



SOCIETY OF ACTUARIES

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June 30, 2011

Karen Smith
Chair, Committee on Qualifications
American Academy of Actuaries
1850 M Street NW, Suite 300
Washington, DC 20036

Dear Karen,

I am writing to convey some concerns and recommendations with regards to the Basic Education Requirement of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (US Qualification Standard). Concerns have been raised by SOA members about the ability to be able to shift areas of practice or move into new areas of practice based on the second part of the basic qualification standard related to the qualifications necessary to issues Statement of Actuarial Opinion. This document will provide recommendations as to how to address these concerns.

Basic Education Requirement

The basic education requirement has two parts. The general qualification standard is that an actuary must be a member of the American Academy of Actuaries (AAA), Society of Actuaries (SOA), Casualty Actuary Society (CAS), Conference of Consulting Actuaries (CCA), American Society of Pension Professionals and Actuaries (ASPPA) or another International Actuarial Association (IAA) member organization, have three years of responsible actuarial experience, and be knowledgeable about the Code of Professional Conduct.

In addition, there is a second part that actuaries must meet to be able to issue Statements of Actuarial Opinion (SAO). The second part (Section 2.1, 2nd paragraph) states

In addition, in order for an actuary to issue SAOs in an area covered by the specialty track offered by the SOA, or in an area of practice covered by the exams of the CAS or ASPPA, one of the following must be met:

- Attain the highest possible actuarial designation in an IAA full-member organization (other than the Academy) and complete a specialty track in the area of actuarial practice relevant to the subject of the SAO; **or**
- Attain the highest possible actuarial designation of in an IAA full-member organization (other than the Academy) and have a minimum of one year of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time; **or**

- Have a minimum of three years of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time. Specialty tracks of the SOA currently include ERM, Finance, Health, Group Life and Managed Care, Investments, Individual Life and Annuity, and Retirement Benefits.¹

Since the issuance of the US Qualification standard, SOA members and volunteers have raised various concerns with regards to the Basic Qualification Standard.

With the changes to the basic education requirements (broadening their application and adding the requirement for specialty tracks for actuaries who completed an SOA credential) many members have raised concerns that it is very difficult for actuaries to change areas of practice. Of particular concern is that it is not possible to meet the basic education qualifications solely through continuing education; the only acceptable path is to take the examinations in the new specialty path or to work under the supervision of another actuary for a period of time, during which the actuary cannot issue SAOs.

The concerns that have been expressed are as follows:

- As noted, the standard makes it **difficult for actuaries to move into new specialties**, or to work in business situations where knowledge of many specialties is required. In particular, we believe this **disadvantages fellows of the SOA (FSA)** who have the additional requirements of a specialty track that does not apply to other actuaries (e.g. fellows of the CAS (FCAS)). For example, an FSA wanting to move into enterprise risk management (ERM) has an additional requirement to complete a specialty track (or obtain one year of responsible expertise under appropriate supervision) that an FCAS does not.
- **Actuaries at small firms (including solo practitioners) are unable to branch into new lines of business** (they don't have another actuary under which they can work to learn a new line of business).
- Defining qualification by specialty track **makes it difficult to introduce the principles of new specialties broadly into the profession (e.g., ERM)** where there is also an SOA specialty track that provides in-depth education. On a related note, investment is a specialty track, yet many actuaries must have some knowledge of investments to be able to work in insurance and a variety of consulting practice areas. The qualification standard **does not distinguish between knowledge of a specialist and the more general knowledge that many actuaries have of certain topics.**
- In reality, **products often contain features that introduce secondary layers of protection**, such as long term benefit riders available on life insurance or annuity products. While it is important that individuals with knowledge of the features are involved in their design and management, not every individual who must issue an SAO about that product will be qualified to speak to all features of the product.
- Many actuaries have commented about issues related to the development of **new fields of actuarial practice**. What do actuaries do if they are the first to open up a new line of business? What do actuaries do if they've been practicing in an area for which the SOA decides to design a specialty track? How do actuaries prove they are qualified in a new area of practice when the profession hasn't recognized that area of practice? It has also been noted that the US Qualification Standard addresses continuing education for emerging and

¹ The listing of tracks shown here is what is shown in the Qualification Standard, which does not match the actual SOA tracks. They are Finance/ERM, Investment, Individual Life & Annuities, Retirement and Group & Health.

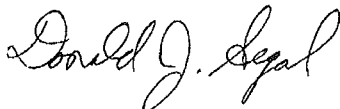
non-traditional areas of practice, but doesn't address how the actuary meets the basic education requirements in the first place, creating a catch-22.

There are several possible ways to address the issue:

- **Eliminate the requirement to focus on specialty tracks.** If an actuary has an FSA credential, the actuary is not bound by the specialty track in which that credential is earned. This would equate the FSA and FCAS. This would probably eliminate the second bullet of the specific qualification standard completely (the first and second bullets become equivalent). The prior qualification standard (2001) talked about education in "applicable economic, regulatory and legal environments." The Committee on Qualifications may want to insert language that requires the actuary to ensure they have reasonable knowledge of the applicable economic, regulatory and legal environments, and note that the specialty track is one way of obtaining those, but not the only way (recognizing that actuaries with significant work histories can acquire this knowledge by other means – both formal and informal).
- **Allow actuaries to satisfy a specialty track standard through reasonable continuing education.** Allow an actuary who has earned X hours of CPD in a topic to practice in that topic. Again, that brings in the flexibility of allowing an actuary to become reasonably trained by continuing education. The prior qualification standard (2001) talked about education in "applicable economic, regulatory and legal environments" which could be satisfied by the specialty tracks or other means – there was a provision for alternative basic education through university based education or self-study. We recognize that self-study may not be enough, but the actuary could be asked for X hours of study, with at least Y% in organized activities.
- **Clarify that an actuary does not need to meet the basic education requirement for a new or emerging area of practice** or is deemed to satisfy that requirement if they have met the requirement for at least one area of practice.
- **Eliminate the second prong of the qualification statement.** The first part of the basic qualification – membership in an organization, 3 years of responsible experience and knowledge of the code of conduct – could be deemed sufficient to issue an SAO. More stringent requirements could be applied for Prescribed Statements of Actuarial Opinion.

We ask that this communication and the issues it raises be placed on the agenda of the appropriate committee within the Academy for discussion and deliberation. We would be happy to work further with the committee to clarify any of our comments and to assist in finding solutions to these issues. Thank you for your consideration.

Sincerely,



Donald J. Segal
President, Society of Actuaries

cc: Mary Downs, American Academy of Actuaries
Sheila Kalkunte, American Academy of Actuaries
Gino Vissichio, American Academy of Actuaries