



AMERICAN ACADEMY *of* ACTUARIES

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May 11, 2020

Mr. Jacob Garn
Chair
Blanks (E) Working Group
National Association of Insurance Commissioners

c/o
Ms. Mary Caswell
Senior Manager—Data Quality
National Association of Insurance Commissioners
1100 Walnut St.
Suite 1500
Kansas City, MO 64106-2197

Mr. Calvin Ferguson
Senior Insurance Reporting Analyst
National Association of Insurance Commissioners
1100 Walnut St.
Suite 1500
Kansas City, MO 64106-2197
Re: 2020 Property and Casualty Actuarial Opinion Instructions (2020-12BWG)

Dear Mr. Garn,

On behalf of the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries,¹ I appreciate this opportunity to provide questions and comments on the draft *2020 Property and Casualty Actuarial Opinion Instructions* (hereinafter referred to as “2020 Opinion” or “Instructions”), issued by the National Association of Insurance Commissioners (NAIC) for public comment on Feb. 21, 2020.

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. For more than 50 years, the Academy has assisted 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.

COPLFR appreciates the NAIC Blanks Working Group efforts to provide guidance on the attestation requirements and type of continuing education (CE) needed to be qualified to sign NAIC Property and Casualty (P&C) Statements of Actuarial Opinions (SAOs).

Given the changes to the 2020 Opinion are confined to two paragraphs, I have included them here as reference:

If subject to the U.S. Qualification Standards, the Appointed Actuary shall annually attest to having met the continuing education requirements under Section 3 of the U.S. Qualification Standards for issuing Actuarial Opinions. As agreed with the actuarial organizations, the Casualty Actuarial Society (CAS) and Society of Actuaries (SOA) will determine the process for receiving the attestations for their respective members and make available the attestations to the public. An Appointed Actuary subject to the U.S. Qualification Standards and not a member of the CAS or SOA shall select one of the above organizations to submit their attestation.

In accordance with the CAS and SOA's continuing education review procedures, an Appointed Actuary who is subject to the U.S. Qualification Standards and selected for review shall submit a log of their continuing education in a form determined by the CAS and SOA. The log shall include categorization of continuing education approved for use by the Casualty Actuarial and Statistical Task Force. As agreed with the actuarial organizations, the CAS and SOA will provide an annual consolidated report to the NAIC identifying the types and subject matter of continuing education being obtained by Appointed Actuaries. An Appointed Actuary subject to the U.S. Qualification Standards and not a member of the CAS or SOA shall follow the review procedures for the organization in which they submitted their attestation.

Further, for reference, I have included a snapshot of relevant definitions from the 2019 (“current”) Instructions below, which appear to remain unchanged in 2020.

1A. Definitions

“Appointed Actuary” is a Qualified Actuary (or individual otherwise approved by the domiciliary commissioner) appointed by the Board of Directors in accordance with Section 1 of these instructions.

“Board of Directors” can include the designated Board of Directors, its equivalent or an appropriate committee directly reporting to the Board of Directors.

“Qualified Actuary” is a person who:

- (i) 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. Qualifications Standards)*, promulgated by the American Academy of Actuaries (Academy);
- (ii) Has obtained and maintains an Accepted Actuarial Designation; and
- (iii) Is a member of a 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.

An exception to parts (i) and (ii) of this definition would be an actuary evaluated by the Academy's Casualty Practice Council and determined to be a Qualified Actuary for particular lines of business and business activities.

As we understand it, the proposed changes to the 2020 Instructions require Appointed Actuaries who are subject to the U.S. Qualification Standards (USQS) to:

- (1) Annually attest to having met the CE requirements of the USQS based on a process set forth by the CAS and SOA, with such attestations made available by the CAS and SOA to the public; and
- (2) Submit a log of their CE to the CAS or SOA in a form that includes categorization approved by the Casualty Actuarial and Statistical Task Force if selected for CE review by either the CAS or SOA, respectively.

As provided below, we have several concerns with respect to the need, accuracy, and potential misinterpretation of the proposed changes as currently set forth in the 2020 Instructions.

First, the requirement for annual attestation, to be made available to the public, is redundant and unnecessary because attestation is already required within the current Instructions in the form of:

- A statement within the IDENTIFICATION paragraph of the SAO indicating the “qualifications for acting as Appointed Actuary.” This attestation is already available to the public given that the SAO is a public document.
- Qualification documentation provided to the Board of Directors describing “how the definition of ‘Qualified Actuary’ is met or expected to be met (in the case of continuing education) for that year.”

We further note that the definition of Qualified Actuary, as provided in the current Instructions, already requires adherence to the USQS, which in turn require compliance with CE.

Second, we believe that statements pertaining to agreement “with the actuarial organizations” are factually incorrect. The 2020 Instructions imply an agreement between the NAIC and “the actuarial organizations” that the CAS and SOA oversee the process for attestation and consolidated reporting of CE. However, it is important to remember that there are five U.S.-based organizations within which an Appointed Actuary could be a member in order to comply with item iii. of the definition of a Qualified Actuary according to the current Instructions.² The 2020 Instructions imply that the three other U.S.-based organizations have agreed to the CAS/SOA process. This is factually incorrect, in particular, as the Academy was not included in this agreement.

Third, by requiring the Appointed Actuary “to attest,” the 2020 Instructions imply that the NAIC is responsible for regulating actuaries. The five U.S.-based actuarial organizations are responsible for regulating their members. These organizations require adherence to the *Code of Professional Conduct*, promulgated by the Academy, and the USQS, and also participate in the Actuarial Board for Counseling and Discipline (ABCD). As noted earlier, the definition of Qualified Actuary in the current Instructions requires adherence to the same.

² Item iii. of the definition of Qualified Actuary within the current Instructions requires membership “in an actuarial organization 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.” There are five U.S.-based actuarial organizations that comply with this requirement, namely: (1) American Academy of Actuaries; (2) CAS; (3) SOA; (4) American Society of Enrolled Actuaries; and (5) Conference of Consulting Actuaries (CCA).

Fourth, neither the CAS nor SOA has authority over nonmembers. Therefore, nonmembers are not required to comply with either the CAS or SOA CE policies or attestation requirements as set forth in the 2020 Instructions. As a result, the P&C Appointed Actuary who is a member of the CAS or SOA is required to comply with a process that a member of another U.S.-based organization or the individual otherwise approved by the domiciliary commissioner is not. We further note that the P&C Appointed Actuary is being held to a different standard than Life & Health Appointed Actuaries and/or non-Appointed Actuaries. As reference, there are fewer than 500 P&C Appointed Actuaries compared to nearly 20,000 members of the Academy and over 8,000 and 30,000 members of the CAS and SOA, respectively.

Finally, with respect to the CE log, we reiterate our concerns regarding the proposed form and categorization, as documented in our March 10, 2020, comment letter (attached). We further find the phrase “selected for review” in the 2020 Instructions confusing, as it suggests that only those Appointed Actuaries “selected for review” will be required to submit the log. Regardless, we do not see the value of consolidating the CE information for reporting, whether it contains information from 1% or 100% of the fewer than 500 P&C Appointed Actuaries.

We appreciate your consideration of these questions and comments.

Sincerely,

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

attachment

cc: Kris DeFrain



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

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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