



AMERICAN ACADEMY of ACTUARIES

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U.S. Qualification Standards: Second Exposure Draft and More

August 12, 2021

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Presenters

- **Katie Campbell**, MAAA, FSA
Chairperson, Committee on Qualifications
- **Lisa Slotznick**, MAAA, FCAS
Vice Chairperson, Committee on Qualifications
- **Tom Terry**, MAAA, FSA, EA, FCA
Member, Committee on Qualifications
- **Moderator: Tom Campbell**, MAAA, FSA, CERA
President, American Academy of Actuaries
- **Host: Brian Jackson**
Academy General Counsel and Director of Professionalism



Agenda

- Introduction
- Process
- U.S. Qualification Standards
 - What is a Statement of Actuarial Opinion and Actuarial Services?
 - Basic Education and Experience Requirements
 - Continuing Education
 - Enrolled Actuaries
 - Specific Qualifications
 - Area of Practice and Changes in Practice area
 - Acknowledgement of Qualifications
- Submitting Comments on Exposure Draft
- Q&A



Introduction

Tom Campbell, Academy President



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Web of Professionalism: Basis of Self-Regulation



- Code of Professional Conduct
- U.S. Qualification Standards (USQS)
- Actuarial standards of practice (ASOPs)
- Counseling and discipline

Rooted in Precept 2

- **PRECEPT 2.** “An Actuary shall perform Actuarial Services **only when the Actuary is qualified to do so** on the basis of basic and continuing education and experience, and only when the Actuary satisfies applicable qualification standards.” *[emphasis added]*
- “It is the professional responsibility of an Actuary to **observe applicable qualification standards** that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services and to keep current regarding changes in these standards.” *[emphasis added]* (Annotation 2-1)



USQS: General Structure

- Section 1, Introduction (including definitions)
- Section 2, General Qualification Standard
 - Section 2.1, Basic Education and Experience Requirements
 - Section 2.2, Continuing Education Requirements
- Section 3, Specific Qualification Standards (when necessary)
- Section 4, Changes in Practice and Application (general and specific)
- Section 5, Acknowledgement of Qualification (suggested language)
- Section 6, Recordkeeping Requirements





SEARCH

PUBLIC POLICY

PROFESSIONALISM

ABOUT US

MEMBERSHIP

NEWSROOM

INTERNATIONAL

PUBLIC DISCIPLINE



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Actuarial Board for Counseling and Discipline



Actuarial Standards Board

QUICK LINKS

- ▶ Find an Academy Member
- ▶ Academy Committees
- ▶ Board Election Center
- ▶ Code of Professional Conduct
- ▶ U.S. Qualification Standards
- ▶ Volunteer

CALENDAR OF EVENTS



PRESIDENT'S MESSAGES

Tom Campbell

U.S. Qualification Standards

The U.S. Qualification Standards were revised effective Jan. 1, 2008, to broaden their scope and strengthen the CE requirements. The standards were developed by the Academy Committee on Qualifications and approved by the Board of Directors.

U.S. Qualification Standards

(in effect as of Jan. 1, 2008)

Second Exposure Draft of the U.S. Qualification Standards

(June 2021)

Exposure Draft: Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS)

(September 2020)

U.S. Qualification Standards Request for Comments

(September 2020)

"Which CE Requirements Apply to Me?" Infographic

(October 2013)

FAQs on the U.S. Qualification Standards

FAQs

Submitting Additional Questions

(use the online form to submit your additional questions about the U.S. Qualification Standards)



Why FAQ?

- USQS last revised in 2008
- Practitioners have asked clarifying questions
- In response, Committee on Qualifications (COQ) created FAQ section on website
- FAQs currently contain over 50 questions and the COQ's carefully considered responses
- Request for guidance to ABCD



COQ and USQS Drafting and Adoption

Katie Campbell, Chairperson of the COQ



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Committee on Qualification (COQ)

- Comprised of members covering all practice areas (Life, Health, Pension, and Casualty)
- Responsible for drafting the qualification standards and responding to questions about the provisions in the qualification standards



USQS Drafting and Adoption

- Appendix 3 of the USQS: Procedures for adoption
 - Due and impartial consideration of all comments
- Initial exposure was drafted at the request of the Academy board to update the USQS as may be needed and in particular to recognize the general insurance track of the SOA
- Over 150 comment letters received on 1st exposure



USQS Drafting and Adoption

- The COQ spent numerous hours over a 6-month period reviewing the comment letters from individual actuaries and actuarial firms and developing recommended revisions to the USQS.
- The 2nd exposure draft is reflective not only of the diversity of experience and thought of the COQ members, but that of those who submitted comments.



USQS Drafting and Adoption

- After the August 20 deadline for comments, the COQ will review all the comments and draft, as needed, any revisions.
- The final USQS will be adopted by the Academy board.



What is a Statement of Actuarial Opinion?



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Definition of SAO

- SAO is defined in Section 1
 - An opinion expressed by an actuary performing Actuarial Services; and
 - Intended to be relied upon by the person or organization to which the opinion is addressed



Definition of SAO

- SAO can be either oral or written
- Actuarial Services
 - Defined in the Code of Professional Conduct
 - Professional services provided to a Principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.
- Statements providing information/data without advice or opinion would not be an SAO.



Examples of SAOs

- Appendix 1 of the USQS
 - Examples: Not all inclusive
 - Minor revisions in the second exposure draft
 - Primarily clean-up: References



Qualifications to Issue an SAO

- Prior to issuing an SAO an actuary must meet
 - Section 2, General Qualification Standard
 1. Section 2.1, Basic Education and Experience Requirement
AND
 2. Section 2.2, Continuing Education
 - For NAIC Annual Statement-related SAOs, additional requirements are described in Section 3, Specific Qualification Standards.



Basic Education and Experience*

- Section 2.1(a): Education
- Section 2.1(b): Experience
- Section 2.1(c): U.S.-Specific Knowledge
- Section 2.1(d): Subject Area Knowledge

*As labeled in the second exposure draft



Education—Section 2.1(a)

- Have achieved a designation from SOA, CAS or achieved EA; or be a current or former member of the Academy
- This is modified from current USQS to focus on education (i.e., designation) instead of membership in an organization.
- “Current or former Member of the Academy” provides a vetting process for actuaries that have not received an SOA, CAS, or EA designation (primarily non-U.S. actuaries).



Experience—Section 2.1(b)

- All actuaries must have 3 years of responsible experience.
 - This is the basic requirement and unchanged from current USQS.
 - Responsible experience is “Knowledge and skill in solving actuarial problems.”



U.S.-Specific Knowledge—Section 2.1(c)

- The USQS applies only to SAOs issued in the U.S.
- The exposure draft clarified that this requirement is specific to U.S. law.
- The exposure draft added “knowledge of U.S. actuarial practices and principles.”
- Can be met through education or professional development (e.g., relevant CE).



Subject Area Knowledge—Section 2.1(d)

- This section in the current USQS clarified the requirements for SAOs in an area covered by a specialty track of the SOA or an area of practice covered by CAS or ASPPA exams.
- The exposure draft replaced this with “particular subject within an area of practice.” Areas of practice are defined in the USQS as Life, Health, Pension, and Casualty.
- In order to issue an SAO on a particular subject within an area of practice (e.g., long-term care, disability income, workers’ compensation, title insurance, ALM, reinsurance), the actuary must meet one of the following 3 options, which are essentially the same as the current USQS:



Subject Area Knowledge—Section 2.1(d)

- Fellows have 2 options
 - 2.1.d(1): **Fellow** in SOA, CAS, or highest designation in a non-U.S. actuarial organization and be a current or former member of the Academy; AND have **completed relevant education** if it was available at the time the actuary chose their area of practice
 - 2.1.d(2): **Fellow** in SOA, CAS, or highest designation in a non-U.S. actuarial organization and be a current or former member of the Academy; AND **one year of experience** in the particular subject under review of an actuary qualified to issue the SAO
- Associates will need comply with 2.1.d(3): **3 years of experience** in the particular subject under review of an actuary qualified to issue the SAO.



Only Once

- The Basic Education and Experience Requirements need be met only once for an area of practice or a particular subject within an area of practice.
- Example: Received FSA in the health specialty track of the SOA, and no long-term care (LTC) specific examinations or courses were available. Changed jobs from health care pricing work to LTC pricing. The basic education and experience requirement has been met because LTC specific education was not available at the time the health specialty track was selected.
 - However, the Code requires that actuaries perform Actuarial Services only when qualified to do so.
 - In this case the actuary must comply with sections 4.2 or 4.3, which require qualification through appropriate (and relevant) continuing education.



Continuing Education

Tom Terry, Member of the COQ



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Current CE Requirements

- Goal is to remain current on emerging advancements relevant to
 - ▣ The services we provide
 - ▣ Related disciplines



Current CE Requirements

- Annual CE requirement: Complete and document 30 hours of relevant CE
 - At least 3 hours on professionalism topics
 - At least 6 hours of organized activities
- Professionalism: Studying, reviewing the Code or ASOPs, providing input on exposure drafts, etc.
- Organized activities: Interactions with other actuaries or other professionals working for different organizations



Current CE Requirements

- CE is relevant if it ...
 - ▣ Broadens or deepens our understanding,
 - ▣ Expands our knowledge of practice in related disciplines, or
 - ▣ Facilitates entry into new areas
- Relevance is a good-faith determination



Current CE Requirements

- Also
 - An hour of CE is defined as 50 minutes and fractions of an hour may be counted
 - Hours on general business topics limited to 3
 - CE for actuaries practicing in more than one area: The combined total remains at 30 hours; use good judgment



Comments Following First Exposure Draft

- CE for actuaries who are also Enrolled Actuaries
- How might diversity, equity, and inclusion topics be addressed via the USQS?



Diversity, Equity, and Inclusion Comments

- How might diversity, equity, and inclusion topics be addressed via the USQS?
- Many comments
 - Frequently cited: Barriers to entry into the profession
 - Frequently cited: Work environment
 - Formalize DE&I into the USQS?
 - Relationship to actuarial services?



Update to FAQ #48

- This FAQ addresses DE&I as a continuing education topic.
- The FAQ was updated in April to clarify that under the current USQS, DE&I may be considered
 - ▣ General business skills CE, or
 - ▣ Professionalism CE



Bias and Actuarial Services

- Bias and DE&I can be overlapping topics.
- Bias is more directly relevant to actuarial services.
- Types of bias relevant to actuaries
 - ▣ Racial, gender identity, socio-economic status
 - ▣ Anchoring, hind-sight, confirmation
 - ▣ Conscious and unconscious



Bias and Actuarial Services

- Actuaries are traditionally trained in risk classification, selection, underwriting, etc.
- Our principals and the public...
 - ▣ Value our objectivity, and
 - ▣ Expect us to be able to identify bias in assumptions, algorithms, models
- New and emerging relevance and demands on us stemming from
 - ▣ Big data
 - ▣ Artificial intelligence
 - ▣ Evolving regulatory and societal expectations of financial systems, products, and services



2021 Second Exposure Draft Language

2.2.2 [in part]:

To satisfy the General Qualification Standard, actuaries are required to complete and document at least thirty (30) hours each calendar year of relevant continuing education of which at least three (3) hours must be on professionalism topics, **at least one (1) hour must be on bias topics**, no more than three (3) hours may be spent on general business skill topics, and at least six (6) hours must be “organized activities” (see section 2.2.6)...



2021 Second Exposure Draft Language

2.2.6 [in part]:

- b) Bias topics include content that provides knowledge and perspective that assist in identifying and addressing biases in data, assumptions, algorithms, and models that impact Actuarial Services.



Enrolled Actuaries

Tom Terry, Member of the COQ



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Enrolled Actuaries—Background

- EAs were created by ERISA in 1974.
- EA licensing and monitoring is overseen by the government’s Joint Board for the Enrollment of Actuaries (JBEA).
- Attaining EA status
 - Initial grandfathering of a wide range of practitioners
 - Then, establishment of a rigorous enrollment process involving
 - Targeted entrance exams
 - Requirement of three years responsible pension actuarial experience
- Maintaining EA status
 - Continuing education—36 hours over three years
 - Topics: core, non-core, ethics



EAs and the Actuarial Profession

- 1974—EAs created by ERISA
- 1975—EAs encouraged to join actuarial professional associations
- 2008—Introduction of USQS for issuing broadly applicable SAOs, with certain “carve-outs” for EAs



EAs and the USQS—Two Topics

- **Basic education and experience**
- Continuing education



Do actuaries who are also EAs satisfy basic education and experience requirements to issue SAOs?

Section 2.1.1, Enrolled Actuary (2nd exposure draft)

- a) For pension SAOs related to ERISA? Yes
- b) For SAOs related to pensions, but not ERISA? Yes, if either
 - 1) 1 year of responsible, relevant experience, or
 - 2) relevant education
- c) For all other SAOs? Yes, if “3 years of experience”



EAs and the USQS—Two Topics

- Basic education and experience
- **Continuing education**



How do actuaries who are also EAs satisfy the USQS continuing education requirements?

- JBEA requirements for continued enrollment
 - 36 hours over three years
 - Core, non-core, ethics
- 2008 USQS
 - Generally requires 30 hours annually
 - Exemption for actuaries who are also EAs
 - Broad exemption for 2008 to 2010
 - Narrow exemption beginning 2011
- 2nd exposure draft eliminates any special exemption



Specific Qualifications, Area of Practice, Changes in Practice Area, and Acknowledgment of Qualifications

Lisa Slotznick, Vice Chairperson of the COQ



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Specific Qualification Standard

- Specific Qualification Standards apply only to the types of SAOs for which such standards have been adopted. Found in section 3 of the USQS
 - Statement of Actuarial Opinion, **NAIC Life and Accident & Health, and Fraternal Annual Statement**
 - Statement of Actuarial Opinion, **NAIC Property and Casualty Annual Statement**
 - Statement of Actuarial Opinion, **NAIC Health Annual Statement**



Specific Qualification Standards—Addition of Society of Actuaries to Property and Casualty Opinion Basic Education Requirement

Commentary

- Section 3.1.1.2—Addition of the Society of Actuaries to the listing of entities that may administer relevant education
- The impetus behind opening the USQS for update
- Note that this update is not in the current USQS

Second Exposure Draft Text

- Section 3.1.1.2

Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement — An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries, the Casualty Actuarial Society, **or the Society of Actuaries** on 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.



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Experience for Specific USQs

- At least **three years of responsible experience**
- **Relevant to the subject** of the SAO
- **Under review** by an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time



Under Review of Qualified Actuary

- FAQ 19: “Do the 3 years of experience need to be obtained while working directly under a qualified actuary...?”
 - No requirement to work “directly under” the qualified actuary, but the qualified actuary must have reviewed the actuary’s work and must have been appropriately qualified “at the time the review took place.”



Areas of Practice

Commentary

- The term “Areas of Practice” appears in multiple places in the current USQS.
 - Defined in section 1.4 as “The traditional areas of actuarial practice are casualty, health, life, and pension.”
- The use of “Areas of Practice” in the first exposure draft sometimes referred to the four defined areas and sometimes to an area more specific than the four.
- References needing more specificity were revised.

Second Exposure Draft Text

- Example: Section 2.1(d) text
Subject Area Knowledge: In order to issue Statements of Actuarial Opinion on **any particular subject** within an area of actuarial practice, an actuary must meet one of the following with respect to the particular subject of the Statement of Actuarial Opinion:



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Changes in Practice Area

- Section 4.1, Changes in Areas of Actuarial Practice
- Must meet the basic education and experience requirements, including
 - ▣ Knowledge of applicable law, practice, and principles
 - ▣ Relevant continuing education
 - ▣ The Look in the Mirror test
- Does not require taking additional exams



Changes in Practice and Application

- Section 4.2, Changes in Application
 - Recognizes new principles, standards of practice, and supporting literature
 - Continuing education
- Section 4.3, Emerging or Non-Traditional Areas of Actuarial Practice
 - New areas continually emerge that are likely to involve actuaries providing an SAO
 - Principle-based—to obtain knowledge through continual learning



Acknowledgment of Qualifications

- Section 5 of USQS
- SAOs should include an acknowledgement of qualifications.
- The following example is provided:
 - I, [Name], am [Position] for [Company]. I am a member of the American Academy of Actuaries [or other organization] and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.
- Not required on preformatted forms



Acknowledgment of Qualifications

- Ongoing communications
 - Not necessary to include acknowledgment every time
 - Not required for oral SAO that is part of ongoing communication
- Annual acknowledgment is appropriate



How to Submit Comments

Tom Campbell, Academy President



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How to Submit Comments

- [USQS Second Exposure Draft](#)
- How to submit your comments
 - [Description of Comment Submission Process](#)
 - Comments will be posted on Academy website
 - Submit by email to USQSComments@actuary.org. You may include your comments either in the body of the message or as an attachment prepared in any commonly used word-processing format.
- Submit by August 20, 2021



Questions?

