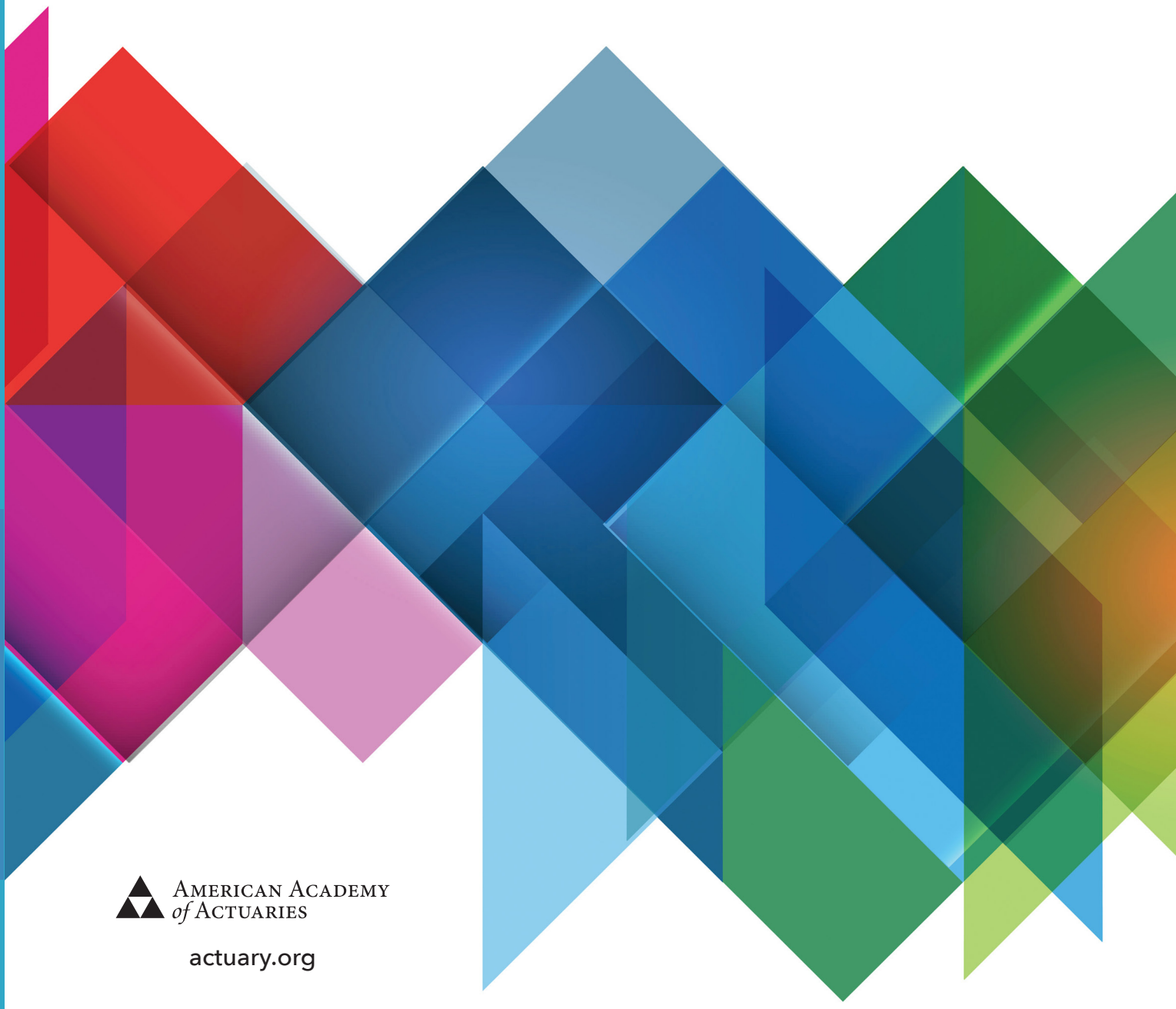
Considerations When Changing Practice and Subject Areas

A Professionalism Discussion Paper



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This paper was developed thanks to the work of the Academy's volunteers. To learn more about becoming a volunteer, please visit actuary.org/volunteer.



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Any references to current laws, regulations, or practice guidelines are correct as of the date of publication.

A Professionalism Discussion Paper

This professionalism discussion paper was developed by the Committee on Professional Responsibility (COPR) of the American Academy of Actuaries for discretionary use by actuaries. This paper was not promulgated by the Actuarial Standards Board (ASB) and is not binding upon any actuary. No affirmative obligations are intended to be imposed on any actuary by this paper, nor should such an obligation be inferred from any of the ideas expressed or suggestions made herein.

This discussion paper is intended to stand on its own and be freely interpreted. To the extent any conflict exists or could be implied between this paper and the Code of Professional Conduct, Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS), and the actuarial standards of practice (ASOPs) promulgated by the ASB, the professional standard prevails.

Actuaries, reflecting upon the professional standards that apply to them, are free to accept or reject any part or the whole of this discussion paper. While it is the Code, the USQS, and the ASOPs that govern the responsibilities of actuaries, the ideas and suggestions offered in this paper are intended to assist actuaries in applying professionalism requirements to their individual situations.

Readers are encouraged to share their comments on this paper with the Committee on Professional Responsibility. Comments can be submitted to professionalism@actuary.org.

Considerations When Changing Practice and Subject Areas

Introduction

The actuarial profession is a multifaceted field with diverse practices—from those that require traditional technical expertise in one or more practice areas (i.e., life, health, pensions, and property/casualty) to newer disciplines, such as investments and artificial intelligence, that may cross practice areas. Regardless of an actuary's specific role, professionalism remains a cornerstone of actuarial work, requiring compliance with the Code of Professional Conduct, actuarial standards of practice (ASOPs), and qualification standards. This helps to preserve the integrity of the actuarial profession, which is essential for serving the public. This paper discusses the challenges and key considerations for actuaries who change subjects within their current areas of practice or move to an entirely different practice area. For the purposes of this paper, the phrase "changing practice" means "changing practice area" or "changing subject areas within an area of practice."

It has become increasingly common for actuaries to change their practice in today's dynamic business environment. Evolving industry or company needs, technological advancements, changes in market demands, and shifting regulatory environments require actuaries to apply their expertise in ways that may lead them to change practice. Additionally, actuaries may be motivated to change practice to advance their careers or simply to try something new.

Precept 2 of the Code of Professional Conduct requires actuaries to perform actuarial services only when they are "qualified to do so on the basis of basic and continuing education and experience, and only when the Actuary satisfies the applicable qualification standards."

Code of Professional Conduct

Precept 1 requires actuarial work to be performed with skill and care.

Precept 2 requires the actuary to be familiar with and satisfy the qualification standards for the jurisdiction in which the work is being performed.

Precept 3 requires actuarial work to be performed in accordance with the applicable standards of practice for the relevant jurisdiction.

The Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards or USQS), issued by the American Academy of Actuaries, help to ensure that actuaries issuing statements of actuarial opinion (SAOs)[1] are qualified to do so and that actuarial services[2] are provided in a competent manner that upholds the reputation of the actuarial profession. The USQS apply to all members of the five U.S.-based actuarial organizations that have adopted the Code of Professional Conduct, with respect to any actuarial work that is intended to be relied upon in the U.S.

What Is Required When an Actuary Changes Practice Area or Subjects Within an Area of Practice

The four traditional actuarial areas of practice are defined in the USQS to be life, health, property/casualty, and pension (now often called "retirement"). The USQS acknowledge that actuaries may practice in areas other than the four traditional areas and in more than one practice area over the course of their careers.

According to the USQS, "If an actuary changes to an area of actuarial practice or particular subject within an area of actuarial practice […], an actuary must comply with the General Qualification Standard by meeting the basic education and experience requirement and obtaining continuing education that is relevant to Statements of Actuarial Opinion to be issued in the new area of actuarial practice or particular subject within an area of actuarial practice."

Regardless of whether an actuary is changing their practice area or subject within their current practice area, the actuary needs to be sure they are qualified to do so prior to beginning work. As a result, understanding the qualification standards is important, and thoroughly reviewing the education and experience requirements of the USQS is highly recommended. When actuaries are determining whether they are qualified to provide actuarial services and issue an SAO in a subject or practice area that is new to them, it is incumbent on the actuary to first consider what skills and education the SAO requires and then compare those requirements to their own education and experience. Any gaps that may exist between what is needed and what has already been acquired must be closed by the actuary with additional education or experience. Exercising sound professional judgment is vital.

1 For purposes of the USQS, a "Statement of Actuarial Opinion" (SAO) is an opinion expressed by an actuary who is subject to the *Code of Professional Conduct* by virtue of membership in a U.S.-based actuarial organization, where such opinion is expressed 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.

2 "Actuarial Services" are defined in the *Code of Professional Conduct* as "Professional services provided to a Principal [client or employer] by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations."

Certain sections of the USQS are particularly relevant to actuaries who are changing practice areas. In the USQS that took effect in 2022, Section 2.3.1 discusses skills that can be learned in more than one area of practice. Section 4.1 focuses on changes in practice area and affirms that actuaries who issue SAOs in a new practice area or a new subject within a practice area must satisfy the applicable basic education and experience requirements and obtain continuing education relevant to the new area of practice.

The Academy's Committee on Qualifications maintains Frequently Asked Questions (FAQs), which may also be a resource for those changing practice areas. One of the FAQs (currently FAQ 14) focuses on how the qualification requirements for basic education, experience, and continuing education relate to an actuary who is changing practice area. It states, in part, that an actuary is required to satisfy the basic education and experience requirements applicable to SAOs in the new practice area and obtain continuing education relevant to the new practice area.

Considerations When Issuing SAOs in a New Subject or Practice Area

Because the circumstances of what is new to an actuary when changing subjects or practice areas are often unique to each actuary, the actuary may find it helpful to consider the following questions when determining whether they are qualified to issue a particular SAO.

USQS General Qualification Standards

1. What is the subject of the SAO being issued?
2. What skills, experience, and education are required to issue the SAO?
3. Which skills gained in your prior actuarial work are relevant or transferable to the SAO in the new subject area?
4. To what extent is your prior education relevant to the SAO in the new subject area?
5. Do the scope and complexity of the SAO differ from actuarial opinions you have previously issued? How might those differences affect your professional judgment about your qualification to issue the SAO?
6. If gaps exist, can you reasonably address them through additional education, supervised experience, or other professional development prior to issuing the SAO?
7. Can you look in the mirror and be confident in stating you are qualified?
8. Would you be comfortable documenting and defending your qualifications to regulators, peers, or the actuarial profession?

9. Have you clearly set expectations with principals or management regarding the extent of your assignment and limitations, if any, on your qualifications?
10. Is the SAO one of the three NAIC opinions listed in Section 3, Specific Qualification Standards, of the USQS? If so, how can you demonstrate you have met the requirements?
11. How will you reassess your qualifications as responsibilities evolve or as new types of SAOs are introduced?

In considering these questions, the actuary remains guided by the Code of Professional Conduct, the U.S. Qualification Standards, and applicable actuarial standards of practice. Within that framework, the answers rely on the actuary's professional judgment.

Subject Area Knowledge

Section 2.1(d) of the USQS sets forth the requirements for subject area knowledge. Fellows of the SOA and CAS, or actuaries having attained the highest possible actuarial designation of a non-U.S. actuarial organization, need to either acquire the subject area knowledge through exams or other educational means or have at least one year of relevant supervised experience. Actuaries with a lower-level credential need to have three years of relevant supervised experience. Relevant supervised experience means work performed under the review of an actuary who was qualified to issue the SAO at the time the review took place under the USQS in effect at that time.

Obtaining Knowledge When Changing Subjects or Practice Areas

The considerations discussed within this paper have focused on assessing whether an actuary is qualified to perform a particular assignment. After making that assessment, the actuary may determine that expanding their knowledge is appropriate.

How does an actuary gain knowledge in a new subject or practice area so that they can perform the work with the skill and care required by Precept 1 of the Code? Many resources are available to actuaries who need education in practice areas that are new to them.

The five U.S.-based actuarial organizations are an excellent starting point:

- American Academy of Actuaries—The Academy offers in-person and virtual meetings covering multiple topics, as well as specialty seminars designed to meet certain qualification requirements. Examples include the Life and Health Qualifications Seminar and the jointly sponsored (with the CAS) Seminar on Effective P/C Loss Reserve Opinions. The Academy also produces webinars and other educational materials on practice area topics and professionalism.

- Casualty Actuarial Society (CAS) and Society of Actuaries (SOA)—Both organizations offer a variety of educational experiences throughout the year. These include in-person and virtual large, multi-topic meetings, and smaller in-person specialty topic meetings. Webinars and other educational materials are available throughout the year on more focused topics.

- Conference of Consulting Actuaries (CCA)—The CCA offers the Enrolled Actuaries Conference for pension actuaries, as well as other educational opportunities for consulting actuaries in pensions, health, and investments.

- American Society of Enrolled Actuaries (ASEA)—ASEA offers meetings and webinars on pension topics.

- Other organizations—Global actuarial organizations and organizations of related professions, such as the CFA Institute and Risk & Insurance Management Society (RIMS), may offer educational sessions relevant to actuaries.

Additional Examples of Educational Activities

- Exams—Exams in the new practice area are not required, but they are one way the actuary can demonstrate knowledge.

- Certificates—Courses are now offered by the SOA and the CAS in specialty areas and could be a good way to obtain and demonstrate knowledge. Currently available certificate programs are described on the SOA and CAS websites.

- Self-Study
  - Academy publications, such as practice notes, policy papers, professionalism discussion papers, newsletters, or *Contingencies* articles.
  - Actuarial exam study material. Curriculum sources used on SOA or CAS exams often give a good introduction to a practice area.
  - Research publications of actuarial (or related professional) organizations
  - Commercial publications from actuaries practicing in the specialty, often produced by consulting firms.

- Actuarial Standards of Practice—For most U.S. actuaries, the applicable standards of practice are the ASOPs issued by the Actuarial Standards Board. When beginning work in an unfamiliar area of practice, becoming familiar with the ASOPs applicable to the new area and thinking about how the universally applicable ASOPs[3] apply to the new practice area can help the actuary gain the knowledge needed. Actuaries are ultimately responsible for determining which ASOPs apply to their work.

Other Types of Support

Beyond established educational activities, an actuary could look to the following possibilities for support in a new area:

- Your staff, manager, peers, and predecessor in the job—While the actuary needs to avoid reliance on others as a substitute for developing personal expertise, those who are familiar with the actuary's new role can be helpful in providing an overview of the work, highlighting important areas of focus, and directing the actuary to relevant educational resources.

- Established peer review program—Many larger insurers and consulting firms have well-established peer review processes that should serve the actuary well. While the actuary should not issue an SAO until qualified in the new area, peer review of the actuary's work during the learning phase can not only identify errors in the actuary's work but can also serve as a sounding board for the actuary to raise questions as the work progresses. The Academy has published a relevant paper on this topic, *The Actuary's Toolbox: Peer Review—How Can It Help?*

- Committee on Qualifications—Questions about application of the U.S. Qualification Standards can be submitted through the Academy's website to the Committee on Qualifications.

- Actuarial Board for Counseling and Discipline (ABCD)—Actuaries can submit a request for guidance on their obligations under the Code, including on qualifications to issue an SAO, to the ABCD.

3 ASOP Nos. 1, *Introductory Actuarial Standard of Practice*, 23, *Data Quality*, and 41, *Actuarial Communications*, apply to every assignment. ASOP No. 56, *Modeling*, applies to most actuarial assignments.

Conclusion

An actuary needs to satisfy certain requirements in order to issue SAOs in a new subject or practice area, and this paper suggests resources that are available to support the actuary. Ultimately, it is most important that the actuary use their own professional judgment to determine whether they meet the USQS requirements and are qualified to issue the SAO. Following the Code of Professional Conduct and satisfying the USQS are essential to maintaining the professional standards of the profession.

Appendix: Professionalism Resources and Organizations

Resources

Code of Professional Conduct
Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States
U.S. Qualification Standards FAQs
Submit a Question to the Committee on Qualifications
Actuarial Standards of Practice
ABCD Request for Guidance
The Actuary's Toolbox: Peer Review—How Can It Help?
Application of Professional Standards in International Practice
Professionalism Considerations for Working in Developing Areas of Actuarial Practice

Organizations

American Academy of Actuaries
American Society of Enrolled Actuaries
Casualty Actuarial Society
Conference of Consulting Actuaries
Society of Actuaries

Recent Discussion Papers by the COPR

Navigating Ethical Dilemmas in Actuarial Practice
Actuarial Professionalism Considerations for Generative AI
The Roles of the Actuary in the Selection & Application of Actuarial Models
Explaining Professionalism to Principals
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