



August 19, 2021

Ms. Katherine Campbell  
Chair, Committee on Qualifications  
Council on Professionalism  
American Academy of Actuaries  
1850 M Street, NW  
Suite 300  
Washington, DC 20036

Dear Ms. Campbell:

**Subject:** Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States

Aon plc appreciates the important role of the American Academy of Actuaries (“Academy”) in establishing and maintaining standards of professionalism for U.S. actuaries. The Academy’s work in this area helps ensure that actuaries are qualified to perform actuarial services for their respective principals, and that they deliver those services with quality and care.

We would like to submit comments regarding the second Exposure Draft of proposed changes to the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (“Qualification Standards”). The Qualification Standards are promulgated by the Academy and apply to members of the five major U.S. actuarial organizations. Aon works to ensure that our actuaries comply with these requirements and provides comprehensive support to our actuaries in this process.

In addition, we would like to submit comments regarding the organized activity provision of the continuing education requirements of the Qualification Standards. This provision is unchanged in the recent Exposure Draft; however, as revisions to the Qualification Standards are under consideration, we ask that the Academy consider whether the organized activity provision has achieved its intended purpose. Aon submitted similar comments regarding the organized activity requirement in 2020 in response to the first Exposure Draft, as well as in 2017, and we believe these comments continue to be relevant and appropriate.

## Who We Are

Aon plc (NYSE: AON) is a leading global professional services firm providing a broad range of risk, retirement, and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance. For further information on our capabilities and to learn how we empower results for clients, please visit: <https://www.aon.com>.

## Proposed Changes in Exposure Draft Applicable to Enrolled Actuaries

We appreciate the clarifications in the second Exposure Draft regarding the proposed changes to the requirements for Enrolled Actuaries, including the commentary in the Transmittal Memorandum. With this context, we have the following comments on the proposed changes:

- 1) The definition of Enrolled Actuary in Section 2.1.1 has been revised to specify that Enrolled Actuaries must meet the qualifying experience requirements for enrollment as set by 20 CFR § 901.12(b) in effect when this revision of the Qualification Standards takes effect. The commentary in the Transmittal Memorandum notes that the intent of this language “is to assure that the USQS track the JBEA’s own qualification rules should the law change in the future.” However, should the Joint Board for the Enrollment of Actuaries’ (JBEA) qualification rules change in the future, then it would appear that an Enrolled Actuary (as recognized by the JBEA) would not be an “Enrolled Actuary” under the revised Qualification Standards, since the date as of which the revision to the Qualification Standards takes effect would precede the date of any change to the JBEA requirements. This does not appear to be the intention based on the commentary in the Transmittal Memorandum. Further, we do not believe the Qualification Standards should create a different definition of Enrolled Actuary than the JBEA. We believe the phrase “in effect when this revision of the USQS takes effect” should be removed.
- 2) For Enrolled Actuaries who only issue pension Statements of Actuarial Opinion (SAOs) related to ERISA, the proposed Section 2.1.1(a) indicates that an Enrolled Actuary is deemed to meet the Basic Education and Experience Requirements in Sections 2.1(a) through (d), consistent with the current Qualification Standards. However, Sections 2.1.1(b) and (c) introduce additional requirements for SAOs related to pensions but not ERISA and for all other SAOs. We agree that this distinction is appropriate and believe this same distinction should be extended to the Continuing Education Requirement. Specifically, we do not believe it is the role of the Qualification Standards to impose additional requirements, beyond those required by the JBEA, for Enrolled Actuaries who only issue pension SAOs related to ERISA. Extending the general Continuing Education Requirement of the Qualification Standards to pension SAOs related to ERISA could lead to unintended consequences. For example, Enrolled Actuaries who only issue SAOs related to ERISA could leave a participating organization in order to avoid being subject to the additional Continuing Education Requirement.
- 3) Section 2.1.1(c) addresses the Basic Education and Experience Requirements for an Enrolled Actuary issuing SAOs that are not pension related. We believe additional guidance is needed to further clarify the difference between a pension SAO not related to ERISA and an “other” SAO. For example, if an Enrolled Actuary delivers a retiree medical valuation for which a qualified health actuary has provided per capita claims costs and trend assumptions, we believe it should be clarified that the valuation is a pension SAO not related to ERISA under Section 2.1.1(b). If the Enrolled Actuary were to develop the per capita claims costs and trend assumptions, that work would separately be considered an “other” SAO, and the Enrolled Actuary would need to meet the Basic Education and Experience Requirements of Section 2.1.1(c) to perform that aspect of the work.

## Proposed Changes to Continuing Education Requirements

We appreciate that the Committee on Qualifications continues to review the Continuing Education Requirements of the Qualification Standards to ensure that actuaries receive relevant continuing education.

Section 2.2.2 of the second Exposure Draft introduces a proposed requirement that actuaries earn at least one hour of continuing education on “bias” topics per year. Section 2.2.6(b) defines bias topics as “content that provides knowledge and perspective that assist in identifying and addressing biases that may exist in data, assumptions, algorithms, and models that impact Actuarial Services. Biases may include but are not limited to statistical, cognitive, and social biases.” We have some concerns with this proposed requirement as currently written. Further, if the proposed bias topic requirement is retained, we believe additional clarity is needed regarding what constitutes a bias topic for purposes of Actuarial Services.

Overall, we believe the need for actuaries to understand potential biases in data, assumptions, and models is not new, and many of these issues are addressed by the Actuarial Standards of Practice. In a similar way, actuaries need to be aware of developments in assumption selection, credibility and other statistical methods, as well as new and proposed legislation. We believe all these various aspects of actuarial work are adequately covered by existing standards and need not be tracked separately from other relevant continuing education in a specific practice area. In addition, in cases where actuarial assumptions and methods are prescribed by law, it is unclear how knowledge of potential bias in such assumptions or methods can or should impact actuarial practice.

At the same time, we acknowledge that awareness of potential social biases has grown in recent years. We agree that this is an important issue, and that it can have potential application to actuarial work. However, the bias topic as defined in the second Exposure Draft does not specifically focus on these issues. If the focus of the proposed requirement is primarily social bias, the definition could be revised to specifically address the social implications of Actuarial Services. Examples of bias topics for various practice areas could also be included to clarify what topics would meet this requirement (e.g., for the pension practice area, this might include content enabling greater understanding of how alternative retirement plan designs may have different impacts or outcomes for different demographic groups).

## Organized Activity Requirement

Section 2.2.2 of the Qualification Standards requires that, in order for an actuary to satisfy the General Qualification Standard, the actuary must complete and document at least 30 hours each calendar year of relevant continuing education. A minimum of six hours must consist of “organized activities” that, as defined in section 2.2.7 of the Qualification Standards (section 2.2.6 of the second Exposure Draft), “involve interaction with actuaries or other professionals working for different organizations.” Such 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.”

While we believe it is appropriate to require that an actuary obtain a minimum number of hours of relevant continuing education that involve interaction with other actuaries and professionals, we do not believe the requirement that organized activities include individuals working for other organizations has proven to be effective.

Ideally, the requirement would encourage collaboration and knowledge sharing between actuaries and professionals working for different organizations, but in actuality this is not happening very effectively. In many cases, actuaries currently meet this requirement by attending webcasts or similar courses in which material is presented by an actuary from another firm (often a competitor of the actuary's own firm). While the information presented may be relevant to the actuary's area of practice, the degree of information sharing is often limited by a presenter's legitimate concerns over sharing his or her firm's intellectual capital. In addition, the degree of interaction between the audience and presenter may be limited, depending on the format of the program. As a result, we do not believe that these courses foster the degree of knowledge sharing and collaboration originally envisioned as part of the organized activity requirement.

Additionally, even relevant content presented by a speaker from a different organization often does not truly deepen the actuary's understanding of the topic. An external speaker may not be familiar with internal learning opportunities available to an actuary and may not know the information and opinions to which the actuary has already been exposed. Therefore, taking part in continuing education opportunities that meet the organized activity requirement can become a "check the box" exercise, where the actuary "intended to learn something, or confirmed his or her existing understanding" per the advice in Q&A 36 in the "FAQs On The U.S. Qualification Standards" posted on the Academy's website, as opposed to a learning experience that genuinely makes the participant a better actuary.

We believe the value of a continuing education program comes from depth of content, effective delivery, and interaction and exchange of perspectives among the audience and presenters, and that internally developed programs can often meet these objectives as well as, if not better than, externally developed programs. These internal programs often provide more relevant content in a timelier manner than external programs. Such internal programs can ensure that actuaries are aware of new innovations, or able to share their own knowledge of such innovations. In addition, large firms generally employ a diverse group of actuaries with varying backgrounds. When internal continuing education programs are developed by such firms, these valuable human capital resources are drawn upon, without any concerns about sharing intellectual capital, to provide a broader range of views than may be available from an external source. This allows the participants to engage in robust, open discussions on how to bring greater value to both their principals and society as a whole.

With this in mind, we respectfully ask the Academy to consider expanding the definition of organized activities to include all relevant, structured activities that provide the actuary with the ability to interact with other actuaries and professionals, including ones from the actuary's own organization. This would allow internally developed continuing education programs that are relevant to the area of practice in which an actuary may be issuing an actuarial opinion to qualify as organized activities.

To help ensure the robustness of such internal programs, the expanded definition of organized activities could require a designated instructor and a minimum number of participants who are able to interact with the instructor, similar to the definition of “formal programs” under the regulations of the JBEA. Alternatively, the Academy could approve specific “internal-speaker” sessions as organized activities based on a course description and/or presentation materials.

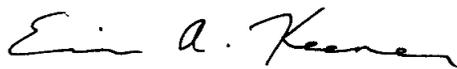
If the goals of continuing education include improving the actuarial work provided to clients and employers, strengthening the profession, and enhancing the profession’s reputation, as stated in the Transmittal Memorandum that accompanies the current Qualification Standards, we urge the Academy to expand the definition of organized activities. Including internal continuing education programs as organized activities would allow for additional means by which an actuary can meet those goals in a way that exposes the actuary to deep content matter and unrestrained collaboration.

## Closing

We appreciate your review and consideration of our comments regarding the second Exposure Draft and the continuing education requirements of the Qualification Standards. If you have any questions or would like to discuss further, please contact the undersigned at the telephone numbers or electronic mail addresses provided below.

Sincerely,

Aon plc



Eric A. Keener, FSA, EA, MAAA, FCA  
Senior Partner and Chief Actuary  
Aon | Retirement & Investment  
eric.keener@aon.com  
(203) 523-8454



Jay Gotelaere, FCAS, MAAA, CERA, ASA  
Executive Vice President–Global Risk Consulting  
Aon | Commercial Risk Solutions  
jay.gotelaere@aon.com  
(312) 381-2772



Edward Cwikla, FSA, MAAA, FCA  
U.S. Chief Actuary  
Aon | Health Solutions  
ed.cwikla@aon.com  
(847) 442-3098

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