

From: Eagelfeld, Howard [mailto:Howard.Eagelfeld@floir.com]
Sent: Tuesday, January 02, 2018 10:20 AM
To: DeFrain, Kris
Subject: RE: P/C Actuarial Opinion Instructions with Revised Qualified Actuary Definition - Exposure

Kris,

In the definition of “Qualified Actuary” (ii), the work *knowledges* is used. After checking several sources, I am rather sure that the singular of that noun is a collective noun that describes an uncountable set. As a result, the plural does not make any sense in English. The concept might be better expressed as “types of knowledge” or “knowledge concerning items”. While in the appendix the use of the word seems clearer because it is directly followed by a list of items (making the plural refer to a countable number of uncountable sets), in the body of the definition the use is awkward.

Item E26 has examples within quotation marks. With the possible exception of the last example, the others appear to be covered by items D24, D21, and D20, respectively. Even the last example has substantial overlap with item C6. This might lead to some confusion concerning the author’s intent.

Item E27 requires a knowledge of the effect of reinsurance including retroactive, financial, and potential collectability issues. Items C6 and C8 seem to cover the same ground with the possible exception of lack of specificity concerning financial reinsurance. Is the duplication intentional or at least not likely to require actuaries to attempt to word sleuth in order to determine additional implications of wording differences?

From: DeFrain, Kris [mailto:kdefrain@naic.org]
Sent: Friday, December 29, 2017 10:20 AM
To: DeFrain, Kris <kdefrain@naic.org>
Subject: P/C Actuarial Opinion Instructions with Revised Qualified Actuary Definition - Exposure

To State Insurance Regulators and Interested Parties of the NAIC’s Job Analysis Project:

In August 2017 the NAIC, in collaboration with a consultant, began a Job Analysis Project to revise requirements for the Property/Casualty (P/C) Statement of Actuarial Opinion (“Actuarial Opinion”) using an evidence-based definition of a “Qualified Actuary.” The attached proposed instructions incorporate an expanded definition of “Qualified Actuary” based largely on the results of the Job Analysis Project, with the addition of professionalism requirements. The instructions with definition are exposed for a **45-day comment period ending Monday, Feb. 12. Please send comments to Kris DeFrain, Director of Research and Actuarial Services, at kdefrain@naic.org.**

A summary of the consultant’s report will be posted on the NAIC website by next Friday.

Kris DeFrain, FCAS, MAAA, CPCU
Director, Research and Actuarial Services
NAIC Central Office
(816) 783-8229

Michigan's comments on December 29, 2017 Proposed Changes to Definition of Qualified Actuary for P&C Opinions

Thank you for the opportunity to provide comments on the proposed changes to the qualified actuary definition for P&C Statements of Actuarial Opinion. Our primary concern relates to incorporation of the knowledges identified in the Job Analysis project ("Knowledges"). We also encourage the NAIC to work closely with the actuarial organizations to address any gaps and to receive commitments that those gaps will be addressed prior to implementing the new definition.

Incorporation of Knowledges into the Definition of "Qualified Actuary"

While we agree that actuaries should have the relevant Knowledges to sign a P&C Statement of Actuarial Opinion, we are concerned with codifying the Knowledges into the regulatory definition of "Qualified Actuary." We believe it increases considerably the regulatory burden on state insurance departments tasked with evaluating an actuary's qualifications under the Actuarial Opinion instructions. It is unclear how a state would evaluate each of the listed Knowledges without a substantial evidence of each, or at least the sources and methods used to obtain them.

We suggest instead that the definition refer the Knowledges to the American Academy of Actuaries ("Academy") for inclusion in the Specific Qualification Standard for Statements of Actuarial Opinion in the U.S. Qualifications Standards. In this manner, the qualified actuary definition would be revised as follows:

ACTUARIAL OPINION

...

1A. Definitions

...

"Qualified Actuary" is a person who:

- (i) 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 (U.S. Qualification Standards)*, promulgated by the American Academy of Actuaries; and
- (ii) can perform the tasks and, through basic education, has obtained the knowledges identified by the NAIC and included in the U.S. Qualification Standards "NAIC 2017 U.S. P/C Appointed Actuary Job Analysis" (see Appendix) appropriate for the company's lines of business and business activities; and
- (iii) is a member of the American Academy of Actuaries.

...

The Academy has served the actuarial profession and specifically the NAIC by designing the Specific Qualification Standard to conform with the NAIC's Actuarial Opinion requirements. Consistent with this process, the Academy could work with the NAIC to revise the requirements under the Specific Qualification Standard to include the Knowledges resulting from the Job Analysis. This process would need to be flexible enough to allow updates as needed, perhaps without fully exposing the entire Qualifications Standards to revision.

Coordination with Actuarial Organizations to Identify/Address Gaps in Basic Education

We understand the proposal is to implement the new definition effective with the 2019 Statements of Actuarial Opinion. To meet this schedule, the NAIC will need to work quickly with the actuarial organizations (AAA, CAS, SOA) to identify gaps, if any, between the Knowledges and basic education, both current and historical. To the extent differences are identified, the actuarial organizations will need to design and deliver supplemental basic education before December 31, 2019. The Specific Qualification Standard under the U.S. Qualifications Standards requires basic education to be obtained by either (a) successful completion of actuarial exams, or (b) responsible actuarial experience or self-study as certified by another qualified actuary¹. We encourage the NAIC to obtain commitments from the actuarial organizations for supplemental basic education before finalizing the effective date of the change in qualified actuary definition. One option that has worked well for the life/health actuaries is the Academy's Life/Health Qualifications Seminar. Perhaps something similar could be created for P&C actuaries.

Kevin Dyke, FCAS, MAAA
Chief Actuary
Michigan Department of Insurance and Financial Services

¹Section 3.1, *Qualifications Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, American Academy of Actuaries, 2008.

From: Lederer, Julie [mailto:Julie.Lederer@insurance.mo.gov]
Sent: Friday, February 09, 2018 5:37 PM
To: DeFrain, Kris
Subject: RE: P/C Actuarial Opinion Instructions with Revised Qualified Actuary Definition - Exposure

Kris,

Thank you for the opportunity to comment on the proposed definition of a qualified actuary. Many different parties have spent a significant amount of time on this project, and I appreciate the chance to be involved. I offer the following comments and questions. These are my own comments, not those of the Missouri Department of Insurance, Financial Institutions & Professional Registration.

1. What is the goal of revising the definition of a qualified actuary?
2. The current definition in the 2017 NAIC *Annual Statement Instructions – Property/Casualty* does not require membership in the AAA. The proposed definition does.
 - a. What is the goal of this change?
 - b. How many current P/C appointed actuaries are members of the CAS but not the AAA?
3. Does the NAIC expect that most P/C appointed actuaries under the proposed definition will either be FSAs who took GI track exams or members of the CAS?
4. Section 1A.ii of the proposed definition says that a qualified actuary “has obtained the knowledges identified in the ‘NAIC 2017 U.S. P/C Appointed Actuary Job Analysis’ (see Appendix) appropriate for the company’s lines of business and business activities.” It’s possible that the actuary may not review all the company’s lines of business (e.g., the actuary may accept the company’s carried reserves for certain immaterial lines), and the phrase “business activities” may be open to interpretation. Perhaps one of the following could be considered as an alternative to the proposed wording:
 - a. “has obtained the knowledges identified in the ‘NAIC 2017 U.S. P/C Appointed Actuary Job Analysis’ (see Appendix) that are needed to sign the Actuarial Opinion”
 - b. “has obtained the knowledges identified in the ‘NAIC 2017 U.S. P/C Appointed Actuary Job Analysis’ (see Appendix) that are relevant to the Actuarial Opinion”
5. Section 1A.ii of the proposed definition implies that the qualified actuary will obtain the knowledges through basic education. Are all of the knowledges expected to be obtained through basic education? It seems like some of them could be met through continuing education or experience instead of basic education. In fact, a knowledge will have to be met through means other than exams if:
 - a. It’s a knowledge that can’t be tested on an exam. Knowledge F.2 (decision making and communication skills) might be one example.
 - b. The knowledge wasn’t covered on any exams when the actuary was taking exams. Knowledge E.5 (RBC) might be one example, because the actuary may have completed the exam process before RBC was implemented.
6. The introduction to the proposed definition suggests an expectation that “professional actuarial associations [will] adjust, if necessary, their basic education requirements to be in line with

these requirements.” What type of adjustments are expected, and by which actuarial associations?

7. Will there be any grandfathering provisions whereby current P/C appointed actuaries will be exempt from following aspects of the proposed qualified actuary definition that differ from the current definition? It may be difficult for appointed actuaries who have been practicing for several years to document where they obtained the relevant knowledges, particularly to the extent that exam syllabi have changed since that actuary took exams. The NAIC has asked the CAS and SOA to map their exam syllabi to the list of knowledges, but this will only indicate how the *current* exams correspond to the knowledges. Moreover, since there is currently no requirement to document the three-year experience period, current appointed actuaries may not be able to provide evidence that they learned certain knowledges during the experience period.
8. Will regulators be expected to determine which of the knowledges are applicable to the SAO in question, verify that the actuary certified familiarity with those knowledges, and review the supporting documentation?
9. The NAIC’s qualified actuary project touches a variety of areas, including examinations, the definition of a qualified actuary, the three-year experience requirement, and recertification. Maintaining consistency between the various parts of the project seems like an important goal.
10. The NAIC’s consultant concluded that the SOA FSA (GI track) credential does not meet minimum educational standards for signing NAIC P/C SAOs; the consultant’s study said that there was a “lack of necessary breadth and depth” in the SOA GI track educational standards but “that the three years’ experience requirement might be able to compensate sufficiently,” per the letter from the NAIC to the AAA, CAS, and SOA dated July 13, 2017.
 - a. Will actuaries be able to satisfy the knowledges with SOA GI track exams, or, given the consultant’s findings, will those who took SOA GI exams be expected to gain all knowledges through other means?
 - b. Does the NAIC plan to study the SOA’s GI track credentialing program again in the future?
11. Under the proposed definition, who would need to seek approval from the CPC? The CPC option in the current definition allows non-CAS members to sign NAIC P/C SAOs, but the proposed definition doesn’t require membership in the CAS.
12. Section 1A.ii of the proposed definition refers to tasks, but the tasks are not provided in the appendix. Perhaps the reference to tasks could be removed.

I appreciate the chance to provide comments on this important project and look forward to further discussions.

Sincerely,

Julie Lederer, FCAS, MAAA
Property & Casualty Actuary
Missouri Department of Insurance, Financial Institutions & Professional Registration

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AAA – American Academy of Actuaries

CAS – Casualty Actuarial Society

CPC – Casualty Practice Council

FSA – Fellow of the Society of Actuaries

GI – General Insurance

NAIC – National Association of Commissioners

P/C – Property/Casualty

SAO – Statement of Actuarial Opinion

SOA – Society of Actuaries

USQS – Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States

From: DeFrain, Kris [<mailto:kdefrain@naic.org>]

Sent: Friday, December 29, 2017 9:20 AM

To: DeFrain, Kris <kdefrain@naic.org>

Subject: P/C Actuarial Opinion Instructions with Revised Qualified Actuary Definition - Exposure

To State Insurance Regulators and Interested Parties of the NAIC's Job Analysis Project:

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A summary of the consultant's report will be posted on the NAIC website by next Friday.

Kris DeFrain, FCAS, MAAA, CPCU
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Comments on the NAIC's Proposed Revised Definition of a "Qualified Actuary"

Gennady Stolyarov II, FSA, ACAS, MAAA, CPCU, ARe, ARC, API, AIS, AIE, AIAF
Lead Actuary, Property and Casualty Insurance
Property and Casualty Section, Nevada Division of Insurance

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

Sent via e-mail at kdefrain@naic.org

February 12, 2018

Dear Ms. DeFrain:

Thank you for the opportunity to comment on the NAIC's proposed revised requirements for the Property/Casualty (P/C) Statement of Actuarial Opinion ("Actuarial Opinion"), which, in particular, pertains to an expanded definition of a "Qualified Actuary" on the basis of the results of the recent NAIC Job Analysis Project.

My comments on the proposed revised requirements relate to the following priorities. I note that my comments should not be construed as opposing the revised proposed requirements *per se* – but rather as suggesting that appropriate care be taken to interpret and implement them so as to prevent adverse consequences to the authority of State insurance regulators, the desirable evolution of the actuarial profession and P/C insurance more generally, and the ability of qualified new entrants to issue statutory P/C Actuarial Opinions. In particular, I consider it important to pursue a more flexible approach to the attestation process itself, such that it should *not* be the case that each individual Appointed Actuary would need to attest to each individual Knowledge Item.

The comments below should be seen as the opening of a discussion where hopefully the NAIC's *approach* to the proposed revised requirements could be clarified and refined to avoid pitfalls.

Priority 1. Preservation of the authority and ability of individual States and their regulators to make determinations regarding which actuaries are "qualified" for the purposes of performing work pertaining to the insurers domiciled in those States. Both State-specific laws and the contexts surrounding particular insurers will, at times, necessitate particular responses which only the regulators of individual States are able to appropriately decide upon, due to their knowledge of the circumstances of time and place and incentives aligned with the protection of consumers and the maintenance of P/C insurers' solvency. State regulators should always have the flexibility and discretion to determine a particular individual to be a qualified actuary, if that individual has demonstrated, to the satisfaction of the State regulators in question, that he or she is competent and knowledgeable to perform the analysis to substantiate the carried loss, loss-adjustment-expense, and other relevant reserves of P/C insurers domiciled in those State regulators' jurisdiction.

Therefore, I consider it salutary that the proposed instructions include a statement that "if a person who does not meet the definition of a Qualified Actuary has been approved by the insurance regulatory official of the domiciliary state, the Company must attach, each year, a letter from that

official stating that the individual meets the state’s requirements for rendering the Actuarial Opinion.” It would also be desirable to allow such a person to provide any other official evidence from the insurer’s State of domicile, which would serve as definitive demonstration that this person has been approved to provide actuarial services for the insurer. Nevada, as an example, has an established process for evaluating actuaries for inclusion on its list of approved actuaries for captive insurers.¹ If a person is included on such a list, then, with respect to a captive insurer that files financial statements with the NAIC, such as an association captive risk-retention group (“RRG”), that individual should be able to provide a link to the State’s list of approved captive actuaries as evidence that the individual has been approved to provide actuarial services for captive insurers in that State. Nevada does also issue approval letters to captive actuaries, but there are circumstances in which a letter may be more difficult to locate than a published list on the Nevada Division of Insurance website.

Priority 2. Compatibility with the desirable evolution of the actuarial profession and the actual circumstances of P/C insurers. I have no disagreement with any of the individual Knowledge Items expressed in the Job Analysis results – in terms of these Knowledge Items being potentially important in evaluating the financial condition of some insurers in some contexts. Also, I have no disagreement with these Knowledge Items as appropriately reflecting the status quo of the work of P/C Appointed Actuaries.

My concern is that any sufficiently detailed and prescriptive framework of individual Knowledge Items can and will be rendered obsolete through the evolution of technology, statutes and regulations, and insurance product offerings. Furthermore, in the particular contexts of individual insurers, some of these Knowledge Items may be substantially more important than others. Therefore, it is crucial for the statement that the knowledges be “appropriate for the company’s lines of business and business activities” to be interpreted liberally so as to enable a person who genuinely understands the particular “company’s lines of business and business activities” to be considered a “Qualified Actuary” for the purposes of this definition. Furthermore, this more liberal interpretation would imply that it ought *not* be a requirement for each Appointed Actuary to make a specific attestation with respect to each individual Knowledge Item.

For instance, it is possible for a P/C insurer not to have reinsurance – and, in some cases, as where the P/C insurer is unable to secure reinsurance on reasonable terms that achieve risk transfer, it is preferable for the P/C insurer to lack reinsurance altogether than to purchase fictitious “reinsurance” solely to create the (potentially misleading) impression that the P/C insurer has transferred some risk. It is conceivable that the Appointed Actuary of a P/C insurer that has chosen not to purchase reinsurance would be competent and knowledgeable in all other respects necessary to evaluate the financial condition of that insurer, but considerations of reinsurance may simply be irrelevant to the situation at hand. I see no reason why, in that particular situation, the Appointed Actuary’s knowledge of reinsurance would need to enter the scope of qualification.

Likewise, there may be future regulatory changes or changes to both the nomenclature and substance of NAIC ratios, schedules, and filing documents, which would render some of the Knowledge Items obsolete.

¹ See Nevada’s approved list of actuaries for providing service to captive insurers at <http://di.nv.gov/sdc/CaptiveActuary.pdf>.

Nor would all of the Knowledge Items listed necessarily pertain to a future world in which, hypothetically, some insurance contracts might become self-executing, parametric, and/or blockchain-based, or pertain to fundamentally different insured exposures (for instance, autonomous vehicles as opposed to manually driven vehicles for automobile liability insurance, or physicians assisted by artificially intelligent diagnostic programs for medical malpractice insurance). Many more future possibilities for P/C insurance products exist than would be possible to even conceive from the vantage point of our present knowledge. The skill set necessary to evaluate insurance products in such a future world will need to evolve as rapidly as the products themselves. It is important to accommodate such evolution by avoiding an overly detailed and prescriptive attestation framework.

Generally, the examination syllabi of the two actuarial organizations currently involved in credentialing P/C actuaries – the Casualty Actuarial Society (CAS) and Society of Actuaries (SOA) – are indeed revised periodically in order to reflect and anticipate the evolution of the insurance industry and the desirable P/C actuarial skill set. I am concerned that if the listed Knowledge Items in the NAIC’s proposed definition of a “Qualified Actuary” are rendered binding on all individuals in all contexts, they may, on the other hand, take a snapshot in time (the current set of skills desired of actuaries who represent the financial condition of regulated P/C insurers today) and freeze that snapshot in place, potentially preempting the evolution of guidelines to correspond to the evolution of the industry being regulated. Even under the assumption that these Knowledge Items are the best possible description of desired P/C actuarial knowledge today, over time, if actuarial educational organizations’ syllabi become pegged to these Knowledge Items, there may occur an ever-widening divergence between the material that is tested and the material that is applicable to real-world actuarial practice. Granted, efforts may be undertaken to periodically re-align the Knowledge Items with then-current market and regulatory realities, but it is nonetheless a commonplace observation that the speed at which formal requirements can be adjusted often lags far behind the emergence of the phenomena to which these requirements respond.

Again, the above is not a critique of any individual Knowledge Item, but rather a commentary on how it would be desirable to approach these Knowledge Items altogether – perhaps as guidelines or elaborations on what could be appropriate to consider, depending on a P/C insurer’s individual circumstances, rather than areas where competency must be documented and attested to for each individual point with every individual statutory Actuarial Opinion. Also, sufficient opportunities should be made available for the Knowledge Items to evolve over time *in a flexible and seamless manner* and to be custom-tailored to particular emerging insurance products and business models.

3. Preservation of the ability of qualified new entrants to issue statutory Actuarial Opinions.

The proposed new requirements should not, as a whole, be interpreted so as to create unduly high or burdensome barriers to entry as to prevent individuals who would be objectively qualified to appropriately evaluate the financial condition of a given insurer from doing so solely because those individuals may be newer to the profession or lack certain specific prior experiences, institutional connections, or infrastructural advantages that come with a longer prior career. Particular care should be taken that this set of requirements does not have the unintended effect of reinforcing a status quo which incumbents in the profession might readily navigate, but which newcomers would find difficult due to increased burdens of documentation and the potential interpretation that one would need to know everything before being able to do anything, even though being able to do something is always a prerequisite to learning many things. It is definitionally true that any quality concerns expressed in the past with regard to any actuarial work would have pertained to the work of certain incumbents in the profession during that time. Establishing any barrier, including an inadvertent

barrier, to newcomers does not solve any actual or alleged problem which solely pertains to the work of some subset of incumbents.

There is already a severe demographic disparity in the P/C insurance industry, due to several years in the aftermath of the Great Recession where hiring of new entrants into the profession slowed to a trickle. As a result, unless many more new individuals join the ranks of qualified actuaries, including qualified Appointed Actuaries, we will soon see a major demographic cliff when many existing established actuarial practitioners retire. Any definition of a “Qualified Actuary” needs to take this into account and be sufficiently accommodating to genuinely qualified new entrants (i.e., individuals who have completed the requisite education and can also otherwise demonstrate the relevant knowledge in practice) such that the supply of competent actuarial work will not become diminished even as the demand for it becomes greater than ever. If the genuine and sole concern of this framework is to ensure quality of work product, then particular care must be taken to prevent a situation where *only* actuaries employed by large, well-resourced P/C insurance carriers and consulting firms would have ready access to the infrastructure needed to comply with the proposed documentation burden. We should strive for an actuarial profession where the merit and knowledge of the individual would be the sole determinants of eligibility to practice, without being explicitly or implicitly preconditioned by specific commercial institutional affiliations or incumbency within the industry – as the latter characteristics are uncorrelated with the objective quality of work. The more objectively qualified individuals, irrespective of affiliation, are permitted to practice and implement their skills, the greater the quality of actuarial work products will tend to become overall.

Lastly, it is not clear to me what the definition of a “Qualified Actuary” requires an individual to be a member of the American Academy of Actuaries (“Academy”). I myself am such a member and evidently perceive such membership to be important and advantageous – yet there is a difference between recognizing the desirability of a situation and rendering it mandatory. Credentialed actuaries in the United States who do not have the MAAA designation are still bound by the U.S. Qualification Standards, and so membership in the Academy would seem to be unnecessary as a *requirement* to meet the “Qualified Actuary” definition (even though such membership could be desirable for a variety of other reasons).

I thank you again for the opportunity to offer the above comments and look forward to a thorough discussion that ought to delve into as many facets of the proposed requirements as possible in a thorough, deliberative, and circumspect manner before making any decisions that are binding upon the actuarial profession.

Sincerely,



Mr. Gennady Stolyarov II, FSA, ACAS, MAAA, CPCU, ARe, ARC, API, AIS, AIE, AIAF
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February 13, 2018

National Association of Insurance Commissioners
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1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197
Attn: Ms. Kris DeFrain
Via E-mail: kdefrain@naic.org

Re: *P/C Actuarial Opinion Instructions with Revised Qualified Actuary Definition - Exposure*

The American Insurance Association (AIA) appreciates the opportunity to provide comments on the National Association of Insurance Commissioners' (NAIC) proposed revisions to the definition of a "Qualified Actuary". AIA represents approximately 320 major U.S. insurance companies that write more than \$125 billion annually in U.S. property-casualty premiums and approximately \$225 billion annually in worldwide property-casualty premiums.

It is our understanding that the NAIC wishes to include an "evidence-based" definition of Qualified Actuary in the *Quarterly and Annual Statement Instructions—Property/Casualty*. AIA believes the expanded definition is too broad with respect to the basic education requirements. We also believe the definition should be modified to acknowledge that an appointed actuary could appropriately rely on the expertise of staff or other industry experts (e.g., attorneys, claim professionals) in order to provide an actuarial opinion.

The appendix referenced in the definition creates an extensive laundry list of requirements that, as a practical matter, cannot be satisfied by any one actuary. At the same time, the appendix fails to acknowledge that the appointed actuary must necessarily rely upon the expertise of others in order to render an actuarial opinion. Requiring the appointed actuary to possess individually the "knowledges" indicated in the appendix is unrealistic and essentially shifts greater liability to the appointed actuary.

Because of the risk of increased liability exposure to the actuary, great care should be exercised in treating items of specialized knowledge as "basic education". Some items in the appendix simply should not be classified as "basic education" for the actuary. In the added "Law" section, for example, we would not ordinarily expect an actuary to be able to "assess" the legal environment, especially when that environment includes complex litigation involving class action and mass tort lawsuits. The proposed definitional changes should recognize that the appointed actuary might need to utilize the expertise of experienced attorneys and economists when opining on the potential impact to reserves of the extant legal environment.

Even where an item in the appendix may be relevant to an appointed actuary's assignment (e.g., item C.8 regarding reinsurance collectability), the basic education possessed by the actuary may only be at a level of familiarity, rather than the granularity described in the appendix. The granularity and breadth of scope of the appendix is inconsistent with the label of "basic education" in item (ii) in the Qualified Actuary definition.

Another problem with the proposed revision is that the information as to which portions of the appendix list are relevant to a particular company may be highly confidential. Hence, there would need to be suitable protections for that information. Any mechanism that the NAIC may establish to verify an actuary's credentials relative to the appendix and a particular assignment would need to provide such protections.

In summary, we ask the NAIC to revisit the role of the appendix in determining the necessary requirements to be a Qualified Actuary. Rather than requiring a laundry list of "knowledges", some elements on the proposed lists could be treated as factors to consider with respect to the business lines and business activities of the insurer. The current laundry list approach, however, is unsuitable and is more likely to serve as a roadmap for future litigation against the actuary and the insurer. We would be happy to work with the NAIC to fine tune the appendix in a manner that clarifies the basic education needed, while avoiding any unnecessary expansion of liability.

We appreciate this opportunity to comment and we look forward to assisting the NAIC in its efforts to develop a suitable evidence-based definition of Qualified Actuary. Please do not hesitate to contact us with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Phillip L. Carson". The signature is written in dark ink and is positioned above the typed name and title.

Phillip L. Carson
Vice President, Treasurer & Director of Financial Regulatory Policy



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,

A handwritten signature in black ink that reads "Mary D. Miller". The signature is written in a cursive style with a large, looped "M" and a distinct "D" and "Miller".

Mary D. Miller, MAAA, FCAS
Past President
American Academy of Actuaries

February 12, 2018

Kris DeFrain, FCAS, MAAA, CPCU
Director, Research and Actuarial Services
NAIC Central Office
kdefrain@naic.org

RE: Proposed Expanded Definition of Qualified Actuary

Dear Ms. DeFrain:

In August 2017 the National Association of Insurance Commissioners (NAIC) began a job analysis project to revise requirements for the property and casualty (P/C) Statement of Actuarial Opinion (Actuarial Opinion), using an evidence-based definition of a “Qualified Actuary.” The proposed instructions incorporate an expanded definition of “Qualified Actuary” based largely on the results of the job analysis project, with the addition of professionalism requirements.

This letter provides our comments on the proposed instructions and the expanded definition.

We believe that the inconsistencies that would be created by adopting the proposal as written would create unnecessary confusion and difficulties in determining which individuals are qualified and in demonstrating that individuals are qualified. We fully support the goal of ensuring that actuaries issuing P/C Statements of Actuarial Opinion are qualified, and we believe that the NAIC would be best served by working directly with the Society of Actuaries and the Casualty Actuarial Society to ensure that the relevant syllabus materials of each organization serve to educate actuarial professionals to meet the knowledge requirements outlined in the job analysis project.

In the remainder of this letter we provide feedback and comments on specific areas of the proposal as written.

1. **Exposure period.** The proposed changes were exposed for the 45-day period from December 29, 2017, to February 12, 2018. Thus the exposure period included two holiday weeks as well as the busiest time of year for the actuaries affected by the proposed definition. We have reviewed the proposal at a high level and have outlined comments herein. Given the magnitude of the proposed changes and the significance of our questions we strongly urge that the NAIC expose its proposal for additional comments once the present round of comments has been reviewed and addressed.
2. **Other professions.** Has the NAIC outlined a similar list of knowledge requirements for other self-regulated professions, such as accounting?
3. **Other actuarial disciplines.** We noticed that the proposed changes are specific to P/C Appointed Actuaries, which raises the question of whether similar changes will be proposed for life and health Appointed Actuaries. If the expanded definition is limited to P/C Appointed Actuaries, it

would appear to place a greater burden and greater expectation of knowledge requirements on P/C Appointed Actuaries.

4. **Inconsistencies between the proposed definition of a Qualified Actuary and the Appendix.** The proposed definition states that a Qualified Actuary is a person who "... through basic education, has obtained the knowledges identified in the Job Analysis Report." In the Appendix, however, the definition is stated differently. The Appendix states that a Qualified Actuary be able to "attest to having the knowledges ..." with no mention of having obtained the knowledge through basic education. We recommend that both instances of the definition be reworded to be consistent with one another, and further recommend that the definition acknowledge that the knowledges may be obtained through basic education, continuing education, and work experience.
5. **Basic education requirements of the Society of Actuaries (SOA) and the Casualty Actuarial Society (CAS).** The proposal states that the lag in implementation is "to provide sufficient time for professional actuarial organizations to adjust, if necessary, their basic education requirements to be in line with these requirements." If a professional actuarial organization demonstrates that its basic education requirements are in line with the requirements, would members of the organization be deemed to be qualified?
6. **Knowledges.** Has the NAIC confirmed whether the items outlined in the list of knowledges are covered in the exam syllabus of the CAS?
7. **Maintaining list of knowledges.** Under the proposed approach, the NAIC would need to commit to period review and assessment of the relevance and appropriateness of the knowledges.
8. **Effective date.** The proposed revisions are to be effective for 2019 Actuarial Opinions. It is unclear whether this means they would be effective for opinions issued in 2019 (which would affect year-end 2018 opinion), or whether this means they would be effective for opinions on year-end 2019 reserves. Please clarify the proposed timing of implementation.
9. **Identification paragraph.** The IDENTIFICATION paragraph of the Statement of Actuarial Opinion requires the Appointed Actuary to indicate his or her qualifications for acting as Appointed Actuary. Will the NAIC provide guidance as to how the Appointed Actuary should indicate these qualifications? Will a simple statement suffice, such as "I am a Qualified Actuary under the definition of the NAIC"?
10. **Form of attestation.** The Appendix includes the requirement for the actuary to "attest" to having the knowledges appropriate for the company's lines of business and business activities. What form will this attestation take? Will this be part of the Statement of Actuarial Opinion?
11. **Exhibit B identification.** Currently Exhibit B of the opinion requires the Appointed Actuary to state whether he or she is a Fellow of the CAS (FCAS), an Associate of the CAS (ACAS), a member of the American Academy of Actuaries (Academy) approved by the Casualty Practice Council, or "other." Given the proposed changes to the definition of a Qualified Actuary, are these categories still relevant? Will additional changes be made to the opinion instructions to coincide with the definition changes?
12. **Knowledges "appropriate to the company's lines of business and business activities."** The proposed definition does not discuss what would make a particular area of knowledge

appropriate to a company's lines of business and business activities, nor the extent such knowledge is needed. An insurance company may engage in business activities that are not relevant to its evaluation of loss reserves. Areas of knowledge may appear not to be relevant at the time a Statement of Actuarial Opinion is issued, and may later become more relevant.

13. **Statutory insurance accounting.** One of the areas of knowledge listed is statutory insurance accounting. As there are NAIC opinions issued on reserves that are not based on statutory accounting, we believe this may be too narrow. This could be generalized as "the accounting principles used as the basis of the carried reserves."
14. **Undefined terms.** The list of knowledges includes the meaning of "significant" and "material" in considering users' needs for the purposes of determining the risk of material adverse deviation. Does the NAIC plan to provide official guidance regarding the proper interpretation of those words in that context?
15. **Subjective items.** The list of knowledges includes items that are subjective in nature, such as:
 - "How to *effectively* communicate with and to an auditor audience"
 - "Dispute resolution *skills*"We note that these items appear to place the de facto blame on the Appointed Actuary if there are unresolved disputes or an auditor misunderstands our work product.
16. **Items not relevant to statutory opinions.** The list of knowledges includes "Risk and uncertainty associated with a reserve analysis including approaches to quantify risk" and "Approaches and considerations in discounting reserves (e.g., interest rates, risk margins)." Because reserves prepared under statutory accounting principles are generally undiscounted, with no risk margin, they do not seem to be relevant to the scope of the proposed definition. The list also includes "Reinsurance risk transfer testing." The evaluation of risk transfer is an accounting decision and not an actuarial decision.
17. **Overlapping items.** There are overlapping items in the lists of knowledges. For example:
 - "Reinsurance contracts interpretation" and "reinsurance contracts to determine the treatment of loss adjustment expenses." Determining the treatment of loss adjustment expenses is arguably part of the interpretation of the reinsurance contract.
 - "P/C claims' operations and changes therein," "processes used by the company for handling and managing claims in various lines and classes of business," and "key activities in the claims handling process."
 - "Appropriateness of using industry data and potential differences between industry experience and company experience (e.g., differences in policy forms and coverages, underwriting, and marketing)" and "Composition and applicability of industry benchmarks for reserve analysis."
18. **Implied total requirements.** The table in Figure 1 outlines all of the requirements implied by the proposed definition with specific comments on the additional requirements.

Figure 1: Requirements Implied by Proposed Definition

Requirement	Source	Comment
Be a member of the American Academy of Actuaries (Academy), a Fellow or Associate of the SOA or the CAS, a Fellow of the Conference of Consulting Actuaries (CCA), a Member or Fellow of American Society of Pension Professionals and Actuaries (ASPPA), or a fully qualified member of another International Actuarial Association (IAA) member organization.	Basic education and experience requirement of the <i>Qualification Standards</i> .	
Be a Member of the Academy.	Proposed definition of Qualified Actuary.	Previously a Qualified Actuary did not need to be a member of the Academy.
Be knowledgeable, through examination or documented professional development, of the law applicable to the Statement of Actuarial Opinion. "Law" is defined in the Code of Professional Conduct.	Basic education and experience requirement of the <i>Qualification Standards</i> .	
Can perform the tasks and, <i>through basic education</i> , has obtained the knowledges identified in the NAIC 2017 U.S. P/C Appointed Actuary Job Analysis appropriate for the company's lines of business and business activities.	Proposed definition of Qualified Actuary.	The new requirement states that knowledge must be obtained through basic education. It is unclear whether that means through examination, or through the process of meeting the basic education requirement of the <i>Qualification Standards</i>. Because the historical content of the actuarial exams may not have included all of the items outlined in the Job Analysis Report, we recommend, if the proposal moves ahead, that it makes clear the relevant knowledge may be obtained through examination, independent study, and work experience.
An actuary must have obtained sufficiently comprehensive knowledge of and responsible experience with the subjects specifically involved to be able to determine which actuarial concepts and techniques are applicable to the assignment and to apply those concepts and techniques successfully.	Specific qualification standard of the <i>Qualification Standards</i> .	
An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries or the Casualty Actuarial Society on the following topics: (a) policy forms and coverages, underwriting, and marketing; (b) principles of rate making; (c) statutory insurance accounting and expense analysis; (d) premium, loss, and expense reserves; and (e) reinsurance.	Specific qualification standard of the <i>Qualification Standards</i> .	
An actuary must 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 the review took place under standards in effect at that time.	Specific qualification standard of the <i>Qualification Standards</i> .	
An actuary must obtain sufficient continuing education to maintain current knowledge of applicable standards and principles in the area of actuarial practice of the Statement of Actuarial Opinion.	Specific qualification standard of the <i>Qualification Standards</i> .	

Thank you for the opportunity to comment on the proposed changes. We are P/C actuaries employed by Milliman, Inc. and the views expressed in this letter do not necessarily represent the views of Milliman nor of other Milliman employees.

Please contact us with any questions.

Sincerely,

Amy P. Angell, FCAS, MAAA
Carl X. Ashenbrenner, FCAS, MAAA
Guy Avagliano, FCAS, MAAA
Wayne E. Blackburn, FCAS, MAAA, CERA
Tony Bloemer, FCAS, MAAA
Anthony J. Burke, FCAS, MAAA
Matt Corwin, FCAS, MAAA
Michael DeMattei, FCAS, MAAA
Stephen R. DiCenso, FCAS, MAAA
Susan J. Forray, FCAS, MAAA
Karl Goring, FCAS, MAAA
Travis J. Grulkowski, FCAS, MAAA
John Herzfeld, FCAS, MAAA
Derek Jones, FCAS, MAAA
Lori Julga, FCAS, MAAA
Chad C. Karls, FCAS, MAAA
David Kennerud, FCAS, MAAA
Matthew G. Killough, PhD, FCAS, MAAA
Stephen Koca, FCAS, MAAA
Chris Kogut, FCAS, MAAA
Jason B. Kurtz, FCAS, MAAA
David M. Lang, FCAS, MAAA
Mary Ann McMahon, FCAS, MAAA
Robert J. Meyer, FCAS, MAAA
Mark Mulvaney, FCAS, MAAA
Arlene Richardson, FCAS, MAAA
Tom Ryan, FCAS, MAAA
Michael C. Schmitz, FCAS, MAAA
Joy A. Schwartzman, FCAS, MAAA
Sheri Scott, FCAS, MAAA
Paul Struzzieri, FCAS, MAAA
Nancy Watkins, FCAS, MAAA
Simon K. Wong, FCAS, FSA, MAAA



February 12, 2018

National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Dear Colleagues;

We are writing on behalf of the Task Force to Review the NAIC Appointed Actuary Job Analysis, a task force formed by the Casualty Actuarial Society to provide comments on the Exposure of the Definition of “Qualified Actuary” to be an Appointed Actuary for a Statutory Property and Casualty Statement of Actuarial Opinion. We call this the “job analysis” for short. Our comments are provided below.

To start, we would like to thank the NAIC for drafting the comprehensive set of skills that actuaries strive to maintain in service to their principals in providing the statutory statements of actuarial opinion. The work is thoughtful and complete, as we expect from the NAIC. We also understand the important goal the NAIC is endeavoring to achieve in defining the many complex skills that are important in this work.

We offer comments in two areas.

Level of Detail in the Opinion Instructions: We are concerned about including the whole of the skills list in the actuarial opinion instructions. We believe the list is so long it is unwieldy and, for that reason, not helpful for management or the board to evaluate an actuary. We do think that such a list can be a useful tool, for example, to evaluate an educational syllabus or course of study, and could be kept and maintained by the NAIC for purposes such as that, but not included in the instructions in whole.

For inclusion in the instructions themselves, we suggest the shorter version starting on the table at the bottom of page 14 of the consultant’s report and continuing on page 15, which includes the six domains of knowledge, and the associated definitions. We think these broader definitions are more appropriate in the context of actuarial opinion instructions.

We suggest it would be helpful to clarify the definitions in that table, by qualifying the actuary should have these knowledges “...to the extent it is material to the reserves being evaluated.”



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Suggested Modifications of the Detailed Skills List: With respect to the skills list, we think it would be helpful to add wording to enhance the context and intent of the NAIC in publishing the extensive list. This arises from how exhaustive the list is, and that any individual would almost never be able to document or demonstrate evidence of mastery of all of them. We do acknowledge that in the definition of the qualified actuary it notes:

“...has obtained the knowledges identified in the “NAIC 2017 U.S. P/C Appointed Actuary Job Analysis” (see Appendix) appropriate for the company’s lines of business and business activities”

The qualifier “appropriate” is a start for that context, but we believe it is not enough. We believe it needs to be made clear that an actuary does not need expert knowledge in all of these areas, (for example, items involving law, for which an expert is a lawyer). The actuary does need a working understanding of the extent to which each item impacts the reserve evaluation. We think there are several ways to accomplish that context. Perhaps a direct way would be to explicitly discuss context. For example, a paragraph such as:

“These knowledge statements should be interpreted in a manner proportionate with the reserves being evaluated. A qualified actuary, for our purposes should have a working knowledge obtained through basic actuarial education, involvement in activities of learned actuarial societies, and subsequent inquiry or education, and to have a working knowledge of items that have material impacts on the reserve evaluations and opinions which they sign. In some cases this knowledge can be obtained by consultation with other specialists, which may include specialists employed by the entity for which they provide an opinion. It is not expected an actuary be an expert or demonstrate mastery in all of these skills. Their knowledge should be commensurate with their role as an actuary, the nature of the insurance entity which they serve, and to the extent the knowledge is material to the reserves being evaluated. In many cases, the responsibility of the actuary to evaluate what knowledge is needed to be qualified in any particular application is clarified by reference to the Actuarial Standards of Practice maintained by the American Academy of Actuaries.”

Litigation Risk: Related to this clarification is the impact on litigation risk created by a standard of mastery for an appointed actuary that could be interpreted so broadly that no individual may ever be able to meet it. While we know it is not the intent, others may attempt to interpret this extensive list for their own ends. We think without proper context and clarification, the risk created to not just actuaries, but insurance entities’ Boards and managements who appoint actuaries, could be very significant.

We suggest that the NAIC seek review of counsel on this issue prior to issuance of the final guidance. The clarifications we are suggesting could help to alleviate this risk. We ask the NAIC to consider this risk carefully in promulgating the new definitions.

Offer to Assist: We know many actuaries contributed to the list, but believe that was more around validating the content rather than crafting the wordings. We believe the list as drafted could benefit from a team of actuaries going over the statements, reviewing wording and clarifying the content. Our review identified a number of items for which the intent is unclear. In addition, we believe that there are a number of areas of redundancy among items in the drafted



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list. We believe there would be ample volunteers to create clearer wordings for the knowledge statements. The CAS could help to recruit those volunteers.

We thank the NAIC again for your efforts in this important work.

Sincerely;

A handwritten signature in black ink that reads "Chris Nyce".

Chris Nyce, Chair
CAS Task Force to Review the NAIC Appointed Actuary Job Analysis

CAS Task Force to Review the NAIC Appointed Actuary Job Analysis:

Brian Brown
Andy Doll
Leslie Marlo
Gary Josephson
Chris Nyce

From: Golfin, Drew [mailto:drewgolfin@kpmg.com]
Sent: Saturday, February 10, 2018 10:23 AM
To: DeFrain, Kris
Subject: Comments on Revised Qualified Actuary Definition - Exposure

Mr. DeFrain,

I am commenting as an individual practicing actuary who is also an appointed actuary. These comments are mine alone and do not represent the opinions of my employer or my colleagues.

I am concerned with defining a qualification standard in terms of a list of knowledges. Professional qualification is, to my way of thinking, obtained through education (including continuing) and experience and not defined by a fixed set of knowledges. My concerns with this approach are as follows:

- A fixed set of knowledges are bound by the date that they were created and the burden of regular revision may make them stale. For example, ratemaking knowledge as it pertains to reserving, for many currently qualified actuaries might include only limited knowledge of predictive modeling and its use in rate setting. Who is to say how much knowledge in predictive analytics for ratemaking is required to opine on P&C loss and LAE reserves? In the future, claim-level machine learning techniques may become useful additional tools in the reserving actuary's repertoire. When will that become an aspect of the knowledges of the qualification definition?
- Determining that an individual has a suitable level of knowledge in any syllabus such as that in the appendix will be very difficult short of an examination process which is unlikely to be accepted by the profession and probably an onerous burden.
- The list of items in the appendix is too vague; for example, what level of understanding of IT is appropriate for an opining actuary who does not audit the data (Item D. 13.)? In assessing collectability of reinsurance, the term "news items" is rather vague. Does the actuary need to demonstrate that they have read certain industry publications before they sign an opinion?
- Some would argue important terms are omitted. No mention of underwriting year is made in the document, for example. Data compilation methods are mentioned, but if the list isn't comprehensive, can it be used for determination of qualification?
- The qualification standard as it stands does not permit a professional from learning these knowledges on the job. Many very talented and experienced actuaries would be qualified to evaluate the reserves of a company, but might need to brush up on some topic – the latest notes to the financial statements, recent trends in workers compensation benefits in the state for which the reserve is being evaluated, and so on. That doesn't mean that the individual is not qualified. I don't expect my doctor to be expert on every possible medical condition that I might present, but I expect her to be able to learn what she needs or rely on another professional. One might argue that the appendix doesn't set a time bar and if one has studied these knowledges, then they are qualified, but that merely returns the problem to one of education. Most Fellows of the CAS, for example, have studied all of the topics in the list, to one degree or another. If that's sufficient, then why do we need an appendix of knowledges?

In conclusion, I'm concerned this approach to the definition isn't a solution in search of a problem. I'm not aware of many actuaries practicing in the P&C industry who are doing work they are not qualified for. Given our credentialing process, continuing education requirements, and professional standards, we seem to be doing the professional and qualified job expected of us. Note that I would draw a distinction between qualification and the state of applied actuarial science. I believe that our CAS educational system moves too slowly to modernize the syllabus, but that is a matter for professional education, not a qualification standard, to address.

Thank you for the opportunity to comment.

Best regards,

Drew Golfin
Managing Director, Advisory
KPMG LLP | One Financial Plaza | 755 Main St., 11th Floor | Hartford, CT 06103-2608
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Demotech, Inc.

February 12, 2018

Ms. Kris DeFrain, FCAS, MAAA, CPCU
Director, Research and Actuarial Services
National Association of Insurance Commissioners
1100 Walnut St.
Kansas City, MO 64016

Re: NAIC P/C Qualified Actuary Job Analysis Project

Dear Ms. DeFrain,

I have a few concerns about how the NAIC may change the definition of a Qualified Actuary in order to meet the recommendations of the Job Analysis Project.

The Project has a laundry list of knowledges that a Qualified Actuary “must” possess in order to provide a Statement of Actuarial Opinion. However, the goal of the Statement of Actuarial Opinion is to consider the major risk factors that would have a material impact on reserve adequacy. A strict interpretation of “must” would require the Qualified Actuary to spend a lot of time gathering knowledge and information that would not be relevant for identifying these major risk factors. This information gathering would be particularly onerous for consultants and their clients.

I also have a concern about self-identification of knowledge gaps. I passed my exams over 23 years ago and have almost 30 years of actuarial experience. How do I identify and detail which knowledge was acquired by exams and which by experience? If I identify a gap, how will I address that gap before I sign the Statement of Actuarial Opinion? Some gaps will not be identifiable – experienced actuaries often have tacit knowledge that guide them toward the appropriate risk factors. I feel that this issue needs to be addressed before Qualified Actuaries “must” do anything.

I support the NAIC’s effort to have a more evidence-based and detailed proof of qualification. I am not sure that this Job Project has identified what is necessary to be a Qualified Actuary.

Please feel free to contact me if you have any questions.

Sincerely,

Steven J. Groeschen, FCAS, MAAA
Chief Consulting Actuary and Risk Analyst
Demotech, Inc.

From: mark.w.littmann@pwc.com [mailto:mark.w.littmann@pwc.com]
Sent: Saturday, February 10, 2018 10:10 AM
To: DeFrain, Kris
Subject: Comments on Exposure Draft on Revised Qualified Actuary Definition

hello, Kris,

For the record, my remarks in this email represent my personal professional views, and my remarks are not, and cannot be interpreted as, expressions of opinion by my employer PricewaterhouseCoopers LLP.

I've served as an (external) appointed actuary for P&C insurance companies for over 25 years. I have issued Statements of Actuarial Opinion for a variety of P&C insurance companies in terms of size, market presence, and insurance products. The rigorous examination and credentialing standards, as well as the continuing education requirements, of the Casualty Actuarial Society (CAS) prepared me well for the various professional matters that I have encountered over my career.

I support the current definition which addresses professional knowledge through membership in the Casualty Actuarial Society, and therefore, compliance with CAS education standards.

I do not support the proposed "knowledges-based" re-definition of a qualified actuary by the NAIC. Many, if not all, of the items are covered in the CAS exam syllabus. From that perspective, the proposed re-definition of Qualified Actuary appears equivalent to being a "member of the CAS" and its dis-connect with the CAS requirement creates a variety of professional concerns.

1) Knowledges – what is the performance standard?

The exposure draft proposes a qualification standard that the actuary "can perform the tasks and, through basic education, has obtained the knowledges identified in the "NAIC 2017 U.S. P/C Appointed Actuary Job Analysis" (see Appendix) appropriate for the company's lines of business and business activities." With 103 knowledges cited, what is the objective evidence that each actuary should compile regarding the knowledges appropriate for each subject company's lines of business? This is a critical area -- since ambiguity on whether a specific actuary is qualified to issue an Opinion for a specific company could become a matter of personal opinion, debate, or legal action, especially if an issue arises regarding that company's reserves. The insurance industry cannot tolerate a qualification standard that leaves ambiguity as to whether an actuary meets the standard or not. The NAIC should not put Opinion stakeholders (e.g., company management, company Board of Directors, state regulators) as doubting whether the

actuary meets the stated requirements, and therefore, doubt as to the execution of their management, oversight, or regulatory responsibilities.

The CAS examination and continuing education requirements establish the content and the standards by which to assess whether an actuary has obtained and demonstrated sufficient knowledge in the relevant subject areas. Opinion stakeholders have confidence in the CAS credential, and should not have to take on responsibility for assessing whether a specific actuary has met the requirements around knowledges without an objective professional basis for assessment.

2) Knowledges – the list

A tally of knowledges for each area shows 103 in total:

A - Law - 8

B - Policy Forms, etc - 9

C - Reinsurance - 12

D - Reserves - 44

E - Accounting & Role of AA - 28

F - Professionalism & Business Skills - 2

Some of these 103 knowledge areas are broad (eg, E-5: NAIC RBC and relevant state law), specific (eg, D-38: earning premiums), or 'emerging' (eg, D-33 risk & uncertainty and approaches to quantify risk). These knowledge areas are addressed in the CAS syllabus for credentialing exams and continuing education programs.

3) Knowledges – how much is enough?

Using the area of Law as an example, how much knowledge would need to be obtained, and how would it be evidenced? For instance, the draft indicates that "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." What level of awareness would be sufficient? What would be considered sufficient diligence to know what exists in the universe of tort law, litigation, precedent case law, and changes therein? It seems that an actuary might need to also hold a JD credential in order to be qualified under the exposure draft.

While I do not support the proposed re-definition of a qualified actuary, I offer some additional comments and ideas for the NAIC to consider around this matter.

A) Continuing Education

If the NAIC wishes to ensure that appointed actuaries who became members of the CAS "many" years ago are "still" qualified, then the CAS continuing education requirements could be reviewed and enhanced, if deemed appropriate. If a re-confirmation of credential competency assessment (aka, 'renewal' exam) is deemed appropriate, then that could be an alternative that would show that an actuary is currently knowledgeable and qualified.

B) Other Professions' Frameworks for Standards

Other professions' frameworks for qualification standards may be useful reference point(s). For instance, what are the standards and requirements for doctors or lawyers? I believe that doctors have rigorous initial credentialing and licensing procedures (e.g., med school, Board exams, residency, specialty Board exams, etc.) as well as some extent of ongoing continuing education and 're-licensing' exams every "10" years, depending on their area of practice. (I'm not an expert on these, but offer them as potential reference points.)

C) Actuarial Report supporting the Opinion

The requirements around an actuarial report supporting an Opinion could be another way for the appointed actuary to demonstrate his/her competence and relevant knowledge. Over the course of my career, I have seen the reports produced by various company and consulting actuaries in support of Opinions. I see a degree of variation in terms of their level of documentation of company operations, the methods and assumptions used in analyzing unpaid claim liabilities, and consideration of internal and external factors, in support of the Opinion.

Perhaps the requirements for the Report could be enhanced, to bolster the evidence that the actuary has obtained and demonstrated the relevant knowledges. The enhancements could be made by the Actuarial Standards Board (eg, ASOP on actuarial communications) or could become an extension of the NAIC Actuarial Opinion instructions, since the Instructions already set forth requirements for the Opinion content. Enhanced requirements on Report content, however, should recognize the materiality of certain elements of a company's reserves, and not require detailed comments on immaterial items (for example, the company began a new program in State X with \$50,000 of premium when the company already undertakes \$500 million premium).

D) Peer Review

I believe appointed actuary requirements in Canada include a Peer Review of the appointed actuary's work. That could be something for the NAIC to consider if they feel the US requirements should be strengthened. And the NAIC could promulgate guidance or standards for the Peer Review.

* * *

Kris -- please let me know if you or others have questions or otherwise would like to discuss my remarks.

Regards,

Mark Littmann, FCAS, MAAA

--

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Property Casualty Insurers

Association of America

Advocacy. Leadership. Results.

David Kodama
Assistant Vice President, Research & Policy
Analysis

February 12, 2018

Ms. Kris DeFrain
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: P/C Actuarial Opinion Instructions with Revised Qualified Actuary Definition

Dear Ms. DeFrain

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on the NAIC proposal to expand the qualification requirements for the appointed actuary to issue a Property/Casualty (P/C) Statement of Actuarial Opinion ("Actuarial Opinion").

In summary, concern has been raised amongst our membership over the use of the "knowledges" identified in the "NAIC 2017 U.S. P/C Appointed Actuary Job Analysis" for determining the qualification of the appointed actuary. We struggle to understand how one individual can attest to this extensive list of knowledge requirements that are presented as necessary to perform the job under consideration.

We suggest that the proposed revision reflect that certain knowledges may have very limited application, e.g. case law/mass torts, motivations of parties in commutations, and estimating unpaid losses by layer methods.

The proposal demands that the knowledges be appropriate for the company's lines of business and business activities. We find the use of the word "appropriate" to be vague and onerous to comply with. PCI offers the following additional wording (second sentence) to address this concern:

Effective for 2019 Statements of Actuarial Opinion, the definition of "Qualified Actuary" is modified to include a requirement for the actuary to be able to perform the tasks and attest to having the knowledges appropriate for the company's lines of business and business activities. *Acknowledging not all knowledges will apply, The Qualified Actuary should, in good faith, exercise professional judgement when assessing the practical level of understanding for each of the knowledges required under the circumstances to produce a reasonable result when rendering the Statement of Actuarial Opinion.*

Three words are underlined above only to reflect that they are specifically defined within the Actuarial Standards of Practice #1.

Lastly, PCI further requests that the proposal consider how this would apply to the regulatory actuary and/or actuary contracted to audit the reserve opinion.

Thank you for your consideration of our views on this important topic. We are happy to discuss them further with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "David Kodama". The signature is fluid and cursive, with a long horizontal line extending to the right.

March 13, 2018

Ms. Kris Defrain, kdefrain@naic.org

Comments on the Revised Qualified Actuary Definition and Attestation

Dear Ms. Defrain:

Given that the timing of the exposure periods coincided with year-end close activities, our members were unable to provide us their input by the requested deadlines. However, we hope you will receive these comments on the revised qualified actuary definition and attestation exposures, even though they are late.

The Reinsurance Association of America is a national trade association representing reinsurance companies doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA also has life reinsurance company affiliates.

Our members are concerned about the overly broad list of knowledges that are referenced in section (ii) of the proposed definition and detailed in the appendix. They are also concerned about the subjectivity of the proposed attestation that the actuary sufficiently possesses all the listed knowledges. Expectations regarding the level of mastery of the knowledge areas and disciplines are not defined. This could both result in additional liability to actuaries and companies, as well as the erroneous disqualification of otherwise qualified actuaries.

The exhaustive list of knowledges as proposed go into detail well beyond what opining actuaries themselves typically know, or need to know. Actuaries should not work in isolation. They usually have access to professionals in the legal, underwriting, claims, accounting, reinsurance and risk disciplines; and work with those professionals to shape aspects of their opinions. It should be acknowledged that when actuaries are appropriately making use of those professional and expert resources to fully understand the impact on actuarial opinions, they are operating as qualified actuaries.

Opining actuaries should be able to attest that they are familiar with each of the required knowledge areas and the respective impact on their opinion; and that they have consulted resources available to them in each of these topic areas as necessary to ensure that the opinion is sound and complete.

We recommend the following approach for defining the requirements to be a Qualified Actuary: 1) an appropriate actuarial designation, 2) continuing education (perhaps with some guidance or parameters), 3) acknowledgement of familiarity with listed "knowledges" and their general impact on actuarial opinions and 4) access and use of professional resources to understand how those "knowledges" impact specific opinions.

We believe this approach is a more reasonable and objective standard to use when determining the requirements for the qualified actuary.

As always, we appreciate the opportunity to provide our perspective.

Sincerely,



From: Sahasrabuddhe, Rajesh [mailto:Rajesh.Sahasrabuddhe@oliverwyman.com]

Sent: Tuesday, January 02, 2018 6:49 AM

To: DeFrain, Kris

Subject: RE: P/C Actuarial Opinion Instructions with Revised Qualified Actuary Definition - Exposure

Hi Kris – I have a few minor suggestions on the attached:

Thanks - Raj

Rajesh Sahasrabuddhe
Actuarial Consulting

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Dec. 29, 2017

Definition of “Qualified Actuary” to be an Appointed Actuary for a Statutory Property and Casualty Statement of Actuarial Opinion

The *Quarterly and Annual Statement Instructions--Property/Casualty* (Instructions) include the requirement for a property/casualty (P/C) company’s Board of Directors to appoint a “Qualified Actuary” to issue the company’s Statement of Actuarial Opinion (Actuarial Opinion).¹ Once appointed, the Qualified Actuary is called the “Appointed Actuary.”

Upon review of the definition of a P/C “Qualified Actuary”, the Executive (EX) Committee decided regulators should better define a “Qualified Actuary” for purposes of being an Appointed Actuary. In August 2017 the NAIC began a Job Analysis Project to produce an evidence-based definition of a “Qualified Actuary.” The revised definition will be useful when evaluating qualifications of actuaries and the educational programs of U.S. actuarial organizations.

Based on recommendations from the NAIC’s Consultant who conducted the Job Analysis, following are proposed instructions for the Actuarial Opinion. The proposal includes a new definition of “Qualified Actuary,” a revised identification paragraph (noting that the insurance regulatory official of the domiciliary state will continue to have power to use the state’s definition of Qualified Actuary), and a new Appendix containing the detail of the knowledges for an Appointed Actuary as identified in the Job Analysis Project.

In order to provide sufficient time for professional actuarial associations to adjust, if necessary, their basic education requirements to be in line with these requirements, the proposed revisions to the instructions are to be effective for 2019 Actuarial Opinions.

Comment [RS1]: This shorform is not used elsewhere. Also should it appear after “Committee” if it required inclusion.

¹ From the *2017 P/C Annual Statement Instructions: Statement of Actuarial Opinion*: “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.

Note: While the Instructions require that a Qualified Actuary prepare the Actuarial Opinion, the insurance regulatory official of the domiciliary state may approve a person who does not meet the definition of a Qualified Actuary but meets the state’s requirements for rendering the Actuarial Opinion.

The following are the proposed changes to the Actuarial Opinion instructions:

ACTUARIAL OPINION

...

1A. Definitions

...

“Qualified Actuary” is a person who:

- (i) 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 (U.S. Qualification Standards)*, promulgated by the American Academy of Actuaries; and
- (ii) can perform the tasks and, through basic education, has obtained the knowledges identified in the “NAIC 2017 U.S. P/C Appointed Actuary Job Analysis” (see Appendix) appropriate for the company’s lines of business and business activities; and
- (iii) is a member of the American Academy of Actuaries.

An exception to this definition would be a person evaluated by the American Academy of Actuaries’ (Academy) Casualty Practice Council and determined to be a Qualified Actuary for particular lines of business and business activities and, as a member of a professional actuarial association, is subject to the same *Code of Conduct* promulgated by the Academy, the *U.S. Qualification Standards*, and the Actuarial Board for Counseling and Discipline when practicing in the U.S. Should a person qualify under this alternate route, the actuary must attach a copy of the approval letter from the Academy to the Actuarial Opinion each year.

...

3. Identification Paragraph

The IDENTIFICATION paragraph should indicate the Appointed Actuary’s relationship to the Company, qualifications for acting as Appointed Actuary and date of appointment, and specify that the appointment was made by the Board of Directors.

These Instructions require that a Qualified Actuary prepare the Actuarial Opinion. Nevertheless, if a person who does not meet the definition of a Qualified Actuary has been approved by the insurance regulatory official of the domiciliary state, the Company must attach, each year, a letter from that official stating that the individual meets the state’s requirements for rendering the Actuarial Opinion.

...

ACTUARIAL OPINION (cont.)

Appendix

NAIC
2017 U.S. P/C Appointed Actuary Job Analysis

In August 2017 the NAIC began a Job Analysis Project to produce an evidence-based definition of a “Qualified Actuary” to be a company’s P/C Appointed Actuary and sign that company’s Statement of Actuarial Opinion for the statutory P/C annual statement.

In the Job Analysis Project, tasks that an Appointed Actuary would do and knowledges that an Appointed Actuary would know were grouped by six educational domains:

- A. Law
- B. Policy Forms and Coverages, Underwriting, and Marketing
- C. Reinsurance
- D. Premium, Loss, and Expense Reserves
- E. Statutory Insurance Accounting and Role of The Appointed Actuary
- F. Professionalism and Business Skills

Effective for 2019 Statements of Actuarial Opinion, the definition of “Qualified Actuary” is modified to include a requirement for the actuary to be able to perform the tasks and attest to having the knowledges appropriate for the company’s lines of business and business activities.

A. Law

The Appointed Actuary must be able to assess the effect of the legal environment on the reserves for which the Appointed Actuary is opining, along with the associated risks and uncertainties. The Appointed Actuary must understand relevant U.S. and state insurance law, regulatory authority, and regulations. 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.

Knowledges:

- 1. Key elements of tort law, tort trends and reforms
- 2. Insurance law with respect to its impact on P/C insurance
- 3. Mass torts/class action suits and their impact on the P/C insurance industry
- 4. Legal environment (e.g., coverages and claims subject to the Statement of Actuarial Opinion) and changes therein
- 5. Financial solvency regulation’s purpose
- 6. U.S. federal and state laws and regulations that pertain to the Statement of Actuarial Opinion
- 7. State specific laws, regulations, regulatory authority and rules regarding the preparation of annual statements
- 8. Precedent case law on issues affecting P/C reserves (e.g., bad faith, punitive damages awards, class certification)

B. Policy Forms and Coverages, Underwriting, and Marketing

The Appointed Actuary must be able to assess the effect of insurance coverages, underwriting and marketing, and changes therein on the reserves for which the Appointed Actuary is opining, along with the associated risks and uncertainties. The Appointed Actuary must understand types of insurable exposures, related insurance products, and how insurance companies assume risk through marketing and underwriting.

Knowledges:

1. Policy forms including exposures, limits, coverage triggers, policy terms and conditions, endorsements and exclusions, attachment points, and reinsurance reinstatement provisions
2. Claims experience impact from deductibles, limits, treatment of loss adjustment expenses and exclusions to coverage
3. Primary insurance, excess insurance, ceded reinsurance and assumed reinsurance
4. Company liabilities that arise from participation in government/industry programs and their interaction with voluntary private insurance sector
5. Exposures across different lines of business (e.g., possible differences)
6. The impact of changes in underwriting, mix of business, or target market on claims' experience (e.g., classifications, underwriting variables, guidelines, growth, profitability, staffing, programs, appetite, rate changes)
7. Rating plans (e.g., individual risk rating, class rating, experience rating, retrospective rating, participating policies, judgment rating, schedule rating), and the impact of changes therein.
8. Risks specific to the business (e.g., mass tort potential, latent exposures, new coverages, emerging risk, bad faith, extra contractual obligations, long duration contracts, potential for salvage and subrogation)
9. Claims experience changes when considering organizational, operational and marketing differences (e.g., stock, mutual, direct, agency, captives, risk retention groups, voluntary and involuntary pools, use of third party administrators, target markets, distribution channels, sales incentives, competitors)

C. Reinsurance

The Appointed Actuary must be able to assess the effect of reinsurance on the reserves for which the Appointed Actuary is opining, along with the associated risks and uncertainties. The Appointed Actuary must understand the functions and types of reinsurance, relevant contract features, risk transfer principles, and reinsurance accounting, recognition and collectability issues.

Knowledges:

1. Basic reinsurance terminology (e.g., limits, retentions/attachment points, quota share, excess of loss, clauses, reinstatements, co-insurance, commissions)
2. The function and types of reinsurance
3. Reinsurance contracts interpretation
4. Reinsurance contracts to determine the treatment of loss adjustment expenses (LAE) (e.g., within limits, in addition to limits, shared pro rata)
5. Commutations and novations including definition, motivations of parties, accounting treatment
6. Impact on financial statements from contract qualification criteria for prospective or retroactive reinsurance accounting treatment or deposit accounting treatment
7. Reinsurance risk transfer testing

8. Assessing collectability (e.g., sources, rating agencies, letters of credit, news items, amounts in dispute or overdue)
9. The impact of authorized, unauthorized, certified reinsurance on collateral and collectability
10. Differences between reinsurance and primary reserving procedures (e.g., adapting methods for available data, type of reinsurance, terms)
11. Factors considered in the evaluation of the applicability of a reinsurance program to an unpaid claim estimate
12. Possible parameter differences for direct, assumed, gross, ceded and net data (e.g., loss development factors and initial expected loss ratios)

D. Premium, Loss, and Expense Reserves

The Appointed Actuary must be able to derive estimates that recognize the internal and external environment, along with the associated risks and uncertainties. The Appointed Actuary must understand and apply reserving methods, analysis, and diagnostics to derive actuarial reserve estimates. The Appointed Actuary must understand the company's internal operations and data, external environment, and relevant changes therein.

Knowledges:

1. Possible effects of external conditions on the analysis (e.g., legal, recent court decisions, economic, judicial, regulatory, market) and changes therein
2. The company's internal operations (e.g., underwriting, claims, marketing, IT, finance, investment, reporting, product offerings, assumed and ceded reinsurance programs) and changes therein
3. P/C claims' operations and changes therein
4. Key activities in the claims handling process (e.g., claims' investigations, claims' documentation, cause of loss determination, liability, loss amount, claim conclusion, procedures, staffing or outsourcing, controls on timing and amounts of case investigations, case reserves and payments, diary dates, claims audit involvement, information flows from claims to accounting/actuarial sources)
5. Processes used by the company for handling and managing claims in various lines and classes of business
6. The effects of changes in claims handling on the reserve analysis
7. IT environment (e.g., exposure, premium and loss reporting, claim count data, claim closing, report dates, year-end closing date, claim processing speeds, system implementations) and changes therein
8. Data compiling methods to conduct data analysis (e.g., accident year, report year, policy year, limited, unlimited, truncated, loss adjustment expenses' treatment, salvage and subrogation, direct, assumed, ceded, net, gross, coverage)
9. Key terms including case outstanding, paid claims, reported claims, IBNR, ultimate claims, claims related expenses, reported and closed claim counts, claim counts closed with no payment, insurance recoverables, exposures, experience period, maturity or age, and components of unpaid claim estimates
10. Role of homogeneity and credibility of data in the process of compiling and segmenting data and estimating unpaid claims
11. Accounting date, valuation date, and review date [differences](#)
12. Data reconciliations
13. IT and Accounting procedures and processes

14. Data management and quality (e.g., request, compile, and clean data; check data for reasonableness and consistency)
15. Diagnostics (e.g., triangles and ratios of average case reserves, paid severities, incurred severities, closed-to-reported claim counts)
16. Researching data issues
17. Appropriateness of using industry data and potential differences between industry experience and company experience (e.g., differences in policy forms and coverages, underwriting and marketing)
18. Composition and applicability of industry benchmarks for reserve analysis
19. Actuarial analysis methods to determine actuarial estimates for all items within the scope of the opinion (e.g., premium reserves, unpaid claims, claim counts, recoveries)- including carrying out the mechanics, selecting the assumptions, identifying the strengths and weaknesses of those methods (e.g., , Chain-Ladder, Expected claim, Bornhuetter-Ferguson, Cape Cod, Frequency-Severity methods, methods to calculate Defense and Cost Containment Loss Adjustment Expenses (DCC) and Adjusting and Other Loss Adjustment Expenses (AO), and legal entity allocation)
20. Computation methods for other premium reserves required in the opinion (e.g., death, disability and retirement, extended reporting endorsements, long duration contracts)
21. Reserving methods for unearned premiums and IBNR for policies with non pro-rata earning patterns
22. Diagnostic usage to select methods and parameters
23. Treatment of recoveries such as reinsurance, policyholder deductibles, and salvage and subrogation
24. Three tests required by Statement of Statutory Accounting Principles (SSAP) 65--Property and Casualty Contracts to test unearned premium reserves on long duration contracts
25. Loss development, trend, and the differences between them
26. Estimating unpaid claims by layer methods
27. Methodologies and considerations for unique lines of business or claim types (e.g., asbestos, surplus lines, construction defect claims, health coverages written on P/C annual statement)
28. Fundamentals of different types of insurance (e.g., long tail versus short tail lines of business, low frequency versus high frequency lines)
29. Data adjustments and estimation techniques for material changes (e.g., large losses, catastrophes, pattern selection, retentions, limits, claims' processes, case reserve adequacy, closing and payout rates, economic and legal environment, mix of business, coverages, trend, rapid growth or decline)
30. Test assumptions and results for reasonableness (e.g., ultimate frequencies and severities, ultimate pure premiums, ultimate loss ratios, actual vs. expected, diagnostics, prior year results)
31. Approaches to select actuarial central estimates and/or ranges of reasonable estimates (e.g., stochastic, deterministic)
32. Intended measures of the reserve estimate (e.g., actuarial central estimate, management's best estimate, high and low estimates, range of reasonable estimates)
33. Risk and uncertainty associated with a reserve analysis including approaches to quantify risk
34. Approaches and considerations in discounting reserves (e.g., interest rates, risk margins)
35. Relevant principles regarding property and casualty unpaid claims estimates
36. Premium asset for retrospectively rated policies
37. Premium deficiency reserves
38. Earning premiums
39. Premium earning patterns based on expected claim occurrence timelines

40. Principles and techniques of ratemaking as may be applicable for estimation of unpaid claims (e.g., rate changes, on-level loss ratios, trend, benefit, mix of business)
41. The effect of rate changes by year on loss ratios if using loss ratios as a guide to select the ultimate loss
42. Trend analyses (e.g., exposure trend, frequency trend, severity trend, pure premium trend, premium trend)
43. Analysis adjustments (e.g., effect of law changes, effect of changes in mix of business, adjustment for coverage and benefit level changes, large loss adjustment)
44. Use of relevant available work products of the previous Appointed Actuary

E. Statutory Insurance Accounting and Role of The Appointed Actuary

The Appointed Actuary must be able to produce a Statement of Actuarial Opinion, an Actuarial Opinion [summary/summary](#), and an Actuarial Report in accordance with the NAIC Annual Statement Instructions. The Appointed Actuary must understand relevant statutory accounting principles and reporting requirements for the U.S. NAIC P/C Annual Statement. The Appointed Actuary must understand the responsibilities of an Appointed Actuary, including key deliverables.

Knowledges:

1. Opinion reporting requirements for the actuary; type of opinion to render (“Reasonable Provision,” “Deficient or Inadequate Provision,” “Redundant or Excessive Provision,” “Qualified Opinion” or “No Opinion”)
2. Basic terms used in statutory insurance accounting (e.g., paid loss, incurred loss, incurred but not reported--IBNR, defense and cost containment expenses, adjusting and other expenses)
3. Derivation of statutory surplus and income
4. Annual statement pages for evaluating reserves and overall financial health of the company (e.g., income statement, five-year historical data, Schedule P, Schedule P interrogatories, Schedule F, balance sheet, Notes to Financial Statements, general interrogatories, Underwriting and Investment Exhibit)
5. NAIC Risk-Based Capital (RBC) and relevant state laws
6. Financial health evaluation methods (e.g., NAIC IRIS, financial rating, risk-focused examinations/analysis, NAIC RBC)
7. Relevant Statements of Statutory Accounting Principles (SSAPs) and permitted practices
8. The role of the Appointed Actuary
9. Instructions, purposes and users for the Statement of Actuarial Opinion and Actuarial Opinion Summary in the NAIC annual statement instructions
10. Exposures included in the P/C statutory annual statement that are outside of the Appointed Actuary's area of expertise and whether/how to make use of appropriate expertise
11. Schedule P reconciliation vs audit of the analysis data
12. Materiality standard selection (e.g., intended purpose and the intended users of the Statement of Actuarial Opinion, Risk-based Capital (RBC) calculations and the impact on a materiality standard)
13. Company's legal structure including pooling and reinsurance agreements
14. Changes in Company activities related to policy forms and coverages, underwriting and marketing
15. IRIS Property/Casualty Ratios
16. Reasons for unusual value(s) for IRIS Property/Casualty Ratio 11 - One-Year Reserve Development to Policyholders' Surplus, Ratio 12 - Two-Year Reserve Development to

Policyholders' Surplus, or Ratio 13 - Estimated Current Reserve Deficiency to Policyholders' Surplus and reasons for adverse development exceeding 5% of surplus in at least three of the last five years

17. Meaning of "significant" and "material" considering users' needs for the purposes of determining Risk of Material Adverse Deviation (RMAD)
18. Understanding of the causes and drivers of loss and LAE development
19. State law and/or state filing requirements for the Actuarial Opinion Summary (to determine if required)
20. Data elements that are significant to the analysis in compliance with the NAIC Annual Statement Instructions for annual audited financial reports
21. How to effectively communicate with and to an auditor audience
22. Processes after discovery of a material error
23. Processes related to the change in Appointed Actuary
24. Reconcile net and gross values in the Actuarial Opinion Summary to the Actuarial Report and the Statement of Actuarial Opinion
25. Practices described in the American Academy of Actuaries Committee on Property and Liability Financial Reporting's (COPLFR) Practice Note *Statements of Actuarial Opinion on Property and Casualty Loss Reserves*
26. Other items that might be within the scope of the opinion (e.g., unearned premium reserve on long duration contracts, Death, Disability and Retirement (DD&R) reserves, retroactive reinsurance liabilities and deposit contract liabilities)
27. The effect of reinsurance including retroactive and financial; potential reinsurance collectability issues
28. Narrative and technical components of an Actuarial Report consistent with relevant actuarial standards and regulatory requirements, including a comparison of current estimates to comparable prior estimates, and reference to use of another Actuary's work

Comment [RS2]: Group together IRIS P/C ratios including reasons

F. Professionalism and Business Skills

The Appointed Actuary must have professional and business skills to enable the Appointed Actuary to perform the required actuarial services in an ethical manner that upholds the reputation of the actuarial profession. The Appointed Actuary must know and adhere to the Code of Professional Conduct as well as relevant Actuarial Standards of Practice and must meet the U.S. Qualification Standards. The Appointed Actuary must have the professional and business skills to manage the tasks, make informed decisions, communicate effectively with users of the actuary's work products, resolve disagreements, and seek guidance as necessary.

Comment [RS3]: Should this be part of the definition of "Qualified Actuary." Seems difficult to assess objectively

Knowledges:

1. Relevant Actuarial Standards Board's Actuarial Standards of Practice (ASOPs), Qualification Standards for Actuaries Issuing Statement of Actuarial Opinion in the United States (U.S. Qualification Standards), Code of Professional Conduct
2. Decision Making and Communication skills (e.g., oral, written, listening), professional and business skills, and dispute resolution skills to resolve any issues related to the assignment as raised by company management, the company's Board of Directors, regulatory authorities, the actuarial profession, auditors, and/or the actuary's employer

Comment [RS4]: See prior comment

TILLER CONSULTING GROUP, INC.
Actuaries • Enterprise Risk Management Consultants

January 31, 2018

Ms. Kris DeFrain
Director of Research and Actuarial Services
NAIC
kdefrain@naic.org

Dear Ms. DeFrain:

I have reviewed the exposure draft for the proposed instructions for the Property/Casualty Actuarial Opinion. I have some serious concerns about them.

1. Part (ii) of the definition of “Qualified Actuary” requires that the actuary “can perform and, through basic education, has obtained the knowledges identified in the “NAIC 2017 U.S. P/C Appointed Actuary Job Analysis” (see Appendix) appropriate for the company’s lines of business and business activities;”

Comment 1 – Many of the knowledges in the “NAIC 2017 U.S. P/C Appointed Actuary Job Analysis” are company specific and, therefore, cannot be learned through basic education.

Comment 2 – Unlike parts (i) and (iii) of the definition of “Qualified Actuary” and unlike the exception, there is no objective standard for part (ii). This leaves a lot of room for insurers and regulators to interpret the requirements. This may result in inconsistent treatment of an actuaries based on who is interpreting the requirements and possibly even of different actuaries from the same interpreter when such different treatment is not warranted.

2. The Appendix contains 103 listed tasks and knowledge requirements.

Comment 3 - These are already covered by the requirements in Part (i) of the definition of “Qualified Actuary,” the *Quarterly and Annual Statement Instructions-Property/Casualty* excluding the proposed Appendix, the *Code of Professional Conduct*, and the Actuarial Standards of Practice. It does not make sense to list them in the *Quarterly and Annual Statement Instructions-Property/Casualty* as well.

Sincerely,



Margaret Tiller Sherwood, FCAS, FSA, MAAA, FCA, CPCU, ARM, ERMP, CERA
President

MTS/ms



February 12, 2018

Kris DeFrain, FCAS, MAAA, CPCU
Director, Research and Actuarial Services
NAIC Central Office
Tel.: (816) 783-8229
Email: kdefrain@naic.org

RE: P/C Actuarial Opinion Instructions with Revised Qualified Actuary Definition

Dear Ms. DeFrain:

It was a pleasure to be selected and participate to the Job Analysis Project as Subject Matter Expert (SME) over the past couple of months. My interest with the content of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States¹ (U.S. Qualification Standards or USQS) is not new; mainly due to an international career. It is my pleasure to provide the following comments as related to the proposed change to the definition of a Qualified Actuary:

1. Paragraph (i) defines a Qualified Actuary as a person who meets the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statement 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 (U.S. Qualification Standards), promulgated by the American Academy of Actuaries. However, I would like to point the following:
 - a. The basic education requirement of the USQS in paragraph 3.1.1.2 refers successful completion of relevant examinations administered by the Casualty Actuarial Society (CAS) or the American Academy of Actuaries (AAA). As of today, the AAA does not administer any actuarial examination and the Society of Actuaries (SOA) has a General Insurance track for fellowship; which indicates to me that an update of the USQS is probably overdue.
 - b. The AAA had a public request for comments in 2013 on the need for update of the USQS (see attached my comment to that request). My understanding is that the AAA postpone any consideration for update pertaining to paragraph 3.1.1.2 until the NAIC had the opportunity to review the definition of a Qualified Actuary.
 - c. The basic education requirement of the USQS in paragraph 3.1.2 presents alternative to basic education of paragraph 3.1.1.2. That alternative involves approval of the Qualified Actuary by the Casualty Practice Council (CPC) of the AAA. As mentioned in my 2013 comments, my experience with that approval process lengthy, obscure and burdensome on applicants. As an example, my 2015

¹ https://www.actuary.org/files/imce/qualification_standards.pdf

approval process by the CPC took about a year i.e. an actuary with thirteen (13) years of experience (of which 10 years in the United States and Bermuda), a fellowship designation in France and a fellowship designation in the United States. Also, this approval was my second attend, after approval with limited scope in 2013.

2. For the reasons in 1. above, I believe that a revised definition of a Qualified Actuary should avoid referring to the basic education requirements of the Specific Qualification Standard for Statement 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 (U.S. Qualification Standards), promulgated by the American Academy of Actuaries. As indicated, items (1.a.) and (1.b.) above seem to create circular reference without creating a pathway for updating the USQS following the NAIC Job Analysis Project.

I thank you again for reaching out and involving me with this process and I look forward to hearing from you. Please contact me if you have any question.

Sincerely,

Achille Sime, FIAF, FSA, MAAA, CERA, Affiliate of the CAS
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Date Submitted: May 20, 2013
Author: Achille Sime-Lanang

General Comments: Clarify language and avoid being too prescriptive.

Question 1: Yes. The qualification process for FQA (Fully Qualified Actuary) of an IAA full-member organization is rather obscure.

Question 2: Not sure there is need to have specific qualification out of traditional actuarial work (life, health and P&C annual statements).

Question 3: Yes.

Question 4: No.

Question 5: No. That would be too prescriptive for the profession.

Question 6: No (topics are OK). What needs to be updated is 3.1.1.2 with respect to SOA's GI (General Insurance) track.

Question 7: No issue with carry over rules.

February 12, 2018

Ms. Kris DeFrain
Director of Research and Actuarial Services
NAIC
At kdefrain@naic.org

Subject: Revised P/C Qualified Actuary Definition

Thank you for the opportunity to comment on the proposed definition of Qualified Actuary for Property/Casualty Quarterly and Annual Statements. I am an actuary.

The following changes should be made to the definition of Qualified Actuary:

- 1A (i) should be stricken from the definition of Qualified Actuary so that the definition of Qualified Actuary does not include a reference to the Qualification Standards promulgated by the American Academy of Actuaries ('the Academy').
- 1A (iii) should be changed from "is a member of the American Academy of Actuaries" to "is a member of US-based actuarial organization that is a full¹ member of the International Actuarial Association."

The reasons for these suggested changes are as follow:

- The American Academy of Actuaries ('the Academy') has closed all meetings to the Committee on Qualifications ('CoQ') to observers. Additionally, the Academy has closed meetings to the Actuarial Standards Board {'ASB'} unless the ASB chair approves the observer. The Academy's updated meeting policy is not in the public interest and is inconsistent with the sunshine laws the commissioners must follow and the robust open meeting policy of the NAIC.
- There is no reason to require membership in the Academy over and addition to membership in other US-based actuarial organizations. This increases the cost for actuaries, but does not increase the professional obligations of the actuary.

¹ Criteria for full IAA membership can be found at http://www.actuaries.org/ABOUT/Documents/Criteria_Membership_EN.pdf In order to be a full member of the IAA, an actuarial organization must have adopted a code of conduct and met other criteria. There are five US based actuarial organizations that are full members of the IAA: American Academy of Actuaries, ASPPA College of Pension Actuaries, Casualty Actuarial Society, Conference of Consulting Actuaries, and the Society of Actuaries,

Academy's Open Meeting Policy

At its January 2018 board meeting, the Academy changed its open meeting policy from a fairly open policy to a very restrictive policy. The CoQ promulgates the Qualification Standards. All CoQ meetings are now closed to individuals who are not members of the CoQ. The ASB promulgates actuarial standards of practice. ASB meetings are now closed unless the ASB chair approves the attendance of the observer. So, it is possible that an ASB chair could exclude individuals due to personal bias, hostility or arbitrary reason. Additionally, closed meetings do not promote an exchange of diverse ideas or inspire public confidence.

By incorporating the Qualification Standards into the definition of Qualified Actuary, the NAIC and the state commissioners are delegating to the Academy the ability to determine the necessary experience, education and continuing education for Qualified Actuaries. By requiring membership in a US based actuarial organization, the NAIC is essentially delegating to the ASB the authority to promulgate the actuarial standards by which NAIC opinions are prepared.

The NAIC holds itself to a high standard with respect to open meetings which is consistent with the NAIC membership and mission. Additionally, a robust open meeting policy is important so that there is transparency into the process and that the public may participate in the process. This is especially true when there may be a perception that state regulators are delegating rule-making authority to the NAIC and the NAIC is then re-delegating that same authority.

The Academy needs to be held to a similar standard with respect to open meetings if the NAIC is to incorporate the Qualification Standards and require Academy membership.

Membership

It is not appropriate to require that a Qualified Actuary be a member of the Academy.

Same Professional Standards

Currently, all five US-based actuarial organizations have adopted the Code of Conduct promulgated by the Academy. A member of any of these actuarial organizations must satisfy the Qualifications Standards and adhere to the actuarial standards of practice promulgated by the ASB. Thus requiring membership in the Academy does not impose additional professionalism or education requirements onto an actuary. However, it does force the actuary to bear multiple sets of annual dues.

Multiple Annual Fees

To require membership in the Academy forces actuaries to be a member of two actuarial organizations and thus pay two sets of annual dues. The Academy does not provide basic actuarial education or basic actuarial credentialing. So, historically US property and casualty actuaries have typically belonged to the Casualty Actuarial Society ('CAS') because they completed their basic education and received their actuarial credential through the CAS. The Society of Actuaries ('SOA') also offers property/casualty education through their general insurance track.

The Academy does important work, but it is not appropriate to fund that work through mandatory Academy membership for those who sign annual property and casualty statements.

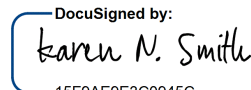
Ms, DeFrain
February 12, 2018
Page 3

Thank you very much for consideration of my comments.

The opinions in this letter are my personal opinion and do not represent any actuarial organization to which I belong.

I am available to answer questions or provide additional information. The easiest way to reach me is via email at karens@nova401k.com.

Sincerely,

DocuSigned by:

15F9AE9E3C0945C
Karen Smith, FSA, MAAA

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February 12, 2018

By Electronic Delivery – kdefrain@naic.org

Kris DeFrain

Director of Research and Actuarial Services

National Association of Insurance Commissioners

Subject: Society of Actuaries' Comments regarding NAIC Qualified Actuary Draft Definition

The Society of Actuaries (SOA) appreciates the NAIC's time and effort devoted to developing an evidence-based P/C Annual Statement Qualified Actuary Definition (definition) via the Job Analysis Project, and the opportunity to comment on the resulting draft definition. To follow, please find the SOA's comments.

- 1) The SOA recommends that the NAIC formally ask the American Academy of Actuaries (Academy) to revise the U.S. Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion (Section 3.1.1.2) to correspond with the new definition, and that this revision be completed within a specific timeframe *before or simultaneous with* the final adoption of the revised definition by the NAIC.**

The current U.S. Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion (Section 3.1.1.2) promulgated by the Academy's Committee on Qualifications was derived to reflect the NAIC definition of a Qualified Actuary for purposes of signing the NAIC Property and Casualty Annual Statement.* The draft definition makes several changes to the current definition, including the removal of specific named education programs. There will be a disconnect if the qualification standards are not revised before or simultaneously with the revised definition's effective date.

- 2) The SOA recommends that language be inserted into the definition recognizing education providers approved by the NAIC.**

The current draft definition does not include any language noting that the NAIC is the designated authority to approve an education program. Inclusion of this language will provide clarification and alleviate any confusion and/or question in this regard. The SOA suggests the following subparagraph be added (perhaps following 1A(ii) or as a sub-subparagraph to 1(i)):

(xx) Has obtained the basic and specific education requirements in the U.S. Qualification Standards by completing the relevant exams from an education provider approved by the NAIC.

* American Academy of Actuaries November 1, 2013 comment letter to the NAIC incorporating an October 30, 2013 letter from the American Academy of Actuaries' Committee on Qualifications to the Society of Actuaries, which states, "The current language contained in Section 3 of the USQS in connection with actuarial qualifications for the NAIC property and casualty reserve opinions was derived from the NAIC instructions definition of 'qualified actuary' for purposes of signing the NAIC Property and Casualty Annual Statement opinions. As such, it was the NAIC that limited actuarial signers of the NAIC property and casualty opinions to the members identified in that regulation, not the COQ."

- 3) The SOA recommends that language be inserted into the definition recognizing the Appointed Actuary mandatory attestation currently under development by the NAIC.**

The draft definition does not provide any mechanism to ensure that an Appointed Actuary continues to retain the necessary qualifications; however, of note is a tie-in with CASTF's 2018 charge to: "Develop an attestation an actuary must complete and sign annually to verify the actuary is qualified to sign a statutory P/C Statement of Actuarial Opinion." This mandated attestation will provide assurance to regulators that an Appointed Actuary has continued to satisfactorily meet the required qualification standards. Not referencing the mandated attestation in the revised definition of Qualified Actuary would leave the definition lacking a mechanism for continued compliance.

- 4) The SOA recommends that it be made clear in 1A(i) that *basic* education is relative to the education in the General Qualification Standards, separate from the knowledge and task requirements in the Appendix.**

1A(i) refers to "basic education, experience and continuing education of the Specific Qualification Standard ..." Those standards use *basic* in two ways. One is the foundational education required to perform general actuarial work, and the other is the specific education needed to sign statements of actuarial opinion. The SOA believes this part of the definition should refer exclusively to the foundational education. Specific education is adequately covered in 1A(ii). Making the suggested change retains the necessity for having requisite experience and continuing education. The SOA recommends the following revision for 1A(i) in the draft definition:

(i) meets the basic education requirement of the General Qualification Standard and the experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, ...

- 5) The SOA recommends that 1A(ii) be revised to clarify that it is referring solely to the tasks and knowledges specified in the Appendix.**

The language in 1A(ii) of the draft definition is confusing as it references the basic education requirement, already noted as a requirement in 1(a), in conjunction with the tasks and knowledges required for an Appointed Actuary as provided in the Appendix. The SOA suggests the following revision for 1A(ii) in the definition:

(ii) can perform the tasks and, ~~through basic education,~~ has obtained the knowledges identified in the "NAIC 2017 U.S. P/C Appointed Actuary Job Analysis" (see Appendix) appropriate for the company's lines of business and business activities; and

- 6) The SOA notes that certain tasks and knowledges in the draft definition's Appendix are appropriately obtainable through an approved NAIC education provider's formal P/C education credentialing program, while other specific tasks and knowledges should appropriately be obtained through experience and/or continuing education.**



The definition's Appendix is a comprehensive list of tasks and knowledges identified per the Job Analysis Project for an Appointed Actuary. The SOA understands from the NAIC that the tasks and knowledges list will be utilized for mapping purposes when analyzing whether an education program should be approved by the NAIC and that the NAIC is accepting feedback in that regard per the exposed definition comment period. There is no question that the vast majority of the tasks and knowledges in the Appendix should be included in a formal credentialing program; however, there are certain tasks and knowledges that fall outside of a formal credentialing program as they are not broad enough to be included in basic education. Accordingly, the SOA recommends that the knowledges and tasks listed in the Attachment to this letter be removed from the definition's Appendix for purposes of evaluating education programs, as they are best learned through continuing education and experience.

In conclusion, thank you for your consideration of the SOA's comments regarding the Qualified Actuary definition. We are happy to answer any questions and/or provide clarification on the points made in our letter. Again, we very much appreciate the NAIC's extensive work developing a definition that accurately reflects the rigorous professional requirements to be deemed an actuary qualified to sign a Statement of Actuarial Opinion.

Regards,

A handwritten signature in black ink that reads "Ann Weber". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ann Weber
Director Government Affairs
Society of Actuaries



ATTACHMENT
SOA FEBRUARY 12, 2018
NAIC COMMENT LETTER

The following knowledges can be considered narrow in scope and best learned outside of basic education (i.e., through continuing education and experience):

- A.7. State specific laws, regulations, regulatory authority and rules regarding the preparation of annual statements
 - Basic education is best used to gain knowledge of concepts and NAIC model laws. Individual state regulation is highly specific knowledge.
- B.1. Policy forms including exposures, limits, coverage triggers, policy terms and conditions, endorsements and exclusions, attachment points, and reinsurance reinstatement provisions
 - While it is important to understand the concepts here, it should not be required to have detailed knowledge of all possible policy forms.
- B.7. Rating plans
 - While it is important to understand the concepts here, it should not be required to have detailed knowledge of specific rating plans.
- B.8. Risks specific to the business
 - While it is important to understand some of the risks for many types of business, it should not be required to have detailed knowledge of all types of risks for all types of business.
- B.9. Claims experience changes when considering organizational, operational and marketing differences
 - This knowledge is very broad. Knowledge of some of the concepts could be gained through basic education.
- D.18. Composition and applicability of industry benchmarks for reserve analysis
 - While it is important to understand the concepts here, it should not be required to have detailed knowledge of specific industry benchmarks.
- D.20. Computation methods for other premium reserves required in the opinion
 - Methods for death, disability and retirement, extended reporting endorsements, and long duration contracts are highly specific and is best learned only if it is required for one's analysis.
- D.24. Three tests required by Statement of Statutory Accounting Principles (SSAP) 65-- Property and Casualty Contracts to test unearned premium reserves on long duration contracts
 - Methods for long duration contracts are highly specific and is best learned only if it is required for one's analysis.

- D.27. Methodologies and considerations for unique lines of business or claim types
 - While it is important to understand some of the methodologies and considerations for unique lines of business or claim types, it is impossible for basic education to cover all unique lines or claim types.
- E.5. NAIC Risk-Based Capital (RBC) and relevant state laws
 - Knowledge of NAIC RBC should be included in basic education. However, knowledge of relevant state laws is too specific to be included in a broad basic education system.
- E.19. State law and/or state filing requirements for the Actuarial Opinion Summary (to determine if required)
 - While it is important to understand that not all states require an AOS, it is not the purpose of basic education to cover the specific requirements of all states.
- E.26. Other items that might be within the scope of the opinion (e.g., unearned premium reserve on long duration contracts, Death, Disability and Retirement (DD&R) reserves, retroactive reinsurance liabilities and deposit contract liabilities)
 - Knowledge of DD&R reserves is highly specific and best gained only if it is required for one's analysis.