

To: Commissioner Mike Chaney, Chair, Property and Casualty Insurance (C) Committee

From: Richard Piazza (LA), Chair, Casualty Actuarial and Statistical (C) Task Force

Date: June 30, 2015

Re: 2015 charge regarding SOA general insurance education

The Casualty Actuarial and Statistical (C) Task Force has the following charge:

*Provide a recommendation by July 1, 2015, regarding the ability of SOA members who obtain the SOA fellowship in general insurance and meet U.S. qualification standards to sign actuarial opinions for NAIC P/C annual financial statements. If appropriate, follow the recommendation with a blanks proposal to allow SOA members who obtain the SOA fellowship in general insurance and meet U.S. qualification standards to sign P/C Statements of Actuarial Opinion.*

This charge results from having defined “Qualified Actuary” for the purpose of signing Statements of Actuarial Opinion for the NAIC Property and Casualty Annual Statement (Actuarial Opinion). A definition is required since actuaries are not licensed (as are accountants and lawyers).

The definition of “Qualified Actuary” as included in the NAIC’s 2015 P/C Annual Statement Instructions is as follows:

“Qualified Actuary” is a person who meets the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, promulgated by the American Academy of Actuaries, and is either:

- (i) A member in good standing of the Casualty Actuarial Society; or
- (ii) A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries.

To evaluate the Society of Actuaries’ (SOA) general insurance educational track the Task Force needs to know if the track conforms to the specifications in the U.S. qualification standards and whether the resulting education sufficiently prepares an actuary to sign an Actuarial Opinion. The Task Force has one initial concern: While the standards established by the American Academy of Actuaries (Academy) seem sufficient in regard to experience and continuing education requirements, the qualification standards lack detail regarding what a basic education entails. We believe this may be a result of only having one U.S. P/C actuarial educational body (the Casualty Actuarial Society) in the past. The Task Force finds the issue regarding basic education specificity should be addressed later and separately from the above charge.

The Task Force would like to conduct an independent review of the SOA’s general insurance educational track. The Task Force’s focus would be on the evaluation of the SOA’s educational track and the examination system as a whole, especially to gain comfort with the reliability and consistency of the basic educational system. An independent review would be a valuable tool to determine whether the SOA general insurance education can or cannot produce actuaries qualified to sign P/C Actuarial Opinions. The Task Force considered an independent review over the past year but was unable to obtain a commitment from the NAIC to fund the review. Though the Task Force believes a review funded by the NAIC would avoid any question concerning the independence of the review process, the Task Force realized it would be expedient to look at an alternative funding source. The SOA has volunteered to fund the study and would work with the Task Force to keep the study as independent as possible. A benefit from SOA funding would be that the study could begin more quickly than if NAIC funds the study. The Task Force believes it needs to complete the independent study of the examination system before it can determine if Fellows completing the SOA general insurance track are qualified to sign P/C Actuarial Opinions.

Currently, the Academy's Casualty Practice Council (CPC) reviews requests from non-CAS-educated actuaries to determine whether the actuary meets the qualifications to sign the statement on casualty loss reserves. In order to be a Qualified Actuary, basic education is one piece of the qualification requirements, along with experience and continuing education. The Task Force believes it would be informative to receive reports from the CPC regarding its review of Fellows completing the SOA general insurance track.

**The Task Force makes the following recommendations and would like your approval to proceed along this path:**

1. The NAIC can continue to rely on the CPC to review individual Fellows completing the SOA general insurance track and should request periodic reports from the CPC as to the general results of these reviews. The Task Force should commence work on the content of these reports immediately. The content of these reports will be delineated by the Task Force but subject to the CPC's ability to provide them.
2. The Task Force should obtain an independent review of the SOA general insurance educational track and examination system to verify that the resulting education sufficiently prepares an actuary to sign Actuarial Opinions for NAIC's P/C financial statements. The Task Force should begin work immediately to provide the needed information for an RFP to obtain an independent review of the SOA general insurance track and requests the NAIC issue an RFP. The Task Force recommends accepting the SOA's offer to fund this review but, as an alternative, NAIC may want to consider funding the review itself. The targeted completion date is March 31, 2016.
3. The Task Force may need to collect additional information. Upon consideration of the information gathered by the Task Force over the course of addressing this charge, the Task Force should evaluate the current definition of Qualified Actuary in the P/C Annual Statement Instructions and modify it as needed. The Task Force's targeted date for completion of this evaluation is three months after the completion of the independent review.
4. In the Task Force's charge to provide a recommendation regarding the SOA general insurance educational track, the July 1 deadline should be extended to three months after the completion of the independent review.

If you have questions, please contact me at 225-342-4689 or [RPiazza@ldi.la.gov](mailto:RPiazza@ldi.la.gov) or Kris DeFrain at 816-783-8229 or [kdefrain@naic.org](mailto:kdefrain@naic.org).

cc: Kris DeFrain (NAIC)

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