

# NEW RULES FOR U.S. APPOINTED ACTUARIES

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# Presentation Topics

- Project Background
- Updated NAIC instructions and the impact on Appointed Actuaries
- CAS Assessment and Results
- Future Impact





# Project Background

Kris DeFrain - NAIC

- Project Impetus
- Timeline
- The Process:
  - Job Analysis & Knowledge Statements
  - Educational Standards
  - Assessment

# Why oh Why

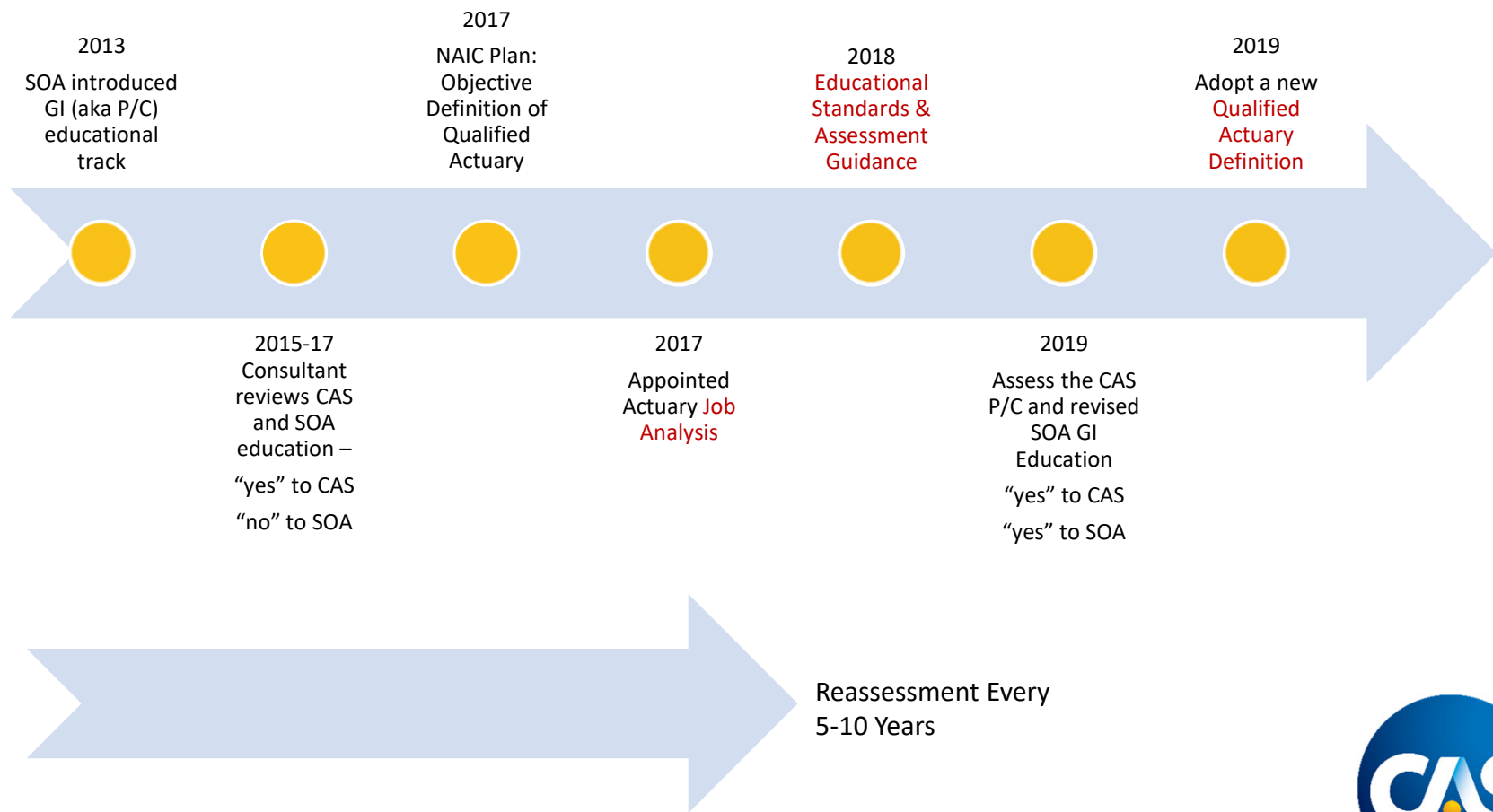
- U.S. Actuaries: No Licensure; No Legal Body Oversight; Rarely in Law
- So we Rely on the Academy's *U.S. Qualification Standards*.
  - ...But what is the required depth and breadth of knowledge?
  - ...What about the SOA GI track?
  - ...How do regulators maintain reliance on actuaries in a competitive educational environment (and potential race for less education/faster designation)?
- No immediate or planned action from actuarial professional bodies to address these questions; but they would participate in an NAIC project and would adjust in line with the NAIC's results.

Academy's *U.S. Qualification Standards* for the NAIC P/C Annual Statement:

- 1) Meet the basic education and experience requirement of the General Qualification Standard  
*(required for all actuarial work)*
- 2) 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 ratemaking; (c) statutory insurance accounting and expense analysis; (d) premium, loss, and expense reserves; and (e) reinsurance." ...and experience and CE  
*(required for Appointed Actuaries)*



# Project Start to Finish



# The Process



# The Process

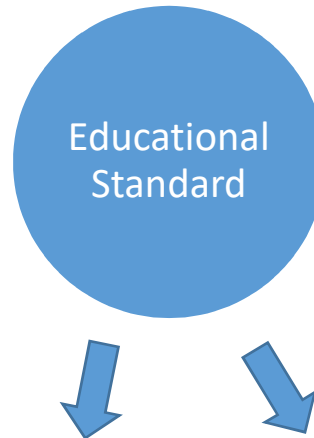


<u>Domain*</u>	<u>Knowledge Statement</u> -- What an Appointed Actuary Should <b>KNOW</b> or <b>DO</b>
Reserves	Data management and quality (e.g., request, compile, and clean data; check data for reasonableness and consistency)

\*Domains: 1) Law/Regulation; 2) Policy Form/Coverage, Underwriting, Marketing; 3) Reinsurance; 4) Premium/Loss/Expense Reserves; 5) Statutory Accounting and Role of the Appointed Actuary; 6) Business Skills



# The Process



<u>Domain</u>	<u>Knowledge Statement</u>	<u>Educational Standard*</u>	<u>Rationale**</u>
Reserves	Data management and quality (e.g., request, compile, and clean data; check data for reasonableness and consistency)	Apply/Analyze	<p>Basic education should provide an understanding of the data elements and how data elements interact. The AA should be able to apply necessary tests to determine that data is reasonable and consistent. The AA should be able to prepare data for an analysis (e.g., request, compile, and clean).</p> <p>Additional skill should be obtained from continuing education and experience, including how to best request data for a specific company.</p>

\*Educational Standards (from lowest to highest standards): 1) No basic education requirement  
2) Recognize/ Understand; 3) Apply/Analyze; 4) Synthesize/ Create

\*\*Rationale: Explanation, Basic Education vs. Experience/CE





# The Process



<u>Domain</u>	<u>Knowledge Statement</u>	<u>Educational Standard</u>	<u>Rationale</u>	<u>Assessment Guidance</u>
Reserves	Data management and quality (e.g., request, compile, and clean data; check data for reasonableness and consistency)	Apply/Analyze	<p>Basic education should provide an understanding of the data elements and how data elements interact. The AA should be able to apply necessary tests to determine that data is reasonable and consistent. The AA should be able to prepare data for an analysis (e.g., request, compile, and clean).</p> <p>Additional skill should be obtained from continuing education and experience, including how to best request data for a specific company.</p>	<p>Within the basic education process, the actuary should be able to:</p> <ol style="list-style-type: none"> <li>Identify appropriate data to request and compile data for analysis.</li> <li>Confirm data relationships are maintained within the data set, for an accounting period (e.g., for accident year: reported loss equal the sum of paid loss plus case reserve).</li> <li>Apply reasonability and consistency checks (e.g., reported losses are generally greater than or equal to paid losses; total claim counts are greater than or equal to closed claim counts).</li> <li>Understand data quality in accordance with ASOP 23."</li> </ol>



# The Process



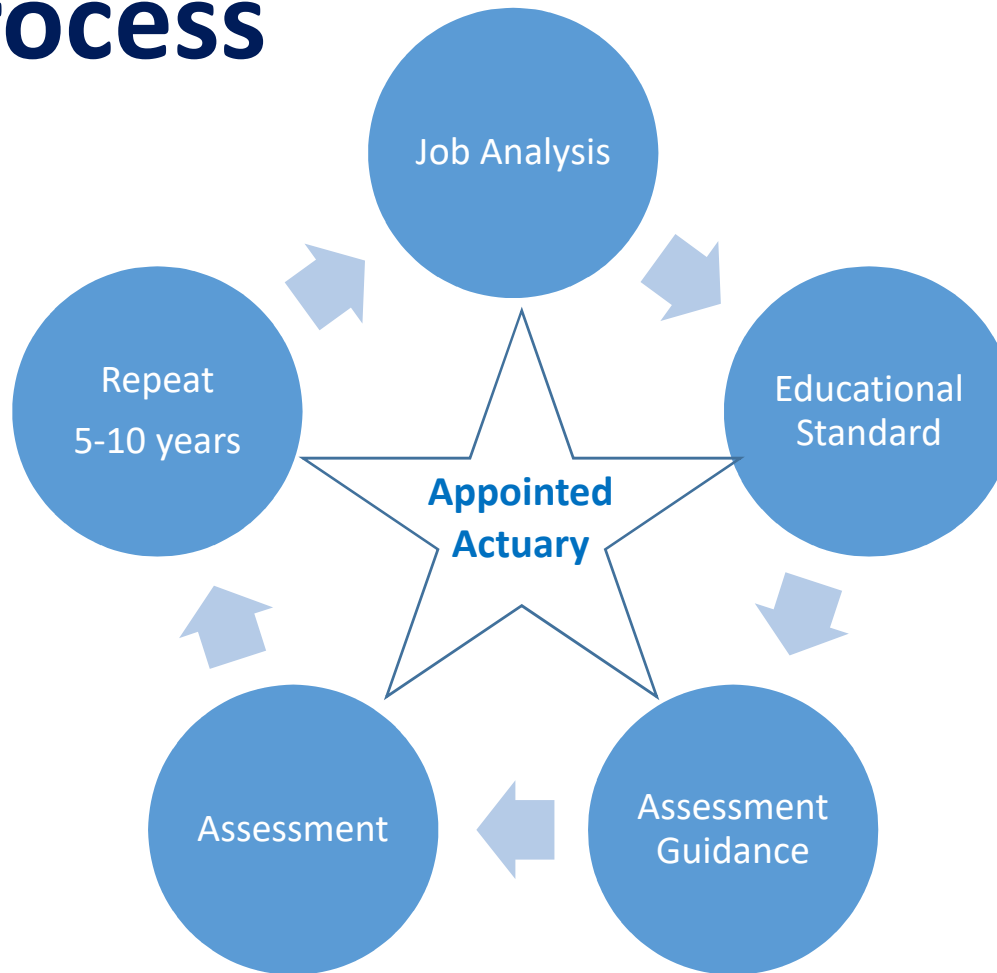
If no other monitoring solution is found, the NAIC will repeat the process in 5-10 years or before (if the CAS or SOA make significant changes to syllabi).

Final Knowledge Statements, Educational Standards and Assessment Guidance:

<https://naic-cms.org/sites/default/files/inline-files/Final%20Knowledge%20Statements%20053119.xlsx>



# The Process



Next: How does this Impact the P/C Appointed Actuary?



● **Updated NAIC  
Instructions & the  
Impact on U.S.  
Appointed Actuaries**  
**Chris Nyce - KPMG**

- Qualified Actuary Definition
  - NAIC-Accepted Actuarial Designation
- Qualification Documentation



# Updated Actuarial Opinion Instructions



# Updates to the Actuarial Opinion Instructions

- Main changes proposed
  - Need annually to provide a qualification document to the Board, but can go through management
    - Timing consideration for 2019
    - Confidential, but available to the regulator on request
  - Requires an accepted designation
  - New FCAS, ACAS, FSA-GI accepted, but must have an exam containing substantially what is now on 6US and 7
  - Existing designations grandfathered, but must document coverage of what is now on 6US, 7
  - Clarifies that all appointed actuaries (AA's) must be subject to the Code of Conduct and the ABCD
    - CAS, SOA, or AAA membership does this



# Documenting Qualifications

- To be provided to the Board annually
- Suggested content
  - Resume type information
  - Designation information and background (like when attained, and if it included 6US and 7 or equivalent)
  - Experience and details relevant to the insurer
  - That you meet the USQS qualification, and the NAIC specific qualification; and how you did so or plan to:
    - CE detail, including relevant logs in the required detail
    - Experience requirement under the USQS
- This is just a summary, go here for details:
  - [https://naic-cms.org/sites/default/files/inline-files/cmte\\_c\\_act\\_opin\\_wg\\_190516\\_red\\_gd%5B1%5D.pdf](https://naic-cms.org/sites/default/files/inline-files/cmte_c_act_opin_wg_190516_red_gd%5B1%5D.pdf)
  - Note this is a redlined version. Check again once it has final approval





# Recertification Initiative

New CE recording requirements for Appointed  
Actuaries (AA's)





# Updates to the Recertification Process (Activities)

- Started with the reviewing consultants' comments proposing more formal recertification process
- NAIC accepted the CAS/SOA offer to help
  - Joint CAS/SOA task force formed to provide input
  - Task force examined recertification process in other professions (accounting, medical, legal)
  - Proposed a recertification process centered on CE
  - NAIC accepted the proposal, and the task force is implementing



# Updates to the Recertification Process (The Proposal)

- Annual attestation expanded to include current requirements for AA's
  - i.e. you could attest you meet the USQS, or that you both meet the USQS and NAIC AA qualifications even if you aren't currently an AA
- Expanded mandatory confidential reporting of CE detail log by AA's to their organization (CAS, SOA, AAA)
- Strengthened CE log review process by CAS/SOA of their members who serve as AA
- Anonymous annual reporting of CE summary statistics by CAS/SOA to the NAIC
- At this point, the CE requirements for AA's don't change. Just reporting and review processes
- NAIC may wish to change requirements for AA's once they have seen the summary reporting



# Updates to the Recertification Process (CE Documentation)

- Expanded requirements would apply to AA's only, not to all CAS/SOA/AAA members
  - Or those that wish to be qualified to sign opinions
- Call to expand categories into which AA's classify CE credits
- Standard reporting form, initially in Excel
  - Standardized for automated data compilation
- Required reporting to your organization (CAS, SOA, AAA) in the specified format
- Focused higher coverage of review of CE
- Reporting summary statistics to NAIC on types of CE AA's are taking



# Updates to the Recertification Process (Current Status)

- The task force has proposed a more detailed classification of CE for AA's to report
- NAIC CASTF has asked the task force to consider their comments and implement
- The task force is in the process of designing the reporting form and system to aggregate data
  - Subset of current AA's will test it using 2018 CE
  - Drop dead target to distribute to membership in November
- Expect a communication to membership in September





# CAS Assessment & Results

Ken Williams - CAS

- Mapping of Syllabi to Knowledge Statements
- Agreed Syllabi Changes
- Tools to help Actuaries Certify

# Knowledge Statement Review

- NAIC published a list of 90+ key knowledge statements
- Six Categories
  - Law & Regulation (10)
  - Policy Forms / Coverage/ Underwriting / Marketing (8)
  - Reinsurance (12)
  - Premium, Loss, and Expense Reserves (40)
  - Statutory Accounting and the Role of the Appointed Actuary (22)
  - Business skills and Professionalism (1)



# Knowledge Statement Example

Domain Subcategory	Knowledge Statement Number	Knowledge Statement	Rationale for Basic Educational Standard for an Appointed Actuary (AA)	Assessment Guidance for Basic Education Syllabus & Readings
Data or Reserving Adjustments	D19	IT environment (e.g., exposure, premium and loss reporting, claim closing report dates, year-end closing date, claim processing speed, system implementations) and changes therein	<p>In basic education, the AA should understand the current IT environment (e.g., exposures, claims closing processes and speed) and how changes in the IT environment may affect development patterns and other aspects of the reserving methods. The AA should be able to analyze and apply necessary adjustments to the loss and loss adjustment expense reserving methods to account for such changes.</p> <p>Company-specific changes will require continuing education and experience.</p>	<p>Within the basic education process, the actuary should be able to:</p> <ul style="list-style-type: none"> <li>a. Analyze and apply the IT changes to estimates of unpaid claims.</li> <li>b. Understand typical exposure bases.</li> <li>c. Recognize when changes in reporting patterns, closing dates or claim processing speed may impact loss development patterns and factors.</li> <li>d. Recognize when new IT systems may affect the data and reserving methods.</li> <li>e. Understand methods to adjust for IT environment and other changes and how to apply these methods.</li> </ul>



# Knowledge Statement Review

- CAS assembled a team of Exam Committee volunteers to review the knowledge statements
- Mapped syllabus readings from Course 1, Course 2, Exam 5,6, & 7 along with Course on Professionalism Material
- Made “Self-Assessment” of if CAS felt the knowledge statement was met
- NAIC and CAS worked together to clarify and add syllabus references





# Knowledge Statement Example

Domain Subcategory	Knowledge Statement Number	Syllabus Reference Materials addressing topic (including page #s, paragraphs)	Related Syllabus Learning Objective (Optional)	Self-Assessment – Does not fully meet - Meets
Data or Reserving Adjustments	D19	<p>Online Course 1: Risk Management Vol 2, 16.3 – 16.6 (stop at Principles of Data Quality); 16.11 (Reliance on Data Supplied by Others); 16.12 (Review of Data);</p> <p>Exam 5: ASOP No. 43 page 7, paragraph 3.6.7, Friedland page 48, and The actuary should understand the assumptions and calculations underlying Friedland pages 63-344</p>	<p>Online Course 1: 16</p> <p>Exam 5: B4, B5, B8</p>	Meets



# Final NAIC Assessment

- For 2019 Statement of Actuarial Opinion
  - FCAS with successful completion of Exam 6-US
  - ACAS with successful completion of Exam 6-US and Exam 7



# Final NAIC Assessment

- The following changes will be made to the CAS syllabi by Jan. 1, 2021...
  - Add ASOP 21, ASOP 25, and ASOP 38 to Course on Professionalism
  - Add SSAP 63 and 66 add to syllabus for Exam 6U.
- Changes which require creation or identification of syllabus material and subsequent NAIC review in 2020.
  - Add material on prospective vs. retrospective impacts of legislation and court decisions.
  - Add additional coverage of occurrence caps, loss corridors, index clauses, and exclusions.
  - Add a more thorough discussion of ORSA.



# Do I meet Basic Education Standard?

- If you are currently signing Actuarial Opinions, the answer is most likely yes.
- FCAS
  - Passed Exam 6 U (2011 to present)
  - Passed Exam 7 US (2000-2010)
  - Passed Exam 7 & 8 (prior to 2000)
- ACAS + Exam 7
  - Exam 6 U & 7 (2011 to present)
  - Exam 6 & 7 US (2000 – 2010)
  - Exam 7 & 8 (2000 and prior)



# Do I meet Basic Education Standard?

- CAS Actuaries Research Center can provide a transcripts

[arc@casact.org](mailto:arc@casact.org)

As the result of the academic conversion to the current education and examination structure, you have credit for the following examinations in the current examination structure:

**Current Exam Status: 1,2,3F,5,6U,7,8,9,C1,C2,M1,M2,PC,VE,VF**

All credits that were converted to the current CAS examination system are based on the official CAS Transition Rules. If there is a discrepancy, the Transition Rules govern.

- If you do not meet exam requirements, comment on your experience and continuing education.





# Future

## Kris DeFrain - NAIC

- Overall Impact of these Changes

# The Big Takeaways

- The assessment used minimum standards and was only for the job of a P/C Appointed Actuary (not other actuarial roles).
  - Actuaries and the industry will decide what the best standards are for any particular actuarial role.
- Future actuarial designees must pass a U.S. regulation and statutory accounting exam (e.g. CAS 6U) to be an Appointed Actuary.\*
- Appointed Actuaries must have Qualification Documentation in work papers and provide such to the insurer.
  - Regulatory Guidance is being drafted and will be posted here: [https://naic-cms.org/cmte\\_c\\_act\\_opin\\_wg.htm](https://naic-cms.org/cmte_c_act_opin_wg.htm) [Select “Related Documents” tab.]
- Appointed Actuaries must comply with CAS/SOA CE Process.

\*See instructions for alternatives.

