



August 20, 2021

To: The Board of Directors of the American Academy of Actuaries
The Committee on Qualifications of the American Academy of Actuaries

From: Phil Vigliaturo, ACAS
Chair of the Casualty Actuarial and Statistical (C) Task Force

SENT VIA EMAIL TO USQSComments@actuary.org

Re: Proposed revision of the Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States

To begin, the Casualty Actuarial and Statistical (C) Task Force (CASTF) would like to express its appreciation to the Academy for the thoughtful and reasonable ways in which the CASTF's comments on the First Exposure Draft were reflected in the Second Exposure Draft. The following observations arose out of further discussions among CASTF members subsequent to their review of the Second Exposure Draft.

1. Section 2.1(a): It appears that, with the revisions in the Second Exposure Draft, there is no longer a membership requirement to be part of a U.S. or IAA professional actuarial organization. One must complete basic education and obtain one of the designations identified in Section 2.1(a), but then it appears there are no longer membership requirements once one has done so. On the other hand, the CASTF recognizes that footnote 2 in Section 1 of the U.S. Qualification Standards states that "The word 'actuary' as used herein means an actuary who is a member of any actuarial organization that requires its members to meet the USQS when practicing in the United States." Therefore, the U.S. Qualification Standards are only binding upon members of actuarial organizations that require adherence to the U.S. Qualification Standards. This is, indeed, also the case today.

The CASTF considers it to be valuable for practicing actuaries in the U.S. to be members of an organization that agrees to require members to adhere to the Qualification Standards and be subject to professional counseling and discipline. It is hoped that insurers share this recognition of the value of actuarial designations and will not be disincentivized from supporting the membership dues for their employees who have become credentialed. Moreover, there are situations in which, to satisfy regulatory requirements, an actuary would need to be credentialed and remain a member of an actuarial organization. For example, the NAIC Annual Statement Instructions – Property/Casualty require an Appointed Actuary to have obtained and to maintain an Accepted Actuarial Designation, as defined therein. The CASTF brings this to the Academy's

attention to underscore the continued importance of actuarial designations in fulfilling regulatory purposes such as issuing a Statement of Actuarial Opinion in connection with the NAIC Property/Casualty Annual Statement. Outside of those purposes, utilizing credentialed actuaries to comply with other regulatory requirements, such as providing support on rate filings, is also desirable and tends to improve the quality of an insurer's work product. The CASTF would be interested in the Academy's perspective regarding what kinds of incentives would remain for individuals who are subject only to the General Qualification Standard to maintain their actuarial designations subsequent to the revisions in the Second Exposure Draft.

2. Section 2.1(d): The CASTF previously stated that "it was reasonable and appropriate for the Academy to have removed the specific listing of current SOA specialty tracks (or the lack of specialty tracks in the CAS or ASPPA), since the absence of such references would be compatible with potential future additions or revisions to specialty tracks by the relevant actuarial societies without necessitating a revision to the Qualification Standards at each future time that such changes occur." However, the CASTF would also like clarification from the Academy as to what requirements would apply, for example, to an actuary credentialed by the SOA who obtained his or her Fellowship in the SOA *before* the SOA established its General Insurance Track. Likewise, an analogous situation can be considered in an area such as life insurance, for which the CAS has not established any specialized education. Would a person who obtained his or her Fellowship in the CAS be eligible to practice in the life insurance area without passing any life-insurance-specific exams if all other requirements have been met?

It is stated that "if education relevant to the particular subject of the SAO was available when the actuary chose a specific area of practice and obtained their designation in that area of practice, the actuary must have completed such education." It would appear that this would mean that, if at the time the actuary chose a specific area of practice, only one actuarial society offered specialized education in that area of practice, then this actuary would need to either have obtained that specialized education from that actuarial society, or else to have qualified pursuant to Section 4. Changes in Practice and Application. If this is the case, then the CASTF would request confirmation that the Academy interprets the Second Exposure Draft of the U.S. Qualification Standards in the same manner.

3. Section 3.1.1.2: Previously, the CASTF commented on Section 3.1.1.2 that "The addition of 'the Society of Actuaries' as one of the providers for relevant examinations for the Statement of Actuarial Opinion with regard to the NAIC Property and Casualty Annual Statement is important to achieve consistency with the recent revisions to the NAIC Statement of Actuarial Opinion Instructions. The revision proposed here by the Academy is therefore necessary and appropriate."

However, the CASTF also considers it important to add a reference to the NAIC Statement of Actuarial Opinion (SAO) Instructions – Property/Casualty, since the revised Section 3.1.1.2 does not contain all of the NAIC requirements for signing an NAIC Property/Casualty Annual Statement SAO. The CASTF recognizes that there is a benefit to the Qualification Standards being more broadly worded than the NAIC Statement of Actuarial Opinion Instructions, since this would prevent a situation where the Qualification Standards would need to be amended every time the NAIC Statement of Actuarial Opinion Instructions would be amended. However,

a revision (shown in bold for this letter only) along the following lines would aid actuaries to understand there are additional qualification requirements placed upon Appointed Actuaries and also preserve the relevance of the Qualification Standards if the NAIC Statement of Actuarial Opinion Instructions are ever amended in the future:

“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. Moreover, an actuary should meet all of the requirements to be a Qualified Actuary as set forth in the NAIC Statement of Actuarial Opinion Instructions – Property/Casualty.”

4. UNDER THE REVIEW: Referring to 2.1 d) 2; 2.1 d) 3; 2.1.1 b); and 3.2, It would be helpful if the phrase “under the review” could be clarified.

5. Appendix 1, Section III: While the CASTF recognizes that the Academy is not proposing to make any changes to Appendix 1 Section III – Application of U.S. Qualification Standards to Public Service Actuaries – the CASTF wishes to state for the record that there remains significant disagreement with Appendix 1 Section III among regulatory actuaries, both in regard to the existence of such an appendix as well as some of the specific activities enumerated therein as being SAOs. It remains the view of many regulatory actuaries that their authority as regulators derives from State law and may not be restricted by the standards of a private organization that is predominantly comprised of practitioners within the regulated industry. While the CASTF is supportive of many of the revisions proposed by the Academy within the U.S. Qualification Standards, the CASTF wishes to make this comment on Appendix 1 Section III to avoid the impression that absence of comment regarding this matter might signify any manner of implicit agreement. Further, CASTF prefers for this section to be deleted. By singling out the group of public service actuaries for a special set of standards, the general public may get the perception that public service actuaries are held to a different set of standards than all other actuaries.

If you have any questions, please contact Kris DeFrain (kdefrain@naic.org) at the NAIC.

Cc: Kris DeFrain (NAIC)