Comment 30—8/20/2019—4:49 p.m.

From: Tomasz Serbinowski, FSA, MAAA

To: American Academy of Actuaries, Committee on Qualifications

Date: August 20, 2021

Re: Second Exposure Draft of the U.S. Qualification Standards

Thank you very much for the opportunity to comment on the draft changes to the U.S. Qualification Standards. The draft is an improvement over the existing Standards, but there are still areas that could benefit from the additional changes.

My comments are limited to the General Qualification Standard. These comments are my own and do not represent the views of my employer.

My comments can be grouped around six areas:

1. Definition of the responsible actuarial experience
2. Definition and examples of the actuarial opinion
3. Basic education and experience requirements for a "particular subject" of the SAO
4. Meaning of "under review" in the context of an actuary not yet qualified
5. Duty of qualification
6. Comparison to other professions

Quite a few of my comments are related to the scope and general applicability of the Standards. Therefore, not all of my comments reference specific sections of the draft.

Definition of responsible actuarial experience (Sections 2.1b and 2.1d)

For purposes of the USQS, a "Statement of Actuarial Opinion" (SAO) is an opinion expressed by an actuary in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.

Because prior to becoming qualified the actuary needs "three years of responsible actuarial experience" it would appear that during those three years the work performed by the actuary cannot be relied upon by anybody if it involves any actuarial considerations (if it doesn't contain any actuarial considerations it probably doesn't qualify as "responsible actuarial experience").

The term "responsible actuarial experience" is not defined within the Standards. It may be useful to define the term and provide guidance on what an actuary can do that would count as responsible actuarial experience but would not involve issuing any actuarial opinion (would not be relied on).

For example, would the calculation of statutory reserves (without certifying them) or projection of long-term care claims be considered a SAO?

Definition and examples of the actuarial opinion (Section 1, Introduction and Appendix 1, Part III)

Currently the Standard is quite vague on what constitutes a SAO. The definition appears to be purposefully very broad and does not explicitly allow for a qualified opinion – an opinion expressed by an actuary accompanied by a disclosure that the actuary is not qualified within the specific subject area.

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With regard to the actuaries holding positions that are non-actuarial in nature, the Standards provide that "if it is common for persons holding comparable position to issue such statements, whether or not they happen to be actuaries, this is evidence that the USQS are not intended to apply."

Does that "exclusion" apply to the situation when a question that may have some actuarial considerations is asked of a broad group of people, some or most of which are not actuaries? Would the actuary be required to refrain from expressing their opinion while accountants, lawyers, and/or economists provide their assessment?

The examples of actuarial opinions for public service actuaries list a number of items that may involve actuarial considerations but that are routinely performed by non-actuaries. A state may have no requirement that the rate filing be reviewed by an actuary, and many filings may be reviewed and approved by an analyst that is not an actuary. Suppose such an employee becomes sick and the department asks an actuary to step in and help with the review. Would the actuary be required to refuse the assignment simply because they do not meet the Qualification Standards for the specific area?

The examples of actuarial opinion for public service actuaries also include testimony at administrative hearings, judicial hearings, and legislative hearings. For one, the actuary may not be free to refuse to answer a legislator or administrative judge's question. Again, it would be helpful if the Standards allowed for a qualified opinion – an opinion accompanied by a disclosure that the actuary does not meet the Qualifications Standards for the particular subject area – and allow the judge or the legislature to weigh this in.

Basic education and experience requirements for a "particular subject area" of the SAO (Section 2.1d)

The requirement appears to create a barrier for changing particular subject area within the are of practice, and to pigeon-hole actuaries into roles based on their early carrier path. It also appears to provide incentive to do away with the Society of Actuaries tracks.

I'll address the second issue first. An actuary completing SOA general track or an actuary that is a member of CAS, fulfils basic education and experience requirements at once for all aspects of Casualty areas of practice. They can move freely from reserving to ratemaking, from commercial lines to personal lines, from direct business to reinsurance. At the same time, it would seem that an actuary that becomes an FSA and completes a specific SOA track, is limited to that track and may not be deemed to satisfy basic education and experience requirements for particular subject areas covered by other tracks.

This is compounded by the grandfather clause. The Standards provide that once an actuary has met the basic education and experience requirements of the USQS for a practice area under a prior version of the USQS, the actuary is not required to meet them again for the same practice area under the revised USQS. Does "once" mean once for each "practice area"? That is, an actuary that qualified for a particular practice area (life, health, pension, casualty) under the prior version of the USQS, meets the basic education and experience requirements for all "particular subject areas" of that practice area?

This would seem to put actuaries with more recent education at disadvantage compared to someone that might have attained qualifications years ago.

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Also, the Standards contemplate the actuary retaining enough information regarding the subject matter of all education available at the time they go through exams to ascertain 20 or 30 years down the road whether the education on the "particular subject area" was available at the time they took exams. Some actuaries go slowly through the exam process, and what's available might be changing. This particular commenter took the first exam in 1997 and the last one in 2007. The education process was significantly changed twice during that timeframe.

It might be best to revert to the prior version of the standard and set basic education and experience requirements at the practice area level.

Meaning of "under review" (Section 2.1d)

With respect to the experience requirements, the Standards make several references to the actuary having responsible actuarial experience "under the review of the actuary that was qualified" to issue the SAO. It is my understanding that there is no requirement for the actuary to be supervised in order for his work to be considered "under the review". However, it is difficult to imagine a seasoned actuary in an unsupervised position having every aspect of his work that is being relied on reviewed by a consultant.

This requirement possibly makes sense for the opinions subject to the Specific Qualification Standards. But even in that case the timeframe is questionable. If the actuary is in the position for a year, and the review concerns one opinion prepared in the last two months of the year, was the actuary under the review for one year or two months? Is there any standard for the amount of work, number of the opinions, etc.?

While it may be reasonable for the actuary to arrange for some of their work to be reviewed by a consultant, it is not practical to expect that all of their work would be reviewed. Again, it may help to clarify what type of work could be performed without being reviewed.

Duty of qualification

An actuary is only allowed to perform actuarial services if qualified. Does the standard cover all actuarial services, or only those that involve issuing an opinion? If it is the latter, what would be the examples of actuarial services that are not actuarial opinions?

In some areas, actuaries might be competing with non-actuaries like statisticians or data scientists. If a task does not require the person completing it to be a credentialed actuary, is the task an actuarial opinion simply by the virtue of involving some actuarial consideration and someone relying on it? If so, this can put actuaries at disadvantage. An actuary may need to be required to turn down an assignment for which they feel perfectly qualified while a non-actuary may be free to pursue it.

Comparison to other professions

It would be helpful to provide some background of how these Standards, especially with respect to changes in areas of practice (and changes in particular subject areas) compare with those applicable to other professions: doctors, lawyers, engineers, accountants.

What are the requirements for a criminal defense lawyer that decides to move to corporate or tax law?

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Are doctors and lawyers prohibited from voicing opinions on medical or legal matters outside of their specialty? Is an oral opinion expressed by a physician at a party a “medical opinion” subject to some standard just because it involved a medical matter?

And if the proposed Standards are significantly higher than standards applicable to other profession, is there a good rationale for that?

In conclusion, while the proposed changes are an improvement over the current Standards, it would be best to go back to pre-2008 Standards with their narrow application.

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