



SOCIETY OF ACTUARIES

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October 26, 2014

By email c/o Kris DeFrain@naic.org

Mr. Richard Piazza, ACAS, MAAA
Chair, Casualty Actuarial and Statistical (C) Task Force
c/o Ms. Kris DeFrain, FCAS, CPCU, MAAA
National Association of Insurance Commissioners

RE: CASTF Proposed Revised Plan pertaining to SOA Fellows signing Property/Casualty Statements of Opinion

Dear Mr. Piazza:

The Society of Actuaries (SOA) appreciates the Casualty Actuarial Task Force's (CASTF) continued efforts to move forward on its charge to make a recommendation by July 1, 2015 regarding the ability of SOA Fellows who meet the US Qualification Standards to sign regulatory actuarial opinions for NAIC property/casualty annual statements (statements).

The circulated revised plan includes the gathering of a significant amount of information to keep on track with this directive. To follow is our commentary on the additional items added to the proposed plan. Please consider our September 15, 2014 letter to still be of record for the components of the first draft of the plan carried over to the current draft (copy of SOA September 15, 2014 letter attached).

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The revised draft plan continues to appropriately call for the review of numerous exam-related materials necessary for a thorough analysis (Items 1, 2, 3, 5, 6 & 8).

An analysis of the extensive exam related information listed in the plan is vital for a thorough and comprehensive review of the SOA's General Insurance (GI) Track. An evaluation of this material is essential to completing an in-depth review of any education program.

The SOA is proud of its GI Track and confident that it is of the highest quality in the tradition of our other education paths. We are committed to providing CASTF with all the necessary material it needs for a thorough review to complete its charge, although we continue to have some concerns with several aspects of the plan.

Richard Piazza
October 26, 2014

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An independent review provides objectivity and the SOA stands ready to provide funding (Item 4).

The SOA continues to strongly support an independent review. An independent evaluation of the SOA GI Track and the CAS Track, and how they compare to each other and the US Qualification Standards, is instrumental in achieving an unbiased analysis. The SOA stands ready to assist in funding an independent review. If necessary, the SOA is prepared to fund a review in its entirety (with set dollar parameters).

During the last CASTF discussion concern was raised that an independent review completely funded by the SOA might not be considered nonbiased. To alleviate any issue in this regard the SOA would suggest that CASTF be the sole director and manager of a review if one is undertaken. Advancing or reimbursing the NAIC should resolve any concern. We appreciate that members of CASTF may also be members of the CAS and believe that an independent review will in fact reduce concerns of bias in this respect as well.

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Suggested revisions and clarification requested for “perfect” and failing response (Item 6).

The revised proposed plan now includes obtaining copies of model exam solutions, an example of a “perfect” exam response, and an example of a “just barely failing exam response.” The charge before the task force is to determine whether the SOA GI Track properly assesses if a candidate has the essential knowledge to sign statements. We are accepting of providing this information if it will assist the task force in its charge to determine whether the SOA GI Track properly assesses if a candidate has the essential knowledge to sign statements, although we do have a few comments of note in this regard.

In respect to a “perfect” paper we ask for clarification as to whether that is being sought by question or by exam in total. We can provide the requested material for the IRR, FRE and AT exams as these are formal written exams that are fully scored. Grading of modules is on a pass / fail basis and accordingly it would not be possible to select papers that meet the criteria listed.

We respectfully would require that the task force and any retained reviewer conducting an independent analysis maintain confidentiality of any copies of exam solutions received. We would also note that the examples provided will be reflective of the specific pool of candidates sitting for that exam at that point in time. Additionally, it should be pointed out that there may be no paper that reflects a “perfect” or a 10, particularly with a small pool of candidates. The abilities of the collective pool of the candidates will most likely fluctuate from sitting to sitting.

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Contacting companies is unnecessary and potentially could have unintended consequences on market place perception (Item 10).

The SOA is fully supportive of the task force gathering information that will aid them in their charge to determine whether the SOA GI Track properly assesses if a candidate has the essential knowledge to sign statements. There is a proposed addition to the plan to seek information from property casualty companies regarding their current views and plans with respect to the SOA GI Track.

Richard Piazza
October 26, 2014

It is clear that reviewing the numerous exam-related materials called for in the proposed plan will aid the task force in assessing the quality of the SOA's GI Track. An analysis of the exam-related material is essential to have a thorough appreciation of the depth and breadth of the SOA's program. There is no relevancy, however, on companies' viewpoints of the SOA GI Track in light of the fact that the SOA path is new to the market place and the NAIC has not yet completed its review.

We recommend that the interviews of companies included in the proposed revised plan be removed as this addition serves no rational purpose. It is also very important to point out that if this initiative is undertaken it could conceivably have an unfair negative market effect on the SOA's GI Track simply due to the NAIC making inquiries of companies.

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Evaluation of exam-related process is proper analysis— limiting review of individuals writing and grading exams too narrowly focused (Item 11).

There has been an addition to the proposed plan calling for obtaining information on the individuals writing and grading the SOA's exams. The exam questions and model solutions speak for themselves and should be the core focus of any review of the SOA GI Track. The individual qualification of the exam writers and graders is extraneous to a review of this core material.

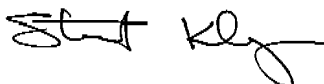
Should CASTF decide that it wants to keep this aspect in the plan, as mentioned in our previous comments, we strongly urge that the plan also include a comparison of the SOA process for writing and grading of exams with the CAS process (or with other recognized processes), just as the plan calls for mapping the SOA learning objectives to the CAS objectives. A review of the methods involved is key and without this type of analysis the information that CASTF is seeking would be incomplete and meaningless.

The SOA is confident of the processes we have in place related to our GI Track. Our GI exams are administered, as they have been for many decades, by a highly experienced and skilled group dedicated to ascertaining if a candidate has truly mastered the material and can apply it in practice.

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In conclusion, we appreciate CASTF's continued efforts on the SOA charge and we look forward to providing any necessary additional information and assisting in the funding of an independent objective review.

Sincerely,



Stuart Klugman, FSA, CERA, PhD
Society of Actuaries Staff Fellow, Education