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I am grateful for the opportunity to comment upon the Qualification Standards. The Qualification Standards have a deep impact on me, and the direction of our profession as a whole. These comments represent my opinion as a non-traditional, entrepreneurial actuary with her own business.

I have divided my response into two sections. The first section highlights overarching issues that directly impact the Qualification Standards. In the second section I address the specific questions posed by the Academy.

### **Qualification Standards - Overarching Issues**

#### *1. What is an actuary or actuarial services?*

It seems to be such a simple question, yet an array of answers and opinions are unearthed. Are we statisticians? Mathematicians? Insurance experts? Pricing experts? Risk managers? The list goes on. This is not a throw away question, in fact it is crucial when addressing the Qualification Standards as laid out Section 2.

Definition of “Actuarial Service” in the (SOA) Code of Professional Conduct.

- Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations. However actuarial considerations are never defined.
- The generally accepted definition of actuarial is simply “of or relating to the work of an actuary”.
- Considerations (in this context) can be defined as that which is, or should be, taken into account as a ground of opinion or action; motive; reason.

Again this brings us back to the question, “What is an actuary?”.

The SOA defines an actuary as, “a business professional who analyzes the financial consequences of risk. Actuaries use mathematics, statistics and financial theory to study uncertain future events, especially those of concern to insurance and pension programs. They evaluate the likelihood of those events, design creative ways to reduce the likelihood and decrease the impact of adverse events that actually do occur.”

It is crucial to note that while the SOA definition includes the phrase “especially those of concern to insurance and pension programs”. This phrase highlights the primary area in which actuaries work, it does not limit the actuary to those fields.

In the 2008 – 2012 SOA Strategic Map, one of the Strategic Themes is Cultivate Opportunities. Under that heading a key goal is to “create and promote new areas of practice”. This perspective is further bolstered by an article in the December 2009 / January 2010 issue of The Actuary by outgoing President Mike McLaughlin. In part he notes, “We should also look at how we can apply actuarial skills to solve problems in other areas such as manufacturing, technology and transportation. For example, you know how complex airfares can be – that could be a great area to apply actuarial pricing skills.”

Therefore I would conclude the definition of actuarial considerations as the use of mathematics, statistics and financial theory to analyze financial risk and its consequences. That includes uncertain cash flows (Microsoft's future profit projections), complex pricing issues, and liabilities tied to random events (death, illness, car accident).

We have determined non-traditional and cutting edge areas of practice, would still qualify as actuarial in nature. Now the question becomes, are you qualified to work in that area? Is it appropriate to utilize your actuarial credentials to give weight to analysis or proposals?

The impact of these concerns are reflected in my responses to seven questions laid out by the Academy and to which I have responded in the second half of this correspondence.

2. *The role of the Academy versus the role of the Society of Actuaries.*

The Academy's primary function is one of assuring regulators, lawmakers, and the public at large that the actuary signing off on statutory reserves, pensions, illustration models, and pricing models / premiums that are filed with each state, is fully qualified and capable of performing those duties. This is an important function, one that ensures we maintain public trust.

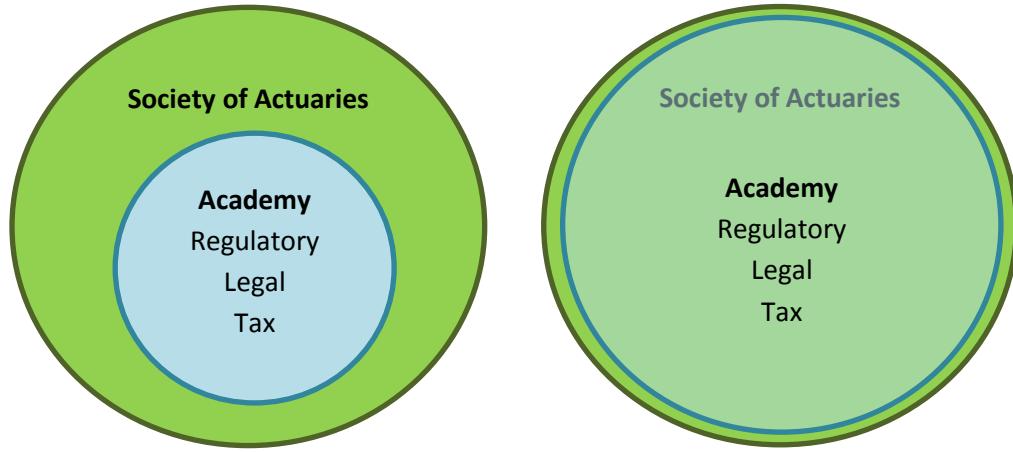
**However that role is not the totality of all actuarial work.** Here are a just a few examples which don't fall under the regulatory framework:

- CERA / Risk Management
- Valuation used for EVA, Acquisitions, Divestitures
- Investment side, i.e. managing the actual investments vs. modeling for RBC etc (which does fall under regulatory framework)
- Data mining and analysis
- General expense analysis

Note that these are all fairly "traditional" examples. The possibilities for an unfettered actuary include SEO Optimization, Dynamic (Online) Pricing, Data Mining for any company, etc.

"By virtue of their common Code of Professional Conduct, members of the American Society of Pension Professionals and Actuaries (ASPPA), the Casualty Actuarial Society (CAS), the Conference of Consulting Actuaries (CCA), and the Society of Actuaries (SOA), 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."

A graphic might also help here. The first is my understanding of how what the academy governs is a subset of the totality of the SOA. The second is the opinion which is expressed in many of the comments regarding the QS.



This is a major issue for any actuary who is, or wants to be, working in a role that does not specifically tie into a regulatory, legal, or tax reporting role. The way the qualification standards have been applied over the past 5 years has been closer to the second graphic. **This puts unnecessary and highly restrictive limitations on actuaries who are not acting in a regulatory, legal or tax capacity.**

Imagine asking only a certain subset of NASCAR drivers to follow regular driving laws while they are racing. Of course all NASCAR drivers should follow the driving laws when on a regular road. However there are different, less stringent, rules on a racetrack. The drivers following “the law” would lose terribly, and probably not get asked back to future races.

This is the chilling effect we are seeing on actuaries when pushing regulatory requirements on ALL areas of practice, not just those involving public trust. We have far fewer actuaries in C level positions today than 25 years ago. Even recruiters say that the majority of job openings are technical and / or extensive modeling roles. In fact there are even full professional organizations in direct competition to some of our core strengths such as the Professional Pricing Society and the Institute of Business Forecasting.

The SOA’s role is to educate and certify that we have met those education standards. The Academy’s role is to ensure we are following certain appropriately strict standards when acting in a regulatory, tax or some other public facing role. This distinction needs to be articulated, clarified, and clear guidelines offered so we know when we are on the racetrack, and when we are on a public road.

### 3. ASOP # 41

This standard of practice plays a huge role on the overall application of the QS. Specifically it states that,

“This standard applies to actuaries issuing actuarial communications within any practice area. This standard does not apply to communications that do not include an actuarial opinion or **other actuarial findings** [emphasis added]”.

We are back to defining actuarial again. What exactly are actuarial findings? Does this include having a five minute discussion with your boss in the elevator? If we as a profession must always be putting out caveats and warnings who will want to work with us other than that which is required by law?

*4. Creating a Structure for Growth of Our Profession*

To maintain and grow our profession we must have a structure that is flexible enough to bend and adjust to our changing environment. We also must maintain the public trust. Creating clear delineation between the SOA and the Academy, and addressing the definition of an actuary, should go a long way to allowing a more flexible structure.

**Response to the Specific Questions by the Academy**

*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?*

I would like to direct your attention to Section 2.1, Basic Education and Experience Requirement. In particular I would like to comment on the requirement of three years of responsible actuarial practice in the area of actuarial practice relevant to subject.

If the current QS were in place in the late 90's I would not have enjoyed the career path that I did. I would not have been able to take on a CFO role that straddled both Life and Health insurance for an international subsidiary of a U.S. based company. By any measure my time in that role was a success, most notably taking a health business that was bleeding money and turning it into a profitable venture. Yet the rules in place today would have prohibited me from accepting that role.

Ability, not years of experience, is the crucial factor. I could spend the next 30 years trying to become a master gymnast, yet what is the average age of Olympic gold medalists? I guarantee you it's not 70! On the contrary there was a need to set a minimum age to compete in order to protect the well-being of the participants.

Is there so little faith in the credentialing process that we don't trust them once conferred? If there is a time or experience requirement it should be during the credentialing process, similar to how the CPA designation is handled.

*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?*

Instead of specific qualifications, why not create a framework to allow actuaries to explore new disciplines without the fear of being reprimanded by the Academy? Again it would help to have a non-circular definition of actuary.

Additionally, I would question if this really belongs under the aegis of the Academy. As discussed in my comments under the SOA versus Academy, unless this requires regulatory oversight, it should only be a concern for the SOA.

3. *In the current QS, is it clear as to what qualifies as organized, other, professionalism and business activities?*

No it is not clear for actuaries working in non-traditional roles. For example, when I participate in training for programming in HTML & PHP for my website is that continuing education? What about when an actuary receives training on the code running actuarial software, is that continuing education? When I learn about the details of Google Analytics, and the complex SEO Ranking algorithms, is that continuing education?

4. *Should there be a yearly cap on professionalism CEs?*

No.

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?*

As indicated in the first section of this memorandum, Actuarial Services first need to be defined in a non-circular fashion. Even once this is done, my concern is that everything an actuary does or says must be preceded by a litany of qualifiers guaranteed to deter most from asking a second time.

To the outside world we're all seen as actuaries, numbers "geeks" and (hopefully!) great at sifting and analyzing data to give valuable insights. If we as a profession must always be putting out caveats and warnings who will want to work with us other than that which is required by law?

This was also discussed in my coverage of ASOP 41 in the first section. If we become a walking disclaimer others will tune us out. Wouldn't you? Do you really listen to all the possible side effects or other legal caveats for ads on TV? This will simply feed into diminishment of our profession as technicians, not cut out to be business leaders.

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?*

As I am not currently providing NAIC statements of actuarial opinion I do not believe I am qualified to comment on this item.

7. *Are the carryover provisions of the QS understandable or do they need to be clarified?*

They are clear.