

Update on the U.S. Qualification Standards (effective January 1, 2008)

**Presented by the American Academy of Actuaries'
Council on Professionalism**

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Presenters

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Agenda

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6. Continuing Education (CE)
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Background on Revisions

- One of the American Academy of Actuaries' primary missions is to provide for the establishment, maintenance, and enforcement of high professional standards of actuarial **qualification**, practice, and conduct.
- In fulfilling its professionalism mission, one of the Academy's responsibilities is to promulgate and monitor the Qualification Standards for basic education and experience and continuing education for U.S. actuaries.
- Precept 2 of the Code of Professional Conduct states in relevant part that:

“An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience, and only when the Actuary satisfies applicable qualification standards.” (emphasis added)



Background on Revisions

(continued)

- The Academy's Committee on Qualifications (COQ) is charged with promulgating, and revising, as necessary, the Qualification Standards.
- The COQ and leadership of the five U.S.-based actuarial organizations (Academy, ASPPA, CAS, CCA, & SOA) believe that the revisions to the Qualification Standards reflect a broad consensus that more rigorous CE and broader applicability are needed to keep pace with actuarial responsibilities given the complex, fast-changing, and increasingly global financial marketplace within which actuaries work.



Background on Revisions

(continued)

- After the COQ issued two exposure drafts, and received and reviewed hundreds of comments on same, on May 23, 2007 the Academy Board of Directors adopted the COQ's recommendations (subject to minor clarifications which were completed in June 2007).
- The revised Qualification Standards became effective January 1, 2008.



Structure of Qualification Standards

The revised Qualification Standards are set out as follows:

- Introduction (including definitions)
- General Qualification Standard
 - Basic Education and Experience Requirements
 - Continuing Education Requirements
- Specific Qualification Standards (when necessary)
- Changes in Practice and Application (general and specific)
- Acknowledgement of Qualification (suggested language)
- Recordkeeping Requirements



Scope Expanded

- The prior Qualification Standards applied more restrictively to “Prescribed” Statements of Actuarial Opinion (PSAO). The revised Qualification Standards greatly expanded the applicability of the Qualification Standards to all actuaries issuing “Statements of Actuarial Opinion” in the United States.
- The revised Qualification Standards do not apply to you if you do not issue Statements of Actuarial Opinion.



Scope Expanded

(continued)

- If you do not practice in the United States and do not issue SAOs that will be relied upon in the United States, then you are not required to comply with the revised Qualification Standards.
- Even if the U.S. Qualification Standards do not apply to you because you are in a foreign jurisdiction, please keep in mind that pursuant to Annotations 2-1 and 2-2 of the Code of Professional Conduct, you are responsible for determining whether you must meet another jurisdiction's qualification standards, and in the absence of any qualification standards, you must still determine whether you are qualified pursuant to Precept 2 to issue SAOs.



SAO Defined

- “Statement of Actuarial Opinion” is defined in the revised Qualification Standards as “an opinion expressed by the actuary in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.”
- “Actuarial Services” are defined in the *Code of Professional Conduct* as “[p]rofessional services provided to a Principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.”



SAO Defined

(continued)

- Appendix 1 to the revised Qualification Standards sets forth various examples of what constitutes an SAO and what does not constitute an SAO.
- Section I(b) of Appendix 1 states the following:
 - A draft of an actuarial opinion that has not been provided to an actuary's Principal who requested the opinion is not an SAO.
 - A draft of an actuarial opinion that has been provided to an actuary's Principal who requested the opinion is an SAO unless the document is clearly marked that it should not be relied upon.



SAO Defined

(continued)

- If there is a reasonable likelihood that the Principal will rely on the draft regardless of intent, that is an indication that the draft is an SAO.
- If the Principal is not subsequently sent a final report within a reasonable time frame, that is an indication that the draft report is an SAO. The actuary should communicate to the Principal that the final report replaces the draft report.
- There may be instances where the actuary sends the Principal a draft report that clearly indicates it should not be relied upon (a document that is not an SAO according to the above definition) and the actuary and Principal subsequently agree that a final report will not be issued. In this case, the draft report is not an SAO.



Basic Education and Experience

Before issuing an SAO, an actuary must meet the following three criteria:

- Be a Member of the Academy, a Fellow or Associate of the SOA or the CAS, a Fellow of the CCA, a Member or Fellow of ASPPA, or a fully qualified member of another IAA-member organization; and
- Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems; and
- Be knowledgeable, through examination or documented professional development, of the Law applicable to the statement of actuarial opinion.



Additional BEE With Regards To Specialties

The revised standards also require the actuary to satisfy one of the three requirements below for issuance of SAOs in an area of practice covered by a *specialty track* offered by SOA, or covered by *exams* of the CAS or ASPPA:

- 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



Additional BEE With Regards To Specialties

(continued)

- Attain the highest possible actuarial designation 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.



Grandfather Clause for BEE

- Once an actuary is qualified to issue an SAO, the actuary's basic education and experience requirement is met “forever”; therefore future changes in the basic education and experience components do not apply retroactively.
- If you were a credentialed and qualified actuary prior to January 1, 2008, you have met the basic education and experience requirements, however, if you did not become a credentialed actuary until January 1, 2008 and thereafter, you must comply with the new Qualification Standards.



BEE and Enrolled Actuaries

- Enrolled Actuaries (EAs) are deemed to meet the basic education and experience requirement in the pension practice area.



BEE Three-Year Experience Requirement

- The revised Qualification Standards contain a provision that requires “three years of responsible actuarial experience” to be deemed to be qualified before issuing an SAO.
- There may be situations where, for example, an ASA has not yet met the three-year experience requirement and may be preparing SAOs for another actuary in the organization. In these situations, it will be necessary for a qualified actuary to review the work of such actuary and take responsibility for that work.



BEE Three-Year Experience Requirement

(continued)

- How does this three-year requirement impact newly credentialed actuaries, or actuaries that wish to change their area of practice?

If you became credentialed, or changed areas of practice, before January 1, 2008 and were eligible under the old standards to issue SAOs at that time, then you do not need to meet the three-year experience requirement.

If, however, you became credentialed, or changed areas of practice, on and after January 1, 2008, you must also meet the three-year experience requirement before you can issue SAOs.

You may start to accrue your three-year experience requirement prior to becoming credentialed provided that you have been engaged in “work that requires knowledge and skill in solving actuarial problems” in the area of practice that is the subject of the SAO.



Continuing Education

- **30 CE Hours** – Actuaries subject to the revised Qualification Standards must complete and document at least **30 hours** each calendar year of relevant CE (except for transition year 2008).
- **Organized Activity Requirement** – At least six (6) hours must be from “Organized Activities.”
- **Professionalism Requirement** – At least three (3) hours must be on professionalism topics.
- **Cap on General Business Courses** - General business courses are limited to three (3) CE hours per year.



Continuing Education

(continued)

- Continuing education is “**relevant**” if
 - (1) it broadens or deepens an actuary’s understanding of one or more aspects of the work an actuary does;
 - (2) the material expands an actuary’s knowledge of practice in related disciplines that bear directly on an actuary’s work;
or
 - (3) it facilitates an actuary’s entry into a new area of practice.



Continuing Education

(continued)

- The CE requirement will typically be met in the calendar year preceding the year in which the actuary issues the SAO.
- However, if an actuary does not meet the CE requirement in the preceding year, the shortfall can be met in the year the SAO is issued, provided that, it must be met before the SAO is issued, and cannot count towards that year's CE.
- A CE hour is defined as 50 minutes for all activities (whether self study or organized activities).
- Actuaries should use a reasonableness standard when determining the amount of time attributable to self-study and other types of “other activities” that count towards CE.



Continuing Education

(continued)

- Ultimately, it is an actuary's responsibility to make a reasonable, good-faith determination of what continuing education opportunities will enhance an actuary's ability to practice in a desired field.



CE Carry Forwards

- CE hours in excess of the annual requirement may be carried forward **one** year (including excess organized activities, professionalism and general business skills).
- Example – an actuary earns 36 hours of CE credit in 2009, of which 12 hours are from organized activities. Six hours of organized activities credit can be carried over to satisfy the 2010 CE requirements.



CE Transition Rules

- For 2008 SAOs, the pre-2008 CE rules apply (i.e. 24 CE in a rolling two-year period of which 50% must be from organized activities).
- For 2009 SAOs, the total number of CE hours that should be earned in 2008 is 24 rather than 30 (although you still must earn 6 CE from organized activities and 3 CE on professionalism).



CE Transition Rules

(continued)

- For SAOs issued in 2010 and later, the 30-hour annual CE requirement (and all the other requirements) applies.
- Excess CE hours earned in 2007 may be carried forward to 2008 if such CE meets the definitions under the revised Qualification Standards (including organized activities and professionalism).



Organized Activities

- “Organized activities” involve interaction with actuaries or other professionals working for different organizations.
- Examples of organized activities include, but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is relevant CE.
- In-house meetings can constitute “organized activities” by using outside speakers, otherwise in-house meetings without an outside speaker could qualify as an “other activity” for CE credit purposes.
- “Outside speaker” does not include someone employed by a company working at a different location.



Other Activities

- **“Other activities”** – include, but are not limited to:
 - reading actuarial literature, statutes or regulations,
 - reading other books, papers or articles on relevant technical or professional topics,
 - writing professional papers or articles,
 - listening to tapes of actuarial meetings or other relevant seminar or conferences,
 - in-house meetings (without outside speakers),
 - studying for actuarial exams,
 - drafting actuarial exam questions, and
 - preparing to speak or lead a discussion at a continuing education activity.



Professionalism Topics

- **Professionalism topics** – include, but are not limited to, the following:
 - studying, reviewing, or providing input on an Exposure Draft of an ASOP;
 - studying or reviewing the Code of Professional Conduct; or
 - serving on the ASB or a professionalism committee of an actuarial organization.
- The professionalism component may be satisfied by either organized activities or other activities.
- Excess professionalism credits may be carried forward if the annual CE requirement has been met and exceeded.
- Professionalism topics should not be confused with “general business” topics which are limited to 3 CE hours annually.



General Business Skills

- General business and consulting courses under the qualifications standards may count towards your annual CE requirements but are capped so that no more than 3 CE hours may be attributable to general business courses.
- General Business and Consulting Skills –include, but are not limited to, the following:
 - client relationship management;
 - presentation skills;
 - communication skills;
 - project management; and
 - personnel management.



No More Approved Providers

- The revised qualification standards have done away with the approved provider program contained in the pre-2008 qualification standards; therefore there is no longer an approved provider list at the Academy website.
- Each actuary will be required to determine whether the event or activity they attend constitutes “relevant continuing education” that will satisfy the qualification standards.
- This does not effect the JBEA’s regulation regarding EA’s obtaining CE from an approved sponsor of CPE under the JBEA.
- The Academy is now an approved sponsor of JBEA CPE.



CE and Enrolled Actuaries

- Under the revised Qualification Standards, Enrolled Actuaries who issue Statements of Actuarial Opinion “related to retirement plans to which ERISA applies” will be deemed to meet the new Qualification Standards requirements for continuing education if they satisfy the Joint Board CE requirements, but only through 2010.
- Commencing in 2011, this exemption will apply only to Form 5500 Schedule B certifications and other government-required forms. For any other SAO, Enrolled Actuaries must meet all of the CE requirements including 30 hours annually.



Specific Qualification Standards

- The requirements for the Specific Qualification Standards have not substantially changed.
- They apply to actuaries who issue the following SAOs:
 - NAIC Life and A&H Annual Statement
 - NAIC Property and Casualty Annual Statement
 - NAIC Health Annual Statement



Specific Qualification Standards

(continued)

- The only change to the basic education requirement of this Section is the addition of “reinsurance” to the property/casualty list.
- The continuing education requirements have increased from 12 to 15 CE per calendar year, with a minimum of six from “organized activities”.
- The CE requirements of the Specific Qualification Standards also satisfy the General Qualification Standards CE requirements and are not in addition to the 30 hour requirement (i.e. you do not need 45 CE annually).



Frequently Asked Questions

- **What do I earn towards my 2008 annual CE requirements for attending this webcast?**



Frequently Asked Questions

- **What are the CE requirements for actuaries who issue Statements of Actuarial Opinion in 2008?**



Frequently Asked Questions

- **Under the revised standards, what does the "grandfather" clause for basic education and experience mean for actuaries?**



Frequently Asked Questions

- **Under the new Qualification Standards, in-house meetings can qualify as organized CE activities only if outside speakers are invited. To what extent must the outside participant be involved in the meeting?**



Frequently Asked Questions

- **If you have been qualified to issue SAOs in an emerging area that later becomes the subject of an SOA specialty track, must you then meet the specialty track requirements in the General Qualification Standard (Section 2.1) to remain qualified?**



Frequently Asked Questions

- **Am I entitled to CE credit for participating in actuarial organizations' committee or task force or work group meetings?**



Frequently Asked Questions

- **How much, if any, CE am I entitled to for presenting at an actuarial seminar or teaching an actuarial course?**



More Questions?



For more FAQs about the Revised Qualification Standards please see:

<http://www.actuary.org/qualstandards/qualfaqs.asp>

