Date Submitted: July 31, 2013
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Submitted electronically via 2013QSComments@actuary.org

American Academy of Actuaries
Committee on Qualifications
Attn: Sheila J. Kalkunte, Esq.
1850 M Street, NW, Suite 300
Washington, DC 20036

Re: U.S. Qualification Standards Request for Comments

Dear Sheila:

The Casualty Practice Council (CPC) of the American Academy of Actuaries\(^1\) offers the following comments in response to the Committee on Qualifications’ (COQ) request for comments on the U.S. Qualification Standards (QS).

First, before discussing the specific questions, it is important to highlight the current casualty actuarial professionalism environment, especially the work of the Joint Qualified Actuary (A/B/C) Subgroup of the National Association of Insurance Commissioners (NAIC) and the discussions with the NAIC’s Casualty Actuarial and Statistical Task Force (CASTF) regarding the Society of Actuaries’ (SOA) proposed General Insurance Fellowship Track. In that context, it is important for the COQ to consider the possibility that misconceptions may arise if a decision is made to revise the QS. As a result, to the extent that we endorse any changes to the QS, the CPC supports stronger standards, rather than any revisions that could be perceived as a weakening or diluting of the quality of actuarial services provided to any of the profession’s many audiences.

Second, as you may know, the actuarial profession’s relationship with state regulators is continually evolving, particularly, at present, with regard to professionalism. For example, one goal of the NAIC’s Joint Qualified Actuary Subgroup is to develop a uniform definition of a “qualified actuary.” Also, as noted above, the SOA is currently developing its own General Insurance Fellowship Track. The SOA has been providing regular updates on its development at the CASTF’s in-person meetings and has asked the CASTF to recognize its new track as a means by which actuaries may become qualified to sign NAIC opinions. Thus far, the CASTF has not acted in response to the SOA’s request. Additionally, the CASTF minutes reflect that the Joint Qualified Actuary Subgroup is charged with developing a unified definition of “qualified

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\(^1\) The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.
actuary,” but the Subgroup is not charged with recommending the method by which such qualification is achieved.

Moreover, regulators know that the NAIC’s Statement of Actuarial Opinion Instructions authorize the CPC to approve qualified non-CAS members to sign Statements of Actuarial Opinions for P&C Blanks. The actuarial profession is best served by avoiding the perception, either implicitly or explicitly, of having pre-empted the NAIC’s work on these issues, particularly before it is complete. The profession is best served by proactively engaging in a robust dialogue with regulators about actuarial qualification and professionalism.

More specifically, our responses to the seven questions are as follows:

1. **Are there portions of the QS that have prevented otherwise qualified actuaries from practicing in certain areas? If so, how can the QS be modified to allow those actuaries to practice in certain areas while maintaining proper qualification standards?**

No, the CPC does not believe that the current QS have prevented otherwise qualified actuaries from practicing in certain areas. Both the Code of Professional Conduct and the QS clearly set forth the requirements of actuaries who wish to practice in certain areas. There are circumstances in which an actuary qualified in one area or discipline may wish to practice in a new area. The actuarial profession should not discourage its members from expanding their areas of expertise; however, such situations should not prompt the profession to lower its standards of excellence either. The current procedure by which the CPC grants authority to some non-CAS members to sign P&C Statements of Actuarial Opinion is a model for addressing such situations. At the request of the NAIC, this practice of requesting permission from the CPC was developed to address circumstances in which an actuary who is not a member of the CAS but is otherwise qualified may sign Statements of Actuarial Opinion for P&C Annual Statements. Permission is granted on a case-by-case basis after the CPC’s review of the candidate’s relevant education and experience, letters of reference, and documentation of continuing education (CE). This longstanding process has worked quite well and highlights the utility of maintaining a strong partnership with the NAIC. The CPC takes its responsibility very seriously and has not always granted applicants full or even limited authority to sign opinions, depending on the qualifications of the actuary in question.

2. **Are there existing, new, or emerging practice areas that require new specific qualification standards to ensure that actuaries practicing in those areas are qualified to do so? If so, what are these areas and what particular standards should be added to any contemplated specific qualifications?**

We do not see a need to develop additional credentialing standards for existing, new, or emerging practice areas. As the insurance industry continues to evolve and require additional actuarial skills, it is imperative for actuaries to stay abreast of emerging areas. Section 4.3 of the QS discusses emerging areas. Currently, our Code of Conduct, CE requirements, and standards of practice work well together to maintain the high quality of both the actuarial profession and the services actuaries deliver. Enterprise Risk Management (ERM), once an emerging area of
practice, has developed into a common practice area for actuaries. As a result, the Certified Enterprise Risk Analyst (CERA) designation was developed, along with two standards of practice regarding ERM. Additionally, the U.S. actuarial organizations have continued to refine their education and examination processes to ensure that their credentials stay current and reflect the changing industry and skills required of their members.

For example, catastrophe modeling was recently added to the CAS syllabus. As more actuaries become involved in both the pricing and loss estimation of liabilities emanating from natural catastrophes, the need for casualty actuaries to demonstrate an understanding of catastrophe modeling intensified. As a profession, actuaries can boast that its examination process covers catastrophe modeling, and there are actuarial standards of practice pertaining to models outside the actuaries’ expertise and treatment of catastrophe losses in ratemaking. Actuarial Standard of Practice (ASOP) No. 38, Using Models Outside the Actuary’s Area of Expertise (Property and Casualty), was originally drafted to deal with the use of catastrophe models in property ratemaking but was eventually expanded to address professional issues raised by other developing property and casualty models. ASOP No. 38 should apply to all practice areas, as new models are constantly being created to analyze issues across all practice areas.

With regard to actuaries providing a Statement of Actuarial Opinion in an area of practice that is new to them, such individuals should have a minimum of three years, but preferably more, of relevant experience under the supervision of an actuary qualified to render such an opinion before rendering such an opinion themselves.

3. In the current QS, is it clear as to what qualifies as organized, other, professionalism and business activities? If not, what changes do you suggest that would clarify these categories of the QS?

The CPC believes the category definitions are clear. While we understand that some might wish to see a broader definition of “organized activities,” there are ample opportunities to earn “organized activities” CE credits, given the increased activity of regional affiliates, availability of online opportunities (webinars, etc.), and volunteer work, especially with the current “organized activities” CE requirement of six hours.

4. Should there be a yearly cap on professionalism CEs? Currently there is a minimum number of professionalism CEs but no maximum. If capped, what maximum amount do you recommend?

Imposing a cap on professionalism CE might unintentionally send the wrong message. We understand the intent is to ensure that members obtain a balanced level of CE from professional, organized, relevant, and emerging areas. The imposition of a cap may suggest a devaluing of professionalism CE, which, presumably, would not be its intent. We do suggest including a minimum level of “non-professionalism”-related CE of 21 hours, which is 70 percent of the overall requirement. This would be similar to the requirement in Section 3 of the Specific QS, which is 15 hours (50 percent).
5. Currently, the QS only apply to actuaries issuing Statements of Actuarial Opinion in the United States, so actuaries providing Actuarial Services without a Statement of Actuarial Opinion are not required to comply with the QS. Should the QS be expanded to include all Actuarial Services as defined in the Code of Professional Conduct?

We believe that all actuarial services should be subject to the QS. The current definition of a “Statement of Actuarial Opinion,” as provided in Section 1 is quite broad; however, our concern is that many actuaries unknowingly confuse the Specific QS with the General QS, despite the examples set forth in Appendix 1 of the current QS.

6. Section 3.1.1 addresses additional basic and continuing educations requirements for actuaries providing NAIC statements of actuarial opinion. Sections 3.1.1.1 (Life), 3.1.1.2 (Property Casualty) and 3.1.1.3 (Health) each list specific topics for actuaries who issue NAIC opinions as shown in the table below. With regard to these specific qualification standards, should the topics be updated? If so, what topics do you recommend adding, deleting or changing?

We believe the topics are appropriate.

7. Are the carryover provisions of the QS understandable or do they need to be clarified? If so, what is confusing to you and what suggestions do you have in clarifying the requirements? In addition, should the maximum carryover be reduced so that an actuary will always need to earn some CEs in a given calendar year? Currently an actuary could carry over a full year’s CE from the prior year resulting in no additional CEs for the current calendar year. For both of these questions, please address whether your comments apply to general carryover requirements or to specific, organized, professionalism or business requirements.

We believe the carryover provisions are clear.

Again, we strongly believe that revisions that could be perceived as weakening the current QS would be damaging to the profession. Thank you for the opportunity to comment. We would be pleased to discuss these issues further. If you have any questions about our comments, please contact Lauren Pachman, the Academy’s casualty policy analyst, at Pachman@actuary.org or (202) 223-8196.

Sincerely,

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Vice President, Casualty Practice Council
American Academy of Actuaries