

Comment #87—10/27/2020—7:15 a.m.

TO: American Academy of Actuaries (AAA) Committee on Qualifications
FROM: Kenneth Quintilian, FCAS, MAAA
SUBJECT: USQS Exposure Draft Comments
DATE: October 27, 2020

As a recent past member for a number of years of the Committee on Qualifications (COQ), I continue to be actively involved in actuarial professionalism issues and am keenly interested in this first effort to change the US Qualification Standard (USQS) in well over a decade. Following then are my comments on the current exposure draft.

Some of my comments go well beyond the stated purpose of the revision, and often in fact echo comments I have made to previous revisions of this same document. Because the USQS is only infrequently revised, I feel that when it is, the opportunity should be taken to remedy any major oversights thought to exist in prior versions. Note that in many cases the CAS, the SOA, or others have in recent years added similar requirements on their own – this indicates the widespread recognition of these shortcomings in the current USQS.

1. As many commenters have already observed, it is evident that some of the changes in the exposure draft, especially in para 2.1 and its sub-sections, were inspired by ulterior motives on the part of the AAA -- motives that the transmittal letter and other accompanying documents entirely sidestep. I strongly advise that the next exposure draft (judging from the number of comments, due process of review would certainly require that there be another) be distributed with a clear side-by-side comparison of the changed passages between the original and the exposure draft. This will allow observers to more accurately comment on the underlying motivations apparent in the changes.
2. In Sec. 2.1(a), I do not think members of the CAS or SOA should be subjected to a higher basic qualification standard than the AAA with regard to such requirements as the US-specific exam. As such, if CAS / SOA members – including members who were rigorously qualified by Mutual Recognition -- will be explicitly required to take the US-specific exam to be qualified to practice, the same must be required of AAA members who practice here.
3. There was a second sentence to the grandfather clause in para. 2.1.2 that has been deleted in the exposure draft. This change renders the remaining sentence very vague by comparison to the prior wording, and could be interpreted to contradict the transmittal memorandum's stated intent "not...to disqualify actuaries who were previously qualified". I suggest that the deleted sentence be restored to 2.1.2.
4. It is widely perceived that there is a very large loophole in the USQS, especially in the Continuing Education (CE) requirement of Section 2.2: one made far larger by the widespread misunderstanding of what constitutes a "Statement of Actuarial Opinion" (one need only peruse the lengthy discussion in Appendix 1 to see how difficult it is to explain this definition).

The loophole allows those providing Actuarial Services, but (arguably) not issuing Statements of Opinion, to deem themselves not subject to the USQS and its CE requirements.

The CAS, SOA, and CCA have all sought to patch this loophole through expanded CE Policies of their own. This tangle of conflicting requirements has become more and more confusing over time. I can attest through my AAA and especially my CAS Committee work how widespread this confusion is. Many people who do issue statements of opinion are undoubtedly under the false impression that they do not, and that they are therefore exempt from the USQS. I recommend that the COQ take the opportunity of this round of revisions to eliminate this confusion once and for all, by requiring all practicing actuaries in the US to meet the USQS, including the CE requirements.

5. A major difficulty of the current USQS is the lack of a CE grace period for new members. After membership and before issuing an opinion, a member must satisfy the current year's requirement; and then they must immediately get working on the next year's requirement! For a person qualified halfway through the year, it can be a challenge to get 30 hours for the current year before issuing a single opinion, and then another 30 for the next year before December 31. Not all actuaries have the luxury of telling their superiors, "yes, I know you put me through the exams, but now I still can't sign that report for a few more months". Both the CAS and SOA have tried to partially patch this lack through grace periods in their own CE requirements. These patches are not fully effective, as they patch the CAS and SOA CE Policies but not the USQS itself. As such, they add to the confusion surrounding these seemingly conflicting requirements. I suggest the AAA add a CE grace period to the USQS to reduce this problem.
6. The requirement of Sections 5 (Acknowledgment of Qualification) is rarely complied with, beyond written consulting reports and NAIC reserve opinions. This is partially patched by a hodgepodge of individual employer requirements; but it would be more proper for the requirements to be more enforceably included in the USQS. I recommend that an annual (preferably on-line) acknowledgement of qualification be made mandatory in the USQS. At least for company actuaries, these should substitute for the ineffectual requirement of an acknowledgement being made with every opinion. Completion of a standard form or public website attestation should be made obligatory for all affected US actuaries.
7. I recommend that an annual CE Attestation (Section 6) be mandatory, as is the case with some of the member organizations. Records can be kept by the individual, but the public attestation should be universal for practicing actuaries. This will help members to be more aware of the requirements each year, rather than trying to reconstruct their records when they are subsequently audited or subpoenaed.

Thank you for the opportunity to provide these comments.