promulgated by the American Academy of Actuaries; or

O for Other

Alternatively, disclosure #3 could be renumbered as 3a, and new language numbered as 3b could be added as follows:

I have met the basic education, experience, and continuing education requirements of the Specific Qualification Standard for Statement 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 (Including Continuing Education Requirements)* promulgated by the American Academy of Actuaries.

Yes    No

This would serve as an acknowledgement that the actuary is aware of the qualification requirements.

I would be pleased to answer any questions related to the above. Thank you in advance for your consideration of this important issue.

Sincerely,

Gary Josephson, FCAS, MAAA  
Vice President, Casualty Practice Council  
American Academy of Actuaries

Enclosure: [Excerpt from Actuarial Review \(August 2009\)](#)