

Item Nine

CPC's

Application Procedures

&

Timeline for Review



AMERICAN ACADEMY *of* ACTUARIES

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April 9, 2015

Via email to Kris DeFrain (kdefrain@naic.org) and Tiffany Fosgate (fosgate@naic.org)

Rich Piazza
Chair, Casualty Actuarial and Statistical (C) Task Force

c/o Kris DeFrain, Director, Research and Actuarial Department
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Casualty Actuarial and Statistical (C) Task Force Request for Information

Dear Mr. Piazza:

On behalf of the American Academy of Actuaries¹ Casualty Practice Council (CPC), I am pleased to provide the Casualty Actuarial and Statistical (C) Task Force (CASTF) of the National Association of Insurance Commissioners (NAIC) with the information requested in its Oct. 29, 2014 memorandum. Item 9 of that memorandum seeks the CPC's "methodology/measures to evaluate candidates" seeking to obtain approval to sign NAIC Statements of Actuarial Opinion (SAOs). This letter responds to that Item.

The Model Law and NAIC's Annual Statement Instructions

As you know, section 2.A of the NAIC's Property and Casualty Actuarial Opinion Model Law (Model #745) requires property and casualty insurers annually to "submit the opinion of an Appointed Actuary entitled a 'Statement of Actuarial Opinion.'" The same section further requires that the opinion be filed "in accordance with the appropriate NAIC Property and Casualty Annual Statement Instructions." Under the Annual Statement Instructions (Instructions), only a "Qualified Actuary" may sign an SAO. In the current Instructions, NAIC defines a "Qualified Actuary" as:

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

¹ The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists 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.

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.

Under clause (ii) of the Instructions, NAIC permits Academy members who are not members of the CAS to sign NAIC SAOs only if approved to do so by the CPC.

The CPC has a specific and comprehensive process by which it assesses the qualification of Academy members pursuant to Section 3 of the USQS (defined below) seeking approval to sign NAIC Property & Casualty SAOs under clause (ii) of the Instructions. The CPC reviews each applicant's materials thoroughly and carefully.

The CPC Review Process under Clause (ii) of the Instructions

The CPC process consists of the following steps:

1. **Submission of application**, which includes:
 - a. **Definition of scope of qualification recognition requested**
 - i. Lines of business
 - ii. Companies
 - iii. Time duration
 - b. **Documentation of Relevant Education**
 - i. Description of means by which applicant meets education requirements as set forth in the General Qualification Standard and the Specific Qualification Standard of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS) promulgated by the American Academy of Actuaries.
 - ii. The education requirement includes the provision of a signed statement from another actuary who is qualified to issue NAIC P&C SAOs documenting the candidate's personal knowledge of the syllabus topics (policy forms and coverages, underwriting and marketing; principles of ratemaking; statutory insurance accounting and expense analysis; premium, loss and expense reserves; and reinsurance).
 - iii. Applicant must certify that he/she has reviewed CAS Statements of Principles, applicable Actuarial Standards of Practice (ASOPs), and Academy Practice Note on SAOs on P&C Loss Reserves, and that, if approved, applicant will adhere to applicable ASOPs. As applicants are Academy members, they must adhere to the Code of Professional Conduct and the USQS as is required of all MAAs.

- c. **Documentation of Relevant Experience**
 - i. Description of three years of **recent, relevant actuarial experience** that satisfies the experience requirement of Specific Qualification Standard of USQS.
 - ii. The **experience requirement** includes the provision of a signed statement from an actuary who is qualified to sign NAIC P&C annual reserve opinion statements who has reviewed the applicant's work for at least three years of the applicant's total experience.
 - iii. **Past Opinions and/or Certifications:** The candidate is invited but not required to submit past loss reserve opinions and/or certifications as evidence of recent, relevant actuarial experience to demonstrate qualification to the CPC. The CPC will accept redacted material but will not accept proprietary or confidential material.
 - iv. **Opinion Signing in Past Ten Years:** The candidate is asked to advise the CPC whether he or she has signed a P&C opinion over the past ten years. If so, and if permitted by law, the application should identify the company, the circumstances, and the source of approval obtained to sign such an opinion.
 - d. **Documentation of Continuing Education**
 - i. Candidates are asked to provide continuing education records demonstrating their compliance with the USQS-mandated amount and type of **continuing education** over the past two years.
 - ii. Applicant must **certify that he/she has reviewed and complied with continuing education requirements set forth in the USQS for the relevant time period.**
2. Submissions are received and reviewed for completeness by the casualty policy analyst, then forwarded to the casualty vice president for further assessment for completeness.
 3. The CPC or a subgroup thereof meets (telephonically or in person) to discuss application and review materials. Group initially determines whether application is complete or additional information is required.
 4. The process usually takes 30-90 days, depending on completeness of initial application and any matters that need clarification.
 5. The CPC makes a decision on the application. Its procedures provide for the following:
 - a. Approval without any limitation on scope
 - b. Approval with limited scope:
 - i. Specific insurance companies and years of business
 - ii. Blocks of business (runoff only)
 - iii. Specific lines of business
 - iv. Specific years (applicant can reapply)
 - v. Other limitations as appropriate
 - c. Disapproval of request in its entirety
 6. Final decision requires concurrence of two-thirds of CPC members.
 7. Notification to applicant provided in writing; if approved, approval evinced by letter issued by CPC describing scope of approval, including any limitations. If not approved, applicant is informed of how he/she failed to demonstrate qualifications, and advised of ability to seek reconsideration.

The process is described in the reference materials on which candidates base their applications and which are available on the Academy's website. For your convenience enclosed with this letter are the CPC's [Application Procedures](#) and [Timeline for Review](#). We also direct your attention to a [presentation](#) made before the CASTF in 2013 by the CPC's then-vice president, Mike Angelina, providing an overview of the application and evaluation process.

Fundamental Fairness of CPC Qualification Process

While the thoroughness and care with which the CPC completes the task assigned to it is clear from the procedures above, I would be remiss if I did not address one other issue that has arisen during the pendency of the CASTF's discussions of what determines a "Qualified Actuary" under the Instructions. Some have expressed doubt about the CPC's capacity to fairly evaluate a potentially growing number of non-CAS member actuaries who seek to sign NAIC P&C SAOs. No such doubt is warranted or supported by any evidence. The CPC's process involves comprehensive evaluation of each individual candidate's qualifications in accordance with the requirements imposed by the USQS. No single candidate or category of candidates is qualified by the CPC as having fulfilled the USQS basic education requirements by virtue of any specific educational background alone.

Additionally, the CPC's process includes a detailed examination of each individual candidate's work experience and accumulation of continuing education credit in all relevant categories. While the CPC's process allows applicants themselves to certify their completion of the requisite continuing education credit, supporting documentation is required for each candidate and category of candidates, regardless of the educational path taken. No individual candidate or category of candidates is treated or will be treated in the future any differently than any other individual candidate or category of candidates.

Finally, while the process is thorough, it is completed in a timely manner according to the procedures stated above.

On behalf of the CPC, I appreciate the opportunity to provide this important information to the CASTF and welcome further discussion on this matter. If you have any questions about our comments, please contact Lauren Pachman, the Academy's casualty policy analyst, at pachman@actuary.org or (202) 223-8196.

Sincerely,

Shawna Ackerman, MAAA, FCAS
Vice President, Casualty Practice Council
American Academy of Actuaries

Enclosures



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Procedures for Review of Qualifications for Signing NAIC Property and Casualty Annual Statement Loss Reserve Opinion

The Instructions to the National Association of Insurance Commissioners (NAIC) Property and Casualty Blank define a “qualified actuary,” for purposes of signing a Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement as “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.”

Other individuals may be approved by the domiciliary commissioner upon request by the insurer through procedures adopted in each state.

All signing actuaries, both Casualty Actuarial Society (CAS) and American Academy of Actuaries (Academy) members, must meet both the “General Qualification Standard” and the “Specific Qualification Standard” relevant to the type of opinion being issued as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (Including Continuing Education Requirements) effective January 1, 2008 (herein referred to as the U.S. QS). The Casualty Practice Council (CPC) reviews the qualifications of Academy members to sign the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement in accordance with the procedures set forth below.

Procedures for Review of Qualifications

1. Submission of Requests for Review of Qualifications

A member of the Academy who is not a member of the CAS, but who believes that he or she satisfies the U.S. QS Specific Qualification Standard for signing the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement, may submit a Request for Review of Qualifications to the attention of the Casualty Policy Analyst of the Academy to obtain the Academy’s approval to sign the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement. A copy of this form is attached.

Members in good standing of the CAS who meet the basic education, experience, and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion,

NAIC Property and Casualty Statement, as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, promulgated by the Academy, are already defined by the NAIC's Annual Statement Instructions to be "qualified actuaries." Members in good standing of the Academy who are also members in good standing of the CAS and who meet the U.S. Qualification Standards by virtue of their designation and the underlying examinations and education requirements need not apply for a review of their qualifications.

To be qualified to sign the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement, CAS members are subject to applicable regulatory requirements, the U.S. Qualification Standards, and the Code of Professional Conduct. Some CAS designees may not meet the U.S. Qualification Standards by virtue of their designation and the underlying examinations and education requirements. For further guidance about that category of actuary, see [Requirements for ACAS to Issue NAIC PC Opinions Clarified for the 2011 CAS Syllabus by Mary Frances Miller and David Menning](#).

Requests are to be mailed to:

Casualty Policy Analyst
American Academy of Actuaries
1850 M Street NW
Suite 300
Washington, DC 20036

2. Administrative Processing

Upon receipt of the Request for Review of Qualifications, Academy staff will ascertain whether all accompanying materials required to be submitted with the request are present and whether the form has been properly completed. Any incomplete requests will be returned to the applicant with a list of the additional materials that must be submitted before consideration of the request will be undertaken.

Academy staff will circulate copies of the completed Request for Review of Qualifications to the members of the CPC in accordance with its procedures.

3. Consideration by the CPC

The CPC will review the Request for Review of Qualifications and vote, in accordance with its procedures, on whether the applicant meets the qualifications to sign the statement on casualty loss reserves. An affirmative vote that the applicant has met the minimum requirements of the Specific Qualification Standard for signing Statements of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement by at least two-thirds of all CPC members is necessary for approval.

The CPC may:

- a. Approve the Request for Review of Qualifications without limitations;
- b. Disapprove the Request for Review of Qualifications in its entirety; or
- c. Determine that the applicant is qualified to sign a Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement only in limited, specifically-identified circumstances. The circumstances of such a limitation may relate to particular lines or

blocks of business, identified insurers, or any other limitations deemed appropriate by the CPC in its sole discretion.

At any time, the CPC may request additional information from the applicant that it deems necessary to evaluate the applicant's qualification to sign the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement.

4. Notification of Approval

Upon approval, the Chairperson of the CPC will advise the applicant in writing that the CPC has determined that the applicant has satisfied the requirements for signing the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement. Any limitations that the CPC has imposed on its approval will be described to the applicant in said correspondence.

If the applicant fails to receive at least a two-thirds affirmative vote from the CPC, in accordance with its procedures, the applicant will be informed as to how the application failed to demonstrate qualification to sign the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement and will be advised of the right to seek reconsideration as described below. This approval applies only to the NAIC Property and Casualty Annual Statement Actuarial Opinion and not to any other type of statement of actuarial opinion that may be issued by an actuary.

5. Requests for Reconsideration

If an applicant fails to obtain at least a two-thirds affirmative vote from the CPC to sign the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement, the applicant may request reconsideration. The request for reconsideration should be submitted to the attention of the Casualty Policy Analyst of the Academy and should include a specific response to the CPC's explanation of how the application has failed to demonstrate qualification to sign the Statement of Actuarial Opinion on loss reserves for the NAIC Property and Casualty Annual Statement, together with any additional supporting documentation that the applicant wishes to submit.

The CPC will review any request for reconsideration submitted upon disapproval of a prior Request for Review of Qualifications. For approval on reconsideration, at least two-thirds of the members of the CPC must agree that the individual has demonstrated compliance with the Specific Qualification Standard for signing loss reserve opinions. All decisions of the CPC on reconsideration shall be final.



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Request for Review of Qualifications for Signing the NAIC Property and Casualty Loss Reserve Opinion Annual Statement

Please complete each part of this form.

Name:

Address:

Telephone:

Actuarial Credentials:

The Specific Qualification Standard under Section 3 of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (Including Continuing Education Requirements) effective January 1, 2008 (herein referred to as the U.S. QS) for members signing the NAIC Property and Casualty Loss Reserve Opinion Annual Statement requires professional achievement in three areas: education, experience, and continuing education. Each of these subjects constitutes a separate part in this following Request for Review of Qualifications.

Please indicate the areas for which you believe your qualifications satisfy the Specific Qualification Standard (check one):

- | | (a) All areas of loss reserve assignments;
- | | (b) The following specific areas of loss reserve assignments (*indicate, for example, particular lines/blocks of business or specific companies*):

Part I: Education

The U.S. QS General Qualification Standard (under Section 2.1) requires, among other things, the member to be knowledgeable, through examination or documented professional development, of the law applicable to the Statement of Actuarial Opinion.

In addition, under Section 3 of the U.S. QS, the following syllabus topics from the Casualty Actuarial Society examinations are required for satisfaction of the Specific Qualification Standard for signing the Statement of Opinion, NAIC Property & Casualty Annual Statement:

- (1) Policy forms and coverages, underwriting and marketing;
- (2) Principles of ratemaking;
- (3) Statutory insurance accounting and expense analysis;
- (4) Premium, loss and expense reserves; and
- (5) Reinsurance.

Alternatively, the member may satisfy the education requirement of the Specific Qualification Standard by acquiring comprehensive knowledge of the applicable syllabus topics through responsible work and/or self-study. In advance of making a statement of actuarial opinion, the member must have obtained a signed statement from another actuary who is qualified to issue Statements of Actuarial Opinion under the Specific Qualification Standard for the Statement of Actuarial Opinion, NAIC Property & Casualty Annual Statement, and must provide a copy of such a statement with the Request for Review of Qualifications.

1. *Please describe how you have obtained the comprehensive knowledge of the applicable law and each of the applicable syllabus topics through examinations and/or through responsible work and study necessary to satisfy the education requirement of the Specific Qualification Standard for signing the Statement of Opinion, NAIC Property & Casualty Annual Statement. Please specifically note any limitations on the scope of your work and study that should be considered by the Casualty Practice Council in reviewing your qualifications. Such limitations might include, but are not necessarily limited to, particular blocks or lines of business or specific insurers. Documentation on studies should include information on formal examinations taken and passed, the examining authority, etc.*

(Attach additional sheets as required.)

2. As noted above, in advance of making a public statement of actuarial opinion, a member who has not successfully completed the required examinations must obtain a written statement from a qualified actuary regarding the member's knowledge of the applicable syllabus topics. *Please attach a copy of the qualified actuary's statement to this Request for Review of Qualifications. Please note that your Request for Review of Qualifications cannot be processed unless such a statement has been submitted. As a guide, see Attachment A.*

The Casualty Practice Council will take into consideration the written statement from the qualified actuary and any other information that the Council believes to be relevant in reaching a decision on the Request for Review of Qualifications.

3. **Statement of Review of Applicable Materials**

I hereby certify that I have reviewed the statements of principles issued by the Board of Directors of the Casualty Actuarial Society, as well as the U.S. QS, all applicable Standards of Practice regarding casualty loss reserving and related matters issued by the Actuarial Standards Board, and the [Practice Note on Statements of Actuarial Opinion on P&C Loss Reserves](#). Should my Request for Review of Qualifications be approved by the Casualty Practice Council, I will adhere to applicable Standards of Practice in my loss reserve opinion assignments.

(Signature)

(Date)

Part II: Experience

The Specific Qualification Standard requires that the actuary obtain at least three years of responsible experience relevant to the subject of the Statement of Actuarial Opinion under review by an actuary who was qualified to issue the Statement of Actuarial Opinion at the time that the review took place.

1. *Please describe the three years of recent, relevant experience you have that you believe satisfies the experience requirement of the Specific Qualification Standard. For example, describe the kinds of assignments for which you have been responsible, including examples of certifications and/or opinions you have submitted. Please specifically note any limitations on the scope of your experience that should be considered by the Casualty Practice Council in reviewing your qualifications (such limitations might include, but are not necessarily limited to, particular blocks or lines of business, or specific insurers):*

(Attach additional sheets as required.)

2. *Please identify the qualified actuary or actuaries who have reviewed your work for at least three years of your total experience. The actuary (or actuaries) may have been a superior, subordinate, peer, or outside consultant:*

*Please attach a copy of the qualified actuary's statement to this Request for Review of Qualifications. **Please note that your Request for Review of Qualifications cannot be processed unless such a statement has been submitted.** As a guide, see Attachment B. It may be sufficient to have only a single actuary attest to the actuary's experience, provided that the attesting actuary has knowledge of the qualifications of the other reviewing actuary(ies). If the same actuary attests to both the applicant's education and experience, a single letter may be submitted covering both topics.*

3. *If you wish, you may attach copies of any loss reserve opinions and/or certifications as evidence of your recent, relevant experience to assist the Casualty Practice Council in reviewing the degree to which you have satisfied the minimal requirements of the Specific Qualification Standard for Statements of Opinion, NAIC Property & Casualty Annual Statement. Redacted material is permissible. **Please do not include any confidential material or material of a proprietary nature.***

4. *Please state whether you have signed a P&C opinion in the past 10 years. If yes, unless prohibited from doing so by applicable law, please identify the company, describe the circumstances of your signing such an opinion, and identify the source of the approval you received to sign such an opinion. If disclosure of this information is limited by applicable law, please provide us with the applicable law, rule, or regulation that limits such disclosure.*

Part III: Continuing Education

The U.S. QS require continuing education to be relevant to the area of practice of the statement of actuarial opinion being issued. The minimum required continuing education credits under the U.S. QS that are necessary to maintain qualification in a particular area of practice may not always be sufficient, particularly in areas where change is occurring rapidly.

The U.S. QS requires the following at a minimum:

Thirty credit hours per year of relevant continuing education activities are necessary to satisfy the continuing education requirement, including a minimum of 15 credits directly relevant to the topics listed in Part I. A minimum of six of the 15 credits must be obtained through “organized activities,” as defined in the U.S. QS, and a minimum of three hours must cover professionalism topics.

For additional information on the continuing education requirements, please see *Qualification Standards for Statements of Actuarial Opinion in the United States* at <http://actuary.org/qualstandards/>.

Please submit copies of your continuing education records for the last two years. If you wish to submit continuing education records for prior years as well, you may do so.

Statement of Compliance

I hereby certify that I have reviewed the requirements for continuing education contained in the U.S. Qualification Standards and that I have satisfied the requirements for continuing education relevant to the Specific Qualification Standard, Statement of Opinion NAIC Property & Casualty Annual Statement, for the year _____.

(Signature)

(Date)

Attachment A

Sample Letter
Attesting to the Applicant's Knowledge of Casualty Syllabus Topics

To the Casualty Practice Council:

I have been requested by _____ [applicant], M.A.A.A., to provide a written statement regarding the applicant's knowledge of the specific supplemental examination topics required by Section 3 of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (effective January 1, 2008) (QS), Specific Qualification Standards for signing the NAIC Property and Casualty Loss Reserve Opinion. I meet the Specific Qualification Standards, based upon my education, experience, and continuing education. I hold the following actuarial credentials:

_____.

I note that in order to meet the education requirement of the QS, a member must have comprehensive knowledge, through work or study, of the law applicable to Statements of Actuarial Opinion – NAIC Property and Casualty Insurance, the identification, evaluation, and management of risk, relevant policy forms and coverages, underwriting and marketing, principles of ratemaking, statutory insurance accounting and expense analysis, reinsurance, and premium, loss, and expense reserves.

Based upon my knowledge of _____ [applicant], it is my opinion and belief that the applicant has gained comprehensive knowledge of these subjects necessary to meet the education requirements of the Specific Qualification Standard of the QS for statements of opinion on loss reserves through the following responsible work and/or self-study: _____. It is my belief that the applicant's satisfaction of these minimum education requirements is sufficient to enable the applicant to engage in

[choose one]

(a) all areas of loss reserving;

(b) the following areas of loss reserving (state any limitations by line or block of business or particular insurer):

In so stating, I take no responsibility for the accuracy, completeness, or quality of any work undertaken by _____ [applicant].

Sincerely yours,

(Signature)

(Date)

Attachment B

***Sample Letter
Attesting to the Applicant's Experience***

To the Casualty Practice Council:

I have been requested by _____ *[applicant]*, M.A.A.A., to provide a written statement regarding his/her experience relevant to the topics covered by the NAIC Property and Casualty loss reserve opinion. I meet Section 3 of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (effective January 1, 2008) (QS), the Specific Qualification Standards, based upon my education, experience, and continuing education. I hold the following actuarial credentials: _____.

I note that in order to meet the experience requirement of Section 3 of the QS, a member must have a minimum of three years of responsible experience relevant to the subject of the Statement of Actuarial Opinion under review by an actuary who was qualified to issue the Statement of Actuarial Opinion at the time that the review took place.

_____ *[applicant]* worked under my supervision/review *[and that of (name)]* from _____ to _____. During that time, the applicant _____ *[describe the relevant work performed by applicant]* _____. It is my belief that the applicant's experience is sufficient to enable the applicant to engage in

[choose one]

(a) all areas of loss reserving;

(b) the following areas of loss reserving (state any limitations by line or block of business or particular insurer):

In so stating, I take no responsibility for the accuracy, completeness, or quality of any work undertaken by _____ *[applicant]*.

Sincerely yours,

(Signature)

(Date)



General Timeline* for Casualty Practice Council Review of Qualifications for Signing Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement

Task	Business days to complete	Expected Completion Time
Step 1: Academy policy analyst receives application (Day 1 of receipt), converts it to electronic format, evaluates it for completeness, and sends application to Casualty Vice President (VP) for consideration. Casualty VP then determines whether application is ready for evaluation.	1-10	10 business days after receipt
Step 2: Following determination by VP, application sent to Casualty Practice Council (CPC) and designated subgroup (appointed by the Casualty VP) for review. Subgroup reviews application and provides recommendation(s) to full CPC. Full CPC then votes to seek additional info from applicant or on final disposition of application.	1-30	40 business days after receipt
Step 3: Academy staff/volunteers draft communication to applicant about outcome of CPC vote. Written communication explaining outcome or questions/concerns provided to applicant, where applicable.	1-15	55 business days after receipt

Step 4: Applicant provides additional material, if requested.	1-10	65 business days after receipt
Step 5: Additional material sent to designated subgroup for consideration.	1-10	75 business days after receipt
Step 6: Designated subgroup discusses additional material via confidential conference call and conveys that information to CPC members. Full CPC then votes to seek additional info from applicant or on final disposition of application.	1-10	85 business days after receipt
If an application has not received final approval or denial, the process returns to Step 3 .		

Barring extenuating circumstances, an applicant generally is contacted within 50-55 business days of the Casualty Practice Council's receipt of his/her original application.

* Unexpected events could occur that may subject the application process to additional delay.

American Academy of Actuaries Casualty Practice Council Process for Approving Academy Members to Sign NAIC Statements of Actuarial Opinion

Casualty Actuarial & Statistical Task Force
2013 NAIC Summer National Meeting

Michael E. Angelina
Vice-President, Casualty



Agenda

- Background
- Requirements (Qualifications)
- Application Process and Documentation
- Academy Casualty Practice Council Process
- Outcomes



Background

- NAIC Instructions for signing Statements of Actuarial Opinion (SAOs) require an actuary to
 - Meet basic education, experience, and continuing education requirements of U.S. Qualification Standards
 - General Qualification Standards (Section 2);
 - Specific Qualification Standards (Section 3); and
 - Code of Professional Conduct (Precept 2)
 - Be a member in good standing of the Casualty Actuarial Society or member of the Academy approved as a qualified actuary by Academy's Casualty Practice Council (CPC)



Requirements

- Education
 - All areas within the scope of SAO or specific lines of business (or particular companies) – Section 3 of U.S. Qualification Standards
 - Comprehensive knowledge of law and syllabus topics through responsible work and/or self-study
- Experience
 - Three years of responsible experience relevant to the subject of the SAO
 - Under the review of an actuary who was qualified to issue the SAO
- Continuing education
 - The minimum required to maintain qualification *may not always be sufficient*, particularly in areas of practice where change is occurring rapidly, pursuant to Precept 2 of the Code of Professional Conduct
 - 30 credits (hours) per year; three credits on professionalism
 - Minimum of 15 credits relevant to SAO topic
 - Six credits of “organized activities”



Application Process & Documentation

1. Submission of request by applicant, including definition of scope of SAO:
 - All areas versus particular lines, companies, blocks of business
2. Description of how applicant has met the comprehensive education requirement
 - Specifically include any limitations on the scope of work and study
 - Written statement from a qualified actuary regarding the applicant's knowledge of the applicable syllabus topics
 - Statement (Certification) that:
 - Applicant has reviewed applicable materials:
 - CAS Statements of Principles; ASB Actuarial Standards of Practice (ASOPs); Academy Practice Note on SAOs on P&C Loss Reserves
 - If approved, applicant will adhere to applicable ASOPs



Application Process & Documentation (continued)

3. Description of the three years of recent, relevant experience that satisfies the experience requirement
 - Kinds of assignments, limitations on scope
 - Written statement from a qualified actuary who has reviewed the applicant's work for at least three years
 - "Qualified actuary" is someone who is qualified to sign an NAIC P&C loss reserve opinion pursuant to Section 3 of the U.S. Qualification Standards
 - May be a superior, subordinate, peer, outside consultant
 - May attach copies of opinions/certifications; no confidential or proprietary material
4. Copies of continuing education records for the last two years, including a statement of compliance



CPC Process

- Submission received and reviewed for completeness by casualty policy analyst; then forwarded to Casualty VP
- CPC or subgroup meets to discuss application, including reference letters, and reviews materials concerning the applicant's:
 - Education
 - Experience
 - Continuing education
- Determine whether additional information is required or move to full vote of CPC, as described below
- Process can take 30 to 90 days depending upon complexity and completeness of submission

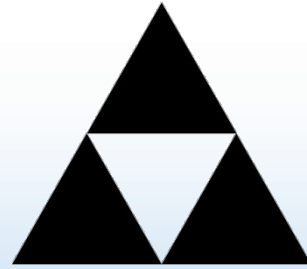


Possible Outcomes

- Vote to grant applicant:
 - Approval with full scope; or
 - Approval with limited scope; or
 - Certain legal entities and years
 - Blocks of business (runoff only)
 - Certain lines of business
 - Specific years (applicant can re-apply)
 - Other limitations as appropriate
 - No approval
- Decision requires two-thirds of CPC members
 - CPC members take this responsibility very seriously and professionally
- Notification to the applicant provided in writing; approval is evidenced by a letter issued by the CPC describing scope of approval, including any limitations



Casualty Practice Council Process for Approving Academy Members to Sign NAIC Statements of Actuarial Opinion



AMERICAN ACADEMY
of ACTUARIES

For more information, contact:
Lauren Pachman, Casualty Policy Analyst
Pachman@actuary.org
(202) 223-8196



AMERICAN ACADEMY *of* ACTUARIES



SOCIETY OF ACTUARIES

Item 9 - please see page 2 of this letter.

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September 15, 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 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) 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 plan includes the gathering of a significant amount of information to keep on track with this directive. To follow is our commentary on the items related to the plan.

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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. The SOA supports the inclusion of a significant number of the items called for in the plan and we are committed to providing this information to CASTF, although we do have concerns with several aspects of the plan.

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

The SOA is fully supportive of requiring the gathering of numerous items related to exams from the SOA and we will ensure that the task force receives all the requested documentation. Reviewing this material is essential for CASTF to achieve a thorough understanding of the detailed coverage of the critical learning objectives included in the SOA GI Track, as well as the depth and rigor with which we've approached the development of the track. Further, this information is necessary for a comprehensive mapping of the SOA GI Track to the US Qualification Standards. The SOA has the utmost confidence in the high quality of our GI Track and we look forward to furnishing the documentation requested in the items listed above.

Richard Piazza
September 5, 2014

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

The common aim of all parties is to ensure that the SOA's pathway properly evaluates whether an individual has met the high standards necessary for signing statements. An independent review 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 this goal for a couple of reasons. A truly independent review would provide an objectivity that would be beneficial. Undertaking an independent review would be constructive in assuring there is no bias in evaluation. The SOA, as previously mentioned in prior discussions, stands ready to assist in the funding of an independent and objective study.

Clarification requested on candidate demographics and employer information (Item 7).

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. To aid in this review the plan calls for the gathering of numerous exam related materials clearly aligned with this directive; however, the plan also calls for obtaining information on candidates sitting and passing exams, candidate demographics, and employer information. We would appreciate further discussion to aid us in understanding how this information will provide additional insight into the SOA GI Track as our aim is to provide the task force with all the documentation necessary for a complete analysis. At present, we do not see how this information will be useful in assessing the educational quality of the track. We do note that there are likely to be privacy concerns because it is understood by candidates that their information is to be kept confidential unless they tell us it can be divulged publically. A certain level of candidate-related information can likely only be provided in summary form once we understand how this information will be of benefit in assessing the educational quality of the SOA GI Track.

Item 9 - CPC
Methodology

Obtaining information on Casualty Practice Council (CPC) methodology for evaluating qualifications (Item 9).

It is proposed that CASTF should review the CPC's methodology for evaluating the qualifications of individual actuaries to sign statements. This seems appropriate to the extent that it may help CASTF understand how the CPC has construed the specific qualifications as set forth in the US Qualification Standards, and it may help CASTF appreciate the limitations of that process and the burdens it imposes on an actuary seeking to be deemed "qualified" to sign statements.

We have noted, however, that some interested parties and members of CASTF may view the CPC qualification process as an appropriate requirement for all SOA Fellows completing the SOA GI Track on an ongoing or indefinite basis. We believe that suggestion is both logically flawed and fundamentally unfair to actuaries who are choosing to pursue their property/casualty education through the SOA.

If the CPC is asked to evaluate whether an actuary completing the SOA's GI Track has met the basic education requirements for signing statements, that evaluation would need to be undertaken only once by the CPC—when the first such actuary comes before the CPC. Once the CPC has determined that an actuary successfully completing the SOA's GI track has satisfied the basic education requirements, it becomes unnecessary and redundant for the CPC to ask the same question again for subsequent SOA Fellows who have completed the same track; it would already have determined that the SOA GI track is an acceptable pathway to satisfying the basic education requirements.

Following a CPC determination that the SOA GI Track appropriately tests for the basic education requirements, any required CPC review of subsequent SOA Fellows before the CPC would no longer be about the SOA's education pathway, but solely about the work experience and continuing education experience of the individual practitioner. There is no logical basis for requiring such a review for practitioners who have followed another acceptable pathway. CAS members—even those who have attained only an Associate designation—are allowed to self-certify that they have satisfied all the qualification requirements. Imposing additional standing requirements and burdens on actuaries who have completed the SOA's GI Fellowship track would be arbitrary, unfair and anticompetitive.

* * * *

There are two distinct issues that are not related to the accumulation of delineated items called for in the proposed plan. One calls for a discussion on enhanced qualifications, which is more appropriate for a separate review. The other issue entails adding the review of exam writers and graders to the proposed plan, without providing a methodology to carry out such an assessment.

Enhanced US Qualification Standards—more suitable for separate discussion (portion of Item 2 & detailed in appendix following proposed plan).

The proposed plan references consideration of enhancing the current US Qualification Standards and includes suggestions in an appendix following the itemized plan. We have no concerns with CASTF considering refinements to the current US Qualification Standards, but it should be noted that this could evolve into a prolonged discussion involving many topics unrelated to the SOA's GI Track. Accordingly, it should be distinct from the SOA-related charge in front of CASTF as it would almost certainly delay reaching a conclusion on the specific SOA issue with which the task force has been charged. A separate analysis would also ensure that the subject is afforded its proper due. We would certainly look forward to offering our input on this issue in a bifurcated evaluation.

Evaluation of exam-related processes is proper analysis—review of individuals writing and grading exams is unwarranted.

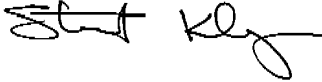
There has been a suggestion to add to the plan an analysis of the individuals writing and grading the SOA's exams. The proponents of this addition do not provide any detail on how this analysis would be carried out or the standards by which an assessment of fitness would be made. Certainly, the exam questions and model solutions speak for themselves as they would for any organization administering a GI track; however, should CASTF decide that this is a factor to be added to the plan, the proper evaluation would be to compare 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. The key is to evaluate the quality of the SOA and CAS methods for developing questions and measuring the appropriateness of the answers. Comparing the number of graders between programs is irrelevant and misleading, although the SOA can assure the task force that there is an ample number of writers and graders for the number of candidates currently in the SOA system. The SOA is proud of the processes we have in place. They 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.

Richard Piazza
September 5, 2014

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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,

A handwritten signature in black ink, appearing to read "Stuart Klugman". The signature is written in a cursive style with a horizontal line extending from the end.

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