



AMERICAN ACADEMY *of* ACTUARIES

March 10, 2020

Casualty Actuarial and Statistical (C) Task Force
c/o Kris DeFrain

CAS/SOA CE Task Force
c/o Ann Weber

Re: Appointed Actuary 2020 CE log

Sent via email to kdefrain@naic.org and aweber@soa.org

Dear Ms. DeFrain and Ms. Weber,

On behalf of the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries¹, I appreciate this opportunity to provide questions and comments on the draft *Appointed Actuary 2020 CE Log* (hereinafter referred to as “template” or “form”), issued by the National Association of Insurance Commissioners (NAIC) for public comment on February 7, 2020.

COPLFR appreciates the NAIC Casualty Actuarial Statistical Task Force (CASTF) efforts in providing guidance on what continuing education (CE) is needed to be a Qualified Actuary signing NAIC Property and Casualty (P&C) Statements of Actuarial Opinions (SAOs). However, we do not believe a prescriptive form is necessary nor is it the best or most effective way to determine whether or not an Appointed Actuary meets the CE requirements. In particular, Section 6.1 of the U.S. Qualification Standards (USQS) sets forth recommended recordkeeping of CE. Currently, the method of recordkeeping is ultimately up to the individual actuary. We note that members of the Academy have access to an on-line record keeping tool (TRACE™) which can be easily customized by each actuary and is also pre-populated with many of the CE and EA credit activities sponsored by the Academy, and other organizations that provide their information to TRACE, including ASPPA, CAS, CCA and SOA, facilitating recording of many usual actuarial organization- sponsored credit entries.

We also do not believe that the information provided in the template will be valuable as it will likely be compiled inconsistently and, even if consistently compiled, the results may not be actionable. We do not believe the form will indicate whether a change in CE requirements is needed, as CE

¹ 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

requirements of each Appointed Actuary are likely to be different, based on the unique characteristics of the company or companies subject to the SAO.

We continue to express the concern that only P&C actuaries, and even then, only P&C Appointed Actuaries are required to complete this form. There is no similar requirement for life and health actuaries or P&C actuaries that do not sign SAOs. We do not think that this CE Log will demonstrate that a P&C actuary is, or is not, qualified to sign SAOs or can prove that an actuary has met the CE requirements of the USQS. All existing CE attestations are self-reported, just as being qualified under the USQS is always a look in the mirror test at the point in time that an actuary signs an actuarial opinion and is a matter of professional judgment and ethical responsibility under the Code of Professional Conduct.

Our members have also expressed concern with the timing of exposure of the form for comment since the actuaries impacted are at their busiest time of the year, with the NAIC SAO and Actuarial Opinion Summary deadlines on March 1 and March 15, respectively. In order to ensure that comprehensive feedback is received, the NAIC may want to consider extending the amount of time this template is available for public comment.

The following provides specific comments with respect to the information contained in the template:

1. The name of the individual's employer and employer's address do not seem necessary since the actuary is required to satisfy the CE requirements, not his or her employer. We also note that employment can change over the course of a CE year. Would the actuary record multiple employers in the template? Further, including the employer's name is duplicative with column H ("Is the sponsor your employer?").
2. The term "CPD" is not used in the USQS. We recommend using consistent terminology regarding "continuing education" or "CE" throughout the template.
3. Column D of the template tracks time in minutes. The instructions for this column say, "the spreadsheet will convert to 50-minute hours", however it does not appear that this conversion is being performed in the current format of the template.
4. We recommend that columns E ("Event Type"), F ("Description of Event Type (if 'Other')"), and I ("Organized/Other") be consolidated in accordance with the Section 2.2.7 of the USQS which states "Continuing education can be obtained through either "organized activities" that involve interaction with actuaries or other professionals working for different organizations or "other activities". Specifically, the required information could be contained in one or two columns that identified the activity as "organized activities" or "other activities".
5. In column E of the log, the difference between "meeting" and "seminar" is not clear. Similarly, there are many online meetings that could be considered webinars. Given the "organized" component is already captured separately, the value of the information captured in this column is not evident. We also reiterate that the wording used in this template should be in alignment with that in the USQS. In particular, section 2.2.7 states:

“Organized activities” include but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is directly relevant to the area of practice of the subject of the Statement of Actuarial Opinion.”

Use of consistent terminology will avoid ambiguity between terms like “meeting” and “seminar”.

6. There does not appear to be clear identification of “general” (in accordance with Section 2.3 of the USQS) or “specific” (in accordance with Section 3.3 of the USQS) CE.
7. The term “PRIMARY coverage area” is new and it is not clear how it aligns with the USQS since the items in the dropdown box in column K “Section 3.1.1.2 CPD Categorization (Primary)” do not align with the 5 topics identified in section 3.1.1.2. Per item 2 above, we recommend using wording that is consistent with the requirements in the USQS. Specifically, USQS identifies the following topics: (a) policy forms and coverages, underwriting, and marketing; (b) principles of ratemaking; (c) statutory insurance accounting and expense analysis; (d) premium, loss, and expense reserves; and (e) reinsurance.

Use of terminology that is inconsistent with the USQS has the result of confusing and/or possibly altering and potentially expanding the CE requirements beyond what is currently provided by the USQS. For example, the “Primary coverage area” includes business skills which is a significant expansion on what is allowed in USQS 3.1.1.2. It is unclear if the intent is for the NAIC to require a different qualification standard from the USQS. We expect that the use of a different standard would be of concern to the profession and should also be to any company board that is charged with approving appointed actuaries based on inconsistent or confusing requirements.

8. We further note that the wording in the template ignores the requirement for the CE to be “directly relevant to” the listed topics, rather than “in” those listed topics. The U.S. Qualification Standards requirement for CE in section 3.3 states as follows:

“At a minimum, an actuary must complete 15 credit hours per calendar year of continuing education that is directly relevant to the topics identified in Section 3.1.1. A minimum of 6 of the 15 hours must be obtained through experiences that involve interactions with outside actuaries or other professionals, such as seminars, in-person or online courses, or committee work that is directly relevant to the topics identified in Section 3.1.1.”

Note that section 3.3 does not require the CE to be “in” those topics. It requires that CE to be “directly relevant to” those topics. An example is international accounting requirements for insurance (IFRS 17). Understanding how the accounting standard will work is directly relevant to the understanding of the financial strength of a company’s reinsurer’s financial strength if that reinsurer is an IFRS 17 filer. In this case, the CE is not “in” the topic of item e. *reinsurance*, but rather “directly relevant to” the topic of item e. *reinsurance*. The proposed template seems to be ignoring this “directly relevant” wording. To align with the USQS, the template would have to capture those items that are “directly relevant to” the topics identified in section 3.1.1.2.

9. The term "SECONDARY coverage area" is new. We recommend that this be defined, and its purpose be explained. It is unclear how having a drop down with limited descriptions included in the worksheet improves the CE documentation. If the "Secondary coverage area" is retained, we have concerns about how it is used in the worksheet, namely:
 - a. The "secondary" column headings in M through P are not in alignment with topics (a) through (e) in section 3.1.1.2.
 - b. The dropdown boxes require choosing the most applicable choice in the list of categories. In many cases there will be multiple items applicable to a given CE session. This will lead to any analysis of the results to be unreliable. This is an issue both with regard to the primary category and the secondary category as currently stated.
 - c. Each of the secondary categorizations require better definition to be valuable. It is unclear what the difference is between "reserving analysis" and "reserving calculations". A session on estimating reserves for and populating Schedule F could "statutory accounting", "reserving calculations", or "reinsurance reserving".
 - d. It is unclear what the Appointed Actuary is to do if a session covers multiple topics. For example, if a 50-minute session touches on ASOPs for 15 minutes, NAIC Annual Statement Instructions for 10 minutes, and reinsurance reserving for 25 minutes, it would seem overly burdensome if the session needed to be entered as 3 separate line items.
 - e. "Company-specific" sits under "requirements & practice notes". It is unclear what this is meant to cover.

There are many more questions like this, but in general the feedback is that these need to be much more clearly defined or we should rely only on the primary classification.

10. We find it helpful when CE logs include summations to show (1) total CE, (2) organized CE, (3) specific CE, (4) professionalism CE, and (5) business skills CE vs. the requirements/limits for each of those categories.
11. On the second tab of the file, cell B4 is noted as being section 2.3 of the USQS, but it appears to quote section 2.2.2.

We appreciate your consideration of these questions and comments.

Sincerely,

Kathleen C. Odomirok, MAAA, FCAS

Chairperson, COPLFR
American Academy of Actuaries