

Note: This version of the Qualification Standards is no longer in effect.  
It was superseded in 2000 by Doc. No. 077.

**QUALIFICATION STANDARDS  
FOR PRESCRIBED STATEMENTS  
OF ACTUARIAL OPINION**

Including Continuing Education Requirements

Adopted by the Board of Directors October 1, 1998

American Academy of Actuaries

(Doc. No. 063)

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## TRANSMITTAL MEMORANDUM

TO: Members of Actuarial Organizations Governed by the Qualification Standards of the American Academy of Actuaries

FROM: The Board of Directors of the American Academy of Actuaries  
The Committee on Qualifications of the American Academy of Actuaries

SUB.: Amended Qualification Standards (Doc. No. 063)

This booklet contains the final version of amended *Qualification Standards for Prescribed Statements of Actuarial Opinion* (Doc. No. 063) promulgated by the American Academy of Actuaries (the Academy). This document supersedes the *Qualification Standards for Public Statements of Actuarial Opinion* (Doc. No. 043) effective **January 1, 1999**.

### Background

The Qualification Standards were most recently amended by the Academy Board of Directors on January 19, 1993. Since that time, the Committee on Qualifications has continued to receive numerous questions from members, particularly with regard to continuing education. The continuing volume of inquiries suggested to the Committee on Qualifications and the Academy Board of Directors that some actuaries might not fully understand their obligations under the Qualification Standards, and that the Standards themselves might not be sufficiently clear to permit actuaries to readily understand them.

The Committee on Qualifications, therefore, developed the first revision of the Qualification Standards that was intended to clarify the Standards and make them easier to use. This first revision was approved for exposure by the Academy's Board of Directors in June 1996, and comments on the exposure draft were accepted through October 10, 1996.

Twenty-nine sets of comments on the first exposure draft were received. The Committee on Qualifications reviewed and revised the exposure draft to incorporate or otherwise address comments received from the membership. When that process was completed, the Committee concluded that it had made sufficient substantive changes to the exposure draft to warrant a second exposure. The Academy Board of Directors voted to approve release of the second exposure draft in September 1997, and comments on the draft were accepted through February 15, 1998.

## Comments on Second Exposure Draft

Twenty-eight sets of comments on the second exposure draft were received. All of these comments were reviewed and carefully considered by the Committee on Qualifications. Comments are summarized below; the Committee's responses appear in italics.

Several commentators observed that the exposure draft is clearer than the existing Qualification Standards, but that further clarification would be beneficial. *The Committee has further clarified the amended Qualification Standards.*

Several commentators praised the proposal to change the term for actuarial statements of opinion covered by the Qualification Standards from *Public* Statements of Actuarial Opinion to *Professional* Statements of Actuarial Opinion. However, some commentators felt that the word “Professional” was somewhat ambiguous, and that its use could cast doubt upon the “professional” status of other statements issued by actuaries. *The Committee on Qualifications, after much discussion, selected the phrase “Prescribed Statements of Actuarial Opinion” as the term that most precisely describes the statements of actuarial opinion that are covered by the Qualification Standards.*

A few commentators addressed the exposure draft’s inclusion within the definition of a Prescribed Statement of Actuarial Opinion (PSAO) statements of actuarial opinion that are “issued for purposes of compliance with” (rather than “called for by”) law, regulation, or actuarial standards of practice. One commentator suggested that the “issued for purposes of compliance” language is too broad, while two other commentators suggested further broadening the definition of a PSAO to include, for example, “any statement of actuarial opinion that can be provided to a third party by the party requesting the opinion.” *The Committee disagrees, and notes that the purpose of revising the Qualification Standards was to clarify them, but not to substantively change them. The Committee believes that the “issued for purposes of compliance” language strikes the appropriate balance.*

One commentator suggested adding to the list of accounting standard-setting bodies recognized in the definition of PSAOs “...any other similar standard-setting organization.” *The Committee believes this would add undesirable ambiguity to the Qualification Standards, and would prefer to specifically amend the list of standard-setting bodies as circumstances warrant in the future.*

One commentator suggested adding a new paragraph to emphasize the importance of Precept 3 of the *Code of Professional Conduct*. *The Committee has done so on page 2 of the Qualification Standards.*

Several commentators observed that it can be difficult to apply the Qualification Standards in other than traditional areas of actuarial practice (*i.e.*, casualty, health, life, and pension). *The Committee has developed additional guidance on applying the Qualification Standards to non-traditional*

*practice. However, the Committee believes that, at this time, no actuarial opinions in non-traditional areas come within the definition of a PSAO . If those circumstances change, the Committee will consider whether revisions to the Qualification Standards are necessary.*

Several comments were received concerning the basic education requirement. One commentator suggested requiring ethics education as part of basic education. *The Committee believes that it may be appropriate to impose such a requirement in the future, but that it would be premature to do so now because the purpose of these revisions was to clarify the existing Qualification Standards, and not to develop new substantive requirements.* One commentator suggested modifying the basic education requirements to reflect proposed changes to the Society of Actuaries (SOA) syllabus. *The Committee is monitoring the development of the new SOA syllabus, and will revise the Qualification Standards as necessary when the new syllabus is complete.* One commentator suggested clarifying that actuaries who have satisfied the basic education requirements need not pass additional examinations; *the Committee has adopted the commentator's suggested language.* Some commentators suggested that the achievement of membership or Fellowship in one or more of the actuarial organizations should be sufficient to satisfy the basic education requirement regardless of whether the subjects of the examinations taken are relevant to the actuarial practice area in which the actuary issues PSAOs. *The Committee disagrees; membership or Fellowship may not be sufficiently focused on a particular practice area to ensure adequate basic education to issue a PSAO in that practice area.*

Two commentators addressed the experience requirement. One commentator recommended simply requiring experience in the broad practice area (*i.e.*, casualty, health, life or pension) of the PSAO; *the Committee believes it is preferable to require experience to be more specifically relevant to the PSAO. However, the Committee adopted another commentator's suggested language to clarify the level of relevance required.*

With regard to the continuing education requirement, several commentators read the exposure draft as requiring continuing education not only in the broad practice area (*i.e.*, casualty, health, life, or pension), but in some narrower subject more closely related to the subject of the PSAO. There was particular concern that Enrolled Actuaries would be required to obtain both ERISA-related continuing education and other continuing education relevant to non-ERISA pension practice. *The Committee did not intend to require continuing education to be relevant to specific sub-areas of an actuarial practice area, nor did it intend to require Enrolled Actuaries to obtain continuing education in excess of that required by federal regulation to be qualified to issue PSAOs in the pension practice area. This aspect of the continuing education requirements has been clarified in the final Standards.*

Several commentators also expressed concern regarding the application of the Qualification Standards (as set forth in the second exposure draft) to Enrolled Actuaries. They were particularly concerned that the second exposure draft called into question Enrolled Actuaries' qualifications to perform work other



than the most traditional ERISA work. *It was never the Committee's intent to discount the education or experience of Enrolled Actuaries, or to call into question their qualifications to perform non-ERISA work. To the contrary, the Committee believes that most Enrolled Actuaries' basic education, experience, and continuing education are likely to be sufficient to issue PSAOs in the pension area even if the task at issue does not involve an ERISA plan. This aspect of the final Qualification Standards has been revised.*

Two commentators suggested clarifying that the qualification acknowledgment not be required on pre-formatted forms such as Form 5500 Schedule B. *The Committee has adopted this suggestion.*

A few commentators asked for additional guidance on what constitutes a PSAO. *The Committee believes that the list of actuarial work products in Appendix 1 (to which some suggestions from commentators have been added) provides this guidance. The Committee has also suggested to the Actuarial Standards Board that it indicate whether statements of actuarial opinion are to be issued to comply with each of its Actuarial Standards of Practice, thus making those statements PSAOs.*

Some commentators requested additional guidance on how the Qualification Standards apply when actuaries change practice areas or enter new areas of practice. *That guidance is provided in the final Standards.*

Several commentators suggested editorial changes to eliminate redundancies or clarify the Qualification Standards. *The Committee adopted most of these suggestions.*

### Conclusion

The revised Qualification Standards are the product of many hours of thought and effort. The Committee on Qualifications and the Academy Board of Directors are grateful to all of the commentators for their contributions to this important project.

### **Committee on Qualifications**

Robert B. Likins, Chairperson	
Charles L. McClenahan, Vice-Chairperson	
William J. Bugg, Jr.	Adam J. Reese
James L. Lewis, Jr.	Kathleen A. Riley
Daniel J. McCarthy	Carl Shalit
Terrence M. O'Brien	

## EXECUTIVE SUMMARY

*This Executive Summary is provided to facilitate actuaries' use of the Qualification Standards. It is not itself a standard, nor is it intended to supersede or alter the Qualification Standards. To the extent this Executive Summary conflicts with the Qualification Standards, the Qualification Standards take precedence.*

The American Academy of Actuaries (the Academy), through its *Code of Professional Conduct*, requires its members to: (1) perform professional services only when they are qualified to do so; and (2) meet applicable qualification standards.

A statement of actuarial opinion is a Prescribed Statement of Actuarial Opinion (PSAO) if and only if it is a statement of actuarial opinion or actuarial communication issued for purposes of compliance with at least one of three groups of requirements described in the Qualification Standards: laws or regulations, actuarial requirements, or accounting requirements.

The Qualification Standards currently are structured around four actuarial practice areas: casualty, health, life, and pension.

An actuary who issues a PSAO is required to meet the requirements of the General Qualification Standard. In some instances, the actuary must also satisfy the additional requirements of the applicable Specific Qualification Standard. Requirements to meet the General and Specific Qualification Standards are of three types:

- **Basic Education:** The actuary must have obtained sufficiently comprehensive knowledge of the subjects involved to be able to determine which actuarial concepts and techniques are applicable to the assignment, and to apply them successfully.
- **Experience:** The actuary must have experience relevant to the subject of the PSAO.
- **Continuing Education:** The actuary must obtain sufficient continuing education to maintain current knowledge of applicable standards and principles of practice in the actuarial practice area of the PSAO. The actuary must obtain an average of twelve credit hours per calendar year of continuing education, at least 50% of which must consist of organized activities. Organized activities are formal activities that provide the opportunity to interact with other professionals.

Actuaries who must satisfy the requirements of the General or Specific Qualification Standards must keep appropriate records as evidence that they have met their continuing education requirements.

## QUALIFICATION STANDARDS FOR PRESCRIBED STATEMENTS OF ACTUARIAL OPINION

### I. Introduction

The American Academy of Actuaries (the Academy), through Precept 3 of its *Code of Professional Conduct*, requires its members (1) to perform professional services only when they are qualified to do so and (2) to meet applicable qualification standards.<sup>1</sup> Such professional services may include the rendering of advice and recommendations or opinions based upon actuarial considerations, including the issuance of Prescribed Statements of Actuarial Opinion (PSAOs). Actuaries who issue PSAOs when rendering professional services in the United States are required by the *Code of Professional Conduct*, subject to the profession's disciplinary process, to comply with the Qualification Standards.

A statement of actuarial opinion is a PSAO if, and only if, it is:

- ! a statement of actuarial opinion issued for purposes of compliance with law or regulation;
- ! a statement of actuarial opinion issued for purposes of compliance with Actuarial Standards of Practice (ASOPs) (including any Actuarial Compliance Guideline (ACG)) as promulgated by the Actuarial Standards Board (ASB); or
- ! an actuarial communication issued for purposes of compliance with standards promulgated by the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB), the Cost Accounting Standards Board (CASB), the American Institute of Certified Public Accountants (AICPA), or the Federal Accounting Standards Advisory Board (FASAB).

A list of examples of actuarial opinions and communications commonly issued by actuaries, some of which are PSAOs, appears in Appendix 1 (page 15).

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<sup>1</sup> The *Codes of Professional Conduct* of the American Society of Pension Actuaries (ASPA), the Casualty Actuarial Society (CAS), the Conference of Consulting Actuaries (CCA), and the Society of Actuaries (SOA) are identical to the *Code of Professional Conduct* of the Academy in this respect. Therefore, members of those organizations, whether or not members of the Academy, are subject to all requirements imposed by these Qualification Standards upon members of the Academy. The word “actuary” as used herein means an actuary who is a member of ASPA, the Academy, the CAS, the CCA, or the SOA, as well as a member of any actuarial organization that is not U.S.-based but requires its members to meet these Qualification Standards when practicing in the United States.

Recognizing that actuaries' employment circumstances may change over time, it may be prudent for an actuary to maintain compliance with the Academy's continuing education requirements and the General Qualification Standard for PSAOs, even if the actuary is not currently issuing PSAOs.

#### **A. Duty of Qualification**

**An actuary should at all times be mindful of the obligation imposed by Precept 3 of the *Code of Professional Conduct* not to perform professional services unless the actuary is qualified to do so.** This obligation may require the actuary who issues PSAOs to obtain qualifications in addition to those set forth in these Qualification Standards.

#### **B. General and Specific Qualification Standards**

An actuary who issues a PSAO is required to meet the education, experience, and continuing education requirements of the General Qualification Standard (see Section II (page 3)). However, in some instances, the Academy's Board of Directors has determined that additional requirements must be met for an actuary to have the necessary qualifications to issue a particular PSAO. In these instances, the actuary must also satisfy the Specific Qualification Standard for that particular PSAO (see Section III (page 9)).

#### **C. Purpose of Qualification Standards**

Prescribed Statements of Actuarial Opinion often involve the public interest. A PSAO may be used by parties who are not necessarily familiar with the qualifications of the actuaries who issue such statements. Actuaries who issue PSAOs must have achieved, at a minimum, fundamental levels of training and experience and must maintain their expertise through ongoing continuing education. These requirements are codified herein. However, a particular assignment may require qualifications beyond the minimum requirements of the Qualification Standards, and actuaries who issue PSAOs in the United States are personally responsible to ensure that, in addition to meeting the General or Specific Qualification Standards, they possess any necessary additional qualifications to complete each assignment successfully. Actuaries should regularly review their qualifications, and may contact the Committee on Qualifications for guidance to address specific questions and concerns.

#### **D. Structure of Qualification Standards**

**The Qualification Standards currently are structured around four actuarial practice areas: casualty, health, life, and pension. Whenever these Qualification Standards refer to "actuarial practice areas," casualty, health, life, and pension are intended.**

Actuaries practicing in emerging or non-traditional areas (e.g., financial services) may also be called upon to issue PSAOs and, if so, are also required to comply with the Qualification Standards.

Additional guidance concerning the application of the Qualification Standards to emerging practice areas appears in Section IV(C) (page 13).

The Qualification Standards contain three elements: basic education, experience, and continuing education. In order to comply with the Qualification Standards, an actuary is required to satisfy all three elements.

#### **E. Development of Qualification Standards**

Qualification Standards are developed through established Academy notice and comment procedures (see Appendix 2 (page 21)).

Qualification Standards are adopted by the Academy's Board of Directors based upon recommendations from the Committee on Qualifications. The committee is charged to investigate issues arising with respect to the minimum requirements necessary to qualify actuaries to perform publicly required actuarial functions. The Committee on Qualifications recommends to the Board of Directors minimum Qualification Standards for actuaries who perform such functions.

### **II. General Qualification Standard**

An actuary who issues a PSAO when providing professional services must satisfy the General Qualification Standard. Some PSAOs also require satisfaction of Specific Qualification Standards – see Section III (page 9). The actuary must have met the following requirements for **basic education, experience, and continuing education** before issuing a Prescribed Statement of Actuarial Opinion:

#### **A. Basic Education Requirements**

To satisfy the General Qualification Standard, before issuing a PSAO, the actuary must have obtained sufficiently comprehensive knowledge of 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. The actuary may obtain such knowledge through successful completion of relevant actuarial examinations or through alternative education. An actuary who has satisfied the basic education requirements in a particular actuarial practice area is not required to pass additional examinations in that actuarial practice area that subsequently may be offered by the U.S.-based organizations. (For specific guidance on new or changed actuarial practice areas or changes in application in actuarial science, see Section IV (page 12).)

## **1. Successful Completion of Examinations**

To satisfy the basic education requirement, the actuary should successfully complete examinations in the actuarial practice area relevant to the subject(s) of the PSAO. At a minimum, an actuary should successfully complete examinations on the following topics:

- ! General actuarial mathematics;
- ! Applicable economic, regulatory, and legal environments; and
- ! The identification, evaluation, and management of risk.

ASPA, the CAS, the SOA, and the Joint Board for the Enrollment of Actuaries offer examinations on topics that an actuary may be required to understand before issuing PSAOs.<sup>2</sup>

## **2. Alternative Basic Education**

While it is generally preferable for an actuary to satisfy the basic education requirement by successfully completing the appropriate examinations, the actuary may also satisfy this requirement by acquiring comprehensive knowledge of the applicable topics through responsible work and/or study.

To comply with the basic education requirement through alternative education, the actuary must obtain a signed, written statement from another actuary who is qualified to issue PSAOs in that actuarial practice area. This statement must indicate that the writer is familiar with the actuary's professional history and that the actuary has obtained sufficient alternative education to satisfy the basic education requirement for the actuarial practice area or PSAO. (A sample statement appears at Appendix 3 (page 26).) This statement must be obtained before the actuary issues a PSAO, and must be retained by the actuary. The actuary must produce the statement upon request of the Actuarial Board for Counseling and Discipline or the actuary's membership organization(s).

### **B. Experience Requirements**

To satisfy the General Qualification Standard, before issuing a PSAO, the actuary must have experience involving significant responsibility in the actuarial practice area of the PSAO. The actuary must be sufficiently experienced to know how to apply proper techniques of validating data and results of analyses, and must have achieved sufficient breadth of perspective to determine properly whether all material considerations have been addressed within the PSAO.

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<sup>2</sup> The Academy also has offered qualifying examinations in the past, but currently does not.

## C. Continuing Education Requirements

### 1. Continuing Education Requirements in General

To satisfy the General Qualification Standard, an actuary must obtain sufficient continuing education to maintain current knowledge of applicable standards and principles of practice in the actuarial practice area (casualty, health, life, or pension) of the PSAO. The actuary's obligation under Precept 3 of the *Code of Professional Conduct* not to perform professional services unless qualified to do so may require the actuary to obtain more continuing education than the minimum requirements specified below.

In the first partial year of membership of a new member, or in the year in which an existing member first attains the basic education and experience requirements, continuing education is not required. Thereafter, at a minimum, the actuary must earn twelve credit hours of continuing education in the first calendar year following that partial year, and an annual average of twelve such credit hours in each period of two consecutive calendar years. For purposes of the preceding sentence, the twelve-hour annual average is taken retrospectively over a two-year period and the partial year of membership, or attainment if any, is treated as part of the first full calendar year.<sup>3</sup>

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<sup>3</sup> For example, a new member entering on May 27, 1998, must earn the following credit hours of continuing education in order to satisfy the continuing education requirements to issue PSAOs in the following calendar year as indicated:

Calendar Year in Which PSAO to Be Issued	Prior Period in Which CE Hours Must Be Earned	Minimum Required CE Hours Earned in Prior Period(s)
1998 (5/27 forward)	N/A	None
1999	N/A	None
2000	5/27/98–12/31/99	12
2001	5/27/98–12/31/00	24
2002	1/1/00 – 12/31/01	24

An actuary who meets a 24-hour requirement before the end of the applicable two-calendar-year period automatically satisfies the requirement for the remainder of the current calendar year. For example, if the above actuary does not meet the 2000 requirement, but meets the 2001 requirement on June 1, 2000, that actuary is out of compliance from January 1, 2000, to May 31, 2000 only, but comes back into compliance from June 1, 2000, through December 31, 2001.

When the actuary attains the basic education and experience requirements in an actuarial practice area that is new to the actuary, the actuary must satisfy the continuing education requirements in that new actuarial practice area as described in the preceding paragraph.

At least 50% of the required credit hours must consist of “organized activities” as defined below. The remaining credit hours may consist of “other activities” as defined below.

Professionalism is an important aspect of the actuary’s practice. Accordingly, up to 25% of continuing education (including both “organized” and “other” activities) may be devoted to professionalism topics (e.g., courses addressing standards of practice, these Qualification Standards, the *Code of Professional Conduct*, or actuarial ethics), which are applicable to all PSAOs. Additionally, because some continuing education topics may be relevant to more than one actuarial practice area, continuing education in these topics may be counted toward more than one actuarial practice area. (For additional guidance on continuing education for PSAOs in multiple actuarial practice areas or involving more than one actuarial practice area, see Section II(D) below (page 8).)

Recordkeeping requirements for continuing education are set forth in Section VI (page 14).

## **2. Organized Activities**

Organized Activities are formal activities that provide the opportunity to interact with other professionals. A “credit hour” of Organized Activities is defined as a fifty-minute session, and fractions of an hour are permitted.

Organized Activities include the following:

- a. Attending meetings of actuarial organizations, either national or local;
- b. Attending other meetings, seminars, and training programs with actuarial content;
- c. Attending teleconferences or other electronic conferences;
- d. Time spent taking actuarial examinations successfully, as evidenced by passing grades;<sup>4</sup> and

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<sup>4</sup> Time spent studying for examinations or taking correspondence courses qualifies as “Other Activities” (see Section II(C)(3)(c) (page 7)).



- e. Listening to tapes if accompanied by live presentations or discussion leaders.

Two additional credit hours attributable to Organized Activities will be awarded for each credit hour completed as an instructor, discussion leader, or speaker at a continuing education activity that meets the definition of an Organized Activity in recognition of preparation time. These additional credit hours do not apply to repeat presentations.

The requirements that Organized Activities must meet appear in Appendix 4 (page 27).

### **3. Other Activities**

Other Activities are informal activities that provide the actuary with continuing education, but may not provide an opportunity to interact with other professionals. A “credit hour” of Other Activities is defined as a sixty-minute session, and fractions of an hour are permitted.

Other Activities include, but are not limited to, the following:

- a. Independent study;
- b. Listening to cassettes of seminars or meeting sessions;
- c. Where the content of study is relevant to the actuarial practice area of qualification:
  - (1) Participating on committees, including in-house committees, dealing with actuarial subjects;
  - (2) Studying for actuarial examinations;
  - (3) Writing a paper;
  - (4) Preparing a presentation; and
  - (5) Successfully completing a correspondence course, as evidenced by a passing grade.

### **4. Application of Continuing Education Requirements to Enrolled Actuaries**

The actuary who is an Enrolled Actuary and therefore is currently eligible to perform actuarial services under ERISA is deemed to meet the continuing education requirements of the General Qualification Standard with respect to any PSAO in the pension practice area.

**D. Actuaries Issuing PSAOs in More than One Actuarial Practice Area**

**1. PSAOs Involving Skills that Can Be Learned in More than One Actuarial Practice Area**

Some PSAOs may require the exercise of skills that can be learned in more than one of the actuarial practice areas (for example, the principles involved in calculating annuity reserves could be learned in either the life or pension areas). An actuary who issues such PSAOs is deemed to meet the General Qualification Standard if the actuary meets the basic education, experience, and continuing education requirements in any one of the actuarial practice areas relevant to the PSAO.

**2. PSAOs that Blend Elements of Two or More Actuarial Practice Areas**

Some PSAOs may blend significant elements of two or more actuarial practice areas (for example, reserving for continuing care retirement communities, which involves significant elements of both health and life practice). An actuary who issues such PSAOs is deemed to meet the General Qualification Standard if the actuary meets the basic education, experience, and continuing education requirements in any one of the actuarial practice areas relevant to the PSAO. However, the actuary should be particularly mindful of the obligation under Precept 3 of the *Code of Professional Conduct* not to issue such PSAOs unless qualified to do so, and may find it prudent to work with an actuary with complementary experience and education (see Section II(E) below) or to obtain additional experience and/or continuing education in subjects that are relevant to the PSAO.

**3. PSAOs in Two or More Distinct Actuarial Practice Areas**

An actuary may also choose to issue PSAOs in two or more distinct actuarial practice areas, although each PSAO issued by the actuary may involve only one actuarial practice area (for example, a life actuary might agree to conduct a reserve adequacy analysis for a health insurance company). An actuary who issues PSAOs in two or more distinct actuarial practice areas must fully satisfy the basic education, experience, and continuing education requirements for each actuarial practice area in which the actuary issues PSAOs (in this example, life and health). However, the actuary may be able to count some continuing education toward the continuing education requirements of more than one actuarial practice area in which the actuary issues PSAOs (for example, a seminar on reserving principles that addressed both health and life reserves).

**E. PSAOs Issued by More than One Actuary**

An actuary who meets the General Qualification Standard in one actuarial practice area may not satisfy the obligation under Precept 3 of the *Code of Professional Conduct* (to perform professional services only if qualified to do so) with respect to a particular PSAO. For example, the PSAO may involve elements of an actuarial practice area in which the actuary is not fully qualified or the topic of the PSAO, although within the actuarial practice area where the actuary meets the General Qualification Standard, may fall outside the scope of the individual actuary's basic education, experience, or continuing education. In that event, for purposes of the General Qualification Standard, the actuary may issue the PSAO with another actuary whose basic education, experience, or continuing education complements that of the first actuary with respect to the jointly issued PSAO. Both actuaries will be deemed to meet the General Qualification Standard if their collective basic education, experience, and continuing education are sufficient as to all actuarial practice areas relevant to the PSAO, and if they are collectively qualified under Precept 3 of the *Code of Professional Conduct* to issue the particular PSAO.

### III. Specific Qualification Standards

Specific Qualification Standards are developed by the Committee on Qualifications when, in the committee's view, it is necessary for an actuary to possess specific qualifications beyond those required to satisfy the General Qualification Standard to issue a particular type of PSAO. These Specific Qualification Standards apply only to the types of PSAO for which such standards have been adopted.<sup>5</sup>

There are currently three PSAOs for which Specific Qualification Standards must be met:

- ! Statement of Opinion, NAIC Life and A&H Annual Statement (either a "Section 7" or "Section 8" opinion);
- ! Statement of Opinion, NAIC Property & Casualty Annual Statement; and
- ! Statement of Opinion, NAIC Hospital, Medical and Dental Service or Indemnity Corporation, or HMO Annual Statement.

An actuary must have obtained the following **basic education, experience, and continuing education** before issuing a PSAO for which Specific Qualification Standards have been adopted:

#### A. Basic Education Requirements

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<sup>5</sup> The Committee on Qualifications considers specific guidelines in determining when a Specific Qualification Standard should be developed (see Appendix 5 (page 30)).

To satisfy the Specific Qualification Standards, the actuary must have obtained sufficiently comprehensive knowledge of 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. The actuary may obtain such knowledge through successful completion of relevant actuarial examinations or through alternative education. The actuary who has satisfied the basic education requirements for a particular PSAO to which a Specific Qualification Standard applies is not required to pass additional examinations that may subsequently be offered by the U.S.-based organizations with regard to that PSAO after the actuary has met the basic education requirements.

### **1. Successful Completion of Examinations**

In addition to successfully completing the examinations necessary to satisfy the General Qualification Standard (see Section II(A)(1) (page 4), the actuary should successfully complete relevant examinations administered by the Academy, the Casualty Actuarial Society, or the Society of Actuaries on the following topics:

- a. For the Statement of Opinion, NAIC Life and A&H Annual Statement:
  - (1) Policy forms and coverages;
  - (2) Dividends and reinsurance;
  - (3) Investments and valuations of assets, and relationship between cash flows from assets and related liabilities;
  - (4) Statutory insurance accounting;
  - (5) Valuation of liabilities; and
  - (6) Valuation and nonforfeiture laws.
  
- b. For the Statement of Opinion, NAIC Property & Casualty Annual Statement:
  - (1) Policy forms and coverages, underwriting and marketing;
  - (2) Principles of ratemaking;
  - (3) Statutory insurance accounting and expense analysis; and
  - (4) Premium, loss and expense reserves.

- c. For the Statement of Opinion, NAIC Hospital, Medical and Dental Service or Indemnity Corporation, or HMO Annual Statement:
  - (1) Principles of insurance and underwriting;
  - (2) Principles of ratemaking;
  - (3) Statutory insurance accounting and expense analysis;
  - (4) Premium, loss, expense, and contingency reserves; and
  - (5) Social insurance.

## **2. Alternative Basic Education**

An actuary who wishes to meet the basic education requirement to issue a PSAO to which a Specific Qualification Standard applies may do so by acquiring comprehensive knowledge of the applicable examination topics through responsible work and/or study. To meet the basic education requirement through alternative education, the actuary must obtain a written statement from another actuary who is qualified to issue such PSAOs. This statement must indicate that the writer is familiar with the actuary's professional history, and that the actuary has obtained sufficient alternative education to satisfy the basic education requirement. (A sample statement appears at Appendix 3.) This statement must be obtained before the actuary issues the PSAO and should be retained by the actuary. The actuary must produce the statement upon request of the Actuarial Board for Counseling and Discipline or the actuary's membership organization(s).

### **B. Experience Requirements**

To satisfy the Specific Qualification Standards, the actuary must obtain at least three years of experience under review by an actuary who would have been qualified to issue the PSAO at the time the review took place under standards in effect at that time. Although this experience need not necessarily be recent, it must be relevant to the subject of the PSAO.

### **C. Continuing Education Requirements**

To satisfy the Specific Qualification Standards, the actuary must obtain sufficient continuing education to maintain current knowledge of applicable standards and principles in the actuarial practice area of the PSAO. The actuary's obligation under Precept 3 of the *Code of Professional Conduct* not to perform professional services unless qualified to do so may require the actuary to obtain more continuing education than the minimum requirements specified below.

For purposes of measuring and averaging the continuing education requirements for Specific Qualification Standards, please refer to Section II(C) (page 5). At a minimum, the actuary must obtain an average of twelve credit hours per calendar year of continuing education that is relevant to the specific examination topics identified for each PSAO in Sections III(A)(1)(a)–(c) (pages 10-11).

Professionalism is an important aspect of the actuary's practice. Accordingly, up to 25% of continuing education may be devoted to professionalism topics (e.g., courses addressing standards of practice, these Qualification Standards, the *Code of Professional Conduct* or actuarial ethics), which are applicable to all PSAOs.

#### **IV. Changes in Practice and Application**

##### **A. Changes in Actuarial Practice Areas**

Changes in an actuary's practice may require the actuary to issue PSAOs in an actuarial practice area (currently life, health, casualty, and pension) that is new to the actuary. For example, an actuary may move from performing life reserve valuations to health ratemaking, or to issuing HMO Annual Statement Opinions.

1. If the actuary changes to an actuarial practice area where the actuary's PSAOs need only satisfy the General Qualification Standard, the actuary may comply with the General Qualification Standard by:
  - a. Meeting the basic education and experience requirements set forth in Sections II(A) and (B) (pages 3-4); and
  - b. Obtaining continuing education that is relevant to PSAOs issued by the actuary in the new actuarial practice area as set forth in Section II(C) (page 5).
2. If the actuary changes to an actuarial practice area where the actuary's PSAOs must satisfy a Specific Qualification Standard, the actuary may comply with the Specific Qualification Standard by:
  - a. Meeting the basic education and experience requirements set forth in Sections III(A) and (B) (pages 9-11); and
  - b. Obtaining continuing education that is relevant to PSAOs issued by the actuary in the new actuarial practice area as set forth in Section III(C) (page 11).

An actuary must exercise professional judgment in evaluating his or her qualifications when undertaking a change in practice.

## **B. Changes in Application**

Changes in the application of actuarial science may develop through revisions to published principles of actuarial practice, ASOPs, and supporting literature. (For example, the use of cash flow testing by the valuation actuary is a relatively new application of actuarial science.) An actuary who has been practicing in the actuarial practice area of the new application should maintain qualifications through appropriate continuing education. An actuary who enters areas of new application must become qualified by meeting the basic education and experience requirements for an actuarial practice area that is relevant to the new application, and must satisfy the continuing education requirements as described in Sections II(C) (pages 5-7) and III(C) (page 11). An actuary must exercise professional judgment in evaluating his or her qualifications when undertaking a new application in his or her actuarial practice area.

## **C. Emerging or Non-Traditional Practice Areas**

As actuaries become engaged in emerging or non-traditional fields, it is likely that their expertise will be recognized and that they will be called upon to issue a PSAO in those areas.

An actuary who issues a PSAO that falls outside the four traditional actuarial practice areas (e.g. financial services) must satisfy the continuing education requirements in addition to meeting the basic education and experience requirements.

An actuary practicing in an emerging or non-traditional practice area can satisfy the continuing education requirements by maintaining knowledge of applicable standards of practice, actuarial concepts, and techniques relevant to the topic of the PSAO.

An actuary must exercise professional judgment in evaluating his or her qualifications when practicing in an emerging or non-traditional practice area.

## **V. Acknowledgment of Qualification**

A PSAO should include an appropriate acknowledgment of qualification, such as the following:

I, [name], am [position] for [company]. I am a member of the American Academy of Actuaries (or other organization) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

A qualification acknowledgment is not required on pre-formatted forms, e.g., Schedule B (Form 5500).



## **VI. Recordkeeping Requirements**

### **A. Continuing Education Recordkeeping Requirements**

Actuaries who must satisfy the requirements of the General or Specific Qualification Standards must keep appropriate records as evidence that their continuing education requirements have been met. (Sample recordkeeping forms appear at Appendix 6.) If the actuary chooses not to use the sample recordkeeping forms, such records should contain, at a minimum, the date of the continuing education, the credit hours obtained, and a brief description of the subject matter of the continuing education.

These records should be maintained for at least four years beyond the year(s) to which the records are applicable. Thus, for example, an actuary who obtained eight hours of organized activities in 1996, which would be applicable to qualify in 1997 and 1998, should maintain records for those hours until January 1, 2003.

An actuary who is active in more than one actuarial practice area must keep records for each area.

### **B. Substantiating Compliance**

Whenever an actuary issues a PSAO, the actuary must be prepared to provide evidence of compliance with the Qualification Standards to the Actuarial Board for Counseling and Discipline or the actuary's membership organization(s).

## **VII. Clarification**

Actuaries with questions regarding the application of these Qualification Standards to their daily practice may contact the Committee on Qualifications for clarification.

## Appendix 1

### EXAMPLES OF PRESCRIBED STATEMENTS OF ACTUARIAL OPINION

This Appendix describes Prescribed Statements of Actuarial Opinion (PSAOs) and gives several examples of opinions that are typically rendered by actuaries, indicating whether those opinions are usually PSAOs or not PSAOs. The examples set forth in this Appendix are not intended to be all-inclusive. Actuaries can, and do, render many types of PSAOs and other statements and opinions that are not specifically referenced in this Appendix.

This Appendix is intended to help actuaries understand which statements are PSAOs. It represents the general consensus of the Academy's Committee on Qualifications as of 1998.

There are three categories of PSAOs. A PSAO is:

- ! a statement of actuarial opinion issued for purposes of compliance with law or regulation;
- ! a statement of actuarial opinion issued for purposes of compliance with Actuarial Standards of Practice (ASOPs) (including any Actuarial Compliance Guideline (ACG)) as promulgated by the Actuarial Standards Board (ASB); or
- ! an actuarial communication issued for purposes of compliance with standards promulgated by the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB), the Cost Accounting Standards Board (CASB), the American Institute of Certified Public Accountants (AICPA), or the Federal Accounting Standards Advisory Board (FASAB) .

#### I. General Observations

- ! If an actuarial communication does not fall within one of the three categories above, it is not a PSAO.
- ! If the opinion is not issued for purposes of compliance with law or regulation, nor to comply with FASB, GASB, CASB, AICPA, or FASAB standards, then the actuary must determine whether the opinion relates to an actuarial undertaking that is the subject of an ASB Standard of Practice and, if so, whether that makes it an opinion issued for purposes of compliance with that Standard of Practice. If the opinion is not issued for purposes of compliance with an Actuarial Standard of Practice, it is not a PSAO.

- ! If an ASOP or ACG merely requires the actuary to compile documentation of data and/or other information, but does not require the actuary to include actuarial advice or a statement of opinion in the documentation, the documentation is not considered to be “issued for purposes of compliance with” the ASOP or ACG and is, therefore, not a PSAO.
- ! Only the final product that embodies the actuarial opinion is a PSAO. In general, preliminary drafts of opinions are not PSAOs.
- ! A PSAO is usually a written actuarial opinion, but it may also be conveyed by oral communication. The fact that an actuary’s opinion is conveyed orally is not, in and of itself, evidence that the opinion is not a PSAO.
- ! An actuary must meet the Qualification Standards to issue a PSAO, but not to use one.
- ! Not all actuarial communications are PSAOs. Not all actuarial opinions are PSAOs. A personal opinion or a speculation by an actuary, even in a public forum, is not necessarily a PSAO.
- ! A PSAO may or may not be embodied in a public document.

**The following is a list of commonly issued actuarial opinions and work products. Please observe that only *actuarial* statements of opinion can be PSAOs.**

### Commonly Issued Actuarial Opinions and Work Products

Is Actuarial Opinion or Communication a PSAO?	Actuarial Opinion/Communication	Actuarial Practice Area	Applicable Qualification Standard
A. These opinions are issued for purposes of compliance with law or regulation, and are PSAOs.	1. NAIC Life & A&H Annual Statement Opinion	H/L	Specific
	2. NAIC Hospital, Medical or Dental Service or Indemnity Corp., or HMO Annual Statement Opinion	H	Specific
	3. NAIC Property & Casualty Annual Statement Opinion	C	Specific
	4. California School District Self-Funded Health Plan Opinion	H	General
	5. Form 5500 Schedule B Certification and Other Required ERISA Forms	P	General
	6. VEBA Account Limit Determination	H/L/P	General

Is Actuarial Opinion or Communication a PSAO?	Actuarial Opinion/Communication	Actuarial Practice Area	Applicable Qualification Standard
B. These opinions and communications are PSAOs if the opinion is issued for purposes of compliance with law or regulation.	1. Insurance company statutory reserve opinion	C/H/L/P	Specific
	2. Profit tests for regulators	C/H/L	General
	3. State exam opinion	C/H/L	General
	4. Tax issue opinion	C/H/L/P	General
	5. Nonforfeiture law compliance demonstration	L	General
	6. Indeterminate premiums opinion	L	General
	7. Rate filing opinion	C/H/L	General
	8. COBRA premium determination	H	General
	9. Opinion re: rate level indications	C	General
C. These opinions and communications are PSAOs if the opinion is issued for purposes of compliance with law, regulation, or an Actuarial Standard of Practice.	1. Cash flow testing	C/H/L/P	General
	2. Non-guaranteed elements opinion	C/H/L/P	General
	3. Actuarial appraisal	C/H/L/P	General
	4. Actuarial audit	C/H/L/P	General
	5. Opinion of assumptions and methods used to value social insurance	C/H/L/P	General
	6. Supporting reports	C/H/L/P	General
	7. Expert testimony	C/H/L/P	General
	8. Sales illustrations	H/L	General
	9. Testimony at rate filing or reserve adequacy hearing	C/H/L	General
	10. Loss ratio opinion	H	General
	11. Premium increase demonstration	H	General
	12. Loss reserve opinion	C	General
	13. Ratemaking opinion	C	General
D. These opinions and communications are PSAOs if the opinion is issued for purposes of compliance with an Actuarial Standard of Practice.	1. Internal management report	C/H/L/P	General
	2. Sale price of a company opinion	C/H/L/P	General
	3. Merger/spinoff opinion	C/H/L/P	General
	4. Profit tests for management	C/H/L/P	General
	5. Asset adequacy analysis	C/H/L/P	General
	6. Pricing opinion	L	General

C = Casualty, H = Health, L = Life, P = Pension,  
N/A = Not Applicable

Is Actuarial Opinion or Communication a PSAO?	Actuarial Opinion/Communication	Actuarial Practice Area	Applicable Qualification Standard
	7. Policyholder dividend opinion	L	General
	8. CCRC pricing opinion	H/L/P	General
	9. Health & welfare fund financial opinion	H	General
E. These determinations are PSAOs if the determination is issued for purposes of compliance with FASB standards.	1. SFAS 35 determination	P	General
	2. SFAS 87 & 88 determination	P	General
	3. SFAS 106 determination	H/L/P	General
	4. SFAS 109 liability determination	H/P	General
	5. SFAS 112 determination	C/H/L/P	General
F. These determinations are PSAOs if the determination is issued for purposes of compliance with GASB standards.	1. GASB 25 determination	P	General
	2. GASB 27 determination	P	General
G. These determinations are PSAOs if the determination is issued for purposes of compliance with CASB standards.	1. CAS 412 determination	P	General
	2. CAS 413 determination	P	General
H. These determinations are PSAOs if the determination is issued for purposes of compliance with FASAB standards.	1. SFFAS 5 determination	H/L/P	General
I. These opinions are PSAOs if the opinion is issued for purposes of compliance with a standard of the AICPA.	1. SOP 92-6 retiree obligation opinion	H/P	General
J. These opinions and communications are <b>not</b> PSAOs <b>unless</b> presented as an opinion issued for purposes of compliance with law, regulation, an Actuarial Standard of Practice, or a FASB, GASB, CASB, AICPA, or FASAB standard.	1. Slide presentation	C/H/L/P	General
	2. Speech	C/H/L/P	General
	3. Phone conversation	C/H/L/P	General
	4. Certification of data requested by state insurance departments	C/H/L/P	General
	5. Congressional testimony	C/H/L/P	General
	6. NAIC working group or task force opinion	C/H/L/P	General
K. These opinions are usually <b>not</b> PSAOs, <b>except</b> when a non-ERISA opinion is issued for purposes of compliance with law, regulation, or an Actuarial Standard of Practice.	1. Pension plan cost	P	General

C = Casualty, H = Health, L = Life, P = Pension,  
N/A = Not Applicable

Is Actuarial Opinion or Communication a PSAO?	Actuarial Opinion/Communication	Actuarial Practice Area	Applicable Qualification Standard
L. These communications are <b>not</b> PSAOs when used <b>alone</b> .	1. Experience study	C/H/L/P	N/A
	2. Personal computer program	C/H/L/P	N/A
M. These communications are <b>not</b> PSAOs.	1. Draft of an actuarial report	C/H/L/P	N/A
	2. Meeting minutes	C/H/L/P	N/A
	3. Letters to the editor	C/H/L/P	N/A
	4. Interview by media	C/H/L/P	N/A

## II. Application of Qualification Standards to Public Service Actuaries

The Qualification Standards apply to all actuaries, including those working in public service (e.g., actuaries providing professional services to federal, state, or local governments). When a public service actuary issues a statement of actuarial opinion that is itself issued for purposes of compliance with law, regulation, Actuarial Standard of Practice or a requirement of FASB, GASB, CASB, AICPA, or FASAB, the public service actuary has the same obligation as a non-public service actuary to comply with the General or Specific Qualification Standards.

However, a public service actuary may be called upon to review another actuary's PSAO, and to approve, disapprove, accept or reject a submission based upon another actuary's PSAO. The review itself may be a PSAO, but only if:

- ! The review itself of a PSAO (or of a submission supported by a PSAO) is issued for purposes of compliance with law, regulation, or a requirement of the ASOP, FASB, GASB, CASB, AICPA, or FASAB;
- ! The review is based on actuarial considerations; and
- ! The law, regulation, ASOP, FASB, GASB, CASB, AICPA, or FASAB specifically requires an actuary to issue the review.

If the above three conditions apply, then the actuary issuing the review must meet the General Qualification Standard for issuing PSAOs in the applicable actuarial practice area.

The following is a list of communications that are routinely issued by public service actuaries. This list was compiled from letters sent to the National Association of Insurance Commissioners in 1995 from state regulatory actuaries, as well as examples provided to the Committee on Qualifications by the Academy's Committee on Actuarial Public Service. Public service actuaries also author communications that are not specifically referenced in this listing.

Is Actuarial Opinion or Communication a PSAO?	Actuarial Opinion/Communication	Actuarial Practice Area	Applicable Qualification Standard
A. These opinions and communications are <b>not</b> PSAOs.	1. Reports or other products not issued for purposes of compliance with law, regulation, ASOP, FASB, GASB, CASB, AICPA, or FASAB	C/H/L/P	N/A
	2. Rate filing query letter	C/H/L	N/A
	3. Answers to consumers' questions	C/H/L/P	N/A
	4. Legislative/rulemaking activities—draft, review, etc.	C/H/L/P	N/A

Is Actuarial Opinion or Communication a PSAO?	Actuarial Opinion/Communication	Actuarial Practice Area	Applicable Qualification Standard
	5. Reserve adequacy comments within an insurance department	C/H/L	N/A
	6. Review and approve appointed actuary designations	C/L	N/A
	7. Analyze insurance company and industry data	C/H/L	N/A
	8. Actuarial opinions on NAIC models and pronouncements	C/H/L	N/A
	9. Accept/reject company license applications	C/H/L	N/A
	10. Review asset valuation reserve determinations	C/H/L	N/A
	11. Communications with media reporters	C/H/L/P	N/A
	12. Requests for clarification of PSAOs received	C/H/L/P	N/A
B. These opinions, communications, and testimonies <b>are</b> PSAOs <b>when</b> the actuary issues an actuarial opinion for purposes of compliance with law, regulation, ASOP, FASB, GASB, CASB, AICPA, or FASAB.	1. Issue actuarial opinions re: resolution of troubled company	C/H/L	General
	2. Review reinsurance contracts for compliance with risk transfer & reserve credit	C/H/L	General
	3. Law and regulation enforcement, interpretation, and implementation	C/H/L/P	General
	4. Opinion of state fund's reserve and funding level	C/H/L	General
	5. Reports called for on governmental retirement plans	P	General
	6. Chief Actuary's report on Social Security and Medicare	H/L/P	General
	7. Statement of actuarial advisory board appointed by government, such as the Board of Actuaries of the Department of Defense	C/H/L/P	General
	8. Actuarial testimony at administrative hearing	C/H/L/P	General
	9. Actuarial testimony at judicial hearing	C/H/L/P	General
	10. Actuarial testimony at legislative hearing	C/H/L/P	General
	11. Actuarial testimony on a PSAO from the actuary who issued the PSAO if substance of PSAO presented	C/H/L/P	General

C = Casualty, H = Health, L = Life, P = Pension,  
N/A = Not Applicable



Is Actuarial Opinion or Communication a PSAO?	Actuarial Opinion/Communication	Actuarial Practice Area	Applicable Qualification Standard
<p>C. These opinions (approval/disapproval/acceptance/rejection of another actuary's PSAO) are PSAOs only when the approval/disapproval/acceptance/rejection: (1) is issued for purposes of compliance with law, regulation, ASOP, FASB, GASB, CASB, AICPA, or FASAB; (2) is based on the actuarial considerations of the PSAO being reviewed; and (3) the law, regulation, etc. specifically requires an actuary to issue the opinion.</p>	1. Rate filing—written or oral approval	C/H/L	General
	2. Rate filing—written or oral disapproval	C/H/L	General
	3. Reserve adequacy opinion—issue valuation certification	C/H/L/P	General
	4. Reserve adequacy opinion—approve/disapprove	C/H/L/P	General
	5. Approve/disapprove actuarial portion of policy forms	C/H/L	General
	6. Approve/disapprove actuarial memo on reserves and nonforfeiture values	C/H/L	General
	7. Resolve filed audit issues consistent with ASOPs	C/H/L/P	General
	8. Review small group annual actuarial certifications	H	General
	9. Review actuarial opinion of political subdivision that self-funds its health insurance	C/H/L	General

## Appendix 2

### PROCEDURES FOR THE ADOPTION OF QUALIFICATION STANDARDS BY THE AMERICAN ACADEMY OF ACTUARIES

The following procedures have been adopted by the American Academy of Actuaries (the Academy) for the adoption of Qualification Standards.

#### I. **Development**

The Committee on Qualifications may develop a proposed qualification standard whenever, in the committee's judgment, development and adoption of the proposed standard would further the goals and interests of the Academy. Proposed changes or new qualification standards must be approved by at least a majority vote of a quorum of the Committee on Qualifications, and must be accompanied by a written report from counsel advising the Board of Directors (the Board) of the draft's compliance with applicable law and addressing any other relevant legal issues.

#### II. **Approval to expose**

The proposed standard is presented to the Board with a request that the Board approve its exposure. The Board may:

- A. Approve the committee draft for exposure with or without modification;
- B. Return the draft with directions for additional work by the Committee on Qualifications;  
or
- C. Terminate work on the proposed standard.

A majority vote of the Board is required to expose a draft, return the draft to the Committee, or terminate work. Where compelling circumstances require immediate exposure of a proposed standard, the Executive Committee may act to authorize exposure.

#### III. **Format**

The exposure draft of the proposed standard will contain the following information:

- A. Title page;
- B. Date of Board approval for exposure;

- C. Status and history of the draft to date;
- D. Text of proposed standard;
- E. Other supporting material, if any;
- F. If the exposure draft is not unanimously supported by the Committee on Qualifications, an appropriate disclosure of minority views, if requested by the members of the minority;
- G. Address to which comments should be submitted;
- H. Deadline for submitting comments; and
- I. Names of Committee on Qualifications members (without organizational affiliations).

The Committee on Qualifications may, at its discretion, expose alternative wording for comment (i.e., two or more versions of certain sections of the exposure draft) in order to solicit the views of the membership.

#### **IV. Comment deadline**

The deadline for comments is normally sixty days after the expected distribution date, but that time period may be extended or reduced by the Executive Committee or Board. A minimum comment period of thirty days is required.

#### **V. Non-members**

The Committee on Qualifications may compile a list of persons and organizations outside the Academy to whom the exposure draft should be circulated. Copies of the exposure draft will be made available to any other party upon request.

#### **VI. Processing**

A file of all comments is maintained in the Academy office, and comments are distributed to the Committee on Qualifications by staff. Committee members must ensure that comments sent directly to them are forwarded to the Academy office to be processed as described above. Only written comments will be processed.

#### **VII. Communication with commentators**

Each individual submitting comments normally will receive an acknowledgment of receipt from the Academy office. Further communication with commentators is optional at the discretion of the Committee on Qualifications.

#### VIII. **Status reports**

Status reports on the deliberations of the Committee on Qualifications during the exposure period are optional at the discretion of the Committee on Qualifications and mandatory at the request of the Academy President. Status reports will be conveyed to the entire membership, preferably through *The Actuarial Update*. Such reports will be general in nature and will not create the misleading impression that the Committee on Qualifications has adopted a final position on the proposed standard before fully considering all comments received.

#### IX. **Committee deliberations**

The Committee on Qualifications will give due and impartial consideration to all comments received.

#### X. **Public hearings**

A. Public hearings are not generally required, but may be convened at the discretion of the Committee on Qualifications or by request of the Academy President. Factors to be considered in deciding whether a public hearing should be held include:

1. The complexity of the exposure draft;
2. The professional significance of the exposure draft; and
3. Any other relevant considerations.

B. Expenses directly related to the hearing will be borne by the Academy, including the cost of a hearing room, tape-recording and transcription services, audio-visual equipment, and production of printed materials. However, those attending and participating in the hearing will do so at their own expense.

C. Notice of the public hearing will be given to the recipients of the exposure draft through *The Actuarial Update* or otherwise at least thirty days prior to the hearing. Notice of the hearing may also be provided in an appropriate fashion through other media that are believed to reach those persons who might reasonably be expected to have an interest in the exposure draft. Such notice will include a clear description of the scope and purpose of the exposure draft, and will set forth the date, time, and location of the

public hearing and the manner in which interested persons should advise the Committee on Qualifications of their desire to speak at the hearing.

- D. The hearing is open to all interested parties, including press. Seating may be limited, and will be available on a first-come, first-served basis.
- E. Eligible speakers
  - 1. Interested individuals who wish to speak at the public hearing will so advise the Committee on Qualifications in the manner announced in the hearing notice. Speakers who have not provided such prior notice will be heard only after all scheduled speakers and only if time permits.
  - 2. The moderator may establish time limits for all speakers. Time will be made available to non-members as well as members for formal presentations, and for questions and comments if time permits.
  - 3. A list of speakers and a brief agenda will be compiled and made available at the hearing.

#### **XI. Second exposure draft**

In some instances, significant changes to an exposure draft may be required as a result of comments received through the exposure process. In that event, at the discretion of the Committee on Qualifications, a second exposure draft may be circulated for comment or a second public hearing may be conducted.

#### **XII. Final approval**

A two-thirds majority vote of a quorum of the Committee on Qualifications is required to present a final standard to the Board for its approval. The Board may approve the standard for promulgation with or without modification, return the standard with directions for additional work by the Committee, or terminate work on the standard. A two-thirds majority vote of the Board is required for approval of a standard. A majority vote of the Board is required to return the standard to the Committee or terminate work on the standard.

#### **XIII. Promulgation**

- A. Academy staff will produce and distribute the final standard to the membership and other recipients in the next regular monthly Academy mailing following Board approval, unless a special mailing is approved by the Academy President.

**B. Format**

The final standard will contain the following information:

1. Title page;
2. Effective date;
3. Text of final standard;
4. Status and history of the standard;
5. An analysis of major comments received, and the extent to which comments were incorporated in the final standard. Such analysis should preserve the confidentiality of each commentator's submission;
6. Other supporting material, if any;
7. If the standard is not unanimously supported by the Committee on Qualifications, an appropriate disclosure of minority views, if requested by the members of the minority; and
8. Names of Committee on Qualifications members (without organizational affiliations).

**XIV. Documentation**

- A. All written comments, tapes, transcripts, and other relevant materials connected with the development of a standard will be available for inspection in the Academy office during normal business hours for one year following the later of either the effective date of adoption or the date of the last action taken by the Committee on Qualifications or the Board on the proposed standard.
- B. Copies of the above materials will be distributed to the Committee on Qualifications and other Academy officials (e.g., the President and other officers) without charge. Members and other individuals may obtain these materials upon request for a fee at least equal to the cost of reproduction.

**XV. Interim Standards**

These procedures do not apply when the Academy's Board of Directors by a two-thirds majority vote finds that, because of compelling circumstances, good cause exists for a qualification standard to be

adopted immediately without implementation of the exposure draft procedures set forth herein. In that event, the Board may adopt a qualification standard on an interim basis. Such an interim qualification standard will be circulated to the membership in the form of an exposure draft as soon as practical, but in any event by no later than sixty days after the effective date of the interim qualification standard. After completion of the exposure process, the new qualification standard will be substituted by the Board for the interim qualification standard.

### Appendix 3

#### SAMPLE ALTERNATIVE BASIC EDUCATION STATEMENT<sup>1</sup>

I have been requested by [actuary] to provide a written statement regarding his/her knowledge of the \_\_\_\_\_<sup>2</sup> examination topics required by the American Academy of Actuaries' (the Academy's) \_\_\_\_\_<sup>3</sup> for \_\_\_\_\_.<sup>4</sup> I meet the Qualification Standard described above, based upon my education, experience, and continuing education.

It is my opinion that [actuary] has gained comprehensive knowledge of the subjects necessary to meet the basic education requirements of the Academy's \_\_\_\_\_<sup>5</sup> through the following responsible work [and/or] study:

[Insert a description of the responsible work and/or study undertaken by the actuary to satisfy the applicable Qualification Standard. Sections II(A)(1) and III(A)(1) of the Qualification Standards booklet provide guidance on the examination topics at issue.]

Based on the foregoing, I believe that [actuary] has satisfied the alternative education requirement of the Academy's \_\_\_\_\_<sup>6</sup> for \_\_\_\_\_.<sup>7</sup> In so stating, I take no responsibility for the accuracy, completeness or quality of any work undertaken by [actuary].

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<sup>1</sup> There is no requirement that this format be used.

<sup>2</sup> For General Qualification Standard, insert "basic." For Specific Qualification Standard, insert "specific supplemental" or "basic and specific supplemental" as appropriate.

<sup>3</sup> Insert "General Qualification Standard" or "Specific Qualification Standard for [Casualty, Life, or Health] Annual Statement Opinions" as appropriate.

<sup>4</sup> Insert "the [casualty/health/life/pension] practice area" or the title or a description of the PSAO to be issued, as appropriate.

<sup>5</sup> Insert "General Qualification Standard" or "Specific Qualification Standard for [Casualty, Life, or Health] Annual Statement Opinions" as appropriate.

<sup>6</sup> Insert "General Qualification Standard" or "Specific Qualification Standard for [Casualty, Life, or Health] Annual Statement Opinions" as appropriate.

<sup>7</sup> Insert "the [casualty/health/life/pension] practice area" or the title or a description of the PSAO to be issued, as appropriate.



[Signature]

[Date]

## Appendix 4

### ORGANIZED ACTIVITIES AND RECOGNIZED ORGANIZED ACTIVITIES

The continuing education requirements of the Academy's Qualification Standards specify that actuaries must obtain a minimum of twelve credit hours per year of continuing education activities, of which at least half must be from Organized Activities.

The purpose of these guidelines is to assist organizers in determining whether their continuing education activities may be recognized by the Academy as Organized Activities. **The fact that a continuing education activity has not been formally recognized by the Academy does not necessarily mean that it is not an Organized Activity.** However, an actuary who claims credit hours of Organized Activity from any activity that has not been formally recognized by the Academy as a Recognized Organized Activity has a responsibility to be prepared to support those credit hours by demonstrating the quality and content of that activity.

In general, Organized Activities are activities of value in the continuing professional education of the actuary that permit the actuary to interrelate with other actuaries or other professionals and profit from their education and experience. Activities are "organized" if they meet the requirements set forth in Section II(C)(1) of the Qualification Standards and Section I below and they are treated as "recognized" by the Academy if they also meet the requirements of Section II below. Certain providers of Organized Activities may be designated as Approved Providers by the Academy if they meet the requirements of Section III below, and such providers are authorized to designate activities they sponsor as Recognized Organized Activities as described in Section II(A) below.

#### I. What Criteria Does an Organized Activity Need to Meet?

To satisfy the continuing education requirements of the Qualification Standards, each session of an Organized Activity must meet all of the following criteria:

- A. The activity must have significant current intellectual or substantial practical content for actuaries and be designed to contribute significantly to the professional competency of actuaries who attend.
- B. The activity must be an organized program of learning that is related to actuarial subjects or the actuarial profession, including interdisciplinary subjects that involve other professions (e.g., accounting, law, or medicine); that enhances the actuary's skills or the actuary's ability to provide actuarial services; or that is an organized program of learning related directly to the professional responsibility of actuaries.
- C. The activity must be conducted by an individual or group qualified by practical, academic, or professional experience.

- D. Where the activity is more than three credit hours in length, substantive written materials must be distributed to all participants at or before the time the activity is offered.
- E. The activity must be of sufficient length (generally at least one credit hour) to provide a substantial educational experience.
- F. The physical setting for the activity must be appropriate.
- G. In determining the length of a session for Recognized Organized Activities, time that is spent on introductory remarks, breaks, business meetings, or meals that occupies more than ten minutes per credit hour shall not be counted.

## II. What Constitutes a Recognized Organized Activity?

In order to be a Recognized Organized Activity, an Organized Activity must be either:

- A. Sponsored by an Approved Provider who certifies that the provider believes in good faith that the activity meets the guidelines for recognition by the American Academy of Actuaries as an Organized Activity; or
- B. Sponsored by a provider that is not approved; in that event, the provider must apply for and receive from the American Academy of Actuaries a formal recognition that the activity is a Recognized Organized Activity. Such recognition will require approval by the Academy of a written application from the provider; the application must supply all information requested by the Academy and be submitted at least 60 days in advance of the activity.

Approval as Recognized Organized Activities of future repetitions of previously approved presentations may be withdrawn by the Academy, whether or not sponsored by an Approved Provider.

In addition, any Recognized Organized Activity, whether or not sponsored by an approved provider, must meet all of the following conditions:

- C. The provider of the activity shall certify in promotional materials, if any, that the provider believes in good faith that the activity qualifies as a Recognized Organized Activity. The provider shall also specify the number of credit hours that will apply to one or more of the actuarial practice areas (casualty, health, life, or pension) and, if applicable, to any one or more of the examination topics listed in Sections III(A)(1)(a) – (c) of the Qualification Standards.

- D. The provider of the activity shall allow, at no cost, in-person monitoring of any approved activity by designated representatives of the American Academy of Actuaries.

### III. Who Is an Approved Provider?

- A. The American Academy of Actuaries, the American Society of Pension Actuaries, the Canadian Institute of Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, the Society of Actuaries, and the National Association of Insurance Commissioners are Approved Providers.
- B. Any other person or group may become an Approved Provider upon approval of their written application by the American Academy of Actuaries. The application must be submitted at least sixty days in advance of any educational activity that will be affected by such approval. In addition to furnishing all information requested by the Academy, a person or group seeking to become an Approved Provider must demonstrate that, during the three years immediately preceding its application, the applicant has sponsored education activities that were recognized (or recognizable under these guidelines) by the Academy as Recognized Organized Activities, providing a total of at least twelve hours of continuing education credit, excluding repeat presentations.
- C. Approval as an Approved Provider under Section III(B) above shall initially be for a period of three years, or until such approval is revoked or relinquished, if sooner. At the end of the three-year period, approval may be renewed for another three-year period upon written application to the Academy. Such application, in addition to all other information requested, must include a demonstration that during the preceding three years the applicant had sponsored at least six separate educational activities, excluding repeat presentations, that were recognized by the Academy as Recognized Organized Activities.
- D. A subgroup or subdivision of an Approved Provider (e.g., a section or practice council) does not need to obtain separate approval as an Approved Provider so long as the parent Approved Provider actively monitors the subgroup's or subdivision's activity and publicly assumes full responsibility for any activity offered by the subgroup or subdivision as a Recognized Organized Activity.
- E. Approved Provider status of any person or group granted pursuant to application under Section III(B) above may, with forty-five days' notice, be revoked at any time by the American Academy of Actuaries upon submission to the Academy of evidence deemed by the Academy to prove that the activities sponsored by the person or group do not meet the criteria for Recognized Organized Activities.

## Appendix 5

### **GUIDELINES FOR DETERMINING WHEN SPECIFIC QUALIFICATION STANDARDS SHOULD BE DEVELOPED**

(Adopted by the Academy's Board of Directors September 27, 1994)

The Committee on Qualifications will observe the following guidelines for determining when to develop Specific Qualification Standards:

1. The Committee on Qualifications shall consider any request for a Specific Qualification Standard proposed to it by the Board of Directors, Executive Committee, or any Practice Council of the Academy. If the Committee on Qualifications concludes that the development of a Specific Qualification Standard is not necessary or appropriate in this instance, it will communicate its reasons for reaching this conclusion to the body that made the request.
2. When a regulator or a quasi-regulatory authority, such as the Financial Accounting Standards Board, represents to the Academy that, if the Academy does not establish a particular Specific Qualification Standard, it will provide the guidance it believes is needed in terms of something close to a Specific Qualification Standard, a Specific Qualification Standard will be considered for development.
3. A Specific Qualification Standard typically should be developed in relation to a specific actuarial opinion requirement, embodied in a regulation or a standard, that is of high visibility and fairly broad application within the profession.
4. A Specific Qualification Standard should apply to an area of expertise that is broad enough to cover a substantial portion of actuarial practice. The area should have been in existence long enough to have given rise to an established body of knowledge so that actuaries could be qualified to work in the area through past experience. The area should be broad enough so that a significant number of members will qualify and not be so limiting as to remove opportunities for job and expertise movement by almost all other actuaries.
5. It should be possible for a Specific Qualification Standard to set forth a reasonably available means to meet both the Basic Education Requirements for the area of expertise, either through Specific Supplemental Examination Topics or through a Specific Alternative Education Provision, and the twelve hours per year of Continuing Education Requirements.
6. Before proposing a Specific Qualification Standard, the Committee on Qualifications shall seek comments from the applicable Practice Councils of the Academy as to the utility and contents of such Standard.

7. If any Practice Council of the Academy opposes a proposed Specific Qualification Standard that affects its actuarial practice area, a summary of the reasons for that Practice Council's opposition shall be included along with the proposed Specific Qualification Standard when it is presented to the Academy Board.

## Appendix 6

### CONTINUING EDUCATION RECORDKEEPING FORMS

There is no requirement that these forms be used. There are three continuing education recording forms:

- Form 1:*                **Continuing Education Notes** for taking notes during a continuing education activity
- Form 2:*                **Continuing Education Credit Hours Earned** for recording continuing education credit hours earned during a particular year
- Form 3:*                **Continuing Education Summary For Year \_\_\_\_\_ Statements** for testing whether continuing education requirements are met for a particular year based on credit hours earned during the prior two years

**IMPORTANT: Meeting continuing education requirements is only one part of the Qualification Standards for issuing PSAOs. Basic education and experience are also required. Moreover, although actuaries who issue PSAOs must meet the Qualification Standards, being able to meet the Qualification Standards does not automatically guarantee that an actuary is, in fact, fully qualified and able to complete any particular assignment that involves issuance of a PSAO.**

For more information, see *Qualification Standards for Prescribed Statements of Actuarial Opinion* (QSPSAO) published by the American Academy of Actuaries (Doc. No. 063). QSPSAO contains a description of continuing education requirements, Organized Activities, Other Activities, General Qualification Standard, and Specific Qualification Standards. These instructions represent an interpretation of QSPSAO. In the case of conflict, QSPSAO prevails.

GENERAL INSTRUCTIONS: Form 1 can be used to support the validity of continuing education earned and its applicability to particular types of actuarial functions. Both Forms 2 and 3 contain three columns with pre-printed headings for each of the current Specific Qualification Standards. There are also four columns for each of the currently recognized actuarial practice areas under the General Qualification Standard: casualty, health, life, and pension. There is also one column with no heading for use by an actuary practicing in an emerging or non-traditional area. The term “type of actuarial function” refers to a practice in any of the eight columns.

#### FORM 1 INSTRUCTIONS: **Continuing Education Notes**

This is a structured piece of note-taking paper provided for your convenience. When used, maintain it along with additional documentation.

**FORM 2 INSTRUCTIONS: Continuing Education Credit Hours Earned**

Each form should be confined to credit hours earned in a single year. More than one form may be needed for one year's credit earned. The credits earned during one year are used to meet the continuing education requirements for the next year and the year after that (see Form 3). However, a single activity can only count as credit hours earned in the single year in which it was earned.

A single activity, indeed the same credit hour, may provide credit for more than one type of actuarial practice. Just enter the number of credit hours, in all applicable columns.

**FORM 3 INSTRUCTIONS: Continuing Education Summary for Year \_\_\_\_\_ Statements**

Transfer the totals in rows A and B on Form 2 for Year \_\_\_\_\_ -1 to the first pair of rows A and B on Form 3, prior year organized and other activity. Transfer the totals in rows A and B on Form 2 for Year \_\_\_\_\_ - 2 to the second pair of rows A and B on Form 3, 2nd prior year organized and other activity.

To meet the continuing education requirement to issue statements in Year \_\_\_\_\_ for a type of actuarial function, the entry in row C of the corresponding column must be at least 12 and the entry in row E must be at least 24.

Meeting the continuing education requirement for Year \_\_\_\_\_ also meets the requirement for year \_\_\_\_\_ -1 from the day in Year \_\_\_\_\_ - 1 that the requirement for Year \_\_\_\_\_ is met.

**SPECIAL INSTRUCTIONS: For New Qualifications Attained in Year \_\_\_\_\_**

No additional continuing education is needed to qualify to issue PSAOs in Year \_\_\_\_\_ or Year \_\_\_\_\_ +1. However, continuing education (as recorded on Form 2 ) is required in Year \_\_\_\_\_ (after qualification) or in Year \_\_\_\_\_ +1 in order to maintain qualification to issue PSAOs in Year \_\_\_\_\_ +2. See notes "\*" and "\*\*\*" on Form 3.

**REPRODUCTION OF THESE FORMS IS SUGGESTED.**

*Full-sized copies of these forms may be obtained upon request from the offices of the American Academy of Actuaries.*



**FORM 1**

**NAME:** \_\_\_\_\_ **CONTINUING EDUCATION NOTES TAKEN IN YEAR** \_\_\_\_\_

This form is for those wishing to note details of their continuing education (CE) activity supporting their CE credit hours earned.

Date Earned: \_\_\_/\_\_\_/\_\_\_

Credit Hours Earned:

Location of Activity:

- 9 A. Organized CE Activity
- 9 B. Other CE Activity

Sponsor of Activity:

Kind of Session/Activity:

Subject Description:

Actuarial functions these CE credit hours apply to for PSAOs (*check as many as apply*):

Specific Actuarial Functions –

- 9 S#1. Statement of Opinion, NAIC Life and A&H Annual Statement. (Also counts as G#L and/or G#H.)
- 9 S#2. Statement of Opinion, NAIC Property & Casualty Annual Statement. (Also counts as G#C and/or G#H.)
- 9 S#3. Statement of Opinion, NAIC Hospital, Medical and Dental Service, or Indemnity Corporation, or HMO Annual Statement. (Also counts as G#H.)

General Actuarial Functions –

- 9 G#C. Casualty
- 9 G#H. Health
- 9 G#L. Life
- 9 G#P. Pensions
- 9 Other: \_\_\_\_\_

**KEY POINTS NOTED DURING THIS ACTIVITY**

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Location in my files of any additional supporting documentation I might wish to refer to:

Outline: \_\_\_\_\_

Hand Outs:

\_\_\_\_\_

Articles: \_\_\_\_\_

Other:

\_\_\_\_\_

**RETAIN FOR SIX YEARS — DISCARD AFTER YEAR \_\_\_\_\_**

**FORM 2**

NAME \_\_\_\_\_ CONTINUING EDUCATION CREDIT HOURS EARNED IN YEAR \_\_\_\_\_

First use in Form 3 as prior year, Year \_\_\_\_\_ – 1. Second use as 2nd prior year, Year \_\_\_\_\_ – 2.

**TYPE:** Keep track for each Specific Actuarial Function and for each General Actuarial Function.

Specific Actuarial Functions:

G#H.) S#1. Statement of Opinion, NAIC Life and A&H Annual Statement. (Also counts as G#L and/or

S#2. Statement of Opinion, NAIC Property & Casualty Annual Statement. (Also counts as G#C and/or G#H.)

S#3. Statement of Opinion, NAIC Hospital, Medical and Dental Service or Indemnity Corporation, or HMO Annual Statement. (Also counts as G#H.)

General Actuarial Functions:

G#C. Casualty      G#H. Health      G#L. Life      G#P. Pensions

	Date	Sponsor or Activity	Subject	Fill Credit Hours by Type of Actuarial Function in as Many Columns as Apply								
				S# 1	S# 2	S# 3	G# C	G# H	G# L	G# P	Other	
ORGANIZED												
				A. Total Organized Activities								
OTHER												

	Date	Sponsor or Activity	Subject	Fill Credit Hours by Type of Actuarial Function in as Many Columns as Apply									
	B. Total	Other Activities											

RETAIN FOR SIX YEARS – DISCARD AFTER YEAR \_\_\_\_\_

**FORM 3**

**NAME** \_\_\_\_\_ **CONTINUING EDUCATION SUMMARY FOR PSAOs ISSUED IN YEAR** \_\_\_\_

**TYPE:** Keep track for each Specific Actuarial Function and for each General Actuarial Function.

Specific Actuarial Functions:

- S#1. Statement of Opinion, NAIC Life and A&H Annual Statement. (Also counts as G#L and/or G#H.)
- S#2. Statement of Opinion, NAIC Property & Casualty Annual Statement. (Also counts as G#C and/or G#H.)
- S#3. Statement of Opinion, NAIC Hospital, Medical and Dental Service or Indemnity Corporation, or HMO Annual Statement. (Also counts as G#H.)

General Actuarial Functions:

- G#C. Casualty
- G#H. Health
- G#L. Life
- G#P. Pensions

CREDIT HOURS APPLIED BY TYPE OF ACTUARIAL FUNCTION								
YEAR CREDIT HOURS EARNED BY ACTIVITY	S#1	S#2	S#3	G#C	G#H	G#L	G#P	Other
A <sub>Year-1</sub> = PRIOR YEAR ORGANIZED ACTIVITY								
B <sub>Year-1</sub> = PRIOR YEAR OTHER ACTIVITY								
A <sub>Year-2</sub> = 2ND PRIOR YEAR ORGANIZED ACTIVITY								
B <sub>Year-2</sub> = 2ND PRIOR YEAR OTHER ACTIVITY								
CONTINUING EDUCATION CREDIT HOURS FOR PSAOs ISSUED IN YEAR								
C <sub>Year</sub> ORGANIZED ACTIVITY* = A <sub>Year-1</sub> + A <sub>Year-2</sub>								
D <sub>Year</sub> OTHER ACTIVITY = B <sub>Year-1</sub> + B <sub>Year-2</sub>								
E <sub>Year</sub> TOTAL ** = C <sub>Year</sub> + D <sub>Year</sub>								

\* Must be 12 or more to meet continuing education requirements for each type of actuarial function (6 or more if you have just become subject to the Qualification Standards (new qualifier) in the 2nd prior year because of just becoming a member of an actuarial organization or just satisfying the basic education and experience requirements in the 2nd prior year for the type of actuarial function.)

\*\* Must be 24 or more to meet continuing education requirements for each type of actuarial function (12 or more if you have just become subject to the Qualification Standards (new qualifier) in the 2nd prior year because of just becoming a member of an actuarial organization or just satisfying the basic education and experience requirements in the 2nd prior year for the type of actuarial function.)

Example of when an actuary is qualified:

Qualification in 1999 is based on continuing education credits earned in 1997 and 1998. Qualification in 1999 can also be based on continuing education credits earned in 1998 and 1999 and, in this case, applied from the day in 1999 that all requirements for 2000 qualification are met. (See Section II(C)(1) of the Qualification Standards at footnote 3 (page 5).)

RETAIN FOR SIX YEARS – DISCARD AFTER YEAR \_\_\_\_\_