

February 12, 2018

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Subject: Society of Actuaries' Comments regarding NAIC Qualified Actuary Draft Definition

The Society of Actuaries (SOA) appreciates the NAIC's time and effort devoted to developing an evidence-based P/C Annual Statement Qualified Actuary Definition (definition) via the Job Analysis Project, and the opportunity to comment on the resulting draft definition. To follow, please find the SOA's comments.

- 1) The SOA recommends that the NAIC formally ask the American Academy of Actuaries (Academy) to revise the U.S. Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion (Section 3.1.1.2) to correspond with the new definition, and that this revision be completed within a specific timeframe *before or simultaneous with* the final adoption of the revised definition by the NAIC.**

The current U.S. Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion (Section 3.1.1.2) promulgated by the Academy's Committee on Qualifications was derived to reflect the NAIC definition of a Qualified Actuary for purposes of signing the NAIC Property and Casualty Annual Statement.* The draft definition makes several changes to the current definition, including the removal of specific named education programs. There will be a disconnect if the qualification standards are not revised before or simultaneously with the revised definition's effective date.

- 2) The SOA recommends that language be inserted into the definition recognizing education providers approved by the NAIC.**

The current draft definition does not include any language noting that the NAIC is the designated authority to approve an education program. Inclusion of this language will provide clarification and alleviate any confusion and/or question in this regard. The SOA suggests the following subparagraph be added (perhaps following 1A(ii) or as a sub-subparagraph to 1(i)):

(xx) Has obtained the basic and specific education requirements in the U.S. Qualification Standards by completing the relevant exams from an education provider approved by the NAIC.

* American Academy of Actuaries November 1, 2013 comment letter to the NAIC incorporating an October 30, 2013 letter from the American Academy of Actuaries' Committee on Qualifications to the Society of Actuaries, which states, "The current language contained in Section 3 of the USQS in connection with actuarial qualifications for the 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."

- 3) **The SOA recommends that language be inserted into the definition recognizing the Appointed Actuary mandatory attestation currently under development by the NAIC.**

The draft definition does not provide any mechanism to ensure that an Appointed Actuary continues to retain the necessary qualifications; however, of note is a tie-in with CASTF's 2018 charge to: "Develop an attestation an actuary must complete and sign annually to verify the actuary is qualified to sign a statutory P/C Statement of Actuarial Opinion." This mandated attestation will provide assurance to regulators that an Appointed Actuary has continued to satisfactorily meet the required qualification standards. Not referencing the mandated attestation in the revised definition of Qualified Actuary would leave the definition lacking a mechanism for continued compliance.

- 4) **The SOA recommends that it be made clear in 1A(i) that *basic* education is relative to the education in the General Qualification Standards, separate from the knowledge and task requirements in the Appendix.**

1A(i) refers to "basic education, experience and continuing education of the Specific Qualification Standard ..." Those standards use *basic* in two ways. One is the foundational education required to perform general actuarial work, and the other is the specific education needed to sign statements of actuarial opinion. The SOA believes this part of the definition should refer exclusively to the foundational education. Specific education is adequately covered in 1A(ii). Making the suggested change retains the necessity for having requisite experience and continuing education. The SOA recommends the following revision for 1A(i) in the draft definition:

(i) meets the basic education requirement of the General Qualification Standard and the experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, ...

- 5) **The SOA recommends that 1A(ii) be revised to clarify that it is referring solely to the tasks and knowledges specified in the Appendix.**

The language in 1A(ii) of the draft definition is confusing as it references the basic education requirement, already noted as a requirement in 1(a), in conjunction with the tasks and knowledges required for an Appointed Actuary as provided in the Appendix. The SOA suggests the following revision for 1A(ii) in the definition:

(ii) can perform the tasks and, ~~through basic education,~~ has obtained the knowledges identified in the "NAIC 2017 U.S. P/C Appointed Actuary Job Analysis" (see Appendix) appropriate for the company's lines of business and business activities; and

- 6) **The SOA notes that certain tasks and knowledges in the draft definition's Appendix are appropriately obtainable through an approved NAIC education provider's formal P/C education credentialing program, while other specific tasks and knowledges should appropriately be obtained through experience and/or continuing education.**



The definition's Appendix is a comprehensive list of tasks and knowledges identified per the Job Analysis Project for an Appointed Actuary. The SOA understands from the NAIC that the tasks and knowledges list will be utilized for mapping purposes when analyzing whether an education program should be approved by the NAIC and that the NAIC is accepting feedback in that regard per the exposed definition comment period. There is no question that the vast majority of the tasks and knowledges in the Appendix should be included in a formal credentialing program; however, there are certain tasks and knowledges that fall outside of a formal credentialing program as they are not broad enough to be included in basic education. Accordingly, the SOA recommends that the knowledges and tasks listed in the Attachment to this letter be removed from the definition's Appendix for purposes of evaluating education programs, as they are best learned through continuing education and experience.

In conclusion, thank you for your consideration of the SOA's comments regarding the Qualified Actuary definition. We are happy to answer any questions and/or provide clarification on the points made in our letter. Again, we very much appreciate the NAIC's extensive work developing a definition that accurately reflects the rigorous professional requirements to be deemed an actuary qualified to sign a Statement of Actuarial Opinion.

Regards,

A handwritten signature in black ink that reads "Ann Weber".

Ann Weber
Director Government Affairs
Society of Actuaries

ATTACHMENT
SOA FEBRUARY 12, 2018
NAIC COMMENT LETTER

The following knowledges can be considered narrow in scope and best learned outside of basic education (i.e., through continuing education and experience):

- A.7. State specific laws, regulations, regulatory authority and rules regarding the preparation of annual statements
 - Basic education is best used to gain knowledge of concepts and NAIC model laws. Individual state regulation is highly specific knowledge.
- B.1. Policy forms including exposures, limits, coverage triggers, policy terms and conditions, endorsements and exclusions, attachment points, and reinsurance reinstatement provisions
 - While it is important to understand the concepts here, it should not be required to have detailed knowledge of all possible policy forms.
- B.7. Rating plans
 - While it is important to understand the concepts here, it should not be required to have detailed knowledge of specific rating plans.
- B.8. Risks specific to the business
 - While it is important to understand some of the risks for many types of business, it should not be required to have detailed knowledge of all types of risks for all types of business.
- B.9. Claims experience changes when considering organizational, operational and marketing differences
 - This knowledge is very broad. Knowledge of some of the concepts could be gained through basic education.
- D.18. Composition and applicability of industry benchmarks for reserve analysis
 - While it is important to understand the concepts here, it should not be required to have detailed knowledge of specific industry benchmarks.
- D.20. Computation methods for other premium reserves required in the opinion
 - Methods for death, disability and retirement, extended reporting endorsements, and long duration contracts are highly specific and is best learned only if it is required for one's analysis.
- D.24. Three tests required by Statement of Statutory Accounting Principles (SSAP) 65-- Property and Casualty Contracts to test unearned premium reserves on long duration contracts
 - Methods for long duration contracts are highly specific and is best learned only if it is required for one's analysis.

- D.27. Methodologies and considerations for unique lines of business or claim types
 - While it is important to understand some of the methodologies and considerations for unique lines of business or claim types, it is impossible for basic education to cover all unique lines or claim types.
- E.5. NAIC Risk-Based Capital (RBC) and relevant state laws
 - Knowledge of NAIC RBC should be included in basic education. However, knowledge of relevant state laws is too specific to be included in a broad basic education system.
- E.19. State law and/or state filing requirements for the Actuarial Opinion Summary (to determine if required)
 - While it is important to understand that not all states require an AOS, it is not the purpose of basic education to cover the specific requirements of all states.
- E.26. Other items that might be within the scope of the opinion (e.g., unearned premium reserve on long duration contracts, Death, Disability and Retirement (DD&R) reserves, retroactive reinsurance liabilities and deposit contract liabilities)
 - Knowledge of DD&R reserves is highly specific and best gained only if it is required for one's analysis.