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**DISCUSSION PAPER**  
**PROFESSIONALISM FOR THE  
SOLO ACTUARY**

American Academy of Actuaries  
Committee on Professional Responsibility  
of the Council on Professionalism



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## DISCUSSION PAPER

# Professionalism for the Solo Actuary

## Purpose

This discussion paper was developed by the Committee on Professional Responsibility of the American Academy of Actuaries for discretionary use by actuaries. The ideas and suggestions offered in this paper are intended to assist solo practicing actuaries or actuaries practicing in small firms with respect to situations that they may encounter in providing actuarial services. This paper will include considerations on ways solo practitioners might fulfill their professional responsibilities.

## Defining Solo Actuaries

We define “solo actuaries” as actuaries who find themselves providing actuarial services essentially without support from other colleagues. The following are some examples of situations where the practicing actuary might fall under this definition of “solo actuary”:

- Sole practitioner
- A consultant practicing in a small practice (1-3 actuaries)
- The only actuary in a small company or the only actuary in a stand-alone practice area within a company
- A sole regulatory actuary employed by a small state insurance department or government agency
- A part-time retiree, even if not being compensated for services provided

In such cases, actuaries may not have readily available professional resources and support in ensuring that they are qualified to meet applicable professional standards. It is in such situations that the self-regulating nature of the actuarial profession really comes to the forefront.<sup>1</sup>

<sup>1</sup> For more on this subject, see the Academy's [Self-Regulation and the Actuarial Profession](#) discussion paper, published in June 2020.

## Issues Common to Solo Actuaries

There are a number of challenges to meeting professional standards that are common to the work of solo actuaries. However, three in particular stand out to us: continuing education (CE), peer review, and qualifications.

### Continuing Education

Solo actuaries may find meeting their CE requirements under the U.S. Qualification Standards (USQS) to be more challenging than for an actuary working at a larger firm that provides internal CE opportunities or has the resources to sign its actuaries up for multiple CE offerings throughout the year. Solo actuaries may need to be resourceful to meet their CE requirements. For example, solo actuaries may need to network with other actuaries if they want to meet the “organized activities” requirement through in-person interaction with actuaries or other professionals working for different organizations. Some retired actuaries may be able to participate in their former employer’s CE offerings. Solo actuaries need to keep up-to-date with emerging practice through their CE as they may not have the benefit of a large firm’s resources.

### Hypothetical Case Study

#### The Seasoned Actuary

Jim is a pension actuary who has been doing pension work for numerous small plans for many years. In addition, he also performs work for one multiemployer plan and two municipal plans. His overall client interaction is very limited. As a solo practitioner, he has become somewhat detached from the profession as a whole. His methods and standards of practice have changed very little since the early years of his career when he first acquired his professional actuarial skills. Jim does make an effort to meet his CE requirements, primarily through retaining his Enrolled Actuary credential. He does some independent reading and attends an occasional webinar or actuarial meeting. His familiarity with the actuarial standards of practice (ASOPs), including both the general standards and those specific to measuring pension obligations is limited. Jim believes that his longevity in practice keeps him sufficiently skilled to do the work. In this case, Jim’s overall CE effort may be inadequate to provide high-quality professional services to his client base.

## Peer Review

Another area of challenge common to all solo actuaries can be peer review, as there is rarely a knowledgeable colleague “down the hall” to serve as a sounding board or to review reports and check calculations. While peer review is not required by the Code of Professional Conduct (the Code) or ASOPs, actuaries and actuarial work products often benefit from a third-party perspective. Here again, networking with solo actuaries in the same practice area may be the solution, where a co-peer reviewing agreement might be established.

### Hypothetical Case Study

#### Peer Review

Isaac, a part-time solo actuary, was hired by a court as a neutral expert witness. His role was to provide analysis and opinions to the trial judge on actuarial aspects of the case under consideration. Isaac had the appropriate expertise for this assignment, and, in fact, was one of very few actuaries who could be considered to be an expert on the insurance products that were the subject of the case. Isaac recognized that his analysis and report should be peer reviewed and considered various options.

Isaac was already aware that there were very few actuaries who might have sufficient knowledge of this product to fill the role of a peer reviewer. He explored whether he could hire one of them. However, none were available for this task. One had a conflict of interest in the case, and the others were full-time insurance company employees who were not interested in undertaking this work and also felt they would not be permitted to do so by their employers.

As an alternative, Isaac decided to engage an attorney to peer review the work for appropriateness from a legal standpoint and for clarity. Although the attorney did not fully understand actuarial concepts, she could give feedback on the contractual considerations that made up a significant portion of Isaac’s report. Isaac disclosed to the court the limitations of the peer review based on what it had been possible for him to obtain. While not a perfect solution, and recognizing that the use of peer review is not mandatory, Isaac believed that he had done what was necessary to meet the appropriate level of professionalism for this assignment.

## Am I Qualified?

Situations may arise where actuaries are asked to expand their scope of services into areas or lines of business where they are not fully qualified. Without colleague actuaries to provide some backup, solo actuaries will need to take care to avoid taking on work they are not fully qualified to do.

For example, many insurance departments or government agencies have only one or two actuaries, who are often expected to be the “experts” on actuarial issues within the agency. In some cases, the actuary may be asked to perform work in practice areas outside their area of expertise and experience. When this occurs, there may be concerns about whether the actuary meets the USQS.

### Hypothetical Case Study

#### Qualifications in a New Area of Practice

Elizabeth, an ASA working in a state insurance department mostly on life insurance issues, was asked to start reviewing health insurance rate filings. Elizabeth told department management that while she did have some experience working with health insurance, she didn't believe that she had the necessary experience or CE to do that type of work and meet the requirements of the USQS. The department subsequently agreed to hire a consulting actuary with the necessary expertise to oversee her work in reviewing the filings. At the same time, Elizabeth would immediately begin the process of obtaining the necessary CE relevant to health insurance rating.

Another area where solo actuaries may encounter difficulties is having the full range of qualifications and experience required for a project. Many consulting actuaries are solo practitioners. At times, an opportunity may arise to work on a project where the actuary is qualified to perform a portion of the project but not the entire scope.

### Working Together

Sanjay, who is an independent consultant, is an actuary qualified to work on accident and health insurance products. He was approached to perform a market analysis of options available to a new health startup. The analysis was to include the full range of qualified health plans, major medical, and excepted benefit plans. Since Sanjay did not have direct experience with major medical managed care plans, he approached Judy, another independent consultant who he knew was qualified in this area. After getting approval from the client, Sanjay and Judy collaborated on the actuarial report in order to cover the client's desired scope for the project.

By drawing on a relationship cultivated with another independent consultant through networking at actuarial meetings and seminars, Sanjay was able to comply with the professional standards and meet the needs of his client when he was not qualified to do the work on his own.

Another type of solo actuary is the "retired" or semi-retired actuary. Such actuaries might work part-time or on occasion as situations arise, for example, by providing actuarial advice to a former colleague or by volunteering for an organization. As with all solo actuaries, they need to ensure that they meet the appropriate qualification standards if their work is to be relied upon.

### The Retired Actuary

A former colleague reached out to Michelle, a retired actuary, for assistance on a project that they had worked on together years before. While it felt good to be remembered as an expert on that project and have an opportunity to do some actuarial work again, Michelle had not maintained her CE, so she declined the offer to participate.

Actuaries should be aware that if there is any chance that they will use their actuarial experience once they retire, they should make the effort to meet their CE requirements and remain in compliance with the U.S. Qualification Standards.

## Reminder of Professionalism Requirements

Three primary sets of requirements govern the self-regulation of actuarial practice in the United States: 1) the Code of Professional Conduct; 2) the U.S. Qualification Standards; and 3) the actuarial standards of practice. These requirements apply to all members of the five U.S.-based actuarial organizations that have individually adopted the Code of Professional Conduct.

### Code of Professional Conduct (Code)

The Code contains 14 precepts in 11 categories:

1. Professional Integrity
2. Qualification Standards
3. Standards of Practice
- 4-6. Communications and Disclosure
7. Conflict of Interest
8. Control of Work Product
9. Confidentiality
10. Courtesy and Cooperation
11. Advertising
12. Titles and Designations
- 13-14. Violations of the Code of Professional Conduct

One of the key precepts applicable to the solo actuary is Precept 2, Qualification Standards—“An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience, and only when the Actuary satisfies applicable qualification standards.” Precept 2 includes what is colloquially known as the “Look in the Mirror Test”—in other words, do I really have the necessary expertise for this particular assignment? This may be tougher for the solo actuary since they may not have ready access to the knowledge of colleagues who can augment their skill set.

Every actuary is required to comply with the Code and therefore should maintain a good working knowledge of its contents. It is a good idea to review the requirements at least annually and more frequently if a specific question arises.

### U.S. Qualification Standards (USQS)

The USQS is the applicable qualification standard under Precept 2 of the Code for actuaries who issue Statements of Actuarial Opinion (SAOs) when rendering actuarial services in the United States. It details the basic education and experience requirements to become qualified and the CE requirements to remain qualified. In general, 30 hours of relevant CE are required each year to maintain qualification for the following year.

Section 2 of the USQS, General Qualification Standard, covers the requirements to issue the vast majority of SAOs. However, certain additional requirements must be satisfied to issue particular SAOs, such as those that must be filed in conjunction with a company's annual statement. These additional requirements are spelled out in section 3, Specific Qualification Standards.

### **Actuarial Standards of Practice (ASOPs)**

Precept 3 of the Code, Standards of Practice, requires actuaries to follow applicable ASOPs. ASOPs provide guidance on the techniques, applications, procedures, and methods that reflect appropriate actuarial practice in the United States. As of this writing, 52 ASOPs are in effect.

At a minimum, every actuary is expected to be familiar with the contents of ASOP No. 1, *Introductory Actuarial Standard of Practice*, ASOP No. 23, *Data Quality*, and ASOP No. 41, *Actuarial Communication*. In addition, ASOP No. 56, *Modeling*, applies in nearly all assignments in all practice areas. Most of the other ASOPs are specific to the practice area and the assignment.

In addition to scope, definitions, and discussion of the issues relevant to the particular assignment, all ASOPs include a section on disclosure and communication requirements. Actuaries are expected to comply with the ASOPs and specifically justify any deviation from an ASOP through documentation and disclosure.

## **Resources Available to Support Solo Actuaries**

All actuaries should be aware of the following tools and resources available to support their work. Solo actuaries often lack the opportunity to routinely interact with professional colleagues. As such, they may find these external resources particularly helpful.

### **Actuarial Board for Counseling and Discipline (ABCD)**

The ABCD's role in investigating alleged violations of the Code of Professional Conduct by members of any of the U.S.-based actuarial organizations is well known among actuaries. However, its less visible but equally critical function is to respond to requests for guidance with respect to good professional practice. Such requests normally relate to interpretations of the Code or ASOPs.

Requests can be made by email or phone, as directed on the ABCD website ([www.abcdboard.org](http://www.abcdboard.org)). Responses to informal requests may be addressed by an individual ABCD member in a timely manner, or may be referred for discussion by the full ABCD if the matter is of more consequence. The ABCD *2020 Annual Report* indicates that 127 requests for guidance were handled during 2020. The number of requests has been at a similar level for the last several years.

### Applicability Guidelines

The Academy's Council on Professionalism publishes the Applicability Guidelines for Actuarial Standards of Practice as a tool to help actuaries determine which ASOPs might apply to the assignment being undertaken. The guidelines are not binding but list the ASOPs actuaries might consider as they start a new project. The guidelines are especially useful for an assignment that is different from the actuary's usual work. Even in a practice area that is very familiar to an actuary, the guidelines can point the actuary to the most updated versions of the ASOPs, as well as any newly issued ASOPs.

### Published Resources

There are many sources of public information to help an actuary stay up-to-date on current issues related to their area of practice. These resources range from formal, peer-reviewed academic papers to much less formal but often educational white papers.

A good starting point for subject-specific information and practical applications are the practice notes published by the Academy as well as publications of the Casualty Actuarial Society (CAS) and the Society of Actuaries (SOA). Various publications from all three organizations are readily available on their websites.

In addition, the examination syllabi of the CAS and the SOA provide strong basic education materials to ensure that actuaries have foundational knowledge in their practice areas. These syllabi can be good resources for long-tenured actuaries who may need to update their knowledge.

### Academy Publications

Academy publications focus primarily on public policy and professionalism issues. These publications include:

- Practice area quarterly newsletters (Casualty, Health, Life, Pension)
- Life and Health Valuation Law Manual
- Property/Casualty Loss Reserve Law Manual
- Practice Notes—provide information to actuaries on current or emerging practices
- Professionalism discussion papers

In addition, the Academy and the Actuarial Board for Counseling and Discipline periodically publish articles highlighting professionalism considerations: “Professionalism Counts” in *Actuarial Update* and “Up to Code” in *Contingencies*.

### **Other Organizations**

Other professional organizations in specialties that overlap with those of actuaries, such as the CFA Institute, the National Association of Insurance Commissioners (NAIC), and the Financial Accounting Standards Board (FASB), provide resources ranging from informal position papers to peer-reviewed journal articles that actuaries may find helpful. However, actuaries must take care in relying solely on non-actuarial publications without also considering ASOP requirements.

### **Formal Continuing Education**

As has been discussed earlier in this paper, solo actuaries must meet the CE requirements of the USQS before issuing SAOs in the United States. With regard to formal CE that meets the definition of an “organized activity” under the USQS, the Academy and other U.S.-based actuarial organizations, including local or regional actuarial clubs, offer numerous opportunities. Times and locations of meetings and webinars are available on the actuarial organization websites. In addition, another excellent opportunity to obtain organized CE is to volunteer for an Academy committee or work group.

## **Conclusion**

As a reminder, if you are doing actuarial work, you need to be in compliance with all professional requirements regardless of your situation. Whether you are working for a big firm or as a solo actuary, active or retired, getting compensated for the work or volunteering, the professional requirements for performing actuarial work do not change.



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