



AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™

Mary D. Miller, *Past President*

February 12, 2018

Kris DeFrain, MAAA, FCAS, CPCU
Director of Research and Actuarial Services
National Association of Insurance Commissioners (NAIC) Central Office

Dear Kris:

The American Academy of Actuaries¹ is providing this comment in response to the December 29th exposure of the proposed Revised Qualified Actuary Definition for the Property/ Casualty (P/C) Actuarial Opinion Instructions.

The Academy strongly supports the exposure draft's revised definition that refers to the Member of the American Academy of Actuaries (MAAA) as the sole credential the NAIC recognizes as identifying qualification to sign statutory statements of actuarial opinion (SAOs) in the P/C Actuarial Opinion Instructions. We support this approach, as we have before, for several reasons that make this approach the most appropriate way for the NAIC to focus its qualifications specifically on actuaries who are knowledgeable and dedicated to practice in the U.S.

1. The Academy has a long history of establishing and maintaining professionalism for the U.S. actuarial profession.
 - a. Since its creation in 1965, the Academy has provided competency standards for all areas of actuarial practice.
 - b. When the Academy was established, the other existing actuarial organizations notified all U.S. actuaries of their expectation that Academy membership would be the credential recognized as indicating qualification for professional accreditation.
 - c. Through its early years, the Academy became the vehicle of professional self-regulation, establishing standards of conduct and practice and qualification, and worked closely with the NAIC and in a manner different than that of the basic education societies to meet the specific needs of state based regulation of insurance.

¹ The American Academy of Actuaries is a 19,000 member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

2. The Academy is unwaveringly devoted to being objective and independent in its professionalism and public policy work, both for and at the NAIC and with respect to other policy makers.
 - a. The Academy has provided non-partisan objective actuarial expertise on public policy issues at federal and state levels for 50+ years.
 - b. The Academy's independence and objectivity is well known and is fundamentally emphasized in all we do. Our work includes but is not limited to providing the self-regulatory structure for the U.S. actuarial profession through:
 - i. U.S. Qualification Standards (USQS)
 - ii. The Code of Professional Conduct
 - iii. The Actuarial Standards Board
 - iv. The Actuarial Board for Counseling and Discipline
3. The Academy's exclusive focus is on the United States actuarial profession and our mission has consistently been devoted to serving the public and the profession in the U.S.
 - a. The Academy credential is the most appropriate and meaningful credential to be referenced in U.S. federal and state laws and regulations. Academy membership criteria include U.S. specific requirements that are not duplicated by any other actuarial organization.
 - b. Emphasis on a truly U.S. national credential is the fairest, least bureaucratic, and most appropriate way to provide a benchmark against which specific qualifications to sign statutory statements of opinion in the U.S. can be measured and assured.

The Academy understands that the method of mapping the basic education requirements contained in the Appendix to the exposure draft of the proposed revised definition is unclear to some practitioners. While the basic education societies are the most appropriate bodies to respond to the NAIC's request to map their basic education syllabus to the Appendix knowledge areas, the Academy is committed to maintaining Specific Qualification Standards that meet the NAIC's objectives to assure state insurance commissioners that those who sign P/C statements meet the NAIC's criteria to be qualified to do so. It is possible that not every item in the Appendix will be required for every kind of statutory P/C statement of actuarial opinion given specific lines of business at issue.

The Academy believes that a demonstration of how an actuary meets the U.S. Qualification Standards can be found in an attestation vehicle, such as the voluntary one the Academy has created and made available to opining actuaries.²

The Academy remains willing and able to assist the NAIC to meet its objectives in redefining the Statutory P/C Statement Instructions in a manner that is independent of naming any basic education credential as a criteria but rather rely on the Academy credential, MAAA, to indicate that an actuary meets the USQS requirements fundamental to qualification to sign such statements.

² Available on the Academy's website at attest.actuary.org

To that end we offer the following additional comments on the proposed definition:

First, item (ii) requires that a “Qualified Actuary” be able to “perform the tasks...identified in the “NAIC 2017 U.S. P/C Appointed Actuary Job Analysis” (hereinafter referred to as “the Appendix”).

- a. We expect that it will be difficult to measure and evidence whether an actuary “is able to perform the tasks... appropriate for the company’s lines of business and business activities”. Since this is a basic education proposal it might be clearer to say ‘the actuary has the basic education necessary to enable them to perform the tasks identified...’
- b. In addition, the relevant sections of the Appendix will vary materially by appointment (i.e., by the insurer appointing the actuary), and knowing which sections are relevant will include some very confidential information in some cases. What is the manner in which this confidential information will be handled?
- c. Certain of these “knowledges” are explained in significant detail within the Appendix, beyond what an Appointed Actuary should be required to know. For example, “The Appointed Actuary must be aware of tort law, relevant types of litigation, including class actions and mass torts, as well as precedent case law and changes therein.” While the Appointed Actuary should of course do necessary due diligence to obtain an understanding as to how these items might impact the unpaid claims, it might be quite difficult, if not impossible for an actuary to know all of the litigation and case law that a particular company is exposed to, particularly a large insurance carrier. There may be confidentiality restrictions limiting such knowledge, or these may not be material relative to the composition of the reserves. The Appointed Actuary might disclose this as a specific risk factor, but would unlikely know all. Is there some materiality threshold that should be applied to these knowledge requirements?
- d. In addition, evidence of the Appointed Actuary's knowledge may be particularly difficult for a long qualified actuary.
- e. The lines of business and business activities should be limited to the subject of the P/C SAO. The Appointed Actuary should not be held responsible to perform tasks or have knowledge specific to other lines of business (e.g., Life/Health, etc.) or business activities (e.g., banking, real estate holdings, etc.) of an organization that are outside of the scope of the P/C SAO.

Thank you for the opportunity to provide comments on the NAIC's exposure draft on the Revised Qualified Actuary Definition for the Property/ Casualty (P/C) Actuarial Opinion Instructions. If you have any questions regarding these comments or wish to discuss them with us, please contact Craig Hanna, Director of Public Policy (hanna@actuary.org).

Sincerely,

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Past President
American Academy of Actuaries