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AMERICAN ACADEMY *of* ACTUARIES

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September 19, 2019

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* (“Regulatory Guidance”), **revised on Sept. 17, 2019**.

We appreciate the AOWG’s consideration of COPLFR’s original comments on the August 30, 2019 draft of the Regulatory Guidance, which I verbally presented on the three previous AOWG calls on this topic:

- Friday, Sept. 6 - 12 noon EDT/11:00 a.m. CDT
- Tuesday, Sept. 10 - 4 p.m. EDT/3 p.m. CDT
- Thursday, Sept. 12 - 12 noon EDT/11 a.m. CDT

COPLFR will provide formal documentation of these comments in a separate letter.

The Sept. 17 revisions to Regulatory Guidance were in response to COPLFR’s original comments around the level of detail and duplication in the last few pages of the Regulatory Guidance, as well as a suggestion to reduce the amount of prescriptive language provided therein. We suggest that the Regulatory Guidance be modified to more directly follow the requirements of the NAIC Opinion Instructions. To that end, we recommend the language provided in Attachment A of this document replace Section IV of the Regulatory Guidance, titled *Guidance on qualification documentation*. We believe the recommended language in Attachment A satisfies the 2019 NAIC requirements pertaining to documentation of how the Appointed Actuary meets (or expects to meet) the definition of Qualified Actuary. Specifically, the NAIC Instructions say:

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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

“The documentation should include brief biographical information and a description of how the definition of “Qualified Actuary” is met or expected to be met (in the case of continuing education) for that year. The documentation should describe the Appointed Actuary’s responsible experience relevant to the subject of the Actuarial Opinion.”<sup>2</sup>

The recommended changes primarily pertain to Item IV.2., “*Qualified Actuary*” Definition. Item IV.1. is substantially unchanged from the current draft of the Regulatory Guidance. However, in the introduction to Section IV, COPLFR recommends removing the sentence “As a principle, the level of detail in the documentation should be sufficient for a Board of Directors, company management, or regulator to determine that qualifications are met.” It appears that this level of detail goes beyond the requirements of the NAIC Instructions.

Finally, COPLFR also suggests removing Item IV.3. from Regulatory Guidance. The 2019 NAIC Instructions state that a Qualified Actuary “meets the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards), promulgated by the American Academy of Actuaries (Academy)...”<sup>3</sup> Neither the 2019 NAIC Instructions nor the U.S. Qualification Standards require an actuary to use a specific format to log their continuing education. While we understand the Casualty Actuarial Society (CAS) and/or the Society of Actuaries (SOA) may develop and implement new procedure and requirements for Appointed Actuaries, we believe it is premature to include in the Regulatory Guidance document at this time. We note that #28 of the FAQs on U.S. Qualification Standards states:

“Section 6.1 of the USQS sets forth recommended recordkeeping of CE; however, the method of recordkeeping is ultimately up to the individual actuary. Section 6.1 recommends at a minimum documenting the date of the CE, the hours earned, and a brief description of the subject matter.”<sup>4</sup>

We appreciate your consideration of these questions and comments. We note that COPLFR is in the process of providing illustrative language and FAQs in the 2019 Statements of Actuarial Opinion on P/C Loss Reserves Practice Note on the topic of documenting how the Appointed Actuary meets the definition of Qualified Actuary.

Sincerely,

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

Attachment

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<sup>2</sup> 2019 NAIC Instructions, as per the Financial Condition (E) Committee materials for its August 29, 2019 call.

<sup>3</sup> 2019 NAIC Instructions, as per the Financial Condition (E) Committee materials for its August 29, 2019 call.

<sup>4</sup> <https://www.actuary.org/professionalism/faqs-revised-qualification-standards>

## Attachment

### IV. Guidance on qualification documentation

The *Instructions* have been modified for 2019 to require the Appointed Actuary to document qualifications in what is called “qualification documentation.” The qualification documentation needs to be provided to the Board of Directors at initial appointment and annually thereafter.

The following provides some guidance Appointed Actuaries may find useful in drafting qualification documentation:

#### 1. Brief biographical information.

- The Appointed Actuary may provide resume-type information.
- Information may include the following:
  - professional actuarial designation(s) and year(s) first attained
  - insurance or actuarial coursework or degrees;
  - actuarial employment history: company names, position title, years of employment, and relevant information regarding the type of work (e.g., reserving, ratemaking, ERM, etc.)
- Regarding the instruction to “describe the Appointed Actuary’s responsible experience relevant to the subject of the Actuarial Opinion,” information may include specific actuarial experiences relevant to the company’s structure (e.g., insurer, reinsurer, RRG, captive), lines of business, or special circumstances.

Experiences may include education (through organized activities or readings) about specific types of company structures, lines of business, or special circumstances.

#### 2. “Qualified Actuary” Definition

A description of how the definition of “Qualified Actuary” in the instructions is met or expected to be met (in the case of continuing education) for that year. The Appointed Actuary should provide the following information matching to the Qualified Actuary definition (i), (ii), and (iii):

- (i) “I meet the basic education, experience and continuing education requirements of the Specific Qualification Standards for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards), promulgated by the American Academy of Actuaries (Academy). The following describes how I meet these requirements:
  - a. Basic education:”
    - [Option 1] “met through relevant examinations administered by the Casualty Actuarial Society;” or
    - [Option 2] “met through alternative basic education.” The Appointed Actuary should further review documentation necessary per section 3.1.2 of the U.S. Qualification Standards.
  - b. “Experience requirements: met through relevant experience as presented in the biographical information provided herein

- c. Continuing education: met (or expected to be met) through [some combination of industry conferences; seminars (both in-person and webinar); online courses; committee work; self-study; etc.]. A detailed log of my continuing education credit hours is available upon request.”
- (ii) “I have obtained and maintain an *Accepted Actuarial Designation*.” One of the following statements may be made, depending on the Appointed Actuary’s exam track:
- “I am a Fellow of the CAS (FCAS) and my basic education includes credit for Exam 6 – Regulation and Financial Reporting (United States)”
  - “I am an Associate of the CAS (ACAS) and my basic education includes credit for Exam 6 – Regulation and Financial Reporting United States) and Exam 7 – Estimation of Policy Liabilities, Insurance Company Valuation, and Enterprise Risk Management”
  - “I am a Fellow of the SOA (FSA) and my basic education includes completion of the general insurance track, including the following optional exams: the United States’ version of the Financial and Regulatory Environment Exam and the Advanced Topics in General Insurance Exam”

Alternatively, if the actuary was evaluated by the Academy’s Casualty Practice Council and determined to be a Qualified Actuary, the Appointed Actuary should note such and identify any restrictions or limitations, including those for lines of business and business activities.

- (iii) “I am a member of [*state professional actuarial association*] that requires adherence to the same Code of Professional Conduct promulgated by the Academy, requires adherence to the U.S. Qualification Standards, and participates in the Actuarial Board for Counseling and Discipline when its members are practicing in the U.S.”

END OF SECTION IV.