

THE SOA CPD REQUIREMENT:

MOVING FORWARD

BY EMILY KESSLER



IF YOU HAVE ANY QUESTIONS about the SOA's CPD requirements, you've turned to the right page. This article looks to dispel many of the CPD myths and get you moving toward compliance.

We're almost halfway through the first CPD cycle, so we thought it was time to check in and clear up some common questions and confusion about the SOA CPD Requirement.

This article will discuss some of the common misunderstandings that have occurred around the SOA CPD Standard. We've also brought back a few of the frequently asked questions from the exposure draft to remind us why the standard looks like it does. And, if you've ever wondered why the SOA CPD Standard (and the U.S. Qualification Standard and the CIA Qualification Standard) look the way they do, be sure to read the sidebar on page 26 that discusses the influence of the Morris Review.

First, some abbreviations that will be used throughout the article:

- U.S. Qualification Standard: Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (sometimes also called the Academy Qualification Standard).
- CIA Qualification Standard: Canadian Institute of Actuaries Qualification Standard—Continuing Professional Development.
- UKAP CPD Scheme: CPD Scheme of Faculty of Actuaries & Institute of Actuaries.
- IAAust CPD Standard: The Continuing Professional Development Standard of the Institute of Actuaries of Australia.



MYTH: ALTERNATIVE COMPLIANCE "DOESN'T COUNT"

The chart on page 23 shows how most SOA members will meet the SOA CPD Requirement. The chart shows that we expect most members will meet the SOA CPD Requirement by meeting one of the alternative compliance standards (found in Section C of the SOA CPD Requirement). Which brings us to the first misunderstanding.

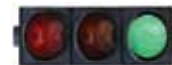
Misunderstanding No. 1: Meeting the CPD requirements of one of the alternative compliance standards is not compliance in full.

Meeting the provisions of an alternative compliance standard fulfills the SOA CPD Requirement. The only difference between the SOA CPD Requirement and some of the alternative compliance standards is that all SOA members must notify the SOA annually of compliance, no matter what path they use to compliance (Section B, the U.S. Qualification Standard, the CIA Qualification Standard, Categories 1 or 2 of the UKAP CPD Scheme, or the IAAust CPD Standard). It doesn't matter if another standard only requires six hours of structured credit (U.S. Qualification Standard) or has no requirement with regard to professionalism (IAAust CPD Standard).

We know that many SOA members already must meet another qualification standard. That is why the SOA CPD Requirement allows you

to meet the SOA CPD Requirement by meeting one of four international qualification standards (as applicable). The most important thing you can do is meet the applicable qualification standards in your jurisdiction—that's why alternative compliance exists. The chart on page 23 has been designed to show the importance of meeting the standards you may be required to meet to practice.

While Section B is always open to you—any member can use the provisions of Section B to meet the SOA CPD Requirement—it's not required that you ever meet the SOA CPD Requirement by fulfilling Section B. In fact, we know most members will never use those provisions, and that's fine; Section B exists for those members for whom an applicable alternative compliance standard does not exist.



ALTERNATIVE COMPLIANCE: THE U.S. QUALIFICATION STANDARD

Misunderstanding No. 2: I'm an SOA member, based in the United States, but not an Academy member. Therefore, I'm not subject to the Academy Qualification Standard.

As an SOA member, you are subject to the provisions of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States. While it is more commonly known as the Academy Qualification Standard (because it was issued, on behalf of the U.S.-based actuarial organizations, by the Academy's Committee on

Qualifications), we typically refer to this as the U.S. Qualification Standard to remind us that any actuary who is a member of a U.S.-based actuarial organization (including the SOA) who issues Statements of Actuarial Opinion (SAOs) in the United States is subject to that standard. If you are an SOA member, and you work in the United States as an actuary, you probably issue SAOs and therefore are subject to the U.S. Qualification Standard.

Misunderstanding No. 3: OK, so I am subject to the U.S. Qualification Standard

because I practice in the United States. But I know I don't issue SAOs, so I still can't use meeting the U.S. Qualification Standard to meet my SOA CPD Requirement.

If you're an SOA member and practice in the United States you are potentially subject to the U.S. Qualification Standard and you can use that to meet the SOA CPD Requirement. It doesn't matter (for purposes of the SOA CPD Requirement) if you issue no SAOs; you had a reasonable expectation of being an issuer simply by practicing in the United States.

Alternative compliance under the SOA CPD Requirement is a principle-based test. Even if your current employer doesn't have you issue SAOs, you could have a different job tomorrow which might require you to issue an SAO; hence you should be prepared.

What if you haven't met the Basic Education and Experience Requirement of the U.S. Qualification Standard yet but you're working on that right now (e.g., haven't met the experience requirement)? Given that you may be issuing SAOs in the future, and will

How Most* SOA Members will Meet the SOA CPD Requirement

Practicing in the United States?	Practicing in Canada?	Member of the Faculty or Institute of Actuaries (UK) or the Institute of Actuaries of Australia?	Retired?
If yes , then meet the U.S. (Academy) Qualification Standard .	If yes , then meet the CIA Qualification Standard .	If yes , then meet the Category 1 or 2 of UKAP CPD Scheme or the IAAust CPD Standard (respectively) .	If yes , then the membership directory will show your status as "Retired."
Annually notify the SOA you fulfilled the SOA CPD Requirement by meeting U.S. Qualification Standard, beginning Dec. 31, 2010.	Annually notify the SOA you fulfilled the SOA CPD Requirement by meeting CIA Qualification Standard, beginning Dec. 31, 2010.	Annually notify the SOA you fulfilled the SOA CPD Requirement by meeting the UK or Australian CPD requirements, beginning Dec. 31, 2010.	You may voluntarily comply, and attest compliance, with the SOA CPD Requirement if you wish, beginning Dec. 31, 2010.

If **none of the above** (e.g., practicing in Asia), then meet **the Basic Requirement Provisions of Section B**.
Annually notify the SOA you fulfilled the SOA CPD Requirement by meeting the Basic Requirement Provisions, beginning Dec. 31, 2010.

* All SOA members may use Section B to comply, and individuals may have more than one route available, based on their individual circumstances. Please see the SOA CPD Requirement document and the Frequently Asked Questions at www.soa.org for more information.

U.S. Qualification Standard

CONTINUING EDUCATION REQUIREMENTS TO ISSUE STATEMENTS OF ACTUARIAL OPINION (SAOS)

CATEGORY	REQUIREMENT (2.2.2)	ORGANIZED OR OTHER (2.2.7)
Relevant (2.2.7)	(balance of credits)	Either
Professionalism (2.2.7)	3 units minimum (no maximum) (2.2.2)	Either
Business courses (2.2.9)	3 units maximum (no minimum) (2.2.9)	Either
Total	30 units (2.2.2)	Six units minimum (no maximum) in organized activities (2.2.2)

Paragraph references are to the U.S. Qualification Standard (Jan. 1, 2008). This summary does not cover any reporting, recordkeeping or disclosure requirements.

Notes

- All actuaries issuing SAOs in the United States must meet the Requirement (Section 2).
- Requirements are annual and must be met in year X to issue SAOs in year X + 1 (there is a catch-up provision available). (2.2.2)
- Organized activities involve interaction with actuaries or other professionals from outside the organization (including in-house meetings with outside speakers). (2.2.7)
- Other activities include self-study activities and in-house meetings with only employee speakers. (2.2.7)
- Unit is 50 minutes in length. (2.2.9)
- Units not used in one year may be carried forward to the next. (2.2.9)
- There is a limited exemption for Enrolled Actuaries through 2010. (2.2.8)
- Actuaries issuing certain specific statements of actuarial opinion (described in section 3) must obtain at least 15 units relevant to the specific statement. (3.3)

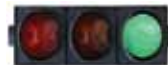
be issuing them as soon as you meet your experience requirement, it's still reasonable to use the U.S. Qualification Standard to meet the SOA CPD Requirement.

What isn't permitted is for someone who is practicing outside the United States who has no reasonable expectation of practicing in the United States in the future to use the U.S. Qualification Standard to meet his or her SOA CPD Requirement. This would be an actuary who has never lived in the United States, never practiced in the United States, works for a company with no U.S. offices, and/or who has no prospects in the immediate future to work in the United States.

Finally, if you are practicing in the United States, you may want to reread the definition of SAO. The definition is broadly written—it's more likely that you are issuing SAOs than not.

The chart above summarizes the provisions of the U.S. Qualification Standard. Please

consult the full standard available at <http://www.actuary.org/qualstandards/> for a complete understanding.



ALTERNATIVE COMPLIANCE: THE CIA QUALIFICATION STANDARD

Misunderstanding No. 4: I'm exempt from the CIA Qualification Standard. Does this mean I can meet my SOA CPD requirement using alternative compliance and earning no CPD credits?

No. You must completely fulfill the requirements of the alternative standard (in this case, the CIA Qualification Standard) to be eligible for alternative compliance. You must earn 100 hours over a two-year period, with at least 12 structured hours in technical skills, four hours in professionalism, and at least 24 hours in total must be structured credit.

Misunderstanding No. 5: I'm a CIA member who does not reside in Canada, does not work in Canada, and I am a full member of another International Actuarial Association full-member association that has its own CPD requirements. By meeting the provisions of that other member organization's CPD requirement, does that fulfill the SOA CPD Requirement?

No. Paragraph 3.3 in the CIA standard which allows you to meet another IAA standard is an exemption in the CIA standard. As noted above, you can't meet the SOA CPD Requirement by meeting an exemption in an alternative compliance standard. However, if the other IAA member organization is one of the U.S.-based organizations (so you're fulfilling the U.S. Qualification Standard), the Institute or Faculty of Actuaries in the United Kingdom (and you're meeting Category 1 or 2 of the UKAP CPD Scheme), or the Institute of Actuaries of Australia (and you're meeting the IAAust CPD Standard), then you can use that standard because it's one of the alternative compliance standards already listed in the SOA CPD Requirement.

The chart on page 25 summarizes the provisions of the CIA Qualification Standard. Again, we've not summarized the detail in the chart, so please consult the full standard which can be found on the CIA Web site at www.actuaries.ca.



OBTAINING STRUCTURED CPD (ORGANIZED ACTIVITIES)

One of the greatest misunderstandings is how to attain structured credit—using the term generically (or more precisely, credit that's not self-study—as in sitting at my desk and reading a report). It goes by slightly different names—structured credit in the SOA CPD Requirement (Section B) and the

CIA Qualification Standard

CATEGORY	REQUIREMENT	STRUCTURED OR UNSTRUCTURED (2.1)
Technical Skills	Minimum 12 hours (no maximum) (2.3.1)	Structured (2.3.1)
Professionalism	Minimum 4 hours (no maximum) (2.3.2)	Either (2.3.2)
Total	100 hours (2.3)	24 hours structured minimum (no maximum) (2.3)

Paragraph references are to Qualification Standard Requirements for Continuing Professional Development (June 11, 2008). This summary does not cover any reporting, recordkeeping or disclosure requirements.

Notes

- Requirement is every two calendar years.
- CPD activities must be relevant at the time they are completed and appropriate. (2.2)
- Structured activities are those planned in advance or with more than one point of view. (2.1)
- Business courses are permitted; there is no minimum or maximum for business courses.
- Examples of technical skills are found in Q&A 4. (Document 208025)
- CIA members are exempted if they do not perform services of an actuarial nature. (3.1.1)
- CIA members who do not reside or work in Canada and who are members of another full-member IAA association may elect to comply with that association's CPD standards. (3.3)

CIA Qualification Standard and organized activity credit under the U.S. Qualification Standard—but we'll try to clear up some misunderstanding for all three standards.

Misunderstanding No. 6: I must attend an SOA meeting, seminar or participate in an SOA webcast to earn structured credit to meet the SOA CPD Requirement. Closely related: I must attend a meeting, seminar or webcast of a U.S. actuarial organization (SOA, Academy, CCA, CAS, ASPPA) to earn organized activity credits under the U.S. Qualification Standard.

You are never required to attend a professional development event of the SOA or any other actuarial organization to earn structured CPD credit (organized activity credit). You can earn structured credit/organized activity credit from any source that you believe provides you with job relevant credit (known as relevant continuing education under the U.S. Qualification Standard or acceptable CPD activities under the CIA Qualification Standard).

Misunderstanding No. 7: My employer runs excellent in-house training sessions. Why is it that if my colleagues speak at an in-house training session, it is worth less credit than if these same colleagues speak at an external meeting?

The SOA CPD Requirement (Section B) includes a specific requirement for 7.5 units per cycle of non-employer sponsored credit. The U.S. Qualification Standard's definition of organized activities specifically excludes in-house training that does not include any outside speakers. Why?

First, your colleagues' wisdom is no less valuable at an in-house training session. The reason why these requirements occasionally ask

you to hear outside speakers is you need to understand how your colleague's wisdom compares to the rest of the profession.

The Morris Review (see sidebar on page 26) specifically noted that actuaries who only receive in-house education from their employer tended to become insular; they were in danger of not recognizing when their employer's practices began to deviate in potentially unhealthy ways from those of other actuaries. To have an open exchange of views—outside the forum of the employer—allows employees to understand where their employer's common practice may be ahead of or out of step with emerging practice. This can strengthen both the profession and the employer.

The value of hearing your colleagues speak at an outside professional development event is first, most outside panels are constructed such that they represent points of view from multiple firms (not just your employer), so you get to hear what other speakers think of your colleagues' presentation. Second, you

get to hear what the audience has to say in the question and answer period. Both of these provide valuable perspective that you cannot get at an in-house meeting.

Misunderstanding No. 8: Going to graduate school to get my MBA earns me (virtually) nothing under any CPD standard because it all counts as business skills credit.

Note: The CIA Qualification Standard does not distinguish between job-relevant and business and management skills; the SOA CPD Requirement and U.S. Qualification Standard do. This response will only consider the latter two standards.

Much of what you learn in an MBA program would be considered to be job relevant structured CPD credit under the SOA CPD Requirement. Similarly, it could be considered to be a relevant, organized activity under the U.S. Qualification Standard. Both the SOA CPD Requirement and U.S. Qualification Standard specifically allow

THE MORRIS REVIEW INFLUENCES CPD STANDARDS

If you read the article in the last issue of *The Actuary* about the U.K. Actuarial Profession (“A New Era in Regulation for the UK Actuarial Profession,” Aug./Sept. 2009) you saw a quick reference to the Morris Review of the (U.K.) Actuarial Profession in the first sentence. While that report is now four years old, its impact on the profession—in the United Kingdom and beyond—has been tremendous. One key impact was on the CPD standards you are subject to today.

The Morris Review was undertaken by Sir Derek Morris on behalf of Her Majesty’s Treasury. The review of the actuarial profession in the United Kingdom was undertaken in response to concerns about the profession raised in a report by Lord Penrose, initiated after the failure of Equitable Life. The 160-page Morris Review focused on the degree of competition and choice for users of actuarial services, the regulation of the profession, and the role of the Government Actuary’s Department in the United Kingdom. The report came out with recommendations for significant changes in eight areas, including regulation (covered in last month’s article), education and continuing professional development.

The impact of the Morris Review on the U.S. and Canadian actuarial profession cannot be underestimated. In the United States, the Critical Review of the U.S. Actuarial Profession (CRUSAP) report considered the findings of the Morris Review in light of the U.S. actuarial profession and made many recommendations for self-regulation so that we might not see the regulation (or same degree of regulation) the UK Actuarial Profession has now found itself subject to as a result of the Morris Review. One key recommendation of CRUSAP was that all U.S.-based actuarial organizations should have a CPD requirement for their members (as a membership requirement, not just a qualification standard).

The Boards of the issuing organizations and the volunteers who wrote these CPD requirements and qualification standards looked carefully at the Morris Review’s criticism of the CPD structure in the United Kingdom. In both basic and continuing education, the Morris Review felt employers had too much influence (the review also sharply criticized the self-study education system, and its preference by employers). Paragraph 4.47 from the Review, quoted below, provides a summary of the Review’s concerns regarding an appropriate CPD requirement (referred to as the CPD scheme):

4.47 [The Review] questioned whether the Profession’s current governance arrangements in relation to CPD were best suited to ensure that, in the future:

- the objective of the CPD scheme, and how it relates to professionalism and work-based skills, is properly understood across the profession and outside of it;
- the content of the CPD programme is updated and reviewed at appropriate intervals, with sufficient input from relevant technical experts, including from the regulators;
- in particular, the technical competence of actuaries in statutory roles is always kept up-to-date, and awareness of broader trends and/or new thinking ensured;
- the right balance between formal and informal CPD requirements is achieved;
- the level of CPD required stands in comparison with that of other relevant professions;
- the needs of actuaries working in non-traditional areas are adequately catered for; and
- need to accommodate the in-house provision of CPD and the danger of over-reliance on employers.

Many pieces of the qualification standards and the SOA CPD Requirement come directly from concerns raised by the Morris Review:

- specific requirements for professionalism education (the Review also criticized the professionalism and self-regulation of the profession);
- a balance of self-study and structured (or organized) activities;
- an assurance that some organized activities were coming from a source other than the employer;
- flexibility in determining content to allow actuaries working in non-traditional areas of practice to use professional development content to meet their needs.

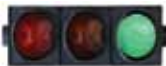
In addition, the SOA has developed a Competency Framework, to help ensure that the SOA’s professional development offerings cover the range of skills deemed necessary (and include content from outside the profession).

The Morris Review continues to shape the profession today. We are truly thankful to Sir Derek Morris and his panel’s insights on the U.K. profession. They helped us to shed a light on our own profession and hopefully make it stronger for years to come.

To find out more about the Morris Review go to http://www.hm-treasury.gov.uk/morris_review_actuarial_profession.htm. **A**

for “material [that] expands an actuary’s knowledge of practice in related disciplines that bear directly on an actuary’s work.” That would define much of an MBA program (finance, accounting, marketing, economics, capital markets, organizational behavior). You probably even have some ethics and other courses that qualify as professionalism credit.

What is specifically targeted in the limits on general business skills (U.S. Qualification Standard) or business and management skills (SOA CPD Requirement) are more basic topics—business writing, public speaking, meeting facilitation, recruiting, training and people management. Yes, some of these subjects will be covered in your MBA course, but it’s likely not the bulk of what you’re learning.



WHY DIDN'T YOU JUST ...

Misunderstanding No. 9: Why did the SOA have to make everything so complicated instead of just adopting the U.S. Qualification Standard?

The U.S. Qualification Standard applies only to SOA members issuing SAOs in the United States. Approximately 30 percent of SOA members practice outside of the United States—in Canada, but also in other countries. As a bi-national (U.S. and Canadian) organization, treating both the U.S. Qualification Standard and the CIA Qualification Standard as viable and equal alternative methods of compliance treats each standard, and the membership in both countries, equally and equitably.


There were also practical reasons why the provisions of the U.S. Qualification Standard did not work well for our non-North American membership. Structured CPD credit (organized activity credit in the U.S. Qualification



Standard) can be very difficult (and costly) to obtain; with our own requirement, we could modify the definition of structured credit to allow listening to audio, viewing video or reading transcripts of events as structured CPD credit specifically to meet the needs of our international membership. Also, the strict requirement of 30 units per year, every year, was not appropriate in developing markets where members may have an easier time obtaining CPD credit in one year but not another. A floating 60 units every two year requirement gives these members more flexibility in obtaining credit.

Misunderstanding No. 10: Isn't the SOA's requirement redundant? Don't other organizations, such as the Canadian Institute of Actuaries and the American Academy of Actuaries, achieve the same purpose?

No. Many of our members practice in countries without qualification standards, and these qualification standards don't always apply to all actuaries (e.g., some standards have exemptions for actuaries in nontraditional roles). The SOA credentials have market value that the Board believes is best preserved by ensuring all SOA members regularly meet CPD standards.

For more information and to read more FAQs visit www.soa.org/cpdrequirement. Comments and questions on CPD can be sent to cpdquestions@soa.org. 

Emily Kessler, FSA, EA, MAAA, FCA, is senior fellow, Intellectual Capital, at the Society of Actuaries. She can be contacted at ekessler@soa.org.