

Christopher S. Carlson

Candidate Responses

1. "What is your position regarding the future of the Associate designation? If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?"

With the shrinking difference in the number of exams between Associateship and Fellowship and the global recognition of only our Fellows, continuing the current classes is more confusing than necessary. As stated in my initial comments, I support the idea of one class of membership with the current ACAS members maintaining all current privileges and practice rights. The ACAS designation would be a run-off class. I do not envision a scenario where career Associates would be automatically grandfathered as Fellows without some time of additional qualifying criteria such as an examination.

I would like to see an alternate intermediate designation similar to the SOA associate after the preliminary set of exams (4 or 5). This new designation would allow candidates to count on testing credits not disappearing in any exam transition. What we would call this designation might be the biggest hurdle.

2. "What do you view as the CAS' most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc.)?"

The migration of CAS members into new practice areas is an issue where initially some individuals will no doubt and have already lead the effort by using their actuarial and business skill sets in non-traditional roles. The CAS continuously attempts to identify practitioners in non-traditional arenas. As part of the Centennial Goal of the CAS, we have embraced and fostered the fact that our members are currently experts in dealing with hazard risk and can and should play an active role in operational and financial risk management.

There are two typical methods of providing educational opportunities for current and prospective members to learn about emerging areas- the exams and meetings / seminars. We already struggle with syllabus "overload" and travel time within the exam process. In order to add content to the syllabus, it is imperative to identify content that could be de-emphasized or replaced. The CAS jointly sponsors continuing education opportunities in ERM with the SOA and PRIMA. Limited attendance type seminars with hands on learning (post-Fellowship educational certification?) is an area with great potential where the CAS could assist our members in learning skills in more focused emerging arenas. Achieving critical mass with regard to interested members will determine whether these seminars can be held successfully.

In arenas where future opportunity might exist for a large number of members, the CAS should be able to assist interested members with research and educational support. At the present, I do not see the CAS in a position to take a lead role in exploring and finding opportunities for the members. Just as we take pride in being perhaps the best volunteer-led organization in the country, the emerging areas will be discovered by our members. Then organizational support from the CAS will be developed from the request of and with the heavy involvement of the membership.

3. "I would like your opinion on Section 2.1 of the proposed AAA Standard on Qualifications. Briefly, section 2.1 sets certain requirements that a full member of the IAA (International Actuarial Association) would have to meet to be considered qualified to sign prescribed Statements of Actuarial opinion (SAO's). The IAA lists fifty-five international actuarial organizations.

In effect, if a full member worked "under the supervision" (a term that is not defined in the standard) of a "qualified actuary" (a term that is not defined in the standard) for three years, they would have met the AAA requirements to sign prescribed SAO's for US-based insurance entities. Please note that an FSA (Fellow Society of Actuaries) or a member of ASPPA could meet those requirements.

I urge you to carefully read Section 2.1 and then discuss:

- 1. In what ways do you see Section 2.1 as being advantageous to the CAS?**
- 2. In what ways do you see Section 2.1 as being dis-advantageous to the CAS?**
- 3. Please note that Section 2.1 does not require any exams. Would you prefer to see the actuary take certain CAS exams? If yes, which exams?**
- 4. If elected, what actions might you take in regard to Section 2.1?"**

In general, if the initial concern over the revised Qualification Standards involves the ability of professionals to sign the Statement of Actuarial Opinion on Loss and Loss Adjustment Reserves, there are additional requirements listed in Section 3 of the Draft Revisions that should also be considered. Also, in most jurisdictions that require actuarial certification of rate filings, the language specifically refers to members of the Casualty Actuarial Society (CAS) rather than members of the American Academy of Actuaries (AAA). This difference in required membership creates a disconnect whereby the AAA determines practice rights in the Reserving area while the CAS by regulation or legislation is the benchmark for many rating issues. Worthy of note is the fact that currently there are no continuing education requirements for on-going membership in the CAS – perhaps there should be?

As to the specific questions, while perhaps not total clear or apparent, Section 1 seems to expand the concept of what is a SAO beyond reserves to many other areas such as ratemaking, valuation and many other projects. Section 2.1 should be considered in combination with the expanded Continuing Education Requirements. While Section 2.1 could possibly allow non-CAS members to work in CAS dominated areas, there currently is no restriction other than the Precept in the Code of Professional Conduct for areas

other than Reserve ASOPs. The expanded continuing education requirements (30 hours) and supervision requirements may seem to be more onerous to non-CAS members than currently exist.

Qualification for membership in the IAA by way of the other “societies”, while in many cases is less rigorous than the CAS or SOA requirements, requires focus on the same general topics needed in most actuarial applications. Again, in the case of ASOPs on Reserves, Section 3.1.1.2, seems to require CAS exams on reserving, accounting and expense analysis, ratemaking, forms, coverages, underwriting and marketing.

I have often heard in response to other CAS /AAA issues, “they are us.” Many CAS members are actively involved in the activities of the American Academy. In some cases, such as the committees under the leadership of the AAA Casualty Practice Council, they are specifically focused on US property/casualty issues. In other cases, such as these Qualification Standards, AAA committees are focused on the wider actuarial profession. The CAS President and President-Elect plus at least two other members of the CAS serve on the AAA Board of Directors. This highlights the fact that this Standard was developed with the input and involvement of CAS members including two of the seven members of the drafting committee.

This recent concern helps to point out the need for all CAS members to take a very interested look at and comment upon not only the draft Qualification Standards issued by the Academy. I would also recommend the same level of interest, if not more, for the property/casualty related Actuarial Standards of Practice issued by the Actuarial Standards Board. While located in the same offices as the AAA, the ASB operates independently from the AAA. The current governance provides internal development of various standards by and for our members. We are privileged that we are not currently subject to external over-sight such as recently implemented in the UK. We need to be diligent in the development and application of such standards to continue to exercise this privilege of self-governance.

Brian Z. Brown

Candidate Responses

1. “What is your position regarding the future of the Associate designation? If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?”

The question of eliminating the ACAS designation is a difficult one. However, I believe that on balance the arguments for eliminating the designation are stronger. The following lists some of the arguments for eliminating the ACAS designation:

- 1) The two designations are confusing to the public and I am not aware of any other (non-actuarial) professional society that has two designations.
- 2) Associates pay full dues and contribute significantly to committees, research, etc.
- 3) Associates are generally allowed by regulators to perform all services an FCAS would perform (e.g., signing Statement of Opinions). Additionally, very experienced Associates are performing the same services as experienced FCASs.
- 4) Associates are generally not qualified outside the U.S.
- 5) Currently only two more exams are required to obtain FCAS.

Regarding how to handle career Associates, I generally agree with the Task Force on Classes of Membership’s recommendations and the Board’s statements:

- 1) All candidates fall under the Code of Professional Conduct.
- 2) Associates continue to be Associates until they cease their CAS membership.
- 3) Existing Associates are awarded FCAS after completing exams.

Regarding who should make this decision, I believe the issue is of such importance that a membership vote should be required.

2. “What do you view as the CAS’ most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc)?”

As outlined in my issues statement in the “Meet the Candidates” section, I believe it is important for actuaries to be seen as more than just narrow service providers to insurance companies. Actuaries have a broad based skill set involving risk analysis and quantification. Therefore, I believe that actuaries can and should expand the type of work that they do.

The question highlights two areas; ERM and Banking. I would concur that these are two areas where some actuaries currently work but in general, actuaries are not as well known as they should be in these areas. I believe that the CAS can assist actuaries to play greater roles in these areas via:

- 1) Continuing Education - additional seminars or new sessions at existing seminars on these topics;
- 2) The CAS should study and provide guidance to members wanting to practice in these areas via, among other things, discussions with current CAS members in these areas.
- 3) Educating trade groups/professional societies of the skill set of actuaries (e.g., for banks).
- 4) Provide for prize/prizes for the best paper/papers by CAS members in non-traditional areas. This will educate other CAS members and provide more credibility for the CAS in these areas.

3. “I would like your opinion on Section 2.1 of the proposed AAA Standard on Qualifications.”

Briefly, Section 2.1 sets certain requirements that a full member of the IAA (International Actuarial Association) would have to meet to be considered qualified to sign prescribed Statements of Actuarial Opinion (SAO’s). This IAA lists fifty-five international actuarial organizations. In effect, if a full member worked “under the supervision” (a term that is not defined in the standard) of a “qualified actuary” (a term that is not defined in the standard) for three years, they would have met the AAA requirements to sign prescribed SAO’s for U.S.-based insurance entities. Please note that an FSA (Fellow Society of Actuaries) or a member of ASPPA could meet those requirements.”

1) In what ways do you see Section 2.1 as being advantageous to the CAS ?

I am assuming the question references how Section 2.1 impacts the CAS membership. I believe the CAS is the leading non-life actuarial educational body worldwide.

In many cases, a non-CAS member may be in a position to sign a SAO. However, he/she would be restricted due to current policy. Some examples might include very talented and experienced actuaries who

- a) make job changes and move to the U.S., or
- b) are actuaries outside the U.S. for a company that owns U.S. subsidiaries.

In these cases, it would seem punitive and unnecessary for a very experienced actuary to be required to pass the CAS exams. Therefore, some type of special program appears logical.

I believe Section 2.1 may be helpful to CAS members as

- IAA organizations outside the U.S. may adopt similar policies for CAS members to become qualified in other countries.
- It potentially increases the talent pool in the U.S. and enhances the reputation of actuaries.

2) In what way do you see Section 2.1 as being disadvantageous to the CAS?

The harm would be if:

- Unqualified actuaries are allowed to sign a SAO; or
- Some younger actuaries choose to be accredited by some other IAA organization and then meet the qualifications to sign a SAO via Section 2.1 (thereby purposely avoiding the CAS exams).

I believe that the first concern can be addressed by doing the best job possible to make sure the actuaries are qualified. This may require documenting the type of supervision given and the work done by the actuary in training. I believe it would also be reasonable to require some type of examination; a single exam that covers general reserving concepts, statutory accounting, etc. This would guarantee a certain level of competence.

Regarding the second concern of U.S. actuaries trying to avoid the CAS exams, I believe there needs to be some type of well-worded exclusions of this practice.

3) *Please note that Section 2.1 does not require any exams. Would you prefer to have the actuary take certain CAS exams? If yes, which exams?*

I believe a different exam would be appropriate as mentioned above. The exam would take information from current exams and include some new material. I would envision the exam as having less theory and more practice. For example, it might not involve questions on every detail of an actuarial method but might ask the candidate to discuss how he/she would reflect changes in case reserve adequacy in their work.

4) *If elected, what action might you take in regard to Section 2.1?*

Encourage the American Academy of Actuaries to require in addition to Section 2.1:

- a) more definition of what is required of the actuary in training, for example, with regard to documentation that certain training has occurred. Also, have the CAS/AAA develop a required training list. This potentially could include the actuary in training providing some type of work product to the CAS/AAA to display quality of work.
- b) require successful completion of an exam before being allowed to sign SAO.

Charles A. Bryan

Candidate Responses

1. "What is your position regarding the future of the Associate designation? If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?"

My view is that considerable study has been done and that study will be discussed at the Board meetings and I will draw my conclusions after the discussions. My criteria will include what is attempted to be accomplished by the change, how disruptive will the change be, how much effort will it take to make the changes, and where does the effort rank in priority order with other activities. The study included recommendations on the future status of members that have been associates for many years. I would consider those recommendations.

2. "What do you view as the CAS' most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc.)?"

Positioning our members for important and interesting jobs is high priority.

However, the primary focus of our skills continues to be pricing and reserving and actuarial aspects of enterprise risk management for risk transfer entities and my view is that we should maintain focus on these areas. My view is that we should continue to make available educational seminars and courses on related areas such as the theory of interest, enterprise risk management, and other areas. We need to assure that our members understand accounting, mathematical modeling, and similar areas.

Some of our members will migrate to other industries such as banking or migrate into general management but I do not believe we should extend our educational efforts into those areas except to make our members aware of other organizations that handle those other areas as their primary focus.

There is plenty to do in the risk transfer, pricing, reserving, and so on areas and we should not dilute our efforts. We need to spend efforts to assure good relationships with the AICPA, the Society for Insurance research, and so on but not try to duplicate what these organizations already do well.

3. "I would like your opinion on Section 2.1 of the proposed AAA Standard on Qualifications. Briefly, section 2.1 sets certain requirements that a full member of the IAA (International Actuarial Association) would have to meet to be considered qualified to sign prescribed Statements of Actuarial opinion (SAO's). The IAA lists fifty-five international actuarial organizations.

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I preface this answer with an admission that I am not fully familiar with all aspects of the mutual recognition program. My context for answering the questions is this: The CAS should nurture ties with other actuarial organizations because they are the source of considerable knowledge on actuarial issues and because our members work in companies and consulting firms that have a presence outside general insurance and North America. At the same time, the CAS must protect the quality of actuarial work products and the preeminence of our members in offering these work products. The specific answers:

1. The possibility of providing opinions will cause more people to read CAS literature and follow developments in North America. This will strengthen ties with other organizations. In addition, some of our members will find it easier because of mutual recognition to provide actuarial work products outside of North America.
2. The ability of actuaries who are not CAS members to offer SAOs may cause some actuaries to sign opinions where they are not qualified and so reduce the value of the opinion. It also may cause our members to lose some business to the extent other non-CAS members do the work. This will not be a large problem because our members will still be seen as the preeminent source for casualty SAOs.
3. If we are going to have a standard, I prefer the way it is written. If there is abuse, we have ABCD type mechanisms.
4. If elected, I need to hear more discussion to decide. We have very good CAS members on the AAA Board and I would want to hear their views.

Clive L. Keatinge

Candidate Responses

1. “What is your position regarding the future of the Associate designation? If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?”

I am unequivocally in favor of moving to a single class of membership. The issue of what to do with current Associates requires striking a balance between the conflicting goals of moving to a single class of membership as quickly as possible and not prematurely eliminating the distinction that current Fellows have earned by passing the Fellowship exams.

The Task Force on Classes of Membership suggested eliminating the distinction between Fellow and Associate five years after the last Associate designation is granted. Five years is probably too short a time frame, but on the other hand, waiting until the last Associate has died is probably unnecessarily long. Something around fifteen years strikes me as about the right length of time to wait before eliminating the distinction.

Regardless of the transition rule that is proposed by the Board, I believe that only Fellows should vote on any necessary constitutional and bylaw changes. Unfortunately, this will be impossible if the proposal to give Associates of five or more years the right to vote passes. This is why I believe the Board has made a fundamental error by addressing the Associate voting rights issue before the classes of membership issue.

2. “What do you view as the CAS' most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc.)?”

The most effective next step that the CAS could take is to make a real commitment to work with other organizations on this front. The ERM Symposium is a success story, but we need more cooperation in basic education, continuing education and research. Inter-organizational squabbling is still a significant impediment to progress in this area.

3. “I would like your opinion on Section 2.1 of the proposed AAA Standard on Qualifications. I have attached a link to the standard:

http://www.actuary.org/pdf/prof/qualification_2ed_jan06.pdf

Please see pages 11 and 12. Briefly, section 2.1 sets certain requirements that a full member of the IAA (International Actuarial Association) would have to meet to be considered qualified to sign prescribed Statements of Actuarial opinion (SAO's). The IAA lists fifty-five international actuarial organizations. In effect, if a full member worked "under the supervision" (a term that is not defined in the standard) of a "qualified actuary" (a term that is not defined in the standard) for three years, they would have met the AAA requirements to sign prescribed SAO's for US-based insurance entities. Please note that an FSA (Fellow Society of Actuaries) or a member of ASPPA could meet those requirements. I urge you to carefully read Section 2.1 and then discuss:

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This is an AAA issue. I would defer to the Casualty Practice Council of the AAA.

Mary D. Miller

Candidate Responses

1. "What is your position regarding the future of the Associate designation? If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?"

I am in favor of membership classifications that are meaningful and that make sense. It seems as though a single class of membership will be implemented. Should that happen, I believe current Associate designations should be allowed to run-off. I do not see any benefit to changing current Associates into Fellows unless the exams they have taken actually cover the full range of Fellowship topics. The process that eventually prevails should be as fair as possible to the most number of people. I am open to discussing what the details of that process should be.

2. "What do you view as the CAS' most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc.)?"

I think John Kollar's article in the "Actuarial Review" that was reprinted in the most recent "Risk Management" publication presents an excellent starting point. We need to think of our roles in a more holistic risk framework and not just as "number crunchers." That tone must start at the top and flow through all that we do. As the education and research arm of the profession, the CAS must continue to look for educational opportunities for experienced actuaries as well as students. I don't think the CAS should necessarily prepare actuaries for specific non-traditional arenas but should continue to recognize an expanded role in our current arenas. Exams are changing from reciting lists to more open-ended questions requiring the integration of multiple concepts. Actuaries in management positions are encouraging the inclusion of actuaries as members of multi-disciplinary product teams along with underwriters, claim adjusters, and marketing reps. I know I benefited from an actuarial training program that involved the possibility of rotations in both actuarial and operational roles such as accounting, underwriting, claims and IT and I believe we should encourage that type of training as part of an actuary's early formation. That type of training will enhance our abilities in traditional roles in traditional arenas as well.

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I will preface my remarks by saying I do not believe the standard defines a prescribed Statement of Actuarial Opinion any longer. I also believe there is still some confusion that will need to be cleared up, so another exposure draft may be possible. The Qualifications Committee will determine that after they have reviewed the responses to this one. I think the entire standard defines what a "qualified actuary" is and I think a meaningful and specific definition of "under the supervision" would be very difficult. There are, however, questions that need to be answered about those terms.

I believe this is advantageous to the CAS because there will now be standards in place where previously there were none. Today those who do not meet anything close to these standards could do much of what the Standard now defines as an SAO.

I do not see any disadvantages in Section 2.1 at this time. The place where I see a possible disadvantage is in encouraging but not requiring any organized activities for continuing education.

The need for specific exams would depend on the type of opinion and the training and background of the individual. The requirements for the statutory Statement of Opinion (as defined in NAIC Instructions and described in Section 3 of the proposed standard) still require CAS membership or approval of the AAA Casualty Practice Council. That is not changing and all the members of the Casualty Practice Council are also CAS members. The Academy website describes the documentation required to be considered for approval. Even then, the Council evaluates the quality of that documentation before granting approval.

I support strengthening the Standard and do not at this time believe specific Board action is required. Personally, I will submit comments again if there is another exposure draft and if there are still areas I feel need further clarification.

Joanne S. Spalla

Candidate Responses

1. "What is your position regarding the future of the Associate designation? If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?"

The future of the Associate designation is an important issue that impacts a large number of our members. Decisions about the future of the designation cannot be taken lightly. As a member of the CAS Executive Council, I have studied the Task Force reports and have listened to the Board's deliberations on this issue.

The CAS has had the two classes of membership since its inception in 1914. When the original CAS Constitution and Bylaws were created, the distinction between Associates and Fellows was based on their positions in their corporate organizations, with Fellows being in charge of actuarial and statistical departments and Associates being the workers in those departments that demonstrated a desire to study actuarial science. In 1915, the CAS established education requirements for Fellows and Associates. Over the years, the distinction between Fellows and Associates has ranged from as many as four to as few as two exams. The current two exam distinction is relatively small. Fellows and Associates currently enjoy the same practice rights in the U. S. The distinction between Fellows and Associates often creates confusion among our publics and few other international organizations maintain such a distinction. If we were to start with a blank sheet of paper and create our actuarial society today, I doubt we would recommend having these two classes of membership.

For these reasons, I am in favor of moving toward a single class of membership.

However, the decision about how to move to a single class of membership is more difficult and complicated. I am not in favor of depriving current members of any practice rights that they currently possess. At the same time, I do not think it is fair to the current Fellows to automatically grant Associates the same status that the Fellows have earned. For that reason, I am in favor of the so-called runoff approach in which the CAS would no longer offer the Associate designation after some point in the future. After that point, members who have already earned the Associate credential would still maintain their designation, but the CAS would admit no new Associates. The date must be selected far enough in the future to allow sufficient time for the students that are currently in the exam process to prepare.

I believe that the Board should seek input from a broad spectrum of our membership before finalizing its recommendations. Ultimately, I believe that a decision regarding the future of the Associate designation should be put to a vote of the full CAS membership.

2. "What do you view as the CAS' most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc.)?"

The best way to position actuaries for roles in non-traditional arenas, such as ERM, is to demonstrate that actuaries are already successfully making significant contributions to these areas. Although we may not have used the term ERM, our traditional ratemaking and reserving functions involve measuring hazard risk. Many CAS members already deal with the management of risk portfolios through their work in catastrophe risk, reinsurance and capital management. We need to more broadly portray our actuarial skill sets as risk management functions and demonstrate to the financial community how actuaries are uniquely qualified to lead ERM in both insurance and non-insurance organizations. To be successful in these areas, it will not be sufficient to merely demonstrate the technical skills; a successful leader must also demonstrate that they possess the interpersonal skills to work as members of a cross-functional team.

As an educational body, the CAS should provide its members with research and continuing education to further their knowledge of these topics. We should partner with other organizations to advance these objectives where it makes sense to do so. The Joint Risk Management Section and our co-sponsorship of the successful ERM Symposium are examples of effective partnerships that the CAS has recently undertaken.

Finally, we must publicize the work of actuaries that are already practicing in these areas and the unique qualifications that actuaries possess to contribute in these arenas. As Vice President of Marketing and Communications, I worked with the CAS VP of Risk Integration to develop a comprehensive communication plan for increasing the awareness and visibility of ERM. I am gratified that CAS membership in the Joint Risk Management section has grown from 70 to 500 in the past year as a result of these communication efforts.

If we demonstrate that actuaries have been successful in playing a key role in these emerging areas, the public will increasingly look to actuaries to perform this role in the future.

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The proposed AAA Standard on Qualifications expands the scope of Qualification Standards from its current focus on statutory work to all statements of actuarial opinion. Section 2 of the proposed Qualification Standard describes the General Qualification Standard, with Section 2.1 describing the Basic Education and Experience requirements. The section lists three necessary criteria that an actuary must meet to satisfy the General Qualification Standard. In addition, it lists additional requirements that an actuary would have to satisfy in order to sign statements of actuarial opinion in an area covered by a specialization track.

To respond to this question, one cannot consider section 2.1 in isolation. Section 3 discusses the Specific Qualification Standards, which would apply to the NAIC P&C Statement of Actuarial Opinion. The Specific Qualification Standards impose more detailed requirements. Finally, the Qualification Standard makes it clear that that under the Code of Professional Conduct, actuaries must not perform work unless qualified to do so.

In the example posed in this question, an FSA or member of ASPPA could meet the first two of the Basic Educations requirements. However, they would have to also satisfy the additional requirement of being “knowledgeable, through examination or documented professional development, of the U. S. laws and regulations that are applicable to the statement of actuarial opinion.” Furthermore, in order to sign a statement of actuarial opinion covered by a specialization track, such as the CAS, they must either complete a specialty track in the area of actuarial practice relevant to the subject of the SAO or have a minimum of one year’s experience in the area of actuarial practice relevant to the subject of the SAO under the supervision of a qualified actuary; or have a minimum of three years’ experience relevant to the subject of the SAO under the supervision of a qualified actuary. If the FSA or ASPPA member wanted to sign the NAIC P&C Statement of Actuarial Opinion, they

would also have to meet the Specific Qualification Standard, which imposes additional requirements including the successful completion of the CAS or alternative basic education, as well as experience requirements. I do not have a personal preference as to whether the candidate meets the qualification requirements through examinations or alternative education.

I believe that this qualification standard benefits the actuarial profession in general and the CAS in particular in so far as it expands the scope of the current qualifications standards and provides more guidance in how an actuary can determine if he or she is qualified to sign statements of actuarial opinion in the U. S. When both the general and specific qualifications in the entire Standard are taken into consideration, I do not believe that the proposed Standard is disadvantageous to the CAS.

In the U.S., it is the role of the Board of Directors of the American Academy to approve Standards of Practice. If I were elected, my role as a member of the CAS Board of Directors would be to ensure that the CAS was adequately represented on the Committee on Qualifications. As a CAS Board member, I would also make sure that the CAS provides feedback on the Qualifications Standards throughout the drafting and exposure period. For example, we should point out that the phrases “under the supervision” and “qualified actuary” may be defined better in the Standard. Finally, once the Standards were approved by the AAA Board, I would also make sure that the standards are communicated to CAS members.

Andrea M. Sweeny

Candidate Responses

1. "What is your position regarding the future of the Associate designation? If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?"

I would hate to see the CAS do away with the Associate designation. I think it is very important to us and the industry to have a stopping point along the exam process.

I think we can structure an exam process that gets the essentials into the initial exams. I'm not sure the current 7 exams out of 9 really does that. I believe a 6 out of 9 break seems like a better solution.

I expect we lose many who would be excellent practicing actuaries now with the 7 exam requirement. We would lose many more with no associate level membership.

While I finished the exams, I can recognize that stopping at associate is a very rational decision for a number of people. That stopping often has nothing to do with their ability to pass exams or perform at very high actuarial levels.

Finally, there is still a very strong demand for casualty actuarial skills. I truly do not want to do something that would act to restrict rather than expand the supply.

2. "What do you view as the CAS' most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc.)?"

I still have faith in the formal education process the CAS has created over the years. I think through vigilant updating of the exams and providing targeted training, with demonstration of proficiency at the end of that training, we can keep our members who want to branch out into other areas qualified to the same high standard they are with regard to traditional work. I would be very much in favor of cutting back on the higher level, abstract math on the earlier exams in favor of increasing formal education on finance, international markets, ERM, banking, etc. I think such a move would increase the contribution all actuaries could make and make them better practicing business actuaries.

3. “I would like your opinion on Section 2.1 of the proposed AAA Standard on Qualifications. I have attached a link to the standard:

http://www.actuary.org/pdf/prof/qualification_2ed_jan06.pdf

Please see pages 11 and 12.

Briefly, section 2.1 sets certain requirements that a full member of the IAA (International Actuarial Association) would have to meet to be considered qualified to sign prescribed Statements of Actuarial opinion (SAO's). The IAA lists fifty-five international actuarial organizations.

In effect, if a full member worked "under the supervision" (a term that is not defined in the standard) of a "qualified actuary" (a term that is not defined in the standard) for three years, they would have met the AAA requirements to sign prescribed SAO's for US-based insurance entities.

Please note that an FSA (Fellow Society of Actuaries) or a member of ASPPA could meet those requirements.

I urge you to carefully read Section 2.1 and then discuss:

- 1. in what ways do you see Section 2.1 as being advantageous to the CAS?**
- 2. in what ways do you see Section 2.1 as being dis-advantageous to the CAS?**
- 3. Please note that Section 2.1 does not require any exams. Would you prefer to see the actuary take certain CAS exams? If yes, which exams?**
- 4. If elected, what actions might you take in regard to Section 2.1?"**

I am troubled enough by Section 2.1 of the proposed qualification standards to have sent the comment reproduced below to the committee drafting the new standard. I think the proposed standard establishes very ill-advised policy with regard to both US and, to a lesser extent, international practitioners.

Both the property/casualty and the life actuarial professional associations have relied on an examination process to reassure users of actuarial services that those they hire are properly qualified. However painful that process is for those going through it, in my experience, the exam process is one of the first things that non actuaries think about and one of the things that impresses them most.

The existing standard, in my opinion is weak in setting a loose and hard to enforce standard for how an actuary gets qualified in a field in which he/she did not take the appropriate examinations. But it at least requires documentation of a “responsible program of work and/or study”, work under the direct supervision of a properly qualified actuary. It also requires a written statement from a properly qualified actuary vouching for the experience and qualifications the actuary proposing to do work in another field and the fact that some responsible program of work and/or study program was completed by the actuary. Personally, I think a good argument can be made that if the exam process

was the right way to proceed to qualify in one area of specialty, some version of that process is right for the second specialty.

In my opinion, the new standard is weaker than the current one. It officially tells the public that a person who passed the two Enrolled Actuary exams and then “learned by doing” for a couple of years is as qualified as those who completed the CAS or SOA exams. If we really thought that “learn by doing” was just as good a path to get people qualified in any actuarial field, then we ought to go in that direction, and not the exam route. But we have not done that and I don’t think at all that we should.

I think the proposed standard does a disservice to both the life, health, and property/casualty society actuarial professions and more importantly to the public. To the extent that the demand in the casualty field remains stronger, I think the proposed standard will result in more inadequately qualified practitioners in the casualty field.

My experience with international actuarial issues is that the US market is much more erratic and explosive than the non US market. Some sort of training would be very well advised for qualification in the US also. However, the entering international actuary has presumably at least become fully qualified in his/her own country already.

I expect that the best path for the CAS to take is to request the Board write a formal letter as a unit to the Academy voicing its concerns.

A copy of the E- mail I sent to the Committee on Qualifications, June 25, 2006

I believe the General Qualifications Standards need to be significantly strengthened.

The actuarial profession has long held out the examination process as a significant part of its claims for credibility. In my experience, the knowledge that actuaries must pass a rigorous set of exams to gain credentials adds by far the most to the public perceptions of actuaries as knowledgeable and trustworthy in their fields. The exam process is a huge part of our professional capital and credibility.

Paragraph 2.1 creates the basis for a vast, unregulated apprenticeship program. Under this structure companies, consulting firms, or audit firms could direct employees to take and pass the 2 Enrolled Actuary exams only. After gaining 3 years of some loosely defined “documented professional development” and “experience” they can practice in whatever field they have been “learning by doing” in. They would be fully qualified actuaries for purposes of issuing Statements of Actuarial Opinion according to the American Academy of Actuaries. The only thing they might not be able to do is issue statutory opinions. The individual might never do a pension calculation in his work life. But it would much cheaper in terms of an employer’s time and money to go this route. The employer might just need one person credentialed through the appropriate examination process.

Having seen this path taken already, I am convinced this is more than a theoretical problem.

I think we really are devaluing the exam process and the profession by not requiring specialization to at least the associate level through some process overseen by one of the

actuarial societies to work in the areas these societies represent. As far as I can tell, the EA exams are controlled by the Joint Board which I believe is an agency of the IRS.

I also believe for actuaries crossing from the specialties where they have met examination requirements into other actuarial areas, the notion of "documented professional development" ought to be defined and the prior requirements of "responsible plan of work/or study" and having a qualified actuary attest to this work/or study and to the ability of the cross over actuary to perform his duties ought to be retained at a minimum. The new standards appear to be so loose they provide no real protection to the public against an actuary practicing in an area where he is not competent and are so loose as to be unenforceable.

Alfred O. Weller

Candidate Responses

1. “What is your position regarding the future of the Associate designation? If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?”

The key consideration for me is what membership structure contributes most to our vitality as a professional society and best facilitates professional accomplishment and recognition for all CAS members. Much background is provided by the reports of the Task Force on the ACAS Vote and the Task Force on Classes of Membership. But, there are two related questions beyond the scope of these reports that bear on deciding the future of the Associate designation.

First, the CAS needs to be sure that all its members continue to be recognized as meeting high standards within the global actuarial profession. Comparison of possible CAS membership structures to IAA minimum guidelines for actuarial education is an important consideration in deciding this issue. Further research into the relationship between IAA education criteria and CAS membership criteria is needed to help us make an appropriate decision.

Second, sometimes perception can be enhanced by reversing figure and ground. Making Fellowship the figure and Associateship the ground poses the question of “Why don’t more members pursue Fellowship?” Clearly our members are able to provide economic value to their employers and clients without Fellowship. In deciding the Associateship issue, we also need to look at how to add value to the Fellowship designation.

Whether a single class of membership for the CAS is the best course is also not yet clear because of the steps needed for change. This summer’s election on Associate voting rights and ability to hold office could go either way. Without a change in voting rights, the Associateship issue will take longer to resolve.

To sum, decisions on the future of the Associate designation will be best made after this summer’s election and in light of additional information. My position is to use the election results as a key indicator of membership changes that contribute to CAS professional vitality and facilitates members’ professional accomplishment. In regard to runoff, no CAS member is expendable and any change in membership structure should continue to encourage the active participation of current “lifetime Associates” in the CAS.

2. “What do you view as the CAS’ most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc.)?”

The CAS is fortunate to have enough talented volunteers so that it can take several important next steps in several directions at the same time. Here are four:

1. Creating References for Key Issues – In describing my motivation for becoming a Board candidate, I advocated CAS issuance of two statements of principles that could serve as reference materials for people in various professions. One would address “Actuarial Soundness of Risk-Bearing Entities” and the other would address “Actuarial Considerations in Enterprise Risk Management”. Such information would be useful in a variety of contexts and would enable other professions to develop professional guidelines and standards in light of CAS principles. In this way, other professions would be able to reference CAS source material in contrast to the CAS serving primarily as a commentator on statements issued by other societies.

2. Supporting Research on Key Issues – For example, the CAS should considering awarding a cash prize for this best paper on the relationship between capital structure and enterprise risk management presented at next year’s Enterprise Risk Management Symposium.

3. Documenting Success – From the creation of new rating systems for a new line of business to no fault issues of the 1970’s to today’s issues on capital, risk, and enterprise risk management, the Casualty Actuarial Society has a record of successful and valuable contributions to a panoply of social issues. By recording the CAS history, the work of the CAS Centennial History Committee will also strengthen our knowledge of what casualty actuaries and the CAS have accomplished.

4. Cooperation – Important issues are seldom entirely within the domain of a single profession. For casualty actuaries to be effective, it will be increasingly important to work with others. For example, the CAS is a sponsoring organization for the Joint Section on Enterprise Risk Management and also a sponsor of the ERM Institute International, Ltd (ERM-II).

In addition, under John Kollar’s leadership as Vice President - Risk Integration the CAS has accomplished a great deal in the past year. The CAS now has substantial connections to other organizations active in enterprise risk management and is adapting principles of enterprise risk management to its own governance. The above next steps will build on solid momentum.

In closing two further comments apply.

First, the use of ERM examples is for ease of presentation and does not mean that issues such as solvency regulation (in particular European solvency models), new actuarial tools such as predictive modeling, emerging areas of practice such as financial analysis and stock

performance, and the many other evolving issues are not opportunities for casualty actuaries.

Second, in many ways attacking non-traditional problems is the traditional CAS role. Investigating new frameworks for analysis of risk bearing is part and parcel of being a casualty actuary.

3. “I would like your opinion on Section 2.1 of the proposed AAA Standard on Qualifications.

2.1 Basic Education and Experience Requirement

To satisfy the General Qualification Standard, before issuing a Statement of Actuarial Opinion, an actuary must meet the following criteria:

- *Be eligible to be a member of the American Academy of Actuaries or be a fully qualified member of another IAA-member organization.*
- *Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems; and*
- *Be knowledgeable, through examination or documented professional development, of the U.S. laws and regulations that are applicable to the statement of actuarial opinion.*

In addition, in order to sign statements of actuarial opinion in an area covered by a specialization track offered by the Society of Actuaries, the Casualty Actuarial Society, the Casualty Actuarial Society, or the American Society of Pension Professionals and Actuaries, one of the following must be met:

- *Attain the highest possible designation in an IAA-member organization and either:*
 - *Complete a specialty track in the area of actuarial practice relevant to the subject of the SAO, or*
 - *Have a minimum of one year’s experience in the area of actuarial practice relevant to the subject of the SAO under the supervision of a qualified actuary, or*
 - *Have a minimum of three years’ experience relevant to the subject of the SAO under the supervision of a qualified actuary.*

Enrolled Actuaries are deemed to meet the basic education and experience requirement of the General Qualification Standard in the pension practice area.

For specific guidance on new or changed areas of actuarial practice or changes in the application of actuarial science see Section 4.

Notwithstanding the above, actuaries are reminded of the obligation under Precept 2 of the Code of Professional Conduct not to perform work unless qualified to do so.

Briefly, section 2.1 sets certain requirements that a full member of the IAA (International

Actuarial Association) would have to meet to be considered qualified to sign prescribed Statements of Actuarial Opinion (SAO's). The IAA lists fifty-five international actuarial associations.

In effect, if a full member worked “under the supervision” (a term that is not defined in the standard) of a “qualified actuary” (a term that is not defined in the standard) for three years, they would have met the AAA requirements to sign prescribed SAO's for US-based insurance entities. Please note that an FSA (Fellow Society of Actuaries) or a member of ASPPA could meet those requirements.

I urge you to carefully read Section 2.1 and then discuss:

1. In what ways do you see Section 2.1 as being advantageous to the CAS?
2. In what ways do you see Section 2.1 as being disadvantageous to the CAS?
3. Please note that Section 2.1 does not require any exams. Would you prefer to see the actuary take certain CAS exams? If yes, which exams?
4. If elected, what actions might you take in regard to Section 2.1?"

1. CAS Advantages ; 2. CAS Disadvantages – There are two main areas in which advantages or disadvantages might arise.

a. Qualifying to Sign SAO's: In order to have special advantages or disadvantages to the CAS, the Academy Qualification Standards would need to supersede the NAIC Annual Statement Instructions in determining who is qualified to prepare SAOs. Insofar as NAIC instructions continue to be more stringent (e.g., prior approval by Casualty Practice Council for non-CAS actuaries) and therefore more binding, I do not see the draft Qualification Standards as having particular advantages or disadvantages for the CAS and CAS members with respect to qualifications for signing SAOs.

b. Continuing Education: The Qualification Standard will continue to be key guidance for maintaining records of continuing education. Recordkeeping in accordance with the draft standard continues to strike me as unnecessarily cumbersome. I would like to see the NAAC (North American Actuarial Council, formerly the Council of Presidents) sponsor investigation of more uniform, better supported recordkeeping across the various actuarial societies.

3. CAS Exams - The potential variety and scope of actuarial opinions is enormous. My preference is for the examinations to be a key determiner of CAS membership, and for CAS membership to imply that individual actuaries performing services have done appropriate research to offer professionally competent statements of actuarial opinion. I do not favor creating examinations for each of the myriad of possible professional services performed by casualty actuaries.

4. CAS Action - The CAS Board does not have direct authority with respect to Academy Qualification Standards but can and should exert influence. A two stage approach is appropriate.

First, the CAS should encourage the Actuarial Standards Board needs to create a standard on “Professional Reliance”. The standard would address which indicia an actuary needs to evaluate before relying on work by another professional, and what communication an actuary needs to provide so that another professional can perform a similar evaluation of his or her work. Once an actuarial standard of practice on “Professional Reliance” is in place, the CAS should encourage review of the Academy Qualifications Standards in light of the Professional Reliance standard.

Overall Opinion: My opinion is that we will see a second exposure draft if only because of “wordsmithing” changes. Unless NAIC annual statement instructions change dramatically, I do not anticipate the new Qualifications Standards becoming binding guidance for casualty actuarial opinions on statutory financial reporting. Casualty actuaries need to be mindful of the continuing importance of this standard for maintaining records of continuing education.

Patrick B. Woods

Candidate Responses

1. “What is your position regarding the future of the Associate designation?”

If you favor a single class of membership, Fellow, what should happen to the current Associate population, in particular those deemed lifetime Associates? Should the designation be run off, should such individuals be grandfathered as Fellows?”

The question of one class of membership is a question that the CAS needs to face because of three facts:

1. Associates today have practice rights for signing statutory loss reserve opinions in the United States
2. Mutual Recognition gives practice rights by admission to the CAS as an FCAS to qualified actuaries who have attained full membership in their home organizations, and have completed other education requirements as specified in the Constitution/Bylaws and the Board of Directors.
3. As currently defined, an Associate would be denied practice rights opportunities under Mutual Recognition agreements entered into by the CAS for areas of practice in which they are qualified in the United States. The fact that the member is recognized as qualified in the United States has no impact in the decision as the relevant trigger is whether or not they are deemed to be full members of the CAS.

Based on these facts, continuing the Associate designation as it is today seems to create a bias against qualified members when it comes to Mutual Recognition and practice opportunities outside the United States.

I support the idea of one class of membership with the current ACAS members maintaining all current privileges and practice rights. One possible solution would be to revise the Constitution and Bylaws to discontinue the admission of new Associates, and to designate that all Associates admitted prior to a specified date are full members of the CAS.

2. “What do you view as the CAS' most effective next step in positioning actuaries for roles in some of the non-traditional arenas mentioned in the issues discussion (e.g., ERM, banking, etc.)?”

The historic purpose of the CAS of advancing the body of knowledge of actuarial science applied to property, casualty and similar risk exposure provides an appropriate basis for the most effective next step that the CAS can take to position actuaries for roles in ERM, banking, etc. As an organization, the CAS should seek to provide educational opportunities by presenting and discussing papers, sponsoring seminars, workshops and funding research, both alone (where appropriate), and as a joint sponsor with other organizations educating professionals in the areas of ERM, banking, etc.

3. “I would like your opinion on Section 2.1 of the proposed AAA Standard on Qualifications. I have attached a link to the standard:

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Please note that an FSA (Fellow Society of Actuaries) or a member of ASPPA could meet those requirements.

I urge you to carefully read Section 2.1 and then discuss:

- 1. In what ways do you see Section 2.1 as being advantageous to the CAS?**
- 2. In what ways do you see Section 2.1 as being dis-advantageous to the CAS?**
- 3. Please note that Section 2.1 does not require any exams. Would you prefer to see the actuary take certain CAS exams? If yes, which exams?**
- 4. If elected, what actions might you take in regard to Section 2.1?”**

1. Section 2.1 is advantageous to the CAS as it specifies precise qualification requirements for the signing of most statements of actuarial opinion, and notes that there are additional requirements for signing statements of opinion in area covered by a specialization track (the CAS is considered a specialization track).

The only test today is that the individual qualifies if they feel that they are qualified. To the extent that these requirements make it clearer as to who is qualified, particularly with regard to the signing of statements of actuarial opinion for areas of casualty practice, that benefits the CAS.

2. I see no disadvantages to the CAS.
3. I do not see the need to require that actuaries who are fully qualified members of another IAA-member organization take additional exams. In part, to qualify they have had to complete a specialty track in the area of casualty work and worked for one year under the supervision of a qualified actuary; or have three years of relevant experience under supervision of a qualified actuary. As individuals who are actuaries, fully qualified in their own rights, permitting them to practice in another area based on work experience is no different than what we have accorded to CAS members today--it is virtually sure that there are members of the CAS working in areas in which they were not tested and doing excellent work based on self study/continuing education and work experience.
4. As the Qualifications Standards are not an item subject to the review and approval of the CAS Board, to the extent that the opportunity presents itself and the matter is referred to the CAS Board, I would seek membership input on the questions brought to the Board. I would advocate getting membership input either through the Members Advisory Panel or some other forum to ensure that the CAS Board was as broadly informed as possible to facilitate meaningful deliberation.