



SOCIETY OF ACTUARIES

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# Can You Sign an Actuarial Opinion?

by Donna R. Claire

*Editor's Note: The section's Statutory Issues List Serve would be an appropriate forum for discussing concepts in this article.*



## BACKGROUND

When the Society of Actuaries changed the syllabus in 2000, students were no longer tested on nation-specific topics. In order to sign a Prescribed Statement of Actuarial Opinion (PSAO) in the United States, there is a requirement that an actuary be tested on, at a minimum, applicable economic, regulatory and legal environments. The American Academy of Actuaries determined that students who took exams under the 2000 syllabus do not meet the minimum standards for signing actuarial opinions, such as those required for the Statutory Annual Statement. The American Academy of Actuaries solved this problem by designing and offering a seminar that covers the information described above. The Canadians faced the

same issue and solved it similarly, with seminars sponsored by the Canadian Institute of Actuaries.

## THE SEMINAR

The Academy's seminar is intensive. The course itself is three days long, followed by a three-hour, open-book exam on the fourth day. About 1700 pages of information, similar to an actuarial exam, are studied prior to attending the seminar. The syllabus can be used to build a reference library for valuation actuaries. This seminar has been offered once a year for the past three years. This year's seminar will be November 11-14, 2003 in Washington, D.C.

The course is designed to cover all of the topics a qualified actuary should know before signing annual statement blanks. On the life side, these include topics such as valuation of liabilities and assets, relationship between cash flows from assets and related liabilities, dividends, reinsurance, policy forms and coverages, statutory insurance accounting and nonforfeiture. On the health side, topics covered include principles of insurance and underwriting, social insurance, premiums, loss expense and contingency reserves, statutory insurance accounting and expense analysis.

The seminar is a mix of lectures, with many opportunities for interaction between the teachers and students, and case studies. Although the purpose of the seminar is to fill a void in the SOA syllabus, the Academy seminar is also useful for those moving into valuation from another area and for those who want to refresh their knowledge of the subjects. Those attending all of the sessions may record 18 hours of professional development credit. The diverse mix of actuaries new to the subject and seasoned professionals in certain aspects of valuation has resulted in lively question-and-answer sessions. Some people who take the course as a refresher have even decided to take the exam.



## THE INSTRUCTORS

From the start, the Academy designed the exam to be oriented toward practitioners. It is important that the attendees hear what the regulators want from those who would know—the regulators themselves. For the 2003 seminar, regulatory actuaries Bob Conover (Calif.) and Kerry Krantz (Fla.) are part of the scheduled faculty.

It is also important that people involved in actually doing the work (both company employees and consultants) let the attendees hear about the practical issues involved in statutory valuation (e.g., details one needs to get regarding certain policies; how one tests for XXX reserves; what CARVM means for a variable annuity with GMDBs; how to develop LTC reserves; how to prepare an actuarial memorandum.) Instructors scheduled for 2003 seminar include Bob Likins, Esther Milnes, Bill Cutlip, Alan Ford, Bob Cummings, Darrell Knapp and me (Donna Claire).

Sometimes developing opinions can get into

gray areas, so it is useful to get a reality check from a lawyer (i.e., actuaries do have standards that must be followed; otherwise one may not have a career.) The Academy's legal staff is therefore part of the faculty at the seminar (Lauren Bloom and Kit Pardee).

## REACTIONS TO THE SEMINAR

The seminars are relatively small, with a cap of 50 students in each seminar. The reactions have been very positive, from both the newer ASAs/FSAs and the more seasoned professionals. The reactions have also been quite positive from the faculty. I have been involved in this seminar from the beginning, and it is my favorite. Each year, I learn new things—how to perform certain aspects of the asset adequacy testing or developing active life claim reserves in a better way.

If you want more information about the seminar, please check for the qualifications seminar on the Academy Web site, [www.actuary.org/seminar/index.htm](http://www.actuary.org/seminar/index.htm). ☒



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