

MEMORANDUM

TO: Bob Beuerlein, President, American Academy of Actuaries
(Sent via e-mail to Mary Downs, Executive Director, downs@actuary.org)

Nancy A. Braithwaite, President, Casualty Actuarial Society
(Sent via e-mail to Cynthia R. Ziegler, Executive Director, cziegler@casact.org)

Jeremy J. Brown, President, Society of Actuaries
(Sent via e-mail to Greg Heidrich, Executive Director, gheidrich@soa.org)

FROM: Commissioner Ted Nickel, NAIC President and Chair of the NAIC Executive (EX) Committee

DATE: July 13, 2017

RE: NAIC Study of Actuarial Credentials and Qualifications

In 2016 the NAIC retained a consultant to assess whether Property/Casualty (P&C) actuaries who obtained Casualty Actuarial Society (CAS) and/or the Society of Actuaries (SOA) credentials should be considered “Qualified Actuaries” and therefore able to sign NAIC P&C Statements of Actuarial Opinion. We are writing to your organizations to share key report findings and to inform you of the NAIC’s next steps.

CONSULTANT’S REPORT

The NAIC’s consultant, Workcred (here and after referred to as “the NAIC’s Consultant”), is an affiliate of the American National Standards Institute (ANSI) and worked in cooperation with Assessment, Education, and Research Experts (AERE), LLC. The NAIC’s Consultant conducted its study in two phases. The first phase was a review of the credentials across the test development lifecycle against various credentialing and testing standards and the contribution of pre-requisites to qualify an actuary. The second phase involved a focus group of U.S. P&C qualified actuaries, an actuarial educator, and regulatory actuaries to evaluate whether CAS and SOA credential holders meet the qualifications of a “Qualified Actuary” as defined in the NAIC Property/Casualty (P&C) Annual Statement Instructions and in the *Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards)*.

Upon completing its work in June 2017, the NAIC’s Consultant concluded that CAS credentials “have a sole focus on P&C content, and therefore more comprehensively cover more content than the SOA’s General Insurance Fellow (GI) credential. Accordingly, it appeared that ...[a] CAS Fellow of the Casualty Actuarial Society (FCAS) credential holder...[is] more qualified in writing an actuarial opinion than an SOA GI credential holder.”

In the first phase of its study, the NAIC’s Consultant evaluated numerous CAS and SOA processes and examination content to determine whether they met national certification standards (e.g. ISO/IEC 17024¹). The conclusion of the NAIC’s Consultant is there is room for improvement for both the CAS and SOA. The NAIC’s Consultant has suggested changes that are being offered in separate letters to each organization due to the confidential nature of the subject matter. Included in the separate letters is one non-confidential suggestion to create a formal recertification process, which the NAIC believes should be required.

The following chart shows the NAIC’s Consultant’s conclusions regarding whether each credential signifies the actuary has met minimum educational requirements to be considered a “Qualified Actuary” in order to write a P&C statutory Statement of Actuarial Opinion.

¹ International Organization for Standardization (ISO) / International Electrotechnical Commission (IEC)

Do Actuarial Credentials Meet Minimum Educational Standards for P&C “Qualified Actuaries?”

CAS FCAS – Yes

CAS ACAS – Yes, but there is question whether CAS Exam 7 should also be required because of some reserve topics on Exam 7.

SOA FSA (GI Track) – No, the study concludes there is a lack of necessary breadth and depth. However, the study notes that the three years’ experience requirement might be able to compensate sufficiently.

SOA FSA (Non-GI Track) – No

SOA ASA (Any Track) – No

The NAIC’s Consultant also offered suggested changes which will require greater coordination between the NAIC and all three U.S. professional actuarial associations. The following are summarized recommendations of the NAIC’s Consultant:

1. **3-Year Experience Requirement** – A credential holder should “provide detailed information regarding the credential holders’ three years of experience, including specific performance outcomes and identified assessment tools that measure the performance outcomes (e.g. job evaluation, observation checklist).” The NAIC believes there should be a mentor with specific responsibilities, especially in situations where the experience requirement is compensating for any limitations in the educational examination process.
2. **Definition of Qualified Actuary and Educational Standards** -- The recommendation is to revise the definition of Qualified Actuary to clearly indicate “the knowledge and skills required for the necessary competency levels.” One option is to add enough detail to the five areas of study identified in the Specific Qualification Standards in the *U.S. Qualification Standards* to thoroughly explain what should be included in an educational credentialing system. The amount of detail should allow for an audit of any new program, but should not be so detailed as to impede innovation. The NAIC prefers such detail about the knowledge and skills required be maintained in the *U.S. Qualification Standards* rather than housed in the statutory annual statement instructions.
3. **Recertification** -- The recommendation is “To ensure that individuals maintain their competency after obtaining a credential, a recertification program should be established. ... One of the essential elements of a certification program is it is time-limited, and at specified intervals, individuals need to demonstrate “continued competence.”” Recertification may include requiring submission of a journal containing continuing education activities or completion of a recertification examination every one to three years. The NAIC agrees with this recommendation and will explore with the Academy a path to document and recertify a Qualified Actuary.

NEXT STEPS

We are requesting the actuarial organizations work with the NAIC to pursue changes in three critical areas: 1) documentation of a mentor’s responsibilities during the three-year experience requirement; 2) development of educational standards which can be used to audit credentialing organizations, especially as they relate to Specific Qualification Standards for an Appointed Actuary; and 3) implementation of a required recertification process.

While the CAS and SOA examinations are designed to cover multiple types of P&C actuarial jobs, the NAIC will conduct a job analysis focused on the job requirements for an Appointed Actuary. The job analysis should be useful to the CAS and SOA in evaluation of examination requirements and will inform the NAIC’s development of a Qualified Actuary attestation. We will ask the Casualty Actuarial and Statistical (C) Task Force to conduct the job analysis and to develop an attestation that will be required to be filed with regulators each year. The expected completion date of this project is year-end 2018.

During development of the NAIC job analysis and attestation, an SOA GI Fellow may be treated as a “Qualified Actuary” if a) the 3-year experience period includes robust training to increase depth of knowledge and b) the Casualty Practice Council approves the application. After completion of the NAIC’s next steps, a Qualified Actuary who is designated as an insurer’s Appointed Actuary will need to attest to fulfillment of their primary and continuing educational and experience requirements in the annual statutory financial statement’s Statement of Actuarial Opinion.

Should you have any immediate questions, please contact Kris DeFrain, NAIC Director of Research and Actuarial Services, at kdefrain@naic.org or 816-783-8229.

CC: Casualty Actuarial and Statistical (C) Task Force
Kris DeFrain (NAIC)

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