

Comment #41—10/13/2020—1:21 p.m.

The following are my comments on this exposure draft. My comments may address sections that are unchanged from the current draft, as once a standard is opened up for revision I believe that all areas of potential improvement should be addressed.

- Overall (substantive) – There are numerous places where the standard uses the term “areas” of actuarial practice. The standard appears to define “area” (in Section 1.4) as one of the following rather than a subdivision of the following:
 - Casualty
 - Health
 - Life
 - Pension

If that is the intent then the term “area of actuarial practice” should be clearly labeled as a defined term. Otherwise there can be multiple interpretations of the standard (e.g., “casualty” vs. “Workers Compensation” vs. “Workers Compensation under a retrospectively rated policy”).

- Section 1.4, bottom of page 2 (Editorial) – The first sentence of the bottom paragraph says “*The Qualification Standards contain two elements: basic education and experience requirements and continuing education requirements.*” This sounds like three elements (and reminds me of the old joke about three kinds of actuaries). Suggest rewording to make it clear that the intent is to combine basic education and experience requirements in the standard, or to clearly discuss three rather than two elements. (Note: My personal belief is that the USQS covers three elements, not two.)
- Section 2.1.a (Substantive) – The requirement to take exams with “*U.S.-specific content*” would seem to exclude those CAS members that took Part 6-Canada, Part 6-Taiwan or the upcoming Part 6-International. None of the other CAS exams are intended to have U.S.-specific content. I don’t see the need for this, as the discussion of product details is in those other exams, and the need to understand the U.S. regulatory/legal system is already addressed in the Section 2.1.c requirement. I would view an FCAS that took Part 6-Canada but who met the Section 2.1.c requirement to be qualified to issue an SAO with regard to US Auto rate adequacy. Recommend deleting the phrase “*with U.S.-specific content*”.
- Section 2.1.c (Suggestion) – Recommend that guidance be provided with regard to the documentation required by the phrase “*documented professional development*”. What kind of documentation is expected here, and with what retention? This might be addressed via footnote or appendix. (Retention is addressed for the C.E. portion of the requirements, but not this portion of the requirements.)
- Section 2.1.d.(1) (Substantive) – What does it mean when it says that an FCAS “*must have completed a specialized course of examination*”? As worded, this is in addition to the FCAS requirement. This implies exams in addition to those required for an FCAS,

but that makes no sense. Perhaps that phrase needs to be restricted to those for whom there are multiple exam tracks that can be taken to achieve their designation, with those tracks in multiple areas (as defined earlier – see above comment about how “area” is defined).

- Section 2.1.d.(2) and (3) (Substantive) – These sections establish an experience requirement, whereby an actuary needs to be under the review of a qualified actuary in a particular area before the subject actuary can issue an SAO in that area.
 - First of all, this points out the need to clearly define the term “area”. If that term is defined at a granular level (e.g., at the product or peril level for a new product or insured peril), there would never be a pre-existing qualified actuary that could review the subject actuary’s work. This is akin to the question of “which came first, the chicken or the egg”. It also only works for traditional areas if some grandfathering provision exists or existed.
 - Secondly, the experience requirement needs to address the situation of a new non-traditional area. Section 4.3 deals with “Emerging or Non-Traditional” areas of actuarial practice, but only with regard to continuing education requirements and not experience requirements.
- Section 2.2.2, page 6 (Typo) – the year “2033” should be “2023”.
- Section 2.2.6, definition of “relevant”(Suggestion) – Organized activities are required to be “directly relevant” to the area of the SAO. “Relevant” is defined to be something that “broadens or deepens” an actuary’s understanding of a topic. In many cases I will go to an organized education session but find out that nothing material has changed from what I previously knew. As such, it didn’t “broaden or deepen” my knowledge, but instead confirmed that my knowledge was still up-to-date. I view that as still valuable and worthy of C.E. credit, but the literal wording of the USQS would imply otherwise. Suggest that the wording in this section clarify that sessions that confirm current knowledge is still up-to-date would still meet the definition of “organized”.
- Section 2.2.6, definition of “Organized” (Recommendation) – Per the definition of “Organized”, an educational session that furthers an actuary’s knowledge in a potential area of new practice may qualify as C.E., but not as “Organized activities”. Organized Activities (per the exposure draft) must be directly relevant to the subject of the SAO. This approach would tend to restrict the cross-fertilization that occurs when actuaries attend sessions outside the normal boundaries of their areas of practice. Recommend deleting the wording “*that is directly relevant to the area of practice of the subject of the Statement of Actuarial Opinion*”.
- Section 3.1.1.2, “marketing” (Recommendation) – The required list of Basic Education topics for an NAIC P&C opinion provider includes “marketing”. I believe this is a vestige from a part of the CAS exam materials long since abandoned. When I took my CAS exams (in the late 1970s, early 1980s) I actually was required to study a text on marketing. That text included discussion of how products were placed in clothing stores so as to maximize spur-of-the-moment purchases. That was marketing. The current

focus seems to be more on insurance operations, including distribution systems (which is not marketing). Recommend that the term “marketing” be changed to “insurance company operations”. This would more completely represent desirable and needed basic education, and be consistent with current exam syllabi.

- Section 3.2, Experience Requirement (Recommendation) – As occurs in the General Qualification Standards experience requirement (Section 2.1.d(2) and (3)), the experience requirement for SAOs that have Specific Qualification Requirements does not allow for emerging or non-traditional areas. That may not be a problem depending on how “subject of the Statement of Actuarial Opinion” is interpreted, but if the subject was defined as the particular product or exposure, and that product or exposure was in an emerging area, then this is an impossible standards to meet. Recommend addressing this in a new Section 4 paragraph dealing with experience requirements in new emerging areas or subjects.
- Section 5, acknowledgement of qualification (Recommendation) – The illustrative acknowledgement at the top of page 12 is not practical for an in-house actuary. When this was pointed out several years ago, Academy staff suggested that this could be addressed by an annual notice to company management with regard to which in-house actuaries had met the USQS. That may have been a reasonable solution that avoided opening up the USQS, but should no longer be accepted given that the USQS has been opened for revision. Strongly recommend that this alternative for in-house actuaries be addressed in the revised USQS.

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