



AMERICAN ACADEMY of ACTUARIES

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## **Comments of American Academy of Actuaries regarding the proposed P/C Statement of Actuarial Opinion Instructions Exposed for public comment on May 1, 2019**

The American Academy of Actuaries (the Academy) appreciates the opportunity to offer comments on the May 1, 2019, exposure draft of the P/C Statement of Actuarial Opinion Instructions.

### **Introduction:**

The Academy was incorporated in 1965 for the express purpose of assuring the public that those representing themselves to be qualified actuaries have the skills, education, and experience to competently perform the activities of the profession. For over half a century of service, the Academy has succeeded in its objective by establishing and maintaining rigorous actuarial standards of conduct, practice, and qualification—the essential infrastructure for the actuarial profession—including by doing the following:

1. Creation of the Actuarial Standards Board;
2. Promulgation of the Code of Professional Conduct (Code);
3. Establishment of actuarial standards of practice (ASOP) in all practice areas as developed by the Academy's Actuarial Standards Board (ASB);
4. Establishment of the profession's disciplinary infrastructure through the Academy's Actuarial Board for Counseling and Discipline (ABCD); and
5. Promulgation of qualification standards (USQS), particularly for actuaries signing statutory or "prescribed" statements of actuarial opinion.

The Academy has delivered, through the internal requirements for achieving and maintaining Academy membership, a level of public protection which has been uniquely unifying for the actuarial profession in the United States. The profession's creation of the Academy in 1965 has long served to obviate the need for state or federal licensure requirements for life, health, and property and casualty statutorily required opinions. The Academy was created and continues to serve as the accrediting organization for actuaries practicing in the U.S.

### **The present system of referencing Academy membership assures accountability and credibility for the actuarial profession, the public, and regulators.**

Throughout the CASTF and Ad Hoc EX group debate on whether to reference Academy membership as a requirement for a qualified actuary, no recognition or weight has been given to the long-standing and

exceptionally straightforward reference to Academy membership in the Life & Health definitions. There has been no demonstration of public harm and a significant history of public good over the decades of the Academy's existence and the existing references established in the Life & Health definitions requiring Academy membership to demonstrate qualification. The Academy has demonstrated its value by developing basic education curriculum as well as examinations for Life and Health regarding nation-specific content when that was needed under the USQS and not available from the basic education society. Further, the Academy has publicized and emphasized the availability and importance of interpretive advice from the Committee on Qualifications for the USQS, and from the ABCD on the USQS, ASOPs, and the Code. The Academy has ensured quality and qualifications in the actuarial profession. The Academy is the body that has established and preserved a robust and independent compliance advice and monitoring system. These functionalities did not exist before the Academy. They will not exist without it.

**The proposed changes raise questions and may lower standards for actuaries.**

The proposed changes invite unintended consequences and invoke the wisdom of the old line quoted frequently in every legislature in the country, "if it ain't broke, don't fix it." Most importantly, the proposal seeks to "unbundle" the specific professionalism structures established by and in the Academy that have made actuaries a recognized profession in the U.S. (i.e., standards of conduct, practice, qualification, and disciplinary procedures). The proposal separates these structures as if they are mere commodities available anywhere. They are not. The Academy is more than the sum of any one aspect of the professional requirements developed to self-govern the U.S. actuarial profession. It is the Academy that has responded to repeated concerns over decades whenever regulators have had concerns about aspects of the professional standards. The Academy has painstakingly worked to develop these standards that draw on its unique position and membership with American actuaries. Although we applaud the proposal's recognition of attaining a rigorous and relevant basic education, basic education alone does not satisfy the Academy's standards, either for membership or qualification to issue statements of actuarial opinion (SAOs). Unbundling Academy-specific functions will create confusion and dilute the existing understanding and recognition of the actuarial qualification requirements. Specific issues with the current proposal are as follows.

**Comment 1: Dates in the proposal do not align for 2020 and 2021.**

The CASTF proposal establishes new detailed requirements to qualify as an "NAIC-Accepted Actuarial Designation." The proposal specifies the requirements which must be met for meeting the NAIC minimum standards as of 2021, with grandfather provisions for compliance before that date. Instructions for 2019 and 2020 will reference NAIC requirements not yet in existence, creating unnecessary confusion as to regulatory requirements applicable in these years.

**Comment 2: The proposed changes would mandate that one must stay a member of the organization from which they receive their basic education.**

Section 1A. (ii) of the proposal defines a Qualified Actuary as one who "has obtained and *maintains* (emphasis added) an NAIC-Accepted Actuarial Designation." The proposed requirement to "maintain" an NAIC-Accepted Actuarial Designation is a requirement that would mandate continuing payment

and yearly membership renewal in the organizations identified as providing an “NAIC-Accepted Actuarial Designation.”

However, continued membership in the basic-education-offering organizations is not dependent on any requirement other than having received the basic education designation. Therefore, the requirements of the U.S. Qualification Standards are not assured simply by having, or maintaining, membership in the credentialing organization. Mandating continuing membership in the organization that granted an associateship or fellowship based on examinations is not an objective measure for meeting either the experience or continuing education requirements of the U.S. Qualification Standards which, as the NAIC has recognized, exist and are established independently of the basic education credentialing societies.

Regulators cannot derive any significant additional information about an Appointed Actuary’s qualifications, experience, or knowledge from mandating continued membership in the organizations that will offer the new NAIC-Accepted Actuarial Designations for acceptable basic education. The basic education credentialing societies’ Continuing Education (CE or CPD) requirements are not requirements necessary to maintain membership in those societies. The CE requirements of the Society of Actuaries, for example, has stated that its CE requirements can be met by meeting the CE requirements of the USQS. However, the reverse is not true. An actuary who indicates “compliance” with those CE requirements is not deemed to be “qualified” under the USQS to issue SAOs. It is superficially plausible but actually wrong to use “compliant” indicators from an organization’s directory as demonstrating qualifications or as having met the USQS CE requirements.

The Academy has long taken a different approach than checking boxes to demonstrate eligibility for membership or qualifications to issue SAOs. While a basic education credential is required to become an Academy member, the Academy does not force anyone to retain membership in another organization after demonstrating they have met this requirement. By tying the NAIC-Accepted Actuarial Designation to continuing membership in the organization that granted that Designation, the NAIC will be mandating membership in private organizations, a concern Ad Hoc Committee members have expressed about the referencing Academy membership. If an actuary who has earned a basic education credential from an organization chooses not to continue membership in the initial credentialing organization for whatever reason, that abstention does not compromise the qualifications of that actuary provided the actuary is a member of the Academy, or any other actuarial organization that has adopted the Code of Professional Conduct promulgated by the Academy. All persons subject to the Code of Professional Conduct are therefore subject to the USQS when practicing in the U.S.

The proposal seeks to unbundle functions performed and established by the Academy while still requiring them on all actuaries signing opinions. However, the proposal adds a new requirement that anyone with an associate or fellowship could never “unbundle” themselves from the initial designation-granting society no matter their desires or reasons to do so, despite the fact that continued membership in that society provides no significant additional information about an appointed actuary’s qualifications, experience, or knowledge. Basic education is not enough to be qualified under the USQS. It is one of three essential elements.

**Comment 3. The text regarding application of the Actuarial Board for Counseling and Discipline (ABCD) inaccurately refers to the application of this Academy-hosted function.**

The proposed text reads as follows: (iii) is a member of a professional actuarial organization that participates in the Actuarial Board for Counseling and Discipline [ABCD] when practicing in the U.S.” The ABCD is authorized to carry out its purposes “Upon delegation of appropriate authority from a participating actuarial organization and acceptance of that delegation by the ABCD” (Article X, 1. A of the Academy Bylaws.) For accuracy and clarity, we request that the proposed language be changed from “participates in” to an “organization that has delegated appropriate authority to the ABCD, and acceptance of that delegation by the ABCD, to authorize the ABCD to act.”

**Comment 4. The exception to the Casualty Practice Council processes is not accurately stated.**

The text after 1A. (iii), identifying “An exception” references the Academy’s Casualty Practice Council’s long-standing process. This process is only available to Academy members, as you know. In any event, to be accurate and avoid confusion among those who may want to seek this evaluation, we ask that the next paragraph be revised to state: “A member of the Academy who is missing one or more elements (i) or (ii) may be evaluated by the Academy’s Casualty Practice Council and determined to be a Qualified Actuary for particular companies or lines of business.”

**Comment 5. The grandfathering definition is confusing. The proposal provides that an actuary who was qualified prior to 1/1/21 remains qualified.**

The language following the definition would be more clear and accurate if it read as follows: “Note that this grandfathering clause applies in satisfying the basic education component of the Qualified Actuary definition, and Appointed Actuaries must still meet the U.S. Qualification Standards, supplementing basic education with continuing education and experience as required.”

**Conclusion:**

As the national actuarial professional association in the U.S., we appreciate your consideration of our comments. We urge the NAIC to draw on the Academy’s experience and knowledge to ensure actuaries are held to the time-tested standards that are in place today.

Signed: /s/ Shawna Ackerman