



# AMERICAN ACADEMY *of* ACTUARIES

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**To: Members of the CRUSAP Task Force**

**From: Council of U.S. Presidents**

**August 2007**

When you and your colleagues on the Critical Review of the U.S. Actuarial Profession delivered your final report in December 2006, it marked the successful completion of more than a year's groundbreaking and backbreaking work.

The result is a document that outlines 19 recommendations for improving, broadening, and sharpening the actuarial profession for the decades ahead. It's a challenge to actuaries in all lines of work, in all parts of the country, at all levels of experience and expertise.

The members of the Council of U.S. Presidents (CUSP) have discussed the CRUSAP recommendations in detail, in multiple meetings. The attached document represents CUSP's response to your challenge. Because CUSP is composed of the Presidents and Presidents-elect of the five major U.S. actuarial organizations, we believe that our response could, in a sense, be considered a response to you by the profession. (By the way, the creation of CUSP is itself a step toward the CRUSAP goal of unifying the profession.)

This response to CRUSAP's 19 recommendations will be published in the *Actuarial Update*, and it will be posted on the Academy's website. Some of the other four organizations may also be publicizing the response in their own communications to members. The *Actuarial Update* article will also have an Internet link to the original CRUSAP report.

On behalf of all U.S. actuaries, we thank you for your vision, your dedication, your persistence, and your determination to make the actuarial profession a more collaborative and assertive expression of the public interest.

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## RESPONSE TO CRUSAP RECOMMENDATIONS

By the Council of U.S. Presidents

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The Critical Review of the U.S. Actuarial Profession (CRUSAP) Task Force released its final report to the profession and the public at the end of 2006. The Report contained 19 primary recommendations to the profession, as ways in which the profession could be improved. CUSP has discussed those recommendations and has judged how best to respond to each one.

The reader should keep in mind that, at the time the CRUSAP report was written, CUSP did not yet exist. A number of the areas identified by CRUSAP as needing attention have since been addressed by CUSP, but had not been at the time of the CRUSAP report.

### **Recommendation 1. Define actuarial science as the quantification, analysis, and management of future contingent risk and its financial consequences.**

CUSP agrees with this recommendation, which should be a high priority for the profession. The Marketing and Market Development Campaign, led by the SOA, has made strides in this direction. The CAS and SOA are the primary providers of basic education in the U.S., and CUSP encourages them to examine whether changes to the education programs are desirable to further this goal. The Academy can also take a more active and visible role in communicating the efforts and changes that are underway to reach this objective.

### **Recommendation 2. In order to meet all the anticipated needs of the public, make a home somewhere within the actuarial profession for all persons doing competent actuarial work.**

CUSP believes that there are examples of depth (such as individuals doing lower-level traditional actuarial work) and breadth (such as highly qualified technicians in quantitative specialties such as financial engineering) issues that the actuarial organizations can examine, in trying to explore this recommendation.

CUSP agrees that this is worthy of further exploration and recommends that a joint cross-organization task force be considered, to explore the issue on behalf of the profession.

### **Recommendation 3. Encourage individual actuaries to gain sufficient knowledge to speak out on actuarial elements of major public issues.**

CUSP believes that the Academy does do this currently, through its public policy committees and their publications. The reach and impact of Academy volunteerism will grow under the new strategic plan.

Further, the Academy's new strategic plan includes a plan to have the profession itself become advocates for the public.

CUSP has not identified any additional needs to be addressed at this time, and believes that no further action is necessary by the profession.

**Recommendation 4. Increase the use of alternative delivery systems to educate and examine prospective actuaries.**

This is primarily an issue for the CAS and SOA, although there may be some application to the education programs offered by the other actuarial organizations.

In 2006, the SOA implemented the web-based Fundamentals of Actuarial Practice (FAP) course at the ASA level; more web-based education is planned for 2007 implementation.

The lower level exams of the CAS and SOA are now being administered through Computer Based Testing (CBT). Right now, only Exam P is “computer-based”; expansion to Exam FM will happen in 2008, with further expansion under consideration. The CAS is considering ways to examine knowledge and understanding at various levels of mastery.

The bottom line is that CUSP believes that this experimentation is occurring naturally, and doesn’t need additional initiatives.

**Recommendation 5. Require active members of the actuarial profession to meet consistent continuing education requirements.**

CUSP believes that this is a high priority for the profession, and is on record as supporting this (see the 2006 policy letter signed by all U.S. Presidents and Presidents-elect.)

At its May, 2007 meeting, the Academy’s Board of Directors adopted a new Qualification Standard. That standard now requires substantial continuing education as a qualification standard for most actuarial work. This addresses Recommendation 5 directly.

**Recommendation 6. Define the actuarial value proposition by the board of directors of each actuarial professional organization.**

Each actuarial organization needs to do this for itself and has reason to do so. If an organization does not offer value to its members, it will not thrive. This recommendation can only be effectively considered by each organization separately, rather than by the whole profession.

**Recommendation 7. Promote profession-wide discussion of actuarial ethics as set forth in Precept 1 of the Code of Professional Conduct.**

Exploration of the topics CRUSAP recommends, such as “integrity,” “competence,” and “conflict of interest,” does occur in each organization’s continuing education offerings. CAS has a regular column in its newsletter, ABCD has a regular column in Academy publications, and CUSP itself is supportive of more inter-organization coordination on professionalism content and offerings to ensure that they are robust and frequent.

Further, the new Qualification Standard will require 3 hours of professionalism CE credits each year for actuaries issuing statements of actuarial opinion.

**Recommendation 8. Sponsor research to enhance the ability of the profession to meet the actuarial needs of the public.**

CCA has an initiative underway to improve communications about uncertainty and the fundamental role of that concept in actuarial work. CUSP discussed the possibility of a joint CAS-SOA call for papers and deferred further consideration of that effort to them, since those two organizations are the major research bodies for the US profession.

The Academy is the profession's major arm whose function is to interact with the public. The Academy's strategic plan calls for a new board committee, the Public Interest Committee, charged with making sure the public's interest is met in all aspects of the Academy's charge, including the profession.

CUSP encourages each member organization to examine whether the public's interest is adequately represented in their operations.

**Recommendation 9. Continue to promote the development and establishment of Actuarial Standards of Practice appropriate for the emerging principle-based regulatory environment.**

CUSP believes that a principle based environment has existed in property and casualty and health practices for many years, and that the Actuarial Standards Board has this issue well underway with respect to life insurance and annuity reserves.

CUSP, in its supervisory role of ASB, has already begun a dialogue with ASB on the subject of advancing actuarial practice in such areas, and the leaders of both groups are in agreement on the value of this direction.

**Recommendation 10. Enhance the ability of the ABCD to identify possible violations of the *Code of Professional Conduct*.**

CUSP is seeking ABCD input on this recommendation.

**Recommendation 11. Establish a joint disciplinary process for the profession, independent of the individual actuarial organizations.**

CUSP is very interested in pursuing this recommendation, and believes both the public and the profession would be well served, if we can find an acceptable way to accomplish this. A task force is charged to pursue this question.

**Recommendation 12. Benchmark disciplinary processes for US actuaries against those of other US professions and actuaries in other countries.**

CCA has done some work in this area, which will be used by CUSP in its supervisory role with ABCD. CUSP anticipates that it will develop a number of metrics over time, for use in benchmarking the profession's disciplinary process.

CUSP will ask the task force referenced in our response to Recommendation 11 above to keep in mind the need for benchmarking, to investigate what other professional (actuarial and non-actuarial) groups do in this regard.

**Recommendation 13. Provide for participation in the standards and discipline process by professionals who are not actuaries.**

Both ASB and ABCD have indicated their opposition to this proposal. CUSP has discussed the issue and agrees with the ASB. With respect to ABCD, the issue will be addressed by the task force mentioned above in our responses to Recommendations 11 and 12, reviewed by CUSP, and ultimately resolved by the Academy board.

**Recommendation 14. Require training and demonstrated proficiency in communications skills as part of the basic education and qualification of actuaries.**

CUSP discussed whether communication and other business skills should be added to the basic education curricula. CUSP agreed that improving actuaries' communication skills would benefit the profession, but did not agree that basic professional education is the right place to focus such efforts. Both the CAS and CCA are exploring the question of how actuaries might better communicate uncertainty, and they will share their experiences with each other and CUSP.

One additional consideration is that the CAS and SOA are educating actuaries in many jurisdictions outside of the United States. This brings language issues into consideration, and greatly complicates any basic education proposals to include written communication, as English communication skills will dominate in the US but not necessarily in other countries.

**Recommendation 15. Develop a website specifically directed at the users of actuarial services and the general public.**

The Academy plans to facilitate a comprehensive review of the profession's communications and a plan for collaboration to more efficiently meet the profession's needs. The review will include web-based communications.

**Recommendation 16. Retain a firm specializing in professional organization communications to perform a study of the current communications activities of the US-based actuarial professional organizations.**

This is part of the Academy's recently adopted strategic plan.

**Recommendation 17. Establish a group (task force, committee, team) specifically charged with reviewing and implementing, where feasible, the recommendations in this report.**

CUSP accepts this responsibility on behalf of the profession.

**Recommendation 18. Establish a broad-based independent group (task force, committee, convention) charged with reviewing the actions and advising the group proposed in the preceding recommendation.**

The members of CUSP, the Presidents and Presidents-Elect of the five major US-based organizations, can report recommendations and results back to their respective boards, and do not believe that another oversight group is needed to do this.

**Recommendation 19. Establish consolidation of the U.S. actuarial profession as a goal of the profession.**

CUSP recognizes the value and intention of this recommendation, and most (not all) of its members agree with it, under a suitably long-term time horizon. There have been decades of repeated leadership initiatives to consolidate the profession over a short to moderate time frame, all of which have failed. It is clear that even a moderate time horizon for this goal is not realistic.

CUSP is unanimous in its belief, however, that the profession will be well served through achievement of a long series of smaller goals, designed to continuously improve coordination and cooperation among the various organizations, and to efficiently and effectively share infrastructure and process. CUSP is focused on finding and encouraging those improvements, and building this continual collaborative process into the operation of the profession's associations.