



AMERICAN ACADEMY *of* ACTUARIES

VIA EMAIL  
September 30, 2011

Donald J. Segal  
President  
Society of Actuaries  
475 N. Martingale Road  
Suite 600  
Schaumburg, IL 60173

Dear Don:

Thank you for your letter dated June 30, 2011 regarding the SOA's concerns regarding Section 2.1 of the U.S. Qualification Standards, and my apologies for the late response. The Committee on Qualifications met to discuss these issues and understands the general concerns regarding the flexibility to allow SOA members to change areas of practice within specialty tracks offered by the SOA. Revising the U.S. Qualification Standards is a lengthy and formal process. At this time, there is no plan to revise the Qualification Standards. However, the issues that you raised are important and warrant serious discussion the next time the Qualification Standards are revised.

Below I provide some explanation about the U.S. Qualification Standards.

#### Primary Focus of U.S. Qualification Standards

The primary reason for changes to the U.S. Qualification Standards effective 2008 was to strengthen the qualifications required by U.S. actuaries to meet the requirements of Precept 2 of the Code of Professional Conduct and help the profession fulfill its responsibility to the public as described in Precept 1 of the Code. There continue to be many critiques of the actuarial profession that believe the profession does not do enough to assure that truly qualified actuaries are practicing in the United States. As such, the focus of these standards is not to determine the easiest path for actuaries to follow in order to meet Qualification Standards but the one that best assures the qualifications of actuaries. The Committee on Qualifications understands that there are common actuarial principles that underlie several (but not all) of the below-referenced specialty tracks. However, the primary focus of the second set of bullets of Section 2.1 is to ensure that changing areas of practice require more formality, training, education, and experience than simply a desire by the actuary to change areas. This is one way in which the U.S.

Qualification Standards provide assurance to principals and the public that an actuary is truly qualified for the actuarial services he or she seeks to provide.

### Additional Requirements Related to SOA's Specialty Tracks

Maintaining high standards of qualifications requires that certain thresholds in education and experience be obtained prior to deeming an actuary as qualified in an area of practice different from the area in which he or she was initially trained. The second bulleted section of Section 2.1 is intended to address the issue of the basic education and experience component of qualifications for actuaries changing areas of practice.

The SOA deemed certain areas of practice to be so inherently substantive and distinct that it created specialty tracks for actuaries to be educated and tested in such lines of work, which we understand are currently Individual Life and Annuities, Retirement Benefits, Investments, Group and Health, and Finance/Enterprise Risk Management. On the other hand, the Casualty Actuarial Society did not find its lines of practice to be so inherently distinctive so as to create specialty tracks. As such, the Committee on Qualification merely followed the paradigm chosen by the societies when revising the U.S. Qualification Standards which became effective in 2008. Should the Casualty Actuarial Society create specialty tracks, it too will be required to follow Section 2.1. In addition, unlike the CAS which focuses solely on the casualty practice, the SOA trains actuaries in the areas of life, health, and pension, which are traditionally distinct areas of practice.

### Changing Practice Areas

Similar to other professions, changing from one area of practice to another area of practice requires additional training and experience to be deemed qualified. For example, a casualty actuary who wishes to change his or her area of practice to life should not automatically be deemed to be qualified as a life actuary simply because he or she has taken actuarial courses in the past. Instead, the second bulleted section of Section 2.1 would require a FCAS to have at least one year of training and experience under the review of a qualified life actuary before he or she would be deemed qualified to issue general life actuarial opinions (the NAIC annual statement opinions however have very specific exam, experience, and CE requirements). Having additional requirements to change areas of practice is a way of helping to assure the public that actuaries are duly qualified in specialized fields. By way of example, physicians may all have the same basic education through medical school to practice, however, physicians select specialized training in particular fields, such as neurology, cardiology, etc., and may not interchange their practice without receiving additional training in those specialized fields. When an actuarial organization creates a specialty track, it is recognizing that additional education, testing, and experience are necessary to deem a member qualified in a particular line of actuarial work. If this were not the case, such a specialty track would not have been created.

To allow an FSA who trained in the life specialty track to automatically become a pension actuary would undercut the education and experience that an actuary trained in the pension field is required to undergo to obtain such credential. This would apply to other changes in practice as well.

## New or Emerging Practices and Specialty Tracks

The Committee on Qualifications contemplated the fact that the actuarial profession is constantly evolving and may over time develop new practices or fields not previously contemplated. Therefore, Section 2.1.2 states that the basic education and experience requirements must only be met once. It states that “[a]n actuary need only satisfy the basic education and experience requirement in an area of practice once.” Therefore, if an area of practice did not exist at the time the actuary first became subject to the U.S. Qualification Standards and such actuary was the “first to open up a new line of business” as stated in your letter, he or she would be qualified under Section 2.1 even if subsequently an actuarial organization created a new area of practice or specialty track. When a specialty track does not exist an actuary is required to meet the general basic education and experience of the Qualification Standards and the general duty under Precept 2 to practice only when qualified to do so.

## Conclusion

The Committee on Qualifications is not unsympathetic to concerns raised regarding the basic education and experience requirements set forth in Section 2.1. The Committee on Qualifications, however, does not believe that this request on its own is sufficient to conduct the extensive review and modification process necessary to change the U.S. Qualification Standards. The Committee on Qualifications encourages the SOA to comment on any Requests for Information or Exposure Drafts issued by the Committee when it is time to revise the Qualification Standards.

Sincerely,



Karen Smith, MAAA, EA, FSA, MSPA  
Chairperson,  
Committee on Qualifications

cc: Mary Frances Miller  
David Sandberg  
John Gleba  
Greg Heidrich  
Mary Downs