

To: Committee on Qualifications
From: John Blocher, FSA, MAAA
Date: August 13, 2021
Subject: *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS) exposure draft*

Thank you for the opportunity to comment upon the Second Exposure Draft of the USQS.

Recordkeeping Form

In Appendix 5 Sample Continuing Education Recordkeeping Form it may be better to incorporate Professionalism, Bias Topics and Business Skills using a “drop-down” box concept (instead of as separate Y/N columns), similar to how the “Specific Qualification Standard” column operates. Perhaps label it “Topic Category” with each of Professionalism, Bias and Business Skills as choices. These are not likely to overlap in any given continuing education session. This leaves room to easily add, subtract or edit a topic category over time.

Study Time Counting for Specific Qualification Standards

While it is clear studying for actuarial exams counts for general qualifications standards, it is not as clear whether or how it counts for specific qualifications standards. It may be better to indicate what proportion of an exam would count toward a specific qualification standard with that proportion of total study time to count toward a given specific qualification standard. A side benefit is introducing newer actuaries to the specific qualification standards earlier in their career and thus raise awareness. If a proportion of total study time is too much to count for a specific qualification standard, then consider using a proportion of exam time.

Consider Dropping Traditional and Non-Traditional Terminology

It may be better to use terminology of “current areas of practice” and “emerging areas of practice” rather than using the division of traditional and non-traditional. This can be seen most prominently in section 1.4 and section 4.3. The suggested language below seems more inclusive.

Section 1.4 suggested wording for the second and third sentences:

Areas of actuarial practice include casualty, health, life and pension. An actuary practicing in an area of practice, a particular subject within a current area of practice, or an emerging area of practice may be called upon to issue Statements of Actuarial Opinion and, in such circumstance, is required to comply with the USQS. Additional guidance concerning the application of the USQS to a particular subject within a current area of practice or an emerging area of practice appears in sections 2.1 (d) and 4.3.

Section 4.3 suggested wording for the section:

Emerging Areas of Practice – As actuaries become engaged in emerging fields, it is likely that their expertise will be recognized and that they will be called upon to issue Statements of Actuarial Opinion in those areas.

An actuary practicing in an emerging 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.

Section 4.2 for an Actuary Already Practicing Where a New Area of Practice is Designated

The last sentence currently reads:

If the area of practice of the new application is a new area of practice, the actuary must become qualified by meeting the basic education and experience requirement of the new area of practice as described in section 4.1.

This sentence is saying that an actuary working where an area of practice is later designated must retroactively meet the basic education and experience requirement. The actuary would likely easily meet any experience requirement; however, it may have been decades since the actuary was in the basic education process. This seems to limit flexibility in designating a new area of practice to be a very large and important area of practice, yet the entire burden ultimately is placed on the individual actuary to comply. This could lead to unintended consequences if the process is not managed precisely and perhaps with some significant forewarning that a new area of practice is nearing the point of being created.

Interpretation for Actuaries Working in Enterprise Risk Management (ERM)

As an actuary with many years of experience in the Life area of practice and some years of experience in ERM, I would draw attention to existing Section 2.1 d) Subject Area Knowledge, especially part (1):

Attain (i) fellowship in the CAS or SOA, or (ii) the highest possible actuarial designation of a non-U.S. actuarial organization and be a current or former member of the Academy. In addition, 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. If education relevant to the particular subject of the SAO was not available, then the actuary meets this basic education requirement with additional education relevant to the SAO; or

This language might be problematic for actuaries involved in ERM. Actuaries working in ERM tend to have arrived by two distinct paths: 1) After many years of experience in one or more areas of practice the actuary becomes involved in ERM (moved to ERM through another area of practice), 2) After focusing on ERM in the education process, perhaps also including the CERA credential, the actuary becomes involved in ERM (ERM stand-alone area of practice). I would like to ensure the standards will allow both paths to equally exist under any interpretation of this section. No matter how the actuary arrived at ERM, the contribution is valuable to insurance company capital adequacy under scenarios that have various levels of likelihood and severity.

A potential interpretation to avoid is that an actuary must have a CERA designation to declare ERM as an area of practice. The language could be interpreted in a way that now the CERA designation exists anyone declaring ERM as an area of practice must have the CERA designation. This was not likely the intent.

It was also not likely the intent that an actuary must have taken the longer version of an ERM exam instead of the shorter version to be able to declare ERM as an area of practice.

In a strict reading of the section, even something as small as an additional topic added to a syllabus, common through normal syllabus update processes, could trigger the actuary being required to complete additional education. This certainly was not the intent.

There may be other actuarial specialties that are not necessarily contemplated as an area of practice may have the same issue. In these other actuarial specialties, the “both path” approach may also occur on a smaller scale than for ERM.

This is not merely a theoretical issue. The 2021 American Academy of Actuaries Volunteer survey acknowledges distinct paths to ERM. ERM was listed three distinct ways:

- 1) An area of practice as “Risk Management & Financial Reporting” (one chosen)
- 2) An additional area of practice as “Risk Management & Financial Reporting” (one chosen if applicable)
- 3) A focus within an area of practice as “Enterprise Risk Management” (all that apply chosen)

For items 1) and 2) it additionally asks, “Please specify area of practice within Risk Management & Financial Reporting: Casualty, Life, Health, Pension, Other”.

There are several different ways an actuary working in Risk Management & Financial Reporting could appropriately answer the survey. This may just be one survey; however, it creates uncertainty about the status of Risk Management & Financial Reporting and brings uncertainty to what an actuary’s qualifications must be to call Risk Management & Financial Reporting their area of practice, additional area of practice or focus within an area of practice.

I would ask the Committee on Qualifications to consider rewording Section 2.1 d) Subject Area Knowledge, especially part (1).