



SOCIETY OF ACTUARIES

September 27, 2013

By email to: Eking@naic.org

Julia Rathgeber, Chair
Life Actuarial Task Force

Jim L. Ridling, Chair
Health Actuarial Task Force

James J. Donelon, Chair
Casualty Actuarial and Statistical Task Force

475 N. Martingale Road
Suite 600
Schaumburg, IL 60173

847.706.3500 tel
847.706.3599 fax

www.soa.org

Comments on the Draft Discussion Paper of the Joint Qualified Actuary (A/B/C) Subgroup

Please accept these comments of the Society of Actuaries (SOA) regarding the Joint Qualified Actuary Subgroup (JQA Subgroup) draft discussion paper currently exposed for comment by the Life, Health and Casualty Actuarial and Statistical Task Forces of the National Association of Insurance Commissioners until September 27, 2013.

The SOA is an educational, research and professional organization of approximately 24,000 actuaries around the world, dedicated to serving its members, the profession and the public. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

These comments are organized in the format requested by the NAIC staff in their memo dated August 15, 2013. Please note however, that comments provided herein are limited to the definition of a "qualified actuary" (Item I of the memo). We do not intend to comment here on issues relating to Item II, regarding inappropriate or unprofessional actuarial work and believe that others will be addressing that topic.

Recommendation I.A (1) – Requiring membership in specified actuarial organizations

As regards the definition of a "qualified actuary" for purposes of signing prescribed NAIC Statements of Actuarial Opinion, we agree with the JQA Subgroup report that membership in a professional organization should continue to be required. However, we urge further clarification beyond this general statement. The SOA firmly believes that "membership in a specified actuarial organization" should specifically refer to membership in *any* of the three actuarial organizations... the American Academy of Actuaries (Academy), the Casualty Actuarial Society (CAS) or the SOA.

- Each of the three professional organizations plays an important role with regard to the qualification of actuaries for issuing statements of actuarial opinion. The CAS and the SOA are the primary avenues through which actuaries intending to practice in the United States are

educated and assessed in the principles and skills necessary for practice in one or more of the actuarial disciplines. The Academy, through its Practice Councils, provides a mechanism by which actuaries trained through other pathways, or actuaries originally educated and trained in a discipline other than the one in which they are subsequently intending to issue opinions, can have their qualifications verified.

- Members of all three organizations are equally bound to comply with the uniform *Code of Professional Conduct* adopted by all US-based actuarial organizations. Members of all three are equally required to satisfy the relevant qualification standards before undertaking to issue statements of actuarial opinions, and are equally required to follow the Actuarial Standards of Practice promulgated by the Academy for work performed in the United States. Members of all three organizations are subject to disciplinary action for violating these requirements, pursuant to a jointly-supported disciplinary process.
- As we have emphasized in our earlier comments to the JQA Subgroup, being a “qualified actuary” already requires (and should continue to require) more than mere membership in one of these organizations. Both the Academy and the SOA are “multi-disciplinary” associations, and it should go without saying that an actuary educated and trained primarily as a life actuary would not be deemed qualified to sign NAIC Annual Statements for property/casualty insurers. By the same token, not every member of the CAS is (or should be) deemed automatically qualified to sign the NAIC opinions for property/casualty; qualification depends not only on having completed the necessary *level* of exams and courses within the CAS’s educational pathway, but also on satisfying the experience and continuing education requirements set forth in the *US Qualification Standards*.

Therefore, we believe a “qualified actuary” should be defined as an actuary who has membership in *any* of the three specified actuarial organizations **AND** who otherwise satisfies the applicable Specific Qualification Standard set forth in the *US Qualification Standards*. Given such a framework and requirement for qualification, there is no need and no reason to adopt a definition that selectively names *which* of these three organizations an actuary must belong to for purposes of signing opinions in specific lines of business or areas of practice. Given the JQA Subgroup’s original charge to recommend a “uniform definition” of qualified actuary, consistent across business lines, we believe the approach we are recommending serves the NAIC’s objective.

In our opinion, it would be a mistake to enact a definition that fails to recognize, as an appointed actuary, any individual who has successfully completed relevant examinations administered by any of the Academy or the SOA or the CAS, to the extent those organizations offer the relevant examinations. As you know, the SOA recently began offering a fellowship program in general, or property-casualty insurance – a discipline that was previously served in the U.S. only by the CAS, but globally by other professional societies as well. Competition among these professional organizations is something new and will require broader regulatory recognition to account for this change in the educational marketplace. Therefore, we urge that any guidance provided by the NAIC on the subject of appointed actuary should not be unduly restrictive with regard to membership and should recognize all of the aforementioned organizations.

Recommendations IA (2 – 4)

We appreciate the perceived limitations of a self-certification process and are generally supportive of the value of more disclosure, including attestation of knowledge and skill of the actuary, as well as the appointed actuary’s assumption of responsibility of the work product, and improved

responsiveness. The appointed actuary should continue to be the named person on the statement, and we agree that references to “good standing” in an actuarial organization may be redundant in statutory statement instructions. Perhaps model language defining a “qualified actuary” can become more uniform across the business lines to indicate “good standing” is a foundational requirement.

Recommendation I.A (5 – 6) – Line of business distinctions and the Practice Council review process

As noted above, not every member of CAS is or should be deemed automatically qualified to sign Annual Statements for property/casualty insurers, because the definition of a “qualified actuary” in the statement instructions also requires that the actuary meets the Specific Qualification Standards for such statements, as set forth in the *US Qualification Standards*. Thus, an associate of the CAS who has not yet completed the CAS fellowship level courses/exams needed to cover topics required by the Specific Qualification Standards (or who has not yet met the necessary experience or continuing education requirements) *could not* self-certify to sign the P&C Annual Statements. A CAS member (at whichever level) who *has* met the requirements of the Specific Qualification Standards *could* self-certify. A similar, consistent approach to self-certification should apply across all lines of business.

We do not think it appropriate or necessary to involve the Academy Practice Councils in reviewing the qualifications of actuaries who have completed or are completing the relevant educational pathways for life, health or P&C lines of business. The Academy Practice Councils provide a valuable role in reviewing and verifying the qualifications of actuaries who had originally completed their education and training in another discipline and who now seek to issue statements of opinion for a new line of business or in a new area of practice, and we believe that process should be reserved primarily for that purpose.

We do not believe the definition of a “qualified actuary” – for any line of business – should allow a person to be deemed qualified by “otherwise demonstrat(ing) his or her actuarial competence to the satisfaction of the regulatory official of the domiciliary state.” This type of loophole in the definition would destroy any effort to establish a consistent, uniform expectation among the regulatory community and the public with respect to the signing actuary’s qualifications.

Thank you for your work on this important project and for affording us the opportunity to provide comment.

Respectfully,



Richard S. Veys
General Counsel