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AMERICAN ACADEMY *of* ACTUARIES

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*Academy Past President*

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Kris DeFrain, FCAS, MAAA, CPCU  
Director of Research and Actuarial Services  
National Association of Insurance Commissioners (NAIC) Central Office

Re: CASTF Exposure, CAS/SOA Continued Competence Proposal

Dear Kris:

The American Academy of Actuaries<sup>1</sup> appreciates the opportunity to comment on the exposure draft that the National Association of Insurance Commissioners' Casualty Actuarial and Statistical Task Force (CASTF) has received from a joint task force of the Casualty Actuarial Society and Society of Actuaries (CAS/SOA) regarding a continued competence verification process. We will begin with our general comments followed by specific comments on the language of the proposal. While we fully support the CAS/SOA desire to audit their membership's continuing education (CE), the Academy does not believe that the process proposed accomplishes the stated goal contained in the NAIC's WorkCred study (in its third recommendation of its report as stated in the Executive (EX) Committee's memorandum to us dated July 13, 2017) and since reiterated verbally many times.

That recommendation was:

- A. **Recertification** – The recommendation is “To ensure that individuals maintain their competency after obtaining a credential, a recertification program should be established....One of the essential elements of a certification program is it is time-limited, and at specific intervals, individuals need to demonstrate ‘continued competence.’ Recertification may include requiring submission of a journal containing continuing education activities or completion of a recertification examination every one to three

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<sup>1</sup> The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policy makers 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.

years. The NAIC agrees with this recommendation and will explore with the Academy a path to document and recertify a Qualified Actuary.” Subsequently, the CASTF was charged with the following: “Work with actuarial organizations to require P/C Appointed Actuaries participate in a continued competence process every one to three years.”

The purpose of the study undertaken by WorkCred was to evaluate the basic education syllabi and testing processes of the CAS and SOA. The NAIC EX Committee’s communications to us have focused on pursuing the three distinct recommendations of the NAIC’s consultant, WorkCred, since added to the CASTF’s charges. Recertification, as they have communicated it, is simply not the same as the continuing education that is already required in the U.S. Qualification Standards (USQS) for appointed actuaries who sign statutory statements. For the WorkCred recommendation to be met, the continuing education referenced as demonstrating continued competence for “recertification” purposes, must be continuing education related to *basic education*--the *basic education* that the CAS was recognized as providing and meeting minimum educational standards, and that the SOA was not recognized as providing, for property and casualty (P&C) appointed actuaries.

We have highlighted the word competence above because it does not mean the same thing as “qualified” when applied to actuaries. We understand that WorkCred may be used to working with industry organizations where those two terms may be considered synonyms. However, for the actuarial profession there is no measure of competence after one has completed basic education while there are standards for an actuary to be considered qualified.

We do not see how the CASTF or the EX Committee can equate the essential differences between a basic education credential and what professional work it “qualifies” an actuary to do with the distinctive continuing education that is one of the linchpins of the three elements that must be met, under the USQS, for an appointed actuary to be “qualified” to sign statutory statements. The proposal also creates a significant amount of work to address a problem that we do not believe exists.

The proposal from the joint task force of the CAS/SOA on a “continuing competence verification process” simply looks at general “continuing education” “with a focus on verification” and “that actuaries attesting to the requirement meet the continuing education standards set forth by the profession”. The continuing education standards set forth by the profession related to appointed actuaries are NOT the same as continuing education standards that may be appropriate for recertification of a basic education credential. The USQS continuing education requirements relate to the relevance of yearly CE to the appointed actuaries specific qualifications to sign statutory statements. They do not relate to recertification of a basic education credential. By conflating two different kinds of CE for two different purposes (one being recertification of a basic education credential presumably for maintaining an associate or fellowship credential; and the other for demonstrating qualification to sign statutory statements under the USQS), the proposal that is exposed for comment has not at all done what the charge given asked: to

establish a recertification program for the basic education credential. Instead, as the joint task force proposal makes clear, it reinvents a wheel that was developed long ago and still rolls along quite well.

Specifically, the proposal in the exposure is summarized in two ways:

First, the SOA and CAS will adopt an annual attestation, filing and audit requirement for their members who are appointed actuaries or otherwise meet the Specific Qualification Standards, and publicly disclose who has attested to the CE requirements. The requirement to assert “Qualification” (which includes not just the continuing education requirement, but also the basic education, and experience requirements of the USQS) to issue a statement of actuarial opinion *already exists* and is mandated by Section 5 of the USQS and guidance about such acknowledgements is also available in actuarial standard of practice (ASOP) No. 41.

Secondly, the joint task force proposal indicates that it will try out its proposal and collect data about how appointed actuaries are currently meeting “the continuing education requirements” and make recommendation they deem appropriate to Section 3.3 of the USQS. However, Section 3.3 of the USQS does NOT address recertification of the basic education credential in any way. The CE in the USQS is not a way to answer the question “who recertifies” the basic education credential of an associate or fellow of either of the educational societies. It has an entirely different purpose.

Qualification to issue a statutory opinion is not, as we have commented many times, something that can be assessed or measured or guaranteed by ticking 100+ boxes, or even taking a specific course. The ongoing concern we have with this approach is that the urge to complete this analysis has led the NAIC into believing there is or can be a black and white litmus test or a list of “appointed actuaries” produced from either the CAS or the SOA that have attested, filed and had CE audited that means any of those actuaries are actually qualified to sign statutory statements for P & C, or any other statutory statement.

We find nothing in the exposed joint task force proposal that addresses *recertification* of the basic education credential that ensures “individuals maintain their competency after obtaining a credential”. The real question should perhaps be whether the consultant’s recommendation was fully understood and, if it was not, should it continue to be supported, because, much like a degree from an institution of higher learning, after the basic education credential is granted (based on tests and syllabi unique to each educational society) there is not now any *recertification* of basic competency. The credentials awarded associates and fellows by the actuarial basic educational societies have never been “time-limited”. We should ask ourselves if the “recertification” recommendation is appropriate to begin with, given that the actuarial credentials awarded after rigorous testing have never purported to be a certification of proficiency in the way that professional certificates are, which typically are “time-limited”, such as those commonly offered in Graphic Design, Paralegal Studies, Supply Chain Management, and many other areas. Furthermore, the CE requirements of the USQS are not about basic

competency at all and the joint task force proposal simply does not address that competency.

We also have some specific concerns about the claims made in the proposal as written. It begins with the second sentence of the second paragraph: “Our proposal focuses on continued competence measured by the quality and quantity of continuing education earned by the appointed actuary.” This illustrates the confusion we commented on above. Continuing education does not measure competence no matter how high either the quality or quantity is. We doubt that it is even possible to truly verify compliance with the standards other than by taking the actuary’s word that they put in  $x$  hours. One can look at seminars attended or articles read, but, again, one is taking the actuary’s word that, as explained in the *USQS FAQs*<sup>2</sup> that emphasize the most asked about elements of the USQS, “the actuary learned something, intended to learn something, or confirmed his or her existing understanding of materials related to his or her current or future actuarial work.” Thus, there is no sure method for assuring that a session considered CE for one actuary would actually be considered CE for another actuary.

**“(A)ttestation, filing and audit requirements: proposal details”**

We would note that for many other organizations or professions who receive continuing education logs, they use administrative personnel to simply verify that they have met the hours requirements and do not address the quality of the content. It is much more difficult, even for an actuary who might be auditing another actuary’s CE, to assess how relevant it might be for that actuary. This is especially true for an actuary that may sign opinions for many companies writing different lines of business.

While the CAS and SOA may have similar general membership CE requirements, the only thing that applies to being “qualified” in the U.S. is the USQS. Their specific membership-based CE requirements really only apply to actuaries who are NOT issuing opinions of any kind or who do work for principals in another country.

“Attestation”, first bullet: If the NAIC adopts an attestation proposal--as has been recommended--this is redundant as the actuary would already be attesting to meeting Section 3.3 of the USQS.

“Attestation”, second bullet: Individual actuaries now determine their qualifications as a professional obligation imposed on them by the Code of Professional Conduct through the USQS. The proposal states that if an appointed actuary does not attest to the CAS or SOA pursuant to this framework, the appointed actuary would not meet the CE requirements “of their appointed actuary qualification”, and that is only the CE requirements of the USQS. The countervailing conclusion then must be that if an appointed actuary does attest to the CAS or SOA, they do meet the CE requirements of the USQS. We do not agree that either the SOA or CAS is authorized or qualified to determine whether an individual actuary himself or herself is qualified to sign statutory statements or meets the requirements of the USQS. In addition, how could this possibly

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<sup>2</sup> <http://www.actuary.org/professionalism/faqs-revised-qualification-standards>

be enforced? Why would appointed actuaries who for whatever reason are neither members of the CAS or SOA accept either society as determinative of their qualification when neither has likely had anything to do with that appointed actuary's pursuit or achievement of 'being qualified' after getting a basic education credential from one or the other? We think this may also be legally difficult to enforce.

“Attestation”, fifth bullet – “summary log.” This log, modeled on what already exists in the USQS does not provide a basis for an audit of relevant CE. How would it provide really meaningful data relevant to a particular appointed actuary? For example two actuaries may attend the same session at a conference for completely different reasons that will be unknown to the auditor. There are a number of people who sign opinions for completely different lines of business. This will make it difficult to get truly meaningful data.

None of this addresses an actuary who is not a member of either organization but has been approved through the Academy's Casualty Practice Council process for review of qualifications for signing NAIC property and casualty annual statement loss reserve opinion. It also does not address someone who is only an Academy member, which has, for decades, been the requirement and the hallmark of being qualified to sign statutory statements. Neither society is the NAIC's gatekeeper or de facto licensing body. As we have said before, there is no bar to any actuary with any basic education credential from anywhere in the world going through the rigorous CPC process to demonstrate qualification to sign P&C statements. **And only membership in the Academy requires familiarity with U.S. laws and practice as a fundamental starting point for non US residents.**

“Filing”, first bullet. The states regulate companies, and in that role they can make requirements for the actuaries the company hires, but they do not regulate actuaries. Generally, requests made of the appointed actuary should go through the domiciled company and not to the actuary themselves. If this proposal is adopted, the company should have to be the body to send any log to the commissioner of their state of domicile. Otherwise, this seems to imply the request could be made of the actuary by anyone. A demand for proof of CE attainment should be restricted to the domiciliary commissioner through the company.

“Audit.” As noted above, it is not truly possible to know that an actuary is actually meeting the CE requirement. One can only state that they have gotten the required hours doing activities that in general appear to meet the learning and relevance requirements.

“**Review of summary log data: proposal details.**” Actuaries have a variety of CE needs and should be able to address those needs in the manner they find most effective. The language seems to imply that one method of getting CE may be more valuable than another. We do not believe anyone should be in a position to make that determination of another actuary. In fact this section acknowledges the wide variety of types and topics of CE and we fail to see what meaningful results will be gained from this data analysis.

**“Process for developing proposal.”** We would note again that for many other organizations who receive continuing education logs, they use administrative personnel to simply verify they have met the hours requirements.

In conclusion, it is the actuary’s responsibility to see that they meet all the elements of the USQS. No society can guarantee that an actuary has actually met their continuing education requirement without taking the actuary at his or her word about what they did, which is precisely the case today as well. The confidence that comes from assurances made by an individual actuary is already possible by using the attestation<sup>3</sup> that currently exists. It is the individual’s responsibility to be qualified. Placing an organizational intermediary, as this proposal would do, between that appointed actuary and the appointing company, or the domiciliary commissioner does nothing to strengthen the qualification requirements, and may weaken them by placing reliance on a “list” instead of on the professional appointed actuary. It also does nothing to “recertify” that an actuary is maintaining basic competency.

Sincerely,

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<sup>3</sup> <http://attest.actuary.org/#/>