Note to CASTF: LATF has drafted the following letter to the SOA and has asked CASTF to sign on to the letter. CASTF can request changes. At this time, we offer the following paragraph be added (drafted by Julie Lederer—MO):

Several years ago, the NAIC completed a P/C Appointed Actuary Job Analysis Project, which documented the knowledge and abilities required of a P/C Appointed Actuary. The NAIC’s P/C Educational Standards and Assessment Project then determined what should be included in an actuary’s basic education to ensure that the actuary attains this knowledge. The NAIC determined that an FSA who completes the general insurance track and takes the United States’ version of the Financial and Regulatory Environment Exam and the Advanced Topics in General Insurance Exam has obtained an “Accepted Actuarial Designation,” which means that the designation meets or exceeds the minimum P/C actuarial education standards for purposes of signing a P/C statement of actuarial opinion. Any changes in the SOA’s basic education will require the NAIC to review the changes, with the help of the SOA, and assess whether an actuary who goes through the SOA’s revised educational program will still obtain the knowledge and abilities required of a P/C Appointed Actuary. This process should start as soon as possible, especially since it may entail changes to the P/C Statement of Actuarial Opinion instructions.

TO: John Robinson, FSA, MAAA, FCA, President, Society of Actuaries (SOA)

Gregory W. Heidrich, Chief Executive Officer, SOA

Stuart Klugman, FSA, CERA, PhD, Staff Fellow, SOA

FROM: Rachel Hemphill, Chair, Life Actuarial (A) Task Force

Craig Chupp, Vice-Chair, Life Actuarial (A) Task Force

CC: Bill Michalisin, Executive Director, American Academy of Actuaries (AAA)

Ken Kent, President, AAA

Lisa Slotznick, President-Elect, AAA

RE: Society of Actuaries (SOA) Planned US Regulatory Basic Education Changes

DATE: August XX, 2023

The Life Actuarial (A) Task Force is generally appreciative and supportive of the Society of Actuaries’ educational efforts. We understand and can appreciate the desire to be more flexible for candidates and supportive of international students. However, we are very concerned by the movement of United States (US) regulatory material to an optional regulatory certificate course for US actuaries. We believe that US regulatory material must be a required educational component for all actuaries practicing in the US.

There has been a suggestion that US regulatory material could be an “as-needed” supplement, particularly noting that appointed actuaries may need the US regulatory certificate. As much as we value the work of appointed actuaries, no one supposes that they are a one-person shop. Moreover, US regulatory material is not just essential for appointed actuaries and qualified actuaries, but for:

* Valuation actuaries,
* Actuaries performing experience studies,
* Investment actuaries,
* Illustration actuaries,
* Product filing actuaries,
* … and regulatory actuaries!

In fact, there is no insurance industry actuarial role where it would be appropriate to remove the basic education on US laws and regulations for actuaries practicing in the US. Moreover, it is important to note that we do not think that an FSA would qualify you to meet the US Qualifications Standards (USQS) for signing general statements of opinion if the US regulatory material were removed. The USQS includes “US-specific knowledge”, in addition to Basic Education. However, if the Basic Education were modified to no longer provide foundational knowledge in US regulatory requirements, we do not believe that the “US-specific knowledge” component could be adequately satisfied through individual continuing education alone. While the SOA has noted that the basic education will include GAAP and IFRS, this does not address the concern. US statutory laws and regulations are not a tweak, variant, or refinement of GAAP or IFRS. Without being provided foundational US regulatory knowledge in their Basic Education, new actuaries would be left in a situation where they do not know what gaps in education they have and what additional study would be needed to be qualified to issue an opinion. We do not see how this differs from removing any other fundamental component of the actuarial education and leaving it to the individual to study on their own. If we believe that the actuarial education process is valuable (and we do), and we believe that a knowledge of US regulatory material is necessary to practice in the US (and we do), divorcing this essential material from the regular educational process is a disservice to the profession. For regulators, the most critical concern is that the lack of awareness would lead to a lack of compliance and an inability to rely on the professionalism of company actuaries. For example, we have observed that actuaries that had principle-based reserving (PBR) material as part of their Basic Education are more conversant in general PBR topics, more aware of the intricate details, and better able to comply with the requirements. An inability of regulators to rely on the professionalism of company actuaries would then lead to negative repercussions for insurance companies, as it would fundamentally undermine efforts that hinge on that reliance, such as efforts to make reserving and other areas more principles based. Moreover, thinking about the professionalism that actuaries are valued for, a key component of that professionalism is knowledge of and adherence to regulatory requirements.

US regulatory content is necessary to provide general statements of actuarial opinion in the US. Whether it is part of the FSA, a supplemental course offered by the SOA, or a supplemental course offered by the American Academy of Actuaries (AAA), it should be required of all actuaries practicing in the US. To ensure the continued strength and value of the US actuarial profession, we believe that the AAA would need to update the USQS to be consistent with the current comprehensive requirements if there were any change to what is covered by the SOA basic education component. We appreciate the SOA presenting on this topic to LATF and providing us an opportunity for input on such a critical issue.  We look forward to continued dialogue with the SOA.