

## To: Committee on Qualifications

Although there are some improvements in this Second Exposure Draft there are still grave problems that I hope the COQ and AAA will address, particularly in the area of Basic Qualification. **The Basic Qualification requirement is being radically changed from the existing standard** in ways that are not clearly laid out or communicated in the transmittal memorandum. My comments revolve around Section 2.1.

### Membership in a Professional Actuarial Society

- Because of changes to 2.1(a) and 2.1(d), it will now be possible to be a practicing actuary without being a current member of any actuarial organization at all. This reverses the requirement in the existing USQS. This change, intentional or no, is one that I think few members of any of the organizations – in or out of the US – would approve of. Here are some specifics:
  - The requirement in (a) to “be” a member of a society has been replaced with “have achieved” membership in a society. “Have achieved” could be followed by resigning, yet the actuary would still pass the requirement.
  - The paragraph goes on to say [emphasis supplied] “or be a current or former member of the AAA”. This very clearly shows that former membership is sufficient to comply.
  - The requirement in (d) that the actuary “attain” fellowship in a US or non-US organization also can be satisfied in the past and then relinquished. “Maintain” would be a better choice of word.
  - The option in 2.1(d)(3) to obtain three years of supervised experience would explicitly permit former members of the AAA (see 2.1(a)) to continue practicing as actuaries without any current membership requirement in any society anywhere.
- The members of the actuarial profession, and their audiences and stakeholders, expect that actuaries belong to a professional organization subject to high standards of practice and discipline. Non-member actuaries would not be subject to these standards and oversight, but they would be considered qualified. Therefore, I think the requirement in the 2008 USQS of current membership in a society must be restored to the USQS, to maintain the traditionally high standards of our profession. The following changes are recommended to clarify this point:
  - In 2.1(a) the requirement to “be” a current member of a recognized society be restored as in the 2008 USQS.
  - In 2.1(d), all subparagraphs, the word “attain” be replaced with “maintain” or the equivalent, to indicate that this membership should be ongoing.
  - The option in 2.1(d)(3) should clearly be linked to current membership in some society somewhere, not “former” membership.

### Ways to Obtain Qualification to Practice in a Subject Area

- In Section 2.1(d)(1), the Second Draft is very unclear in its wording and its intent. It seems to significantly lower the bar for cross-qualification into new practice areas, compared to the 2008 USQS or in the first Exposure Draft.
  - In Section 2.1(d)(1), the expression “particular subject of the SAO” seems to refer to new area or practice, and “specific area of practice” to the actuary’s existing or former area of practice. If this is so (the wording certainly needs to be clarified), then there is almost no barrier in the proposed USQS to entering an entirely new area of practice, if the actuary can argue the education was previously not available.
  - The last sentence permits these actuaries to cross-qualify (from Life to Health, or from Casualty to Life, for example) solely by obtaining “additional education relevant to the SAO”.
  - This standard could be met with a one-day or two-day seminar, or even by a few hours of self-study. There is no quantification of the amount of education necessary to pass this bar.
  - In the 2008 USQS and in the first Exposure Draft, the one year or three year supervised experience requirement provided this quantification of sufficient experience. The current draft allows qualifying actuaries to circumvent this time requirement.
  - The footnote reference to Section 4 provides no meaningful help in interpreting this issue.
- I believe the original one-or three-year supervised experience requirement of 2.1(d)(2 & 3) should be restored for all actuaries cross-qualifying into a new subject area.
- Preferably, the second and third sentences of 2.1(d)(1) should be removed as being too vague and confusing to be practically useful.
- In any event, the two-fold expression “if education relevant...was / was not available” in those sentences must be clarified:
  - If the only education that existed for a “particular subject” area -- the new area of practice -- was a college course, is the actuary required to have taken it? Or to have read a certain textbook? Or is this referring to formal exam sequences in actuarial societies? I suggest this be clarified to specifically refer to a series of qualification exams or the equivalent as administered by an actuarial society.
  - If a person qualified as e.g., a Life actuary before the SOA GI exams existed and now wants to cross-qualify into Casualty, the one- or three-year supervised requirement should apply unless the person wants to now take the SOA GI exams (or of course the CAS exams). “Was not available” should not apply when the CAS has had those exams the entire time.
- The “additional education relevant” of 2.1(d)(1) must be given some clearer quantification (and a higher standard), or preferably deleted in deference to the time requirement of 2.1(d)(2 & 3).
- The Casualty practice area has long used the Casualty Practice Council to monitor cross-qualification issues into Casualty, especially for signing NAIC reserve opinions. I strongly advocate broadening (not eliminating) the use of this model, to extend it to all practice areas. Formalizing it in the USQS would be appropriate.

As a former member of the COQ, I would like to conclude by admonishing the AAA and the COQ to better manage its exposure process in the future. At no point through two drafts have the changes been clearly presented or explained in these documents. There was no complete side by side comparison or red line / strikeout in either draft, and the reasons given for the changes in many cases do not seem to align well with the actual changes that were proposed. Ultimately, deciphering the changes and discerning the underlying purpose of them became a cumbersome and confusing task.

This was made worse by vague choices of text within the USQS exposure drafts, which just beg to be misinterpreted by practitioners. Trusting to the FAQs to tighten up the loose ends is a poor alternative. Given that this document only gets changed once everyone or two decades, I think the profession deserves better than this.

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