



CONFERENCE OF CONSULTING ACTUARIES

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The Board of Directors and The Committee on Qualifications
American Academy of Actuaries
1850 M Street, NW, Suite 300
Washington, DC 20036

Dear Sir or Madam:

This letter provides comments on the June 2021 Second Exposure Draft (ED) of the proposed revisions to the *Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS)* by the Conference of Consulting Actuaries (CCA). We appreciate the opportunity to comment.

Summary

We appreciate the Committee's decision to prepare a second ED. We also appreciate the significant improvements and clarifications that were made from the first ED to the second ED in response to comment letters, including our comment letter of October 30, 2020, particularly with respect to enrolled actuaries. We have some additional comments and suggestions for improvement.

Specific comments

Need to Satisfy the Qualification Standards Only Once

We appreciate the clarification in the Transmittal Memorandum of the intent that "*maintaining membership in any specific actuarial organization is not required. This is reinforced by Section 2.1.2, which states that basic education and experience requirements must be met only once.*"

We note that Section 2.1.2 (*Basic Education and Experience Requirement Must Be Met Only Once*) seems focused on the provision that an actuary who satisfied the basic education and experience requirements of the Qualification Standards will not subsequently fail to meet them because there is a newer version of the Qualification Standards. It does not make explicit that continued membership in a specific actuarial organization is not required. Accordingly, we recommend that the last sentence of Section 2.1.2 be revised to add the underlined phrase:

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“Accordingly, if an actuary has satisfied the basic education and experience requirements to issue an SAO under a prior version of the USQS, the actuary is not required to satisfy the basic education or experience requirements under any subsequent version of the USQS in that same area of practice, nor is the actuary required to maintain membership in the organization through which the actuary had satisfied the basic education requirement.”

Of course, to meet the Qualification Standards to issue Statements of Actuarial Opinion (SAOs) an actuary does need to continue to be a member of an actuarial organization that requires its members to follow the Code of Professional Conduct and the ASOPs (and satisfy continuing education requirements).

Non-U.S. Actuaries

Currently, to satisfy the Basic Education requirements of section 2.1(a) of the Qualification Standards, an actuary must *“be a Member of the Academy, a Fellow or Associate of the SOA or the CAS, a Fellow of the CCA, a Member or Fellow of ASPPA, or a fully qualified member of another IAA-member organization.”*

Revised Section 2.1(a) would require that an actuary achieve an Associate or Fellow designation from the Casualty Actuarial Society (CAS), or the Society of Actuaries (SOA), or earn the enrolled actuary (EA) designation, or be a current or former member of the American Academy of Actuaries (Academy).

The preamble to the ED indicates that this change is expected to primarily affect non-U.S. actuaries. The reason stated for requiring membership (however brief) in the Academy for an actuary credentialed under a non-U.S. organization is given as *“this requirement subjects the actuary to the Academy’s vetting process which, in part, assures that the actuary has met the U.S.-specific knowledge requirement and education requirements that the Academy has determined is similar to those met by actuaries with CAS, SOA, or EA designations” (underlining added).*

We note that the content of the exams taken by an actuary who has achieved an Associate designation in SOA or CAS is not particularly U.S.-specific. The current topics for an SOA associateship are as follows:

- VEE Mathematical Statistics
- VEE Economics
- VEE Accounting and Finance
- Exam P–Probability
- Exam FM–Financial Mathematics
- Exam IFM–Investment and Financial Markets
- Exam LTAM–Long-Term Actuarial Mathematics
- Exam STAM–Short-Term Actuarial Mathematics
- Exam SRM–Statistics for Risk Modeling
- Exam PA–Predictive Analytics
- Fundamentals of Actuarial Practice (FAP) e–Learning Course
- Associateship Professionalism Course (APC)

This syllabus provides no indication that an Associate of SOA has met any kind of U.S.-specific knowledge requirement. In addition we note that under the ED, knowledge of U.S. law and conditions is not part of the Basic Education requirement in 2.1(a). It is a separate prong – namely 2.1(c) - that requires “*U.S.-Specific Knowledge: Be knowledgeable, through education or documented professional development, of 1) the U.S. Law applicable to the Statement of Actuarial Opinion, and 2) U.S. actuarial practices and principles. “Law” is defined in the Code of Professional Conduct as statutes, regulations, judicial decisions, and other statements having legally binding authority.*”

Accordingly, we do not believe the Academy should vet the U.S.-specific knowledge of a non-U.S. actuary (i.e., confirm that they satisfy section 2.1(c)) in order to determine that they satisfy section 2.1(a), when no such vetting occurs for a U.S. actuary (e.g., an ASA) who has demonstrated through the associateship track a mastery of actuarial topics that are fairly universal and not U.S. specific.

If the concern is not about specific U.S. content, but simply about basic actuarial education (i.e., if the concern is that the Basic Education requirements of Section 2.1(a) may not be met for some “*fully qualified members of another IAA-member organization*” under the current Qualification Standards), we recommend that the Committee on Qualifications develop a list of credentials from non-US organizations that are deemed to satisfy the Basic Education requirement. We note that by far the most common situation where non-U.S. actuaries perform work to be used in the United States involves members of recognized and well-respected credentialing organizations in Canada, the UK, and elsewhere.

If the Academy will be vetting the basic education of any such non-U.S. actuaries, there should be a transparent and consistently applied description of the basic actuarial education that will be needed to satisfy the Basic Education requirement. An actuary who has that basic education can meet the Qualification Standards by meeting the other requirements. There should be no need for an actuary who has a credential from an organization that requires such a basic education to achieve the credential to join the Academy.

Many actuarial organizations require their members who prepare work that is to be used in other jurisdictions to comply with the operative standards in those jurisdictions. Under the proposed revisions to the Qualification Standards, a non-U.S. actuary could not comply without joining the Academy. This may result in international actuarial organizations rescinding the requirement that their members comply with the local U.S. Qualification Standards when performing work to be used in the U.S. We do not believe that removing such actuaries from the requirements of the ASOPs or the Code of Conduct with respect to work they perform that will be used in the U.S. will best serve the public interest and the needs of those who require these actuarial services.

Similarly, in order to satisfy the requirements for Subject Area Knowledge of Section 2.1(d), the non-U.S. actuary (e.g., a fellow of the CIA but without a U.S. credential) would still need to join the Academy. It is not clear in this case what the purpose of that requirement is. It does not seem practical for the Academy to confirm that the actuary received the education contemplated in 2.1(d)(1) or that they have the year of responsible actuarial experience under the supervision of an actuary who was qualified to issue the SAO under 2.1(d)(2). It is also not clear why a non-U.S. actuary should be subject to that vetting when a U.S. actuary does not have a similar

review performed by the Academy. If such a vetting process were to be applied by the Academy, the standards to apply should be clear and transparent.

We do not believe any requirement to become a member of the Academy should exist under 2.1(d).

Associates of SOA or CAS

The Subject Area Knowledge requirement in 2.1(d) can be easily satisfied by actuaries who achieve an FSA or FCAS designation. For a career Associate, qualification cannot occur without three years of responsible experience supervised by an actuary qualified to issue the SAO. However, if an actuary works for a small company with few actuaries, there may be Associates, but no Fellows, so there may not be actuaries who meet the Qualification Standards who can serve as the actuary who is qualified to supervise the more junior actuary under Sections 2.1(d)(2) or 2.1(d)(3).

This represents a substantial change from the current Qualification Standards. Under the current Qualification Standards, the supervising actuary must meet the Qualification Standards, which is entirely appropriate, but career ASA/ACAS are also able to meet the Qualification Standard (by, for example, achieving the highest designation from another IAA full member organization). We believe that the current rule should be maintained by retaining the ability of an actuary holding the highest designation from any IAA member organization to qualify.

Narrowing of Subject Area Knowledge Requirement

The ED would apply the rules of Section 2.1(d) to any particular subject within an area of actuarial practice (and not simply to “*Statements of Actuarial Opinion in an area covered by a specialty track offered by the Society of Actuaries, or in an area of practice covered by the exams of the Casualty Actuarial Society or the American Society of Pension Professionals and Actuaries*” as in the current Qualification Standards). Again, this makes it very difficult for career Associates in smaller organizations to satisfy 2.1(d), unless they join the Academy.

In addition, this increased specificity of the subject of the SAO exposes all actuaries to risk that they will be deemed not to have satisfied the Qualification Standards because the supervising actuary was deemed not able to issue an SAO in a “particular subject”, or the education they received may be judged not to have been sufficiently tailored to the “particular subject”, under a very narrow interpretation of the vague term “particular subject”. This concern is exacerbated by other concerns discussed under *Emerging Areas* below.

For a non-U.S. actuary, joining the Academy avoids or greatly reduces this issue. We believe the Academy should make clear how joining the Academy will ensure that the actuary has the knowledge and supervised experience needed to issue an SAO in a “particular subject.” Such vetting would necessarily seem to include vetting the qualifications of the supervisor. Even if the Academy were to lay out a transparent, administrable process to do so, once the actuary has joined the Academy there is no vetting of the actuary’s qualifications to issue an SAO in another area.

Emerging Areas

We believe that the ED is not sufficiently flexible with respect to actuaries moving into non-traditional or cutting-edge applications of actuarial expertise. Section 4.3 (*Emerging or Non-Traditional Areas of Actuarial Practice*) discusses such situations, but solely with respect to continuing education requirements (“*An actuary practicing in an emerging or non-traditional practice area can satisfy the continuing education requirements by maintaining knowledge of applicable standards of practice, actuarial concepts, and techniques relevant to the topic of the Statement of Actuarial Opinion.*”)

We believe that Section 2.1(d) is problematic for an actuary providing an actuarial analysis in an emerging area that may not have traditionally used actuarial expertise. Such an actuary cannot meet the requirements of section 2.1(d)(2) or 2.1(d)(3), because there won’t be actuaries already qualified to issue those SAOs in that “particular subject” who could supervise them. Section 2.1(d)(1) would then require “additional education relevant to the SAO”. In some cases such education would exist and be available, but for cutting edge applications or techniques that the actuary is pioneering in an emerging or nontraditional area of practice, there may not be education available that would be judged (typically in hindsight) “relevant to” a “particular subject.” The Qualification Standards should not be a barrier to the expansion of the application of actuarial expertise and techniques, nor should it expose such actuaries to potential discipline merely because education on that particular, specific subject matter is not available at the time the services are rendered. A simple disclosure by the actuary that this is an emerging, non-traditional area of practice without well-defined standards should be sufficient.

Thank you for this opportunity to comment.

On behalf of the Board of Directors of the CCA,



Maria M. Sarli, FCA, MAAA, FSA, EA
President