



Actuarial Qualifications in the United States

Actuaries' Club of the Southwest

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Presenter

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- **DISCLAIMER:** Please note that the statements expressed herein are solely those of the presenter and do not represent official statements (except where indicated) of the Academy or any of its boards, councils, or committees, including the COQ.





Code of Professional Conduct – Precept 2

Actuarial Qualifications Arise Under Precept 2

- Perform Actuarial Services only when qualified to do so on the basis of basic and continuing education and experience, and only in compliance with applicable qualification standards:
 - First part is the famous “look in the mirror test”
 - Second part is to follow the applicable published qualification standards, which in the United States are the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (known as the U.S. Qualification Standards or USQS).





Code of Professional Conduct – Precept 2

Actuarial Qualifications Arise Under Precept 2

- ❑ The absence of applicable qualification standards for a particular type of assignment or for the jurisdiction in which an actuary “renders Actuarial Services” does not relieve the actuary from performing such services only when qualified to do so (Annotation 2-2).
- ❑ This is also known as the “When in Rome” clause.
- ❑ Always remember that meeting the U.S. Qualification Standards is only part of the qualifications analysis.





U.S. Qualification Standards Apply to you

If you issue statements of actuarial opinions in the United States (thereby rendering actuarial services in the United States), AND you are credentialed by ANY of the five U.S.-based actuarial organizations, the U.S. Qualification Standards apply to you.



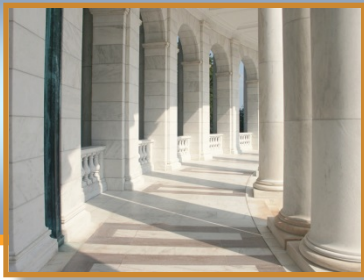


Committee on Qualifications

The Committee on Qualifications promulgates the U.S. Qualification Standards with the approval of the American Academy of Actuaries' board.

- ❑ The Academy's Committee on Qualifications is charged with considering issues with respect to the minimum qualifications necessary to perform actuarial work in the United States for all credentialed actuaries. It recommends minimum basic education, experience, and continuing education requirements, and counsels actuaries on questions relating to individual qualifications and the USQS.
- ❑ The COQ is comprised of seasoned actuaries representing each traditional area of practice, each of the U.S. based actuarial organizations, and government regulators.





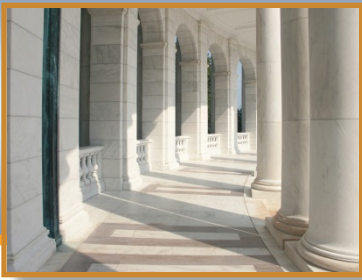
Committee on Qualifications

- The U.S. Qualification Standards apply to all credentialed actuaries **regardless** of whether or not they are members of the Academy.
- Since 2008 the Academy's Committee on Qualifications has answered hundreds of questions submitted by actuaries, including regulators, about the U.S. Qualification Standards as part of its continuing charge.
- The COQ is in the process of revising the FAQ page to include some of the more common questions that have arisen over the years.



Committee on Qualifications

Recent Activities



- Given that five years had passed since the 2008 revisions to the U.S. Qualification Standards, the COQ at the end of May this year solicited the profession and the public for comments on what changes they would recommend making to the U.S. Qualification Standards.
- This process was not an “opening” of the standards but rather a review to see if it is time to launch the process of opening up the standards.
- The COQ posed seven questions in particular.



Committee on Qualifications

Recent Activities



- The solicitation closed on July 31, 2013 and the COQ received 73 comments on the qualification standards of which about 48 were responsive to the seven specific questions posed by the COQ in connection with the solicitation (the rest were more general).
- Many general comments were also received opinions on the Society of Actuaries' request to the COQ that it modify Section 3.1.1.2 of the U.S. Qualification Standards to include the SOA as a provider of property and casualty exams to help qualify actuaries to sign the NAIC P & C Annual Statement actuarial opinion.
- The COQ is currently reviewing all of the comments received to determine whether or not it is time to recommend opening up the U.S. Qualification Standards and proposing changes to the standards.



Committee on Qualifications

Recent Activities



- On October 30, 2013 the COQ sent a letter to the SOA in response to its request notifying them of the following:

After careful consideration of the discussions going on amongst members of the National Association of Insurance Commissioners (NAIC), and further review of the USQS requirements, the COQ has decided to suspend consideration of the SOA request to include the SOA in Section 3.1.1.2 of the USQS as a provider of general insurance exams until there is further advancement by the NAIC on this matter. The current language contained in Section 3 of the USQS in connection with actuarial qualifications for NAIC property and casualty reserve opinions was derived from the NAIC instructions definition of “qualified actuary” for purposes of signing the NAIC Property and Casualty Annual Statement opinions. As such, it was the NAIC that limited actuarial signers of the NAIC property and casualty opinions to the members identified in that regulation, not the COQ.

- The COQ of course reserves its rights to review the SOA’s general insurance track at a later date or if any circumstances change that lead the COQ to conclude it should continue review of this matter.





Brief Refresher on the U.S. Qualification Standards





General Structure

The U.S. Qualification Standards are set out as follows:

- Introduction (including definitions)
- General Qualification Standard
 - Basic Education and Experience Requirements
 - Continuing Education Requirements
- Specific Qualification Standards (when necessary)
- Changes in Practice and Application (general and specific)
- Acknowledgement of Qualification (suggested language)
- Recordkeeping Requirements





Scope

- If you do not issue statements of actuarial opinions in the United States, then you are not required to comply with the U.S. Qualification Standards.
- Under Precept 2 of the Code of Professional Conduct you will still need to be mindful of whether you must meet another jurisdiction's qualification standards.



Statement of Actuarial Opinion



- “Statement of Actuarial Opinion” is defined in the U.S. Qualification Standards as “an opinion expressed by the 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.”
- Most tasks an actuary performs are considered an SAO, and it does not have to be written, it may be oral.




Basic Education and Experience Requirements



To satisfy the General Qualification Standard before issuing a Statement of Actuarial Opinion, an actuary must meet the following criteria:

- Be a Member of the Academy, a Fellow or Associate of the SOA or the CAS, a Fellow of the CCA, a Member or Fellow of ASPPA, or a fully qualified member of another IAA-member organization; and
- Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems; and
- Be knowledgeable, through examination or documented professional development, of the Law applicable to the statement of actuarial opinion. Law is defined in the Code of Professional Conduct.





Additional BEE to Issue SAOs in Specialty Track (i.e. changing practice)

The standards also require the actuary to satisfy one of the 3 requirements below to issue SAOs in a practice area covered by SOA, CAS, or ASPPA exams:

- highest possible actuarial designation and complete a specialty track in the area of actuarial practice relevant to the subject of the SAO; or
- highest possible actuarial designation and have a minimum of one year of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time; or
- have a minimum of three years of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time.





More on Basic Education and Experience

- Once an actuary is qualified to issue an SAO, the actuary's basic education and experience requirement is met “forever”; future changes to these requirements do not apply retroactively.
- Changing Areas of Practice
- Emerging Practices





Relevant Continuing Education

- Section 2.2.7 of the U.S. Qualification Standards defines continuing education as “**relevant**” if
 - (1) it broadens or deepens an actuary’s understanding of one or more aspects of the work an actuary does; or
 - (2) the material expands an actuary’s knowledge of practice in related disciplines that bear directly on an actuary’s work; or
 - (3) it facilitates an actuary’s entry into a new area of practice.





General CE Requirements

- **30 CE Hours** – Actuaries subject to the U.S. Qualification Standards must complete and document at least **30 hours** each calendar year of relevant CE.
- **Organized Activity Requirement** – At least six (6) CE hours must be from “Organized Activities.”
- **Professionalism Requirement** – At least three (3) CE hours must be on professionalism topics.
- **Cap on General Business Courses** - General business courses are limited to three (3) CE hours per year.





Specific Qualification Standards

Section 3

- Section 3 of the U.S. Qualification Standards are intended to be developed in relation to a specific actuarial opinion requirement that is embodied in a regulation or a standard and is of high visibility and fairly broad application within the profession.
- This is in addition to the Section 2 requirements.
- Currently Section 3 applies only to actuaries who issue SAOs for the following:
 - NAIC Life and A&H Annual Statement
 - NAIC Property and Casualty Annual Statement
 - NAIC Health Annual Statement





Specific Qualification Standards

Under Section 3 you must have earned:

- **15 Relevant CE Hours** – on topics directly relevant to the SAO being issued (see Section 3.1.1).
- **6 Organized Activity CE hours** –from “Organized Activities” on topics relevant to the SAO being issued (see Section 3.1.1).
- **Note these may be concurrent with the total 30 hours of CE hours required under Section 2 of the US Qualification Standards.**

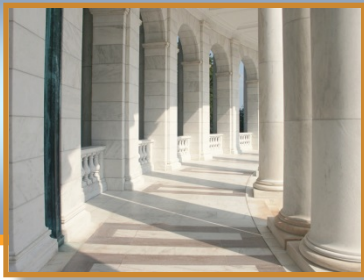




Acknowledgment of Qualification

- A statement of actuarial opinion should include an appropriate acknowledgement of qualifications.
- ASOP No. 41 defines actuarial communications and provides guidance when communications are required.
- In-house actuaries may wish to consider making a formal acknowledgment to their Principals on an annual basis.





NAIC Joint Qualified Actuary Discussion Draft and Academy Response





NAIC JQA Discussion Draft

- The NAIC Joint Qualified Actuary (A/B/C) Subgroup was charged to (a) recommend a uniform definition of “qualified actuary” and (b) recommend a definition of “inappropriate or unprofessional actuarial work”.
- Academy’s response to the Discussion Draft was submitted on September 27, 2013. A copy of this response, and other comments submitted to NAIC may be found here:
<http://www.actuary.org/content/professionalism>





Academy Response To NAIC JQA Discussion Draft

- The Academy supports the current NAIC definition of “qualified actuary” (with some suggested modifications) as being a member of the MAAA for many reasons; particularly because the Academy’s unique mission, which is to serve the U.S. public and the U.S. actuarial profession (not concerned with global credentialing), makes the MAAA the most appropriate reference in regulations.
- The Academy was and continues to be the most experienced actuarial organization in interfacing with legislators and dealing with federal and state laws and regulations since its inception. The Academy’s mission is also unique in that it focuses on professionalism and therefore houses the Committee on Qualifications, the Actuarial Standards Board and the Actuarial Board for Counseling and Discipline.





Academy Response To NAIC JQA Discussion Draft

- The Academy believes use of the ABCD to counsel and discipline actuaries on “inappropriate or unprofessional actuarial work” is the most efficient and cost effective manner to reach credentialed actuaries given the expertise that the ABCD brings in dealing with such matters while affording due process to actuaries and safeguarding the public.
- The ABCD has expressed great interest and desire to improve its transparency and further enhance its process on both counseling and discipline to address the concerns of regulators.
- The Academy’s professionalism council and committees have been meeting with regulators to understand their concerns and consider ways to improve actuarial professionalism.





Academy Response To NAIC JQA Discussion Draft

- The Academy did not point out all of the inaccurate statements made in the Discussion Draft in its response but certain of those particularities are as follows:
 - ABCD venue for discussions about AG 38
 - Repeal of ASOP No. 9
 - Health Practice Council Letter on Qualified Actuary
 - Life and Health Instructions and P&C actuaries

Again, the Academy is greatly interested in working to improve all of its professionalism vehicles for the betterment of the profession and most importantly the public which is the stated mission of the Academy.





■ QUESTIONS?

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