

Use of “Qualified Actuary” in the Valuation Manual



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Update from Role of the Actuary Subgroup

- Issue #1: Does the SVL/VM-01 definition of “qualified actuary” fit the functions assigned by the Valuation Manual (VM)? If not, should the VM be changed?
- Issue #2: Should the actuaries currently referred to as “qualified actuaries” in the VM be subject to requirements in addition to the Academy’s Qualification Standards?



Background for Issue #1

- Standard Valuation Law (SVL—Model #820) and VM-01:
The term “qualified actuary” means an individual
 - ▣ who is qualified to sign the **applicable statement of actuarial opinion** in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements and
 - ▣ who meets the requirements specified in the valuation manual.
- Because this definition is in the SVL, it is desirable to retain it as is in the VM



Background for Issue #1

- Signing the **applicable statement of actuarial opinion** is often interpreted as signing the statement of actuarial opinion **for the applicable NAIC Annual Statement**.
- However, in the VM, qualified actuaries are required to express **other types of actuarial opinions**, including the opinions required by VM-G Section 4, the opinion regarding Clearly Defined Hedging Strategies, etc.



Background for Issue #1

- The VM-01 also defines “actuarial opinion” as “the opinion of an appointed actuary regarding the adequacy of reserves and related actuarial items.”
- Combining this with the definition of qualified actuary could be interpreted to mean that qualified actuaries must be qualified to sign the annual statement opinion on reserves—a requirement not necessary for many qualified actuary functions



Background for Issue #1

- In the Academy's Qualification Standards, a "Statement of Actuarial Opinion" (SAO) is an opinion expressed by an 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— i.e., the term "SAO" applies to more than just the actuarial opinion on reserves



Issue #1

- Should the definition of “actuarial opinion” be changed to bring in more than just the actuarial opinion on reserves (perhaps in line with the definition in the Academy Qualification Standards)?
- If the Qualification Standards definition is used, the reference to “statements of actuarial opinion” in the definition of the term “qualified actuary” would apply all the statements of actuarial opinion required by the VM.
- This would mean the references to “qualified actuary” in the VM would not need to be changed



Issue #1

- Alternatively, should the current restricted definition of “qualified actuary” (i.e., as an actuary who is qualified to sign the annual statement opinion on reserves) be retained and a new term used for actuaries providing other sorts of actuarial opinions required by the VM?



Issue #2

- Should additional requirements relative to certain actuarial functions under the VM be specified in the VM (as is done for the appointed actuary and illustration actuary)?
 - For example, the appointed actuary is defined as a qualified actuary who meets certain listed requirements, such as being “familiar with the valuation requirements applicable to life and health insurance.”
 - This may result in redundancy relative to the Qualification Standards, but this may be acceptable.



Background for Issue #2

- Note that the Academy's General Qualification Standard applies to actuaries issuing any SAO and includes education and experience requirements—in particular, a requirement to “be knowledgeable, through examination or documented professional development, of the Law applicable to the SAO”
- For actuaries carrying out provisions of the VM, “Law” includes the VM and other relevant laws and regulations



LATF Request

- Review the use of the term “qualified actuary” in the valuation manual, and recommend any appropriate changes to the valuation manual.



LATF Request (con't)

- Depending on the section of the valuation manual, such changes could include adding additional requirements to “qualified actuary” and/or replacing “qualified actuary” with a different new title along with any requirements.



LATF Request (con't)

- For example, a specific title could be considered for actuaries assigned responsibilities under VM-G, as well as appropriate requirements in addition to being “qualified to sign the applicable statement of actuarial opinion in accordance with the Academy’s qualification standards” that should be met by such actuaries.



Comments

- The Subgroup would appreciate any comments.

