

# You've got Qualification Standards questions? The Academy has answers.

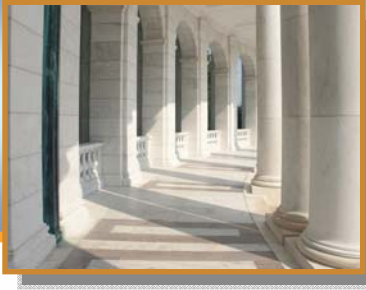
**Webcast – June 17, 2010**

Sponsored by the Academy's Council on Professionalism and  
co-sponsored by the ASPPA, CAS, CCA, and SOA



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# Presenters

- **Kathleen Riley**, MAAA, EA, FSA, FCA  
Vice President, Academy Council on Professionalism  
Former Chairperson, Academy Committee on Qualifications
- **John Morris**, MAAA, FSA  
Member, Academy Committee on Qualifications
- **Emily Kessler**, MAAA, EA, FSA, FCA  
Senior Fellow, Society of Actuaries
- **Moderator: Sheila Kalkunte**  
Academy Assistant General Counsel





# Presentation

The statements and opinions expressed herein are solely those of the panelists and do not constitute official statements or positions of the Academy, the Society of Actuaries, or the Committee on Qualifications.

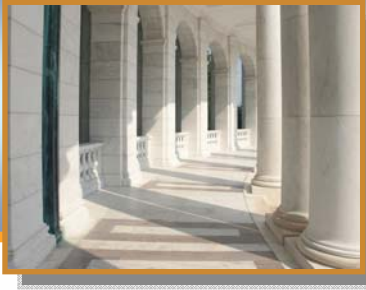




# Agenda

- Basics of U.S. Qualification Standards (US QS)
- Basics of SOA's CPD Requirements
- Certain FAQs in connection with US QS
- Q&A Session

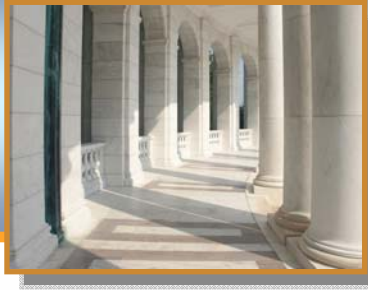




## U.S. Qualification Standards

- The American Academy of Actuaries issues the qualification standards that apply to all actuaries credentialed by the five U.S.-based actuarial organizations.
- The Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (including continuing education requirements) became effective January 1, 2008.



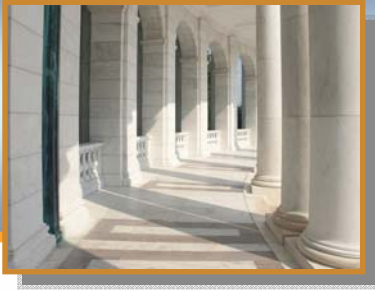


# Basic Structure of the U.S. Qualification Standards

The U.S. Qualification Standards are set out as follows:

- Introduction (including definitions)
- General Qualification Standard
  - Basic Education and Experience Requirements
  - Continuing Education Requirements
- Specific Qualification Standards (when necessary)
- Changes in Practice and Application (general and specific)
- Acknowledgement of Qualification (suggested language)
- Recordkeeping Requirements

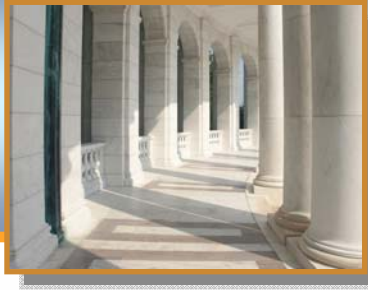




## Scope Expanded

- While the pre-2008 Qualification Standards applied more restrictively to only “Prescribed” Statements of Actuarial Opinion, the revised Qualification Standards apply to all actuaries issuing “Statements of Actuarial Opinion” in the United States.
- It is important to note that the U.S. Qualification Standards do not apply to you if you do not issue Statements of Actuarial Opinion.

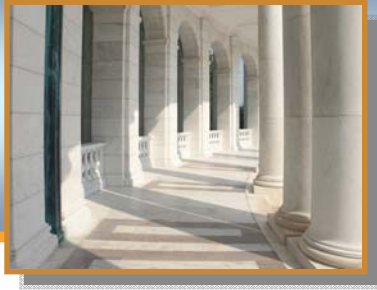




## SAO Defined

- “Statement of Actuarial Opinion” is defined as “an opinion expressed by the actuary in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.”
- “Actuarial Services” are defined in the *Code of Professional Conduct* as “[p]rofessional services provided to a Principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.”



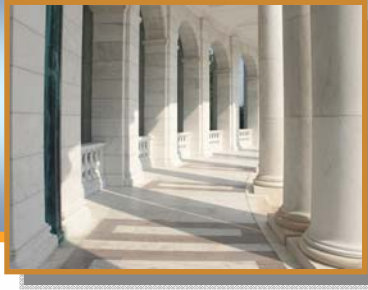


# SAO Defined

(continued)

- Appendix 1 to the U.S. Qualification Standards sets forth various examples of what constitutes an SAO and what does not constitute an SAO.



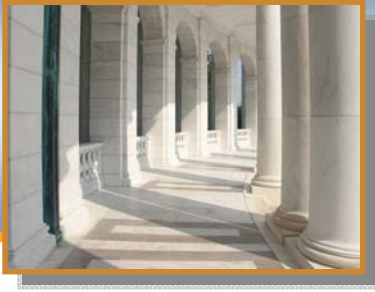


# SAO Defined

(continued)

- Section I(b) of Appendix 1 states the following:
  - A draft of an actuarial opinion that has not been provided to an actuary's Principal who requested the opinion is not an SAO.
  - A draft of an actuarial opinion that has been provided to an actuary's Principal who requested the opinion is an SAO unless the document is clearly marked that it should not be relied upon.



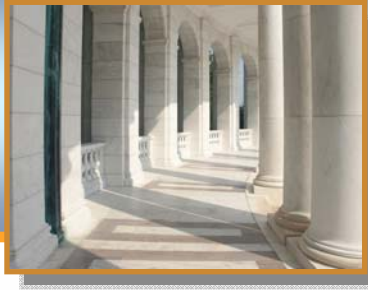


# SAO Defined

(continued)

- ❑ If there is a reasonable likelihood that the Principal will rely on the draft regardless of intent, that is an indication that the draft is an SAO.
- ❑ If the Principal is not subsequently sent a final report within a reasonable time frame, that is an indication that the draft report is an SAO. The actuary should communicate to the Principal that the final report replaces the draft report.
- ❑ There may be instances where the actuary sends the Principal a draft report that clearly indicates it should not be relied upon (a document that is not an SAO according to the above definition) and the actuary and Principal subsequently agree that a final report will not be issued. In this case, the draft report is not an SAO.





## Basic Education and Experience

Before issuing an SAO, an actuary must meet the following three criteria:

- Be a Member of the Academy, a Fellow or Associate of the SOA or the CAS, a member of the CCA, a Member or Fellow of ASPPA, or a fully qualified member of another IAA-member organization; and
- Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems; and
- Be knowledgeable, through examination or documented professional development, of the Law applicable to the statement of actuarial opinion.





## Additional BEE

Section 2.1 of the standards also require the actuary to satisfy one of the following three requirements to issue SAOs in an area of practice covered by a *specialty track* offered by SOA, or covered by *exams* of the CAS or ASPPA:

- Attain the highest possible actuarial designation in an IAA full-member organization (other than the Academy) and complete a specialty track in the area of actuarial practice relevant to the subject of the SAO; **or**

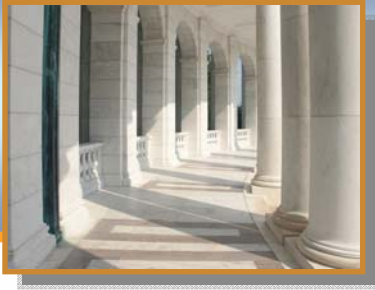




## Additional BEE (continued)

- Attain the highest possible actuarial designation in an IAA full-member organization (other than the Academy) and have a minimum of one year of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time;  
**or**
- Have a minimum of three years of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time.

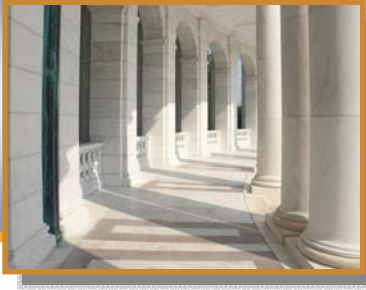




## Grandfather Clause

- Once an actuary is qualified to issue an SAO, the actuary's basic education and experience requirement is met "forever"; therefore future changes in the basic education and experience components do not apply retroactively.
- However, keep in mind that if you change areas of practice you should review Section 2.1 to determine if you have met the BEE component of the U.S. Qualification Standards.





# BEE and Enrolled Actuaries

- Enrolled Actuaries (EAs) are deemed to meet the basic education and experience requirement in the pension practice area.





# Continuing Education

- **30 CE Hours** – Actuaries subject to the U.S. Qualification Standards must complete and document at least **30 hours** each calendar year of relevant CE
- **Organized Activity Requirement** – At least six (6) CE hours must be from “Organized Activities.”
- **Professionalism Requirement** – At least three (3) CE hours must be on professionalism topics.
- **Cap on General Business Courses** - General business courses are limited to three (3) CE hours per year.
- A CE hour is defined as 50 minutes for all activities (whether self study or organized activities).



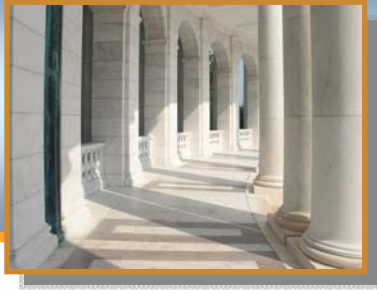


# Continuing Education

(continued)

- Continuing education is “**relevant**” if
  - (1) it broadens or deepens an actuary’s understanding of one or more aspects of the work an actuary does;
  - (2) the material expands an actuary’s knowledge of practice in related disciplines that bear directly on an actuary’s work; or
  - (3) it facilitates an actuary’s entry into a new area of practice.



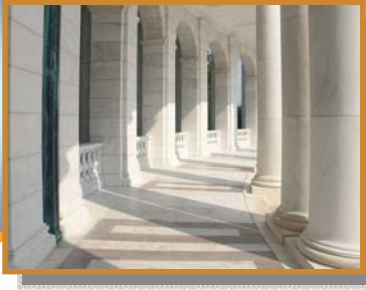


# Continuing Education

(continued)

- The CE requirement is typically met in the calendar year preceding the year in which the actuary issues the SAO, however, if an actuary does not meet the CE requirement in the preceding year, the shortfall can be met in the year the SAO is issued, provided that, it must be met before the SAO is issued, and cannot count towards that year's CE.



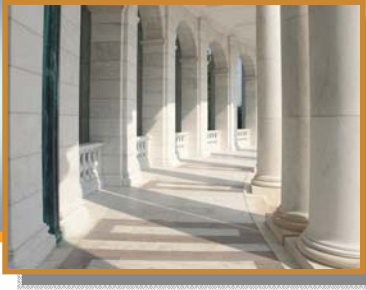


# Continuing Education

(continued)

- Ultimately, it is an actuary's responsibility to make a reasonable, good-faith determination of what continuing education opportunities will enhance an actuary's ability to practice in a desired field.
- Actuaries should use a reasonableness standard when determining the amount of time attributable to self-study and other types of "other activities" that count towards CE.





# CE Carry Forwards

- CE hours in excess of the annual requirement may be carried forward **one** year (including excess organized activities, professionalism and general business skills).
- Example – an actuary earns 36 hours of CE credit in 2009, of which 12 hours are from organized activities. Six hours of organized activities credit can be carried over to satisfy the 2010 CE requirements.





# Organized Activities

- “Organized activities” involve interaction with actuaries or other professionals working for different organizations.
- Examples of organized activities include, but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is relevant CE.
- In-house meetings can constitute “organized activities” by using outside speakers, otherwise in-house meetings without an outside speaker could qualify as an “other activity” for CE credit purposes.





## Other Activities

- **“Other activities”** – include, but are not limited to:
  - ❑ reading actuarial literature, statutes or regulations,
  - ❑ reading other books, papers or articles on relevant technical or professional topics,
  - ❑ writing professional papers or articles,
  - ❑ listening to tapes of actuarial meetings or other relevant seminar or conferences,
  - ❑ in-house meetings (without outside speakers),
  - ❑ studying for actuarial exams,
  - ❑ drafting actuarial exam questions, and
  - ❑ preparing to speak or lead a discussion at a continuing education activity.

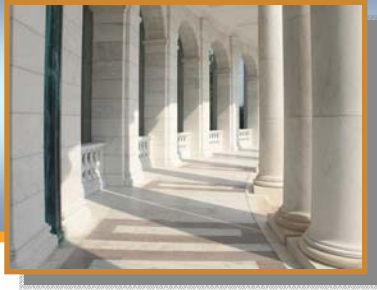




## Professionalism Topics

- **Professionalism topics** – include, but are not limited to, the following:
  - studying and reviewing ASOPs, or providing input on an Exposure Draft;
  - studying or reviewing the Code of Professional Conduct or the U.S. Qualification Standards; or
  - serving on the ASB or a professionalism committee of an actuarial organization.
- Professionalism topics should not be confused with “general business” topics which are limited to 3 CE hours annually.

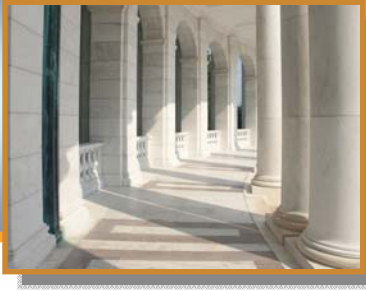




# General Business Topics

- General business and consulting courses are not required under the U.S. Qualification Standards. However, you may count such activities towards your annual CE requirements up to 3 CE hours annually.
- General Business and Consulting Skills –include, but are not limited to, the following:
  - client relationship management;
  - presentation skills;
  - communication skills;
  - project management; and
  - personnel management.





## CE and Enrolled Actuaries

- Under the U.S. Qualification Standards, Enrolled Actuaries who issue Statements of Actuarial Opinion “related to retirement plans to which ERISA applies” will be deemed to meet the U.S. Qualification Standards CE requirements if they satisfy the Joint Board CE requirements, but only through 2010.
- Commencing in 2011, this exemption will apply only to Form 5500 Schedule B certifications and other government-required forms. For any other SAO, Enrolled Actuaries must meet all of the CE requirements including 30 hours annually.





# Specific Qualification Standards

- The requirements under Section 3 of the U.S. Qualification Standards only apply to actuaries who issue SAOs for the following:
  - NAIC Life and A&H Annual Statement
  - NAIC Property and Casualty Annual Statement
  - NAIC Health Annual Statement



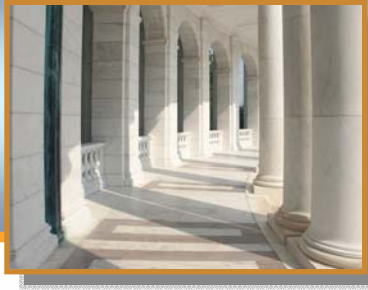


# Specific Qualification Standards

(continued)

- Generally, Section 3 requires actuaries to meet certain basic education, experience, examinations, and continuing education requirements to be qualified.
- The CE requirements of the Specific Qualification Standards also satisfy the General Qualification Standards CE requirements and are not in addition to the 30 hour requirement (i.e. you do not need 45 CE annually).



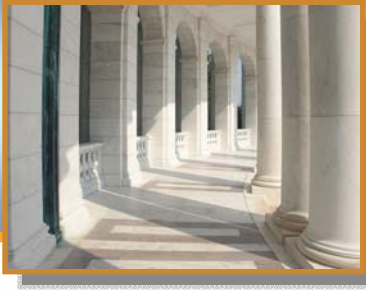


# SOA CPD Requirements: By the numbers

- Who, when
- 3 steps to compliance
- 10 myths of CPD



# Who?



- All SOA members must meet requirement
  - ASA, CERA and FSA
  - An ASA/CERA still taking exams can use study time
  - Retirees must comply, but there are no penalties for non-compliance





# When?

- Effective date: January 1, 2009
- Must attest compliance as of December 31 of **each year**
- First attestation date: **December 31, 2010**
  - At the end of each year, members certify compliance with the requirement during the past two calendar years





# SOA CPD Compliance: 1-2-3



Know your CPD compliance path



Track and earn CPD credits



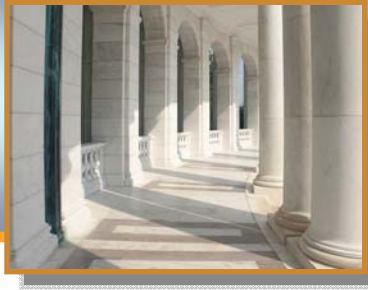
Attest at year end



## How most SOA members will meet the SOA CPD Requirement

| Practicing in the US?  | Practicing in Canada?   | Member of the UKAP or Institute of Actuaries of Australia?   | Retired?  |
|--|---|--|---|
| Meet the U.S. (Academy) Qualification Standard.  | Meet the CIA Qualification Standard.  | Meet Category 1 or 2 of the UKAP CPD Scheme or the IAAust CPD Standard.  | The membership directory will show your status as "Retired."  |
| Annually notify the SOA you fulfilled the CPD Requirement by meeting the U.S. Qualification Standard, beginning Dec. 31, 2010. | Annually notify the SOA you fulfilled the CPD Requirement by meeting the CIA Qualification Standard, beginning Dec. 31, 2010. | Annually notify the SOA you fulfilled the CPD Requirement by meeting the UK AP or IAAust CPD standards, beginning Dec. 31, 2010. | You may voluntarily comply, and attest compliance, with the CPD Requirement if you wish, beginning Dec. 31, 2010. |

If none of the above (*e.g., practicing in Asia*), then meet the *Basic Requirement Provisions of Section B*. Annually notify the SOA you fulfilled the CPD Requirement by meeting the Basic Requirement Provisions, beginning Dec. 31, 2010.



# CPD Compliance 1-2-3



Know your CPD compliance path



Track and earn CPD credits



Attest at year end





## Based on **your** compliance path

- What, where, when & how much
- How does it meet **your** compliance path?
- “XYZ” webcast on Feb. 28 2010, 90 minutes
  - 1.8 units of relevant, organized CPD credit (US QS)
  - 1.5 hours of structured, technical skills credit (CIA Standard)
- Reading standards of practice #X and #Y, 120 minutes, Mar. 1 2010
  - 2.4 units of professionalism (US QS)
  - 2 hours of professionalism (CIA Standard)



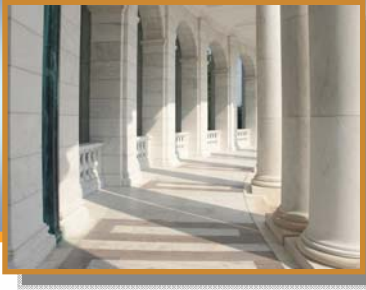


## Keep track (systematically)

- You may use any tracking system you want, as long as you have the information
  - TRACE (Academy) – available to members and non-members
  - CIA tracking software for members



# Tracking tips



- **DON'T** (need to) keep slides, notes or meeting registration
- **DO** document descriptively (what activity, about what, for how long)
- **DO** be sure it's relevant to the standard you're following





# CPD Compliance 1-2-3



Know your CPD compliance path

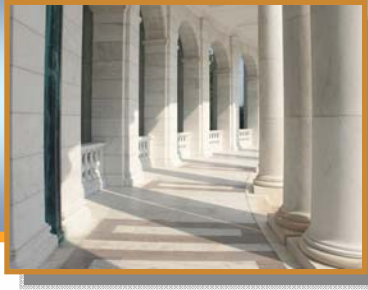


Track and earn CPD credits



Attest at year end

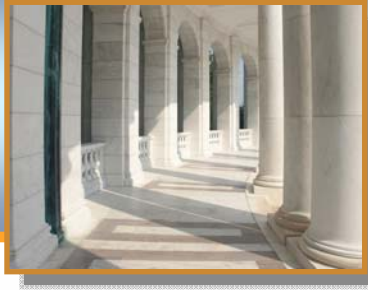




# Attesting compliance

- Each Dec. 31 starting **Dec. 31 2010**
  - For the two-year rolling cycle ending on that 31 December
  - At Dec. 31 2010, attest compliance with the 2009 –10 cycle
  - At Dec. 31 2011, attest compliance with the 2010 – 11 cycle.
- All SOA members must attest to compliance with the SOA CPD Requirement.
  - No consequences of non-compliance for eligible retirees
- Expect compliance period to open Nov. 1 and closes Feb. 28
  - Schedule (current): Mon. Nov. 1 2010 – Mon. Feb. 28 2011





# Attesting compliance

- Electronic attestation, through the SOA member site
- Link will be sent to your e-mail
  - Must know your member log-in and password (customerservice@soa.org)
- Clicking radial buttons (next slide)
- Once electronic attestation is completed, you're done.
- Form available on-line (or by phone request) for those unable to complete electronic attestation through SOA Customer Service





## Basic attestation

- I certify that I have fulfilled the SOA Continuing Professional Development Requirement for the period 2009–2010 by meeting one or more of the following:
- the Basic Requirement provisions of Section B.
  - the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.
  - the Canadian Institute of Actuaries' Qualification Standard–Requirements for Continuing Professional Development.
  - Category 1 or 2 of the CPD Scheme of the Faculty of Actuaries and Institute of Actuaries.
  - the Continuing Professional Development Standard of the Institute of Actuaries of Australia.
- I certify that I have not fulfilled the SOA CPD Requirement for the period 2009–2010.





## Attesting: US Qualification Standards, both years



I certify that I have fulfilled the SOA Continuing Professional Development Requirement for the period 2009–2010 by meeting one or more of the following:



the Basic Requirement provisions of Section B.



the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

the Canadian Institute of Actuaries' Qualification Standard–Requirements for Continuing Professional Development.

Category 1 or 2 of the CPD Scheme of the Faculty of Actuaries and Institute of Actuaries.



the Continuing Professional Development Standard of the Institute of Actuaries of Australia.



I certify that I have not fulfilled the SOA CPD Requirement for the period 2009–2010.

Must  
click  
both

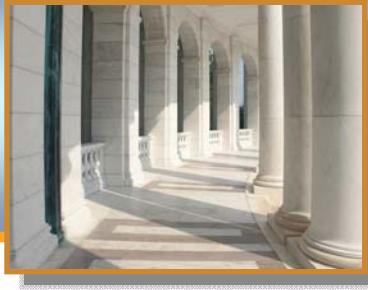




## Attesting: SOA Section B 2<sup>nd</sup> year, US Qualification Standards 1<sup>st</sup> year

- I certify that I have fulfilled the SOA Continuing Professional Development Requirement for the period 2009–2010 by meeting one or more of the following:
- the Basic Requirement provisions of Section B.
  - the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.
  - the Canadian Institute of Actuaries' Qualification Standard–Requirements for Continuing Professional Development.
  - Category 1 or 2 of the CPD Scheme of the Faculty of Actuaries and Institute of Actuaries.
  - the Continuing Professional Development Standard of the Institute of Actuaries of Australia.
- I certify that I have not fulfilled the SOA CPD Requirement for the period 2009–2010.

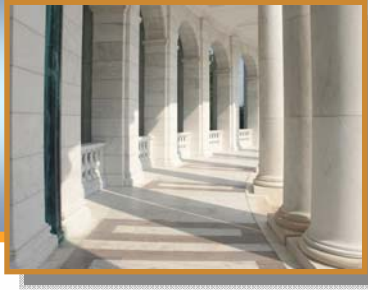




# SOA Audit

- Approximately 1 percent (200) members will be audited each cycle
  - Will generally run in 2<sup>nd</sup> quarter (e.g. 2<sup>nd</sup> quarter 2011)
- Why audit?
  - Ensure members understand the Requirement's provisions.
  - Assure public that our members really do meet the CPD Requirement
- What do I need for audit?
  - Record of CPD compliance: what, where, when & how much
  - How does it meet your compliance path?

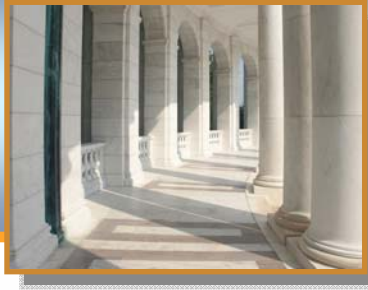




## Compliance & Membership Directory

- Membership directory will be altered to show compliance with the SOA CPD Requirement.
  - In 2011, after close of compliance cycle
- Therefore, all members must be listed in the directory.
  - Only must list name, designations and SOA CPD Requirement compliance status
- The SOA web site will have information as to the meaning of compliant or noncompliant status.





## Compliance & Membership Directory

- New category in directory: “SOA Continuing Professional Development Requirement”
- Will show compliance status and cycle
  - Compliant (2009-2010) OR
  - Non-compliant (2013-2014) OR
  - Retired (2010-2011)



# Compliance Shown in Directory



|  |   |
|--|---|
| <b>Michelle Member</b><br>[Title]<br>[Employer]<br>[Contact information] | <b>Designations</b><br>[Michelle's designations]                                    |
|  | <b>SOA Continuing Professional Development Requirement</b><br>Compliant (2009-2010) |
|  | [Other information as shown in the directory]                                       |





## Non-Compliance Shown in Directory

|  |   |
|--|---|
| <b>Michelle Member</b><br>[Title]<br>[Employer]<br>[Contact information] | <b>Designations</b><br>[Michelle's designations]  |
|  | <b>SOA Continuing Professional Development Requirement</b><br>Non-compliant (2009-2010) |
|  | [Other information as shown in the directory]   |

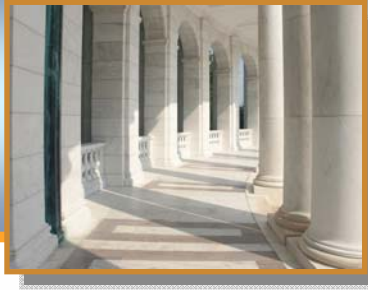




## What happens if ...

- I forget to attest compliance before Feb 28 2010
  - Electronic attestation will stay open for a few more months
  - Fax/mail form is always available.
  - Membership directory updated within a few business days of an attestation
- I'm not able to complete CPD credits by year end 2010
  - Complete credits in 2011 and allocate those credits back to 2010 (Section D.1.d)
  - Attest compliance once the credits are complete
  - Membership directory updated within a few business days of an attestation.

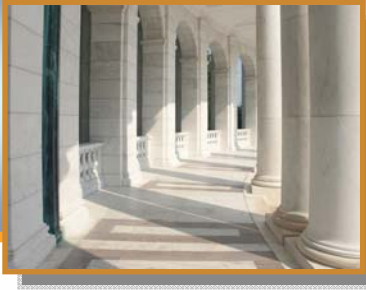




## What happens if ...

- I don't comply with the CPD requirement
  - Your choice
- You are a member in good standing (don't violate code of conduct) *if*
  - Don't falsely attest compliance
  - Inform anyone relying on your actuarial expertise that you did not meet the SOA CPD Requirement (Section A.2.e)





# Don't forget to attest compliance!

- **Please remember to attest!**
  - Members who do not attest compliance are assumed noncompliant
    - The membership directory will show them as noncompliant
    - Different rules for retirees
  - Must attest **even if** your alternative compliance standard does not require attestation
  - Must attest **even if** you've already attested compliance with your alternative compliance standard
- We will send reminders during the attestation cycle
- **We need your correct e-mail address!**





# CPD Compliance 1-2-3



Know your CPD compliance path



Track and earn CPD credits



Attest at year end





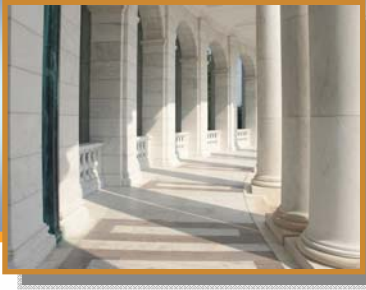
## Frequently Asked Questions

**Question:** Should I be concerned about the differences between the U.S. Qualification Standards (US QS) and the SOA CPD requirements?

**Answer:**

- Generally no. If you are subject to (or potentially subject to) the US QS you do NOT need to consider any variations between the SOA CPD requirements and the US QS. You meet the SOA CPD requirements by meeting the US QS. The only thing you need to remember is that if you are a member of the SOA you need to attest to compliance under the SOA CPD requirements at year end (starting year end 2010).





## Frequently Asked Questions

**Question:** Do the requirements of the US QS apply to me only when I become a member of the Academy?

**Answer:**

- The US QS applies to all actuaries when they first become credentialed by any of the five U.S.-based actuarial organizations if the actuary is issuing SAOs in the United States. You do not need to be a member of the Academy for the US QS to apply to you.





## Frequently Asked Questions

**Question:** Is there a limit to the maximum hours spent studying for actuarial exams that can be counted as annual CE?

**Answer:**

- Under the US QS, you may count all of the actual time spent studying for actuarial exams towards your annual CE requirements (using a 50 minute = 1 CE hour calculation) under the "other activities" component. Please keep in mind that you may roll over excess CE hours for only one year and you must earn annually at least 6 CE hours from "organized activities" and 3 CE hours on professionalism topics. Therefore if you earned 100 CE hours from studying in 2010, you may count that towards your 24 hours of "other activities" CE for 2010 (you will still need 6 hours of organized activity CE) and may roll over the excess towards your 24 hours of "other activities" CE for 2011.





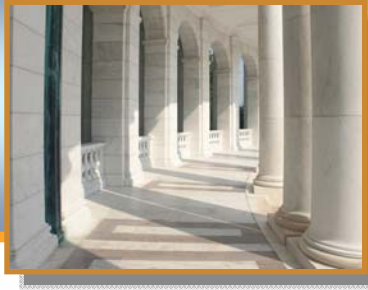
## Frequently Asked Questions

**Question:** How do I determine CE credit for presenting at actuarial seminars or teaching an actuarial course under the US QS?

**Answer:**

- Activities (whether organized or other) may constitute relevant CE if you learned something or if you had the intent to learn something or if you were confirming your existing understanding of materials related to your current or future actuarial work. This guidance should be considered in the context of teaching actuarial courses or presenting at seminars. Teaching or presenting may not necessarily result in an opportunity by the presenter to earn relevant CE unless the nature of the presentation allows the presenter to learn from others in attendance, as described above.





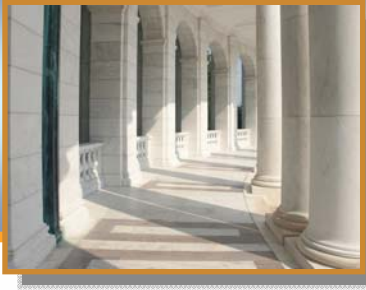
## Frequently Asked Questions

**Question:** Under the US QS, is there any prorating of CE hours for newly credentialed actuaries, or any exemptions for actuaries who are on leave?

**Answer:**

- The short answer is no. For newly credentialed actuaries it is expected that you will have met most of your CE requirements by studying for actuarial exams in order to earn your 30 hours of CE in the year prior to issuing SAOs.
- Newly credentialed actuaries should keep in mind that they need to also determine if they have met the 3 year experience requirement prior to issuing SAOs.





## Frequently Asked Questions

**Question:** Since the SOA requires annual certifications with respect to CE, does the Academy require any formal reporting by members?

**Answer:**

- The Academy does not require its members to certify or submit any reports in connection with CE compliance although as set forth in Section 6, actuaries are reminded to keep records of their annual CE in case requested.
- Actuaries should also keep in mind that while the Academy has no formal certification, under Section 5 of the US QS, SAOs should include an appropriate acknowledgment that the actuary has met the US QS.

