



AMERICAN ACADEMY *of* ACTUARIES

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Julie Lederer, Chair  
Actuarial Opinion Working Group (AOWG)  
Of the Casualty Actuarial and Statistical Task Force  
National Association of Insurance Commissioners  
1100 Walnut Street  
Kansas City, MO 64016

Sent via email

Dear Julie,

On behalf of the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries<sup>1</sup>, I appreciate this opportunity to provide questions and comments on the draft *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2019*, issued on August 30, 2019.

1. We understand that associates of the Casualty Actuarial Society (ACAS's) who earned their designation prior to 2000 may not have credit for a regulation exam due to the CAS transition rules. In particular, pre-2000 ACAS's who did not pass the regulatory exam (Exam 8 was an FCAS exam prior to 2000) would not have an equivalent for Exam 6U. Per the "exam substitution" table, such a member should "explain in his/her qualification documentation how knowledge of US financial reporting and regulation was obtained." Would a brief explanation such as the following example suffice in terms of qualification documentation?

[Example: ACAS, pre-2000 exam system, **excluding part 8**] [Appointed Actuary full name] became an Associate of the CAS (ACAS) in [Year] and has basic education that includes US financial reporting and advanced reserving via *Part 7 – Premium, Loss, and Expense Reserves; Insurance Accounting, Expense Analysis, and Published Financial Information*. **Must add language explaining how regulation knowledge was obtained through experience and/or Continuing Education (CE)– refer to section A of current Exam 6US syllabus for any non-tested topics. Actuaries will need to determine exactly what they believe provides appropriate justification. The explanation does not need to be lengthy. As a start, actuaries might consider adjusting the following statements to explain passage of exams, as needed:**

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<sup>1</sup> The American Academy of Actuaries is a 19,500 member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States

*[Sample wording A:] I obtained the ACAS credential in [YEAR = pre-2000] (more than \_\_\_ years ago) and, have \_\_\_ years of experience as a practicing actuary (and/or US Appointed Actuary), and have remained qualified under U.S. Qualification Standards over the entire course of my career. Therefore, my experience is now more relevant than basic education and has filled in any particular gaps due to changes in the education syllabus over time.*

*[Sample wording B:] The CAS Exam 7 I passed is consistent with the current CAS Exam 7 for advanced loss reserving topics and part of the current CAS 6U exam for U.S. statutory accounting. The topic of U.S. regulation was not in the associateship level exams prior to 2000. Therefore, I supplemented my basic education with company training, experience, and continuing education to obtain knowledge about U.S. regulation. **[Presumably it would not be expected that the actuary list training and CE about U.S. regulation given it has been 20 years+.]***

2. We believe there may be a typo in the Regulatory Guidance. Page 14 says: “The continuing education (CE) needed to write the 2019 Statement of Actuarial Opinion would typically be from **2018**, but U.S. Qualification Standards allow some exceptions (e.g., carryover or early the following year).”

It is our understanding that the 2019 Statement of Actuarial Opinion is the Opinion evaluated as of December 31, 2019, which would generally be issued in January or February of 2020. If this understanding is correct, we believe that most Appointed Actuaries would be earning the CE hours to sign the 2019 SAO in calendar year 2019.

3. It would be helpful to gain some clarification on the expectations around timing of the qualification documentation. The revised instructions indicate that the documentation should be provided “on occasion of their appointment, and on an annual basis thereafter”.
  - a. With respect to “on occasion of their appointment,” we are unsure what the Appointed Actuary is expected to provide upon appointment. If the actuary is appointed partway through the calendar year, it is likely that he/she has not yet completed CE requirements and would not be able to issue complete qualification documentation. Moreover, qualifications for the prior year would not be applicable for an upcoming opinion, and it is possible that the actuary may not have been qualified in the prior year if he/she was not an appointed actuary and did not need to meet the Specific Qualification Standards.

The Instructions require description of how the definition of Qualified Actuary is “expected to be met (in the case of continuing education) for that year”. What would the actuary’s qualification documentation be expected to look like upon initial appointment? Presumably a detailed plan including dates, course names, seminars, etc., would not be required given that the timing could be early in the year and attendance at such events may change. However, would a general statement such as the following suffice?

*I expect to meet the Continuing Education requirements in accordance with the definition of Qualified Actuary for [YEAR] and will attest to such prior to issuing the [YEAR] Statement of Actuarial Opinion.*

- b. With respect to “on an annual basis thereafter”, what is the expectation around timing of the qualification documentation? We assume the documentation must be provided prior to the signing of the Opinion, however it is not clear from the Instructions.
  - c. Further, we recognize that a board of directors may only meet at specific times of the year that may not coincide with delivery of qualification documentation in advance of signing of the Opinion. If CE has not yet been obtained by the time of initial appointment, will the initial acknowledgement that CE is “expected to be met” suffice for that year? Or is the Appointed Actuary expected to follow up with the Board once CE is complete?
4. In general, the examples provided on pages 13 to 15 of the draft Regulatory Guidance seem duplicative and more detailed than what we would expect to be required to comply with the Instructions. We are concerned that such a detailed example will eventually either become an addendum to the Annual Statement Instructions or be relied upon as a regulatory checklist to confirm compliance.

More specific comments regarding the examples provided on pages 13 to 15 include:

- a. We believe that stating the biographical information at the top should suffice, as opposed to repeating to line up specifically with the wording in the Qualifications Standard.
- b. The Instruction requirements are for a description of “how” the actuary met (or is expected to meet) the definition of Qualified Actuary for the year. We believe that the following statement would suffice, along with the Appointed Actuary’s maintenance of the required CE log in the workpapers:

*[Appointed Actuary full name] has met or expects to meet (in the case of continuing education) the definition of Qualified Actuary for [YEAR] and will attest to such prior to issuing the [YEAR] Statement of Opinion.*

- c. Suggestions in the examples that the actuary might include the list of the CE or attach the Academy Attestation Form, seem to go above and beyond the “how” requirement. We assume that the detailed CE log may be referenced as “available upon request” and request confirmation.

We recommend that the guidance stop before the boxes at the bottom of page 13, and possibly replace with a FAQ section instead, providing sample wording in response to specific questions such as those set forth herein. Providing less structure around the guidance this year will enable the AOWG to observe responses to the documentation requirements in 2019 and enhance the guidance in 2020, if necessary.

We appreciate your consideration of these questions and comments.

Sincerely,

Kathleen C. Odomirok, MAAA, FCAS  
Chairperson, COPLFR  
American Academy of Actuaries