

EXPOSURE DRAFT OF REVISIONS

**QUALIFICATION STANDARDS (including Continuing
Education Requirements) FOR ACTUARIES ISSUING
STATEMENTS OF ACTUARIAL OPINION IN THE
UNITED STATES**

Approved for exposure by the
Board of Directors American
Academy of Actuaries

Sept. 2, 2020

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TRANSMITTAL MEMORANDUM

Sept. 2, 2020

To: Members of Actuarial Organizations Governed by the Qualification Standards of the American Academy of Actuaries

From: The Board of Directors of the American Academy of Actuaries
The Committee on Qualifications of the American Academy of Actuaries

Re: Amended Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States

This document contains the exposure draft version of the amended *Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS)* promulgated by the American Academy of Actuaries (the Academy). This document is intended to replace *Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States* that was effective January 1, 2008. This draft is exposed for comment for the period ending **October 30, 2020**.

Background

During 2019, the NAIC amended the instructions and definitions related to the qualifications for an Appointed Actuary signing Statements of Actuarial Opinion for Property and Casualty Annual Statements to reflect the addition of the Society of Actuaries specialty track in general insurance. As a result of the change, the Board of the American Academy of Actuaries instructed the Committee on Qualifications to review and recommend any appropriate changes in the language related to the specific qualifications standards for Statements of Actuarial Opinion for Property and Casualty Annual Statements, and to consider whether any other changes should be recommended given the passage of time since promulgation of the USQS in 2008, such as those provisions related to the International Actuarial Association (IAA). The existing qualifications standard contained some language related to the IAA that had become outdated. Some additional technical language related to basic education requirements for Enrolled Actuaries and actuaries with education credentials from non-US based actuarial organizations needed some clarification and updating.

The committee is proposing the following changes in response to these reviews:

Section 2.1 has been rewritten to better describe the basic education necessary for actuaries who practice in the US. This language is not intended to disqualify actuaries who were previously qualified but rather reflects the Committee's view that the qualification standards should more clearly describe who is qualified by using the current terminology to describe the basic education that actuaries practicing in the US must receive.

References to specific specialty tracks of the SOA have been removed, as the names of the SOA specialty tracks may change from time to time and the CAS does not presently have specialty tracks. The goal was to keep this section of the qualification standards clearly focused on the basic education component in a way that was both sufficiently particular about basic education as well as sufficiently general so as not to become outdated solely because of a change in the name of a specialty track or the addition of a particular specialty track offered by a basic education provider.

Sections 2.1.1 and 2.2.8 have been rewritten to better describe the required basic and continuing education for Enrolled Actuaries with respect to the types of work performed by the actuary.

Section 3.1.1.2 has incorporated the relevant examinations of the Society of Actuaries identified by the NAIC as fulfilling the basic education requirements for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statements

This revision is being exposed for comment with the following questions regarding the new language.

1. The goal of each of the adjustments to the language related to the basic education under the general portion of the Qualification Standards was to add clarity. Are there particular considerations of basic education that are not clear?
2. The goal surrounding the updated language related to the basic and continuing education for Enrolled Actuaries was to add clarity but not to change the requirements. Is this clear in the updated language?

Committee on Qualifications

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**QUALIFICATION STANDARDS
(INCLUDING CONTINUING EDUCATION REQUIREMENTS)
FOR ACTUARIES ISSUING STATEMENTS OF ACTUARIAL OPINION
IN THE UNITED STATES**

Section 1. Introduction

The American Academy of Actuaries (Academy), through Precept 2 of its *Code of Professional Conduct*, requires its members to perform Actuarial Services only when they are qualified to do so on the basis of basic and continuing education experience and only when they satisfy applicable qualification standards.¹ Such Actuarial Services may include the rendering of advice and recommendations or opinions based upon actuarial considerations, including the issuance of Statements of Actuarial Opinion.

Members of U.S. based organizations that have adopted the *Code of Professional Conduct*, whether or not they are also members of the Academy, are subject to all requirements imposed by the Qualification Standards upon members of the Academy. The Code also requires that actuaries observe the applicable qualification standards that have been promulgated by a Recognized Actuarial Organization (as defined in the *Code of Professional Conduct*) for the jurisdiction in which the actuary renders Actuarial Services.

For purposes of the Qualification Standards, a “Statement of Actuarial Opinion” (SAO) is an opinion expressed by an actuary² 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 “Professional 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.”

Many actuaries hold positions that are non-actuarial in nature or have non-actuarial aspects (for example, general management positions). Actuaries in such positions may have occasion to issue oral or written statements by virtue of the positions they hold and not because they are actuaries. The Qualification Standards are not intended to apply to such statements, even though they may happen to have actuarial aspects. If it is common for persons holding comparable positions to issue such statements, whether or not they happen to be actuaries, this is evidence that the Qualification Standards are not intended to apply.

Actuaries who issue Statements of Actuarial Opinion when rendering Actuarial Services in the United States are required by the *Code of Professional Conduct* to satisfy these Qualification Standards.

¹ The *Codes of Professional Conduct* of all five of the U.S.-based actuarial organizations are identical in this respect.

² The word “actuary” as used herein means an actuary who is a member of any actuarial organization that requires its members to meet the Qualification Standards when practicing in the United States.

- 1.1 Duty of Qualification— An actuary must be mindful of the obligation imposed by Precept 2 of the *Code of Professional Conduct* not to perform Actuarial Services unless qualified to do so. This obligation may require the actuary to obtain qualifications in addition to those set forth in the Qualification Standards. However, where an actuary has satisfied the Qualification Standards, in the absence of evidence to the contrary, there is a presumption that an actuary has met the duty of qualification imposed by the *Code of Professional Conduct*.
- 1.2 Purpose of Qualification Standards— A Statement of Actuarial Opinion may be used by parties who are not familiar with the qualifications of an actuary who issues such statements. An actuary who issues Statements of Actuarial Opinion must have achieved fundamental education and experience in relevant areas of actuarial practice and must maintain necessary expertise through continuing education. These Qualification Standards have been developed to provide guidance to actuaries so they can determine whether they are qualified to issue Statements of Actuarial Opinion. Qualification Standards are developed through established Academy notice and comment procedures (see Appendix 3).
- 1.3 General and Specific Qualification Standards— The General Qualification Standard (see Section 2) provides the basic education and experience requirements and continuing education requirements for most Statements of Actuarial Opinion. However, in some instances, the Academy’s Board of Directors has determined that certain additional requirements must be met for an actuary to have the necessary qualifications to issue a particular Statement of Actuarial Opinion. In these instances, an actuary must satisfy the Specific Qualification Standard for that particular Statement of Actuarial Opinion (see Section 3).
- 1.4 Structure of Qualification Standards— The Qualification Standards are structured around areas of actuarial practice. The traditional areas of actuarial practice are casualty, health, life, and pension. An actuary practicing in a traditional area of practice or an emerging or non-traditional area may be called upon to issue Statements of Actuarial Opinion and, in such circumstance, is required to comply with these Qualification Standards. Additional guidance concerning the application of the Qualification Standards to emerging or non-traditional areas of practice appears in Section 4.3.

The Qualification Standards contain two elements: basic education and experience requirements and continuing education requirements. In order to comply with the Qualification Standards, an actuary is required to satisfy both elements.

- 15 Periodic Assessment — Actuaries should regularly review their qualifications and may contact the Committee on Qualifications or the Actuarial Board for Counseling and Discipline (ABCD) for guidance to address specific questions and concerns.

Section 2. General Qualification Standard

An actuary who issues a Statement of Actuarial Opinion when providing Actuarial Services must satisfy the General Qualification Standard. When issuing certain types of Statements of Actuarial Opinion, an actuary must also satisfy Specific Qualification Standards (see Section 3). An actuary must have met the following requirements for basic education and experience and continuing education before issuing a Statement of Actuarial Opinion:

2.1 Basic Education and Experience Requirement

To satisfy the General Qualification Standard, before issuing a Statement of Actuarial Opinion, an actuary must meet the following criteria:

- a) Be a Member of the Academy, or a Fellow or Associate of the SOA or the CAS who has received either SOA or CAS designations by taking their relevant exams with U.S.-specific content, or an Enrolled Actuary (as defined in section 2.1.1); and
- b) Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems; and
- c) Be knowledgeable, through examination or documented professional development, of the U.S. Law applicable to the Statement of Actuarial Opinion. “Law” is defined in the *Code of Professional Conduct* as statutes, regulations, judicial decisions, and other statements having legally binding authority.
- d) In addition to (a), (b), and (c) above, in order for an actuary to issue Statements of Actuarial Opinion in any particular area of actuarial practice, an actuary must meet one of the following with respect to the particular subject of the Statement of Actuarial Opinion:
 - (1) Attain (i) fellowship in the CAS or SOA, or (ii) the highest possible actuarial designation of a non-US actuarial organization and be a member of the Academy. In addition, the actuary must have completed a specialized course of examination, such as a specialty track, in the area of actuarial practice relevant to the subject of the SAO; or
 - (2) Attain (i) fellowship in the CAS or SOA, or (ii) the highest possible actuarial designation of a non-US actuarial organization and be a member of the Academy. In addition, the actuary must 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
 - (3) 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.

2.1.1 Enrolled Actuary— An Enrolled Actuary is an individual who has met the requirements of Title III, Section C of the Employee Retirement Income Security Act of 1974 (ERISA).

- a) Solely for purposes of Statements of Actuarial Opinion that ERISA mandates an Enrolled Actuary to issue (funding calculations and Schedule SB filings attached to the annual government filing of Form 5500, for example), an Enrolled Actuary is deemed to satisfy section 2.1 (a) through (d).
- b) An Enrolled Actuary who issues a Statement of Actuarial Opinion with respect to matters other than those that ERISA mandates an Enrolled Actuary to issue is deemed to have satisfied section 2.1(b) but must satisfy sections 2.1(c) and 2.1(d) with regard to the subject of the Statement of Actuarial Opinion.

2.1.2 Basic Education and Experience Requirement Must Only Be Met Once — An actuary need only satisfy the basic education and experience requirement in an area of practice once.

2.1.3 Changes in Practice or Application — For specific guidance on new or changed areas of actuarial practice or changes in the application of actuarial science, see Section 4.

2.2 Continuing Education Requirement

2.2.1 Background — Actuarial practice is grounded in the knowledge and application of actuarial science, a constantly evolving discipline. If actuaries are to provide their Principals with high-quality service, it is important that they remain current on emerging advancements in actuarial practice and science that are relevant to the Actuarial Services they provide. Further, opportunities to practice are expanding beyond traditional work on pension and insurance issues to encompass the broader world of financial services. Actuaries working in emerging areas need to be familiar with relevant new techniques and concepts from other related disciplines.

2.2.2 Continuing Education Requirement in General — To satisfy the General Qualification Standard, actuaries are required to complete and document at least thirty (30) hours each calendar year of relevant continuing education of which at least three (3) hours must be on professionalism topics and at least six (6) hours must be “organized activities” (see Section 2.2.7). The 30-hour requirement will typically be met in the calendar year preceding the year in which the actuary issues a Statement of Actuarial Opinion. However, if the 30-hour requirement is not met in the year before an actuary issues a Statement of Actuarial Opinion, the shortfall can be earned in the same year, if earned prior to issuing the SAO. The hours earned to satisfy the shortfall cannot be applied to satisfy the continuing education requirement for the current year.

Example:

An actuary earns 30 hours of continuing education in 2020 and, assuming the other qualification requirements are met, can issue SAOs in 2021. However, in 2021, the actuary only earns 27 hours of continuing education. The actuary cannot issue SAOs in 2022 until 3 hours of continuing education are earned. The actuary must then earn an additional 30 hours of continuing education in 2022 to issue SAOs in 2033.

2.2.3 Initial Year of Applicability — Hours spent meeting the basic education and experience requirement may be applied toward the continuing education requirement if earned in the year prior to issuing the Statement of Actuarial Opinion.

2.2.4 Coordination with Specific Qualification Standards — The 30-hour requirement includes hours obtained pursuant to the continuing education requirement of the Specific Qualification Standards (see Section 3.3).

2.2.5 Practicing in More than One Area of Actuarial Practice — If an actuary must obtain continuing education requirements in more than one area of practice (see Section 2.3), the total annual hours required for all areas of actuarial practice combined remains at 30. An actuary should use good judgment in obtaining continuing education in all areas of practice related to the actuary's work.

2.2.6 Relevant Continuing Education — 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. 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.

Relevant continuing education includes not only technical topics in the actuary's area of practice, but also includes business and consulting skills topics and professionalism topics. Examples of business and consulting skills topics include, but are not limited to, client relationship management, presentation skills, communication skills, project management, and personnel management. Examples of professionalism topics include, but are not limited to, studying, reviewing, or providing input on an Exposure Draft of an ASOP; studying or reviewing the *Code of Professional Conduct*; and serving on the ASB or a professionalism committee.

Continuing education can be obtained through either “organized activities” that involve interaction with actuaries or other professionals working for different organizations or “other activities.” “**Organized activities**” include, but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is directly relevant to the area of practice of the subject of the Statement of Actuarial Opinion. In-house meetings can satisfy the requirement of interaction with actuaries or professionals working for different organizations by using outside speakers.

“**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 recordings of actuarial meetings or other relevant seminars or conferences; relevant in-house meetings; studying for actuarial exams; drafting actuarial exam questions; or preparing to speak or lead a discussion at a continuing education activity.

2.2.7 Applicability to Enrolled Actuaries

- a) Solely for purposes of Statements of Actuarial Opinion that ERISA mandates an Enrolled Actuary to issue (funding calculations and Schedule SB filings attached to the annual government filing of Form 5500, for example), an Enrolled Actuary is deemed to meet the continuing education requirement of the General Qualification Standard if they meet the Joint Board for Enrolled Actuaries (JBEA) continuing professional education requirements.
- b) An Enrolled Actuary who issues a Statement of Actuarial Opinion with respect to matters other than those ERISA mandates an Enrolled Actuary to issue must meet the continuing education requirements of the General Qualification Standard.

2.2.8 Additional Guidance — An hour of continuing education is defined as 50 minutes and fractions of an hour may be counted. Hours of continuing education in excess of the annual requirement, including hours of organized activities, may be carried forward one year. Hours spent on general business courses and educational materials are limited to 3 hours per year.

2.3 Actuaries Issuing Statements of Actuarial Opinion in More than One Area of Actuarial Practice

2.3.1 Statements of Actuarial Opinion Involving Skills that Can Be Learned in More than One Area of Actuarial Practice — Some Statements of Actuarial Opinion may require the exercise of skills that can be learned in more than one area of actuarial practice; for example, the principles involved in calculating annuity reserves could be learned in either the life or pension areas. An actuary who issues such Statements of Actuarial Opinion is deemed to meet the General Qualification Standard if the actuary meets the basic education and experience requirements and continuing education requirements in any one of the areas of actuarial practice relevant to the Statement of Actuarial Opinion.

2.3.2 Statements of Actuarial Opinion that Blend Elements of Two or More Areas of Actuarial Practice — Some Statements of Actuarial Opinion may blend significant elements of two or more areas of actuarial practice (for example, reserving for continuing care retirement communities, which involves significant elements of both health and life practice). An actuary who issues such Statements of Actuarial Opinion is deemed to meet the General Qualification Standard if the actuary meets the basic education and experience requirement in any one area. In meeting the continuing education requirement, an actuary should include material in all areas of actuarial practice relevant to the Statement of Actuarial Opinion. An actuary may find it prudent to work with an actuary with complementary experience and

education (see Section 2.4 below) or to obtain additional experience and/or continuing education relevant to the Statement of Actuarial Opinion.

2.3.3 Statements of Actuarial Opinion in Two or More Distinct Areas of Actuarial Practice— An actuary may choose to issue Statements of Actuarial Opinion in two or more distinct areas of actuarial practice, although each Statement of Actuarial Opinion issued by the actuary may involve only one area of actuarial practice (for example, a life actuary might agree to conduct a reserve adequacy analysis for a health insurance company). An actuary who issues Statements of Actuarial Opinion in two or more distinct areas of actuarial practice must fully satisfy the basic education and experience requirement in each area. In meeting the continuing education requirement, an actuary should include material in each practice area (in this example, life and health).

2.4 Statements of Actuarial Opinion Issued by More than One Actuary— An actuary who meets the General Qualification Standard may not necessarily be qualified, as required by Precept 2 of the *Code of Professional Conduct*, to issue a particular Statement of Actuarial Opinion. For example, the Statement of Actuarial Opinion may involve elements of an area of actuarial practice in which an actuary is not fully qualified. In that event, for purposes of the General Qualification Standard, an actuary may issue the Statement of Actuarial Opinion with another actuary whose basic education and experience, or continuing education, complements that of the first actuary with respect to the jointly issued Statement of Actuarial Opinion. Both actuaries will be deemed to meet the General Qualification Standard if their collective basic education and experience and continuing education are sufficient as to all areas of actuarial practice relevant to the Statement of Actuarial Opinion, and if they are collectively qualified under Precept 2 of the *Code of Professional Conduct* to issue the particular Statement of Actuarial Opinion.

Section 3. Specific Qualification Standards

Specific Qualification Standards are developed by the Committee on Qualifications when, in the committee's view, it is necessary for an actuary to possess specific qualifications beyond those required to satisfy the General Qualification Standard to issue a particular type of Statement of Actuarial Opinion. These Specific Qualification Standards apply only to the types of Statements of Actuarial Opinion for which such standards have been adopted.³ The Statements of Actuarial Opinion for which Specific Qualification Standards currently should be met are the following:

- Statement of Actuarial Opinion, NAIC Life, A&H, and Fraternal Annual Statement
- Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement
- Statement of Actuarial Opinion, NAIC Health Annual Statement

3.1 Basic Education Requirement— An actuary must have obtained sufficiently comprehensive knowledge of and responsible experience with the subjects specifically involved to be able to determine which actuarial concepts and techniques are applicable to the assignment and to apply those concepts and techniques successfully. In addition to meeting the basic education and experience requirement of the General Qualification Standard (see Section 2.1), an actuary must meet additional specific knowledge requirements as outlined below. An actuary may obtain such knowledge through successful completion of relevant actuarial examinations or through alternative education. An actuary who has satisfied the basic education requirements for a particular Specific Qualification Standard is not required to pass additional examinations that may subsequently be offered by the U.S.-based organizations with regard to that Statement of Actuarial Opinion after an actuary has met the basic education requirements.

3.1.1 Successful Completion of Examinations

3.1.1.1 Statement of Actuarial Opinion, NAIC Life, A&H, and Fraternal Annual Statement— An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries or the Society of Actuaries on the following topics: (a) policy forms and coverages, (b) dividends and reinsurance, (c) investments and valuations of assets and the relationship between cash flows from assets and related liabilities, (d) statutory insurance accounting, (e) valuation of liabilities, and (f) valuation and nonforfeiture laws.

3.1.1.2 Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement— An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries, the Casualty Actuarial Society, or the Society of Actuaries on the following topics: (a) policy forms and coverages, underwriting, and marketing, (b) principles of ratemaking, (c) statutory insurance accounting and expense analysis, (d) premium, loss, and expense reserves, and (e) reinsurance.

³ The Committee on Qualifications considers specific guidelines in determining when a Specific Qualification Standard should be developed (see Appendix 4).

- 3.1.1.3 Statement of Actuarial Opinion, NAIC Health Annual Statement — An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries, the Casualty Actuarial Society or the Society of Actuaries on the following topics: (a) principles of insurance and underwriting, (b) principles of ratemaking, (c) statutory insurance accounting and expense analysis, (d) premium, loss, expense, and contingency reserves, and (e) social insurance.
- 3.1.2 Alternative Basic Education — An actuary may also satisfy the basic education requirement by acquiring comprehensive knowledge of the applicable topics through responsible work and/or self-study. To comply with the basic education requirement through self-study, an actuary must obtain a signed statement from another actuary who is qualified to issue Statements of Actuarial Opinion under the specific qualification standard being met. This statement must indicate that the writer is familiar with an actuary’s professional history and that an actuary has obtained sufficient alternative education to satisfy the basic education requirement for the specific qualification standard. A sample statement appears in Appendix 2. This statement should be obtained before an actuary issues a Statement of Actuarial Opinion and should be retained by the actuary.
- 3.2 Experience Requirement — An actuary must obtain at least three years of responsible experience relevant to the subject of the Statement of Actuarial Opinion under review by an actuary who was qualified to issue the Statement of Actuarial Opinion at the time the review took place under standards in effect at that time. Although this experience need not necessarily be recent, it must be relevant to the subject of the Statement of Actuarial Opinion.
- 3.3 Continuing Education Requirement — To satisfy the Specific Qualification Standards, an actuary must obtain sufficient continuing education to maintain current knowledge of applicable standards and principles in the area of actuarial practice of the Statement of Actuarial Opinion. At a minimum, an actuary must complete 15 credit hours per calendar year of continuing education that is directly relevant to the topics identified in Section 3.1.1. A minimum of 6 of the 15 hours must be obtained through experiences that involve interactions with outside actuaries or other professionals, such as seminars, in-person or online courses, or committee work that is directly relevant to the topics identified in Section 3.1.1. Hours that satisfy the continuing education requirement of the Specific Qualification Standards may also be used to satisfy the continuing education requirement of the General Qualification Standard. Hours of continuing education in excess of the annual requirement may be carried forward one year.

Section 4. Changes in Practice and Application

- 4.1 Changes in Areas of Actuarial Practice — Changes in an actuary’s practice may require an actuary to issue Statements of Actuarial Opinion in an area of actuarial practice that is new to an actuary. For example, an actuary may move from performing life reserve valuations to health ratemaking or to issuing Health Annual Statement Opinions.
- 4.1.1 General Qualification Standard — If an actuary changes to an area of actuarial practice where an actuary issuing the Statement of Actuarial Opinion need satisfy only the General Qualification Standard, an actuary must comply with the General Qualification Standard by meeting the applicable basic education and experience requirement and obtaining continuing education that is relevant to Statements of Actuarial Opinion to be issued in the new area of actuarial practice.
- 4.1.2 Specific Qualification Standard — If an actuary changes to an area of actuarial practice where an actuary issuing the Statement of Actuarial Opinion must satisfy a Specific Qualification Standard, that actuary must comply with the Specific Qualification Standard by meeting the applicable basic education and experience requirement and obtaining continuing education that is relevant to Statements of Actuarial Opinion to be issued in the new area of actuarial practice.
- 4.2 Changes in Application — Changes in the application of actuarial science may develop through revisions to published actuarial principles, actuarial standards of practice (ASOPs), and supporting literature. An actuary practicing in an area of practice with a new application of actuarial science must maintain qualification through appropriate continuing education. If the area of practice of the new application is a new area of practice, the actuary must become qualified by meeting the basic education and experience requirement of the new area of practice as described in Section 4.1.
- 4.3 Emerging or Non-Traditional Areas of Actuarial Practice — As actuaries become engaged in emerging or non-traditional fields, it is likely that their expertise will be recognized and that they will be called upon to issue Statements of Actuarial Opinion in those areas.

An actuary practicing in an emerging or non-traditional practice area can satisfy the continuing education requirements by maintaining knowledge of applicable standards of practice, actuarial concepts, and techniques relevant to the topic of the Statement of Actuarial Opinion.

Section 5. Acknowledgment of Qualification

A Statement of Actuarial Opinion should include an appropriate acknowledgment of qualification, such as the following:

I, [Name], am [Position] for [Company]. I am a member of the American Academy of Actuaries [or other organization] and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

A qualification acknowledgment is not required on preformatted forms, such as Schedule B (Form 5500).

Actuarial Standard of Practice No. 41, *Actuarial Communications*, provides guidance when a specific actuarial engagement or assignment requires significant and ongoing communications between the Principal and actuary. The acknowledgment of qualification should be included in the cumulative communications with respect to each specific engagement or assignment and is not required in each individual communication. An oral Statement of Actuarial Opinion is typically part of the cumulative communications and would not require a separate acknowledgement of qualification.

Section 6. Recordkeeping Requirements

- 61 Continuing Education Recordkeeping Requirements — Actuaries who must satisfy the requirements of the General or Specific Qualification Standards should keep appropriate timely records as evidence that their continuing education requirements have been met. Retaining personal notes detailing the content of reading material would usually be a particularly appropriate way to document continuing education by means of self-study. A sample recordkeeping form is provided in Appendix 5. If an actuary chooses not to use the sample recordkeeping form, such records should contain, at a minimum, the date of the continuing education, the credit hours obtained, and a brief description of the subject matter of the continuing education.

These records should be maintained for at least six years beyond the year(s) to which the records are applicable.

- 62 Substantiating Compliance — Whenever an actuary issues a Statement of Actuarial Opinion, an actuary should be prepared to provide evidence of compliance with the Qualification Standards, including certificates of attendance (if any), meeting outlines or handouts, and notes related to “other activities,” when requested by the appropriate counseling and disciplinary body of the profession, in connection with a disciplinary, counseling, or other proceeding of such body relating to the *Code of Professional Conduct*.

APPENDIX 1

EXAMPLES OF STATEMENTS OF ACTUARIAL OPINION

This appendix describes Statements of Actuarial Opinion (SAOs) and gives several examples of opinions that are typically rendered by actuaries, indicating whether or not those opinions are usually SAOs. The examples set forth in this appendix are not intended to be all-inclusive. Actuaries can, and do, render many types of SAOs and other statements and opinions that are not specifically referenced in this appendix.

This appendix is intended to help actuaries understand which statements are SAOs. It represents the consensus of the Academy's Committee on Qualifications.

I. General Observations

- a. Internal communications within a company, firm, or governmental agency may or may not be an SAO depending on whether or not the internal communication expresses an actuarial opinion and whether or not it is intended to be relied upon.
- b. 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. 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.
- c. An SAO is usually a written actuarial opinion, but it may also be conveyed by oral communication. The fact that an actuary's opinion is conveyed orally is not, in and of itself, evidence that the opinion is not an SAO.
- d. Not every communication by an actuary is an SAO. The communication must be based on actuarial considerations.
- e. A statement that contains data and/or other information but does not contain actuarial advice or an actuarial opinion is not an SAO.
- f. An SAO may or may not be embodied in a public document.

II. Commonly Issued Actuarial Opinions and Work Products

Please observe that only *actuarial* statements of opinion can be SAOs. This list was prepared as of the date of adoption of the Qualification Standards. It is not intended to be and should not be interpreted as all-inclusive.

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
A. These opinions and communications are SAOs.	1. NAIC Life, A&H and Fraternal Annual Statement Opinion	H/L	Specific
	2. NAIC Health Annual Statement Opinion	H	Specific
	3. NAIC Property & Casualty Annual Statement Opinion	C	Specific
	4. Form 5500 Schedule SB /MB Certification and Other ERISA Forms	P	General
	5. VEBA Account Limit Determination	H/L/P	General
	6. Insurance company statutory reserve opinion	C/H/L/P	Specific
	7. Profit tests for regulators	C/H/L	General
	8. State exam opinion	C/H/L	General
	9. Tax issue opinion	C/H/L/P	General
	10. Nonforfeiture law compliance demonstration	L	General
	11. Indeterminate premiums opinion	L	General
	12. Rate filing opinion	C/H/L	General
	13. COBRA premium determination	H	General
	14. Opinion re: rate level indications	C	General
	15. Cash flow testing	C/H/L/P	General
	16. Non-guaranteed elements opinion	C/H/L/P	General
	17. Actuarial appraisal	C/H/L/P	General
	18. Actuarial audit	C/H/L/P	General
	19. Opinion of assumptions and methods used to value social insurance	C/H/L/P	General
	20. Supporting reports	C/H/L/P	General
	21. Expert testimony	C/H/L/P	General
	22. Sales illustrations	H/L	General
	23. Testimony at rate filing or reserve adequacy hearing	C/H/L	General
	24. Loss ratio opinion	H	General
	25. Premium increase demonstration	H	General
	26. Loss reserve opinion	C	General
	27. Ratemaking opinion	C	General
	28. Internal management report (depending on content and intent)	C/H/L/P	General
	29. Sale price of a company opinion	C/H/L/P	General
	30. Merger/spinoff opinion	C/H/L/P	General

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
	31. Profit tests for management (depending on content and intent)	C/H/L/P	General
	32. Asset adequacy analysis	C/H/L/P	General
	33. Pricing opinion	L	General
	34. Policyholder dividend opinion	L	General
	35. CCRC pricing opinion	H/L/P	General
	36. Health & welfare fund financial opinion	H	General
	37. Determination of maximum deductible contributions under IRC Section 404	P	General
	38. Pension plan non-discrimination testing	P	General
	39. Adjusted Funding Target Attainment Percentage (AFTAP) certification under IRC	P	General
	40. ASC 960 determination	P	General
	41. ASC 715 determination	H/L/P	General
	42. ASC 712 determination	C/H/L	General
	43. ASC 718 determination	P	General
	44. GASB 67 determination	P	General
	45. GASB 68 determination	P	General
	46. GASB 74 determination	H/P	General
	47. GASB75 determination	H/P	General
	48. CAS 412 determination	P	General
	49. CAS 413 determination	P	General
	50. ASC 450 determination	H/L/P	General
	51. ASC 965 retiree obligation opinion	H/	General
	52. Draft of an actuarial report provided to the actuary's client	C/H/L/P	General
	53. Certification of Pension Benefit Calculation	P	General
B. These opinions and communications may contain an SAO.	1. Slide presentation or other written communication (depends on content)	C/H/L/P	General
	2. Speech (depends on content)	C/H/L/P	General
	3. Phone conversation (depends on content)	C/H/L/P	General
	4. Certification of data requested by state insurance departments (not unless there is an opinion included on an actuarial subject other than that the data are reliable)	C/H/L/P	General
	5. Congressional testimony (almost always an SAO if an actuary is testifying as an expert on an actuarial subject)	C/H/L/P	General
	6. NAIC working group or task force opinion (usually is, although not everyone who works on the opinion must be qualified)	C/H/L/P	General

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
C. These opinions are usually SAOs because they are relied on by third parties.	1. Pension plan cost	P	General
	2. Effect of principal plan changes on pension cost	P	General
D. These communications are not SAOs when used alone without an opinion as to what the results suggest.	1. Experience study	C/H/L/P	N/A
	2. Personal computer program	C/H/L/P	N/A
E. These communications are not SAOs.	1. Draft of an actuarial report not provided to the actuary's client	C/H/L/P	N/A
	2. Meeting minutes	C/H/L/P	N/A
	3. Letters to the editor	C/H/L/P	N/A
	4. Interview by media	C/H/L/P	N/A
Key: (C) Casualty; (H) Health; (L) Life; (P) Pension; (N/A) Not Applicable			

III. Application of Qualification Standards to Public Service Actuaries

The Qualification Standards apply to all actuaries, including those working in public service (for example, actuaries providing professional services to federal, state, or local governments). When a public service actuary issues a Statement of Actuarial Opinion (SAO), the public service actuary has the same obligation as a non-public service actuary to comply with the General or Specific Qualification Standards.

However, a public service actuary may be called upon to review another actuary’s SAO, and to approve, disapprove, accept, or reject a submission based upon another actuary’s SAO. The review itself may be an SAO, but only if:

- The review itself of an SAO (or a submission based upon and substantially supported by an SAO) is intended by an actuary to be relied upon by the person or organization to which it is addressed; and
- The review is based on actuarial considerations.

If the above two conditions apply, then an actuary issuing the review must meet the General Qualification Standard for issuing SAOs in the applicable area of actuarial practice.

The following is a list of communications that are routinely issued by public service actuaries. Public service actuaries also author communications that are not specifically referenced in this listing.

Is Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Traditional Areas of Actuarial Practice	Applicable Qualification Standard
A. These opinions and communications are not SAOs.	1. Rate filing query letter	C/H/L	N/A
	2. Answers to consumers’ questions	C/H/L/P	N/A
	3. Legislative/rulemaking activities — draft, review, etc.	C/H/L/P	N/A
	4. Reserve adequacy comments within an insurance department	C/H/L	N/A
	5. Review and approve appointed actuary designations	C/L	N/A
	6. Analyze insurance company and industry data	C/H/L	N/A
	7. Actuarial review of NAIC models and pronouncements	C/H/L	N/A
	8. Accept/reject company license applications	C/H/L	N/A
	9. Review Asset Valuation Reserve determinations	C/H/L	N/A
	10. Requests for clarification of SAOs received	C/H/L/P	N/A

Is Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Traditional Areas of Actuarial Practice	Applicable Qualification Standard
B. These opinions, communications, and testimonies are SAOs if based on actuarial considerations.	1. Issue actuarial opinions re: resolution of troubled company	C/H/L	General
	2. Review reinsurance contracts for compliance with risk transfer and reserve credit	C/H/L	General
	3. Law and regulation enforcement, interpretation, and implementation	C/H/L/P	General
	4. Opinion of state fund's reserve and funding level	C/H/L	General
	5. Reports called for on governmental retirement plans	P	General
	6. Chief Actuary's report on Social Security and Medicare	H/L/P	General
	7. Statement of actuarial advisory board appointed by government, such as the Board of Actuaries of the Department of Defense	C/H/L/P	General
	8. Actuarial testimony at administrative hearing	C/H/L/P	General
	9. Actuarial testimony at judicial hearing	C/H/L/P	General
	10. Actuarial testimony at legislative hearing	C/H/L/P	General
	11. Rate filing — written or oral approval/disapproval	C/H/L	General
	12. Reserve adequacy opinion — approval/disapproval	C/H/L/P	General
	13. Approve/disapprove actuarial portion of policy forms	C/H/L	General
	14. Approve/disapprove actuarial memo on reserves and nonforfeiture values	C/H/L	General
	15. Resolve filed audit issues consistent with ASOPs	C/H/L/P	General
	16. Review small group annual actuarial certifications	H	General
	17. Review actuarial opinion of political subdivision that self-funds its health insurance	C/H/L	General
Key: (C) Casualty; (H) Health; (L) Life; (P) Pension; (N/A) Not Applicable			

APPENDIX 2

SAMPLE ALTERNATIVE BASIC EDUCATION STATEMENT (SPECIFIC QUALIFICATION STANDARD)⁴

I have been requested by [ACTUARY'S NAME] to provide a written statement regarding his/her knowledge of the examination topics required by the American Academy of Actuaries' (Academy) Specific Qualification Standard for

⁵

I meet the Specific Qualification Standard described above, based upon my education, experience, and continuing education.

It is my opinion that [ACTUARY'S NAME] has gained comprehensive knowledge of the subjects necessary to meet the basic education requirements of the Academy's Specific Qualification Standard for [DESCRIPTION OF OPINION] through the following responsible work [and/or] self-study:

[Insert a description of the responsible work and/or self-study undertaken by an actuary to satisfy the applicable Specific Qualification Standard. Section 3.1.1 provides guidance on the examination topics at issue.]

Based on the foregoing, I believe that [ACTUARY'S NAME] has satisfied the alternative education requirement of the Academy's Specific Qualification Standard for [DESCRIPTION OF OPINION] for

⁶

In so stating, I take no responsibility for the accuracy, completeness, or quality of any work undertaken by [ACTUARY'S NAME].

[Signature]

[Date]

⁴ There is no requirement that this format be used.

⁵ Insert the applicable area of actuarial practice or the title or description of the particular statement of actuarial opinion to be issued, as appropriate.

⁶ Insert the applicable area of actuarial practice or the title or description of the particular statement of actuarial opinion to be issued, as appropriate.

APPENDIX 3

PROCEDURES FOR THE ADOPTION OF QUALIFICATION STANDARDS BY THE AMERICAN ACADEMY OF ACTUARIES

The following procedures have been adopted by the American Academy of Actuaries for the adoption of Qualification Standards.

I. Development

The Committee on Qualifications may develop a proposed qualification standard whenever, in the committee's judgment, development and adoption of the proposed standard would further the goals and interests of the Academy. Proposed changes or new qualification standards must be approved by at least a majority vote of a quorum of the Committee on Qualifications, and must be accompanied by a written report from counsel advising the Board of Directors (Board) of the draft's compliance with applicable law and addressing any other relevant legal issues.

II. Approval to Expose

The proposed standard is presented to the Board with a request that the Board approve its exposure. The Board may:

- a. Approve the committee draft for exposure with or without modification;
- b. Return the draft with directions for additional work by the Committee on Qualifications; or
- c. Terminate work on the proposed standard.

A majority vote of the Board is required to expose a draft, return the draft to the Committee, or terminate work. Where compelling circumstances require immediate exposure of a proposed standard, the Executive Committee may act to authorize exposure.

III. Format

The exposure draft of the proposed standard will contain the following information:

- a. Title page;
- b. Date of Board approval for exposure;
- c. Status and history of the draft to date;
- d. Text of proposed standard;
- e. Other supporting material, if any;
- f. If the exposure draft is not unanimously supported by the Committee on Qualifications, an appropriate disclosure of minority views, if requested by the members of the minority;
- g. Address to which comments should be submitted;
- h. Deadline for submitting comments; and

- i. Names of Committee on Qualifications members (without organizational affiliations).

The Committee on Qualifications may, at its discretion, expose alternative wording for comment (i.e., two or more versions of certain sections of the exposure draft) in order to solicit the views of the membership.

IV. Comment Deadline

The deadline for comments is normally 60 days after the expected distribution date, but that time period may be extended or reduced by the Executive Committee or Board. A minimum comment period of 30 days is required.

V. Non-Members

The Committee on Qualifications may compile a list of persons and organizations outside the Academy to whom the exposure draft should be circulated. Copies of the exposure draft will be made available to any other party upon request.

VI. Processing

A file of all comments is maintained in the Academy office, and comments are distributed to the Committee on Qualifications by staff. Committee members must ensure that comments sent directly to them are forwarded to the Academy office to be processed as described above. Only written comments will be processed.

VII. Communication with Commentators

Each individual submitting comments normally will receive an acknowledgment of receipt from the Academy office. Further communication with commentators is optional at the discretion of the Committee on Qualifications.

VIII. Status Reports

Status reports on the deliberations of the Committee on Qualifications during the exposure period are optional at the discretion of the Committee on Qualifications and mandatory at the request of the Academy President. Status reports will be conveyed to the entire membership, preferably through the *Actuarial Update*. Such reports will be general in nature and will not create the misleading impression that the Committee on Qualifications has adopted a final position on the proposed standard before fully considering all comments received.

IX. Committee Deliberations

The Committee on Qualifications will give due and impartial consideration to all comments received.

X. Public Hearings

- a. Public hearings are not generally required, but may be convened at the discretion of the Committee on Qualifications or by request of the Academy President. Factors to be considered in deciding whether a public hearing should be held include:
 1. The complexity of the exposure draft;
 2. The professional significance of the exposure draft; and
 3. Any other relevant considerations.
- b. Expenses directly related to the hearing will be borne by the Academy, including the cost of a hearing room, tape-recording and transcription services, audio-visual equipment, and production of printed materials. However, those attending and participating in the hearing will do so at their own expense.
- c. Notice of the public hearing will be given to the recipients of the exposure draft through the *Actuarial Update* or otherwise at least 30 days prior to the hearing. Notice of the hearing may also be provided in an appropriate fashion through other media that are believed to reach those persons who might reasonably be expected to have an interest in the exposure draft. Such notice will include a clear description of the scope and purpose of the exposure draft, and will set forth the date, time, and location of the public hearing and the manner in which interested persons should advise the Committee on Qualifications of their desire to speak at the hearing.
- d. The hearing is open to all interested parties, including press. Seating may be limited, and will be available on a first-come, first-served basis.
- e. *Eligible Speakers*
 1. Interested individuals who wish to speak at the public hearing will so advise the Committee on Qualifications in the manner announced in the hearing notice. Speakers who have not provided such prior notice will be heard only after all scheduled speakers and only if time permits.
 2. The moderator may establish time limits for all speakers. Time will be made available to non-members as well as members for formal presentations, and for questions and comments if time permits.
 3. A list of speakers and a brief agenda will be compiled and made available at the hearing.

XI. Second Exposure Draft

In some instances, significant changes to an exposure draft may be required as a result of comments received through the exposure process. In that event, at the discretion of the Committee on Qualifications, a second exposure draft may be circulated for comment or a second public hearing may be conducted.

XII. Final Approval

A two-thirds majority vote of a quorum of the Committee on Qualifications is required to present a final standard to the Board for its approval. The Board may approve the standard for promulgation with or without modification, return the standard with directions for additional work by the Committee, or terminate work on the standard. A two-thirds majority vote of the Board is required for approval of a standard. A majority vote of the Board is required to return the standard to the Committee or terminate work on the standard.

XIII. Promulgation

a. Academy staff will produce and distribute the final standard to the membership and other recipients in the next regular monthly Academy mailing following Board approval, unless a special mailing is approved by the Academy President.

b. *Format*

The final standard will contain the following information:

1. Title page;
2. Effective date;
3. Text of final standard;
4. Status and history of the standard;
5. An analysis of major comments received, and the extent to which comments were incorporated in the final standard. Such analysis should preserve the confidentiality of each commentator's submission;
6. Other supporting material, if any;
7. If the standard is not unanimously supported by the Committee on Qualifications, an appropriate disclosure of minority views, if requested by the members of the minority; and
8. Names of Committee on Qualifications members (without organizational affiliations).

XIV. Documentation

a. All written comments, tapes, transcripts, and other relevant materials connected with the development of a standard will be available for inspection in the Academy office during normal business hours for one year following the later of either the effective date of adoption or the date of the last action taken by the Committee on Qualifications or the Board on the proposed standard.

- b. Copies of the above materials will be distributed to the Committee on Qualifications and other Academy officials (for example, the President and other officers) without charge. Members and other individuals may obtain these materials upon request for a fee at least equal to the cost of reproduction.

XV. Interim Standards

These procedures do not apply when the Academy's Board of Directors by a two-thirds majority vote finds that, because of compelling circumstances, good cause exists for a qualification standard to be adopted immediately without implementation of the exposure draft procedures set forth herein. In that event, the Board may adopt a qualification standard on an interim basis. Such an interim qualification standard will be circulated to the membership in the form of an exposure draft as soon as practical, but in any event by no later than 60 days after the effective date of the interim qualification standard. After completion of the exposure process, the new qualification standard will be substituted by the Board for the interim qualification standard.

APPENDIX 4

GUIDELINES FOR DETERMINING WHEN SPECIFIC QUALIFICATION STANDARDS SHOULD BE DEVELOPED

(Adopted by the Academy's Board of Directors on September 27, 1994)

The Committee on Qualifications will observe the following guidelines for determining when to develop Specific Qualification Standards:

1. The Committee on Qualifications shall consider any request for a Specific Qualification Standard proposed to it by the Board of Directors, Executive Committee, or any Practice Council of the Academy. If the Committee on Qualifications concludes that the development of a Specific Qualification Standard is not necessary or appropriate in this instance, it will communicate its reasons for reaching this conclusion to the body that made the request.
2. When a regulator or a quasi-regulatory authority, such as the Financial Accounting Standards Board, represents to the Academy that, if the Academy does not establish a particular Specific Qualification Standard, it will provide the guidance it believes is needed in terms of something close to a Specific Qualification Standard, a Specific Qualification Standard will be considered for development.
3. A Specific Qualification Standard typically should be developed in relation to a specific actuarial opinion requirement that is embodied in a regulation or a standard and is of high visibility and fairly broad application within the profession.
4. A Specific Qualification Standard should apply to an area of expertise that is broad enough to cover a substantial portion of actuarial practice. The area should have been in existence long enough to have given rise to an established body of knowledge so that actuaries could be qualified to work in the area through past experience. The area should be broad enough so that a significant number of members will qualify and not be so limiting as to remove opportunities for job and expertise movement by almost all other actuaries.
5. It should be possible for a Specific Qualification Standard to set forth a reasonably available means to meet both the Basic Education Requirements for the area of expertise, either through Specific Supplemental Examination Topics or through a Specific Alternative Education Provision, and the 15 hours per year of Continuing Education Requirements.
6. Before proposing a Specific Qualification Standard, the Committee on Qualifications shall seek comments from the applicable Practice Councils of the Academy as to the utility and contents of such Standard.
7. If any Practice Council of the Academy opposes a proposed Specific Qualification Standard that affects its area of actuarial practice, a summary of the reasons for that Practice Council's opposition shall be included along with the proposed Specific Qualification Standard when it is presented to the Academy Board.

APPENDIX 5

SAMPLE CONTINUING EDUCATION RECORDKEEPING FORM

This form may be used to record earned credit hours for each Specific Qualification Standard requirement and/or General Qualification Standard requirements. Please note that, under the General Qualification Standard, hours should be recorded by area of actuarial practice. Record the number of hours earned in as many columns as apply. This information should be retained for six years.

Name: _____

CONTINUING EDUCATION HOURS

Date	Sponsor or Activity	Number of hours	Subject	Area of practice	Specific Qualification Standard	Organized Activity Y/N	Professionalism Y/N	Business Skills Y/N

Notes: An hour equals 50 minutes.
 Total hours must include at least 6 hours of organized activities, at least 3 hours of professionalism, and a maximum of 3 hours of business skills topics.

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