

October 29, 2020

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

Dear Sir or Madam:

I am writing to comment upon the Committee's September 2020 Exposure Draft (ED) proposing revisions to the Qualification Standard (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS).

Having read the 97 comments thus far accumulated, I have faith that the Committee will consider them all (and those yet to come) with skill and care. I appreciate my own opportunity to comment, from what may be a unique perspective.

As a P&C regulatory actuary employed by the Nebraska Department of Insurance, I review P&C Statements of Actuarial Opinion on carried reserves. Most (not all) are subject to the NAIC Annual Statement Instructions. I participate in the NAIC Casualty Actuarial and Statistical Task Force and its Actuarial Opinion Working Group. For several years as a member of the Casualty Actuarial Society Continuing Education Compliance Committee, I have reviewed small numbers of selected but anonymized members' continuing education logs for compliance with the General or Specific US Qualification Standard. My own comments reflect these experiences, but any similarity with views others might express individually or collectively is coincidental.

My focus is on continuing education required under the Specific USQS for P&C Appointed Actuaries.

Within Section 3, the Basic Education Requirement applicable to a P&C Appointed Actuary is in 3.1.1.2:

Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement — An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries, the Casualty Actuarial Society, or the Society of Actuaries on the following topics: (a) policy forms and coverages, underwriting, and marketing, (b) principles of ratemaking, (c) statutory insurance accounting and expense analysis, (d) premium, loss, and expense reserves, and (e) reinsurance.

I agree with Ralph Blanchard's observation that this list reflects an old CAS syllabus, and the Committee could review 3.1.1.2 for that reason alone. However, I must focus on Appointed Actuaries' continuing education requirements stated in 3.3. **Bold** font below identifies my two points of emphasis:

Continuing Education Requirement — To satisfy the Specific Qualification Standards, an actuary must obtain sufficient continuing education to maintain current knowledge of **applicable standards and principles in the area of actuarial practice** of the Statement of Actuarial Opinion. At a minimum, an actuary must complete **15 credit hours per calendar year of continuing education that is directly relevant to the topics identified in Section 3.1.1**. A minimum of 6 of the 15 hours must be obtained through experiences that involve interactions with outside actuaries or other professionals, such as seminars, in-person or online courses, or committee work that is directly relevant to the topics identified in Section 3.1.1. Hours that satisfy the continuing education requirement of the Specific Qualification Standards may also be used to satisfy the continuing education requirement of the General Qualification Standard. Hours of continuing education in excess of the annual requirement may be carried forward one year.

We need to consider what “area of practice” means, and how we use the term. For example, Section 2.2.6 requires Organized activities to be “directly relevant to the area of practice of the subject of the Statement of Actuarial Opinion,” but the standard is lower for Other activities, which need not be “directly relevant....”

In any case, “area of actuarial practice” appears first in Section 1.4:

Structure of Qualification Standards — The Qualification Standards are structured around areas of actuarial practice. The traditional areas of actuarial practice are casualty, health, life, and pension. An actuary practicing in a traditional area of practice or an emerging or non-traditional area may be called upon to issue Statements of Actuarial Opinion and, in such circumstance, is required to comply with these Qualification Standards. Additional guidance concerning the application of the Qualification Standards to emerging or non-traditional areas of practice appears in Section 4.3.

The General standard uses lists of basic education topics to differentiate the traditional areas of practice, and continuing education requirements under the General standard follow those boundaries. In each traditional area of practice, the Specific standard is focused narrowly on NAIC prescribed SAO’s. The USQS Section 1.1 asserts a (rebuttable) presumption that the actuary who has satisfied the Qualification Standards has also met the duty of qualification imposed by the Code of Professional Conduct.

However, continuing education requirements under the Specific standard refer to the same basic education topics. The Specific standard refers to the same basic education topics with no change in emphasis. Would any of us deny that some specialized continuing education is necessary for each appointed actuary to meet the duty of qualification for SAO’s singled out by the Specific standard? Yet, continuing education under the Specific standard for a P&C appointed actuary need not be remotely relevant to that prescribed SAO, permitting both Organized and Other activities to focus entirely elsewhere. I have seen Appointed Actuaries’ CE logs meeting that description, and found them in compliance with the Specific USQS. In my view this is a gap in the USQS, which diminishes regulatory actuaries’ ability to rely on Appointed Actuaries’ annual CE attestations. Further, an appointed actuary who takes that path does undercut the presumption asserted in USQS Section 1.1, and at least flirts with violating

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Code of Professional Conduct Precept 2 when serving as an appointed actuary. Briefly, there are (anonymized) appointed actuaries who attest compliance with the USQS Specific P&C Standard despite their lack of the specific continuing education needed to meet their duty of qualification.

If recommendations will help draw this together, mine are to

- 1) refine what we mean by “area of practice” to differentiate the Specific subjects (e.g. estimated and carried P&C loss and loss expense liabilities) from General “traditional areas of actuarial practice” (e.g. casualty), and
- 2) consider how much continuing education should be required within the “Specific” scope, to restore a reasonable presumption that those meeting the Specific Qualification Standard also meet their duty of qualification as appointed actuaries.

Sincerely,

Gordon Hay FCAS, MAAA, CPCU