



February 12, 2018

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

Dear Colleagues;

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

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

We offer comments in two areas.

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

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

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



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

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

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

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

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

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

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



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

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

Sincerely;

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

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

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

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