

SECOND EXPOSURE DRAFT

**Qualification Standards for Actuaries Issuing
Statements of Actuarial Opinion in the United States
including Continuing Education Requirements**

**Approved for exposure by the Committee on Qualifications
of the American Academy of Actuaries**

June 30, 2021

TRANSMITTAL MEMORANDUM

June 30, 2021

- 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
- Re:** Proposed revision of the *Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States*

This document contains the second exposure draft of a proposed revision of the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States including Continuing Education Requirements* (U.S. Qualification Standards or USQS) promulgated by the American Academy of Actuaries (the Academy). This document is intended to replace the *Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States* that took effect January 1, 2008. This draft is exposed for comment for the period ending **August 20, 2021**.

Background

During 2019, the NAIC amended the instructions and definitions related to the qualifications for an Appointed Actuary signing NAIC Statements of Actuarial Opinion for Property and Casualty Annual Statements to reflect the addition of the Society of Actuaries specialty track in general insurance. As a result of the change, the Board of the American Academy of Actuaries instructed the Committee on Qualifications (COQ) to review and recommend any appropriate changes in the language related to the specific qualification standards for NAIC Statements of Actuarial Opinion for Property and Casualty Annual Statements and to consider whether any other changes should be recommended given the passage of time since the promulgation of the USQS in 2008. The two additional areas the COQ considered in need of an update follow:

- **Basic Education Requirement:** One component of the basic education requirement under the current USQS is that an actuary must be a member of an actuarial organization. Determining whether an actuary has the basic education that qualifies that actuary to issue Statements of Actuarial Opinion in the United States should be tied to basic education and not membership in an actuarial organization.
- **Enrolled Actuaries:** Some technical language related to basic education and experience requirements for Enrolled Actuaries needed clarifying and updating.

The first exposure draft was issued on September 2, 2020, with a deadline of October 30, 2020. The COQ received 152 comment letters, indicating that many members of the actuarial profession care strongly about the USQS and the obligations they place on individual actuaries. The comments received were thoughtful, came from actuaries from a variety of practice areas,

and covered a wide range of topics. Actuaries did not confine their comments just to the changes set forth in the exposure draft, but used this as an opportunity to comment on the USQS in total.

The COQ carefully considered the comments and made changes as reflected in this second exposure draft. The Academy Board of Directors reviewed this draft and provided comments, which were taken into consideration in developing this exposure draft.

Frequently Raised Concerns

Area of practice—Several commentators said it was unclear what was meant by “area of practice,” which is referenced in several sections of the current USQS. The COQ notes that section 1.4 states, “The traditional areas of actuarial practice are casualty, health, life, and pension.” This language appears in both the 2008 USQS and this exposure draft. The lack of clarity relates to references or circumstances when the same terminology “area of practice” was used to refer to an area that may be more specific than these four practice areas. In response to the comments, references to “area of practice” in sections 2.1(d), 2.1(d)(1), 2.1(d)(2), 2.1(d)(3), and 2.1.1(b) where the COQ recognized more specificity was needed, were revised.

Removal of organizations listed in section 2.1—Several commentators said that membership in any of the five U.S.-based actuarial organizations should satisfy the basic education requirement, as it does in the 2008 USQS.

In addition, commentators expressed concern that the language implied that the actuary had to maintain membership in an actuarial organization to meet the basic education requirement.

The COQ revised the language to focus on education and credentials earned, rather than current membership in organizations. This change is in no way a reflection on the credibility or value of any particular actuarial organization, but makes the determination that actuaries’ basic education qualifies them to practice in the U.S. independent of other organizations’ current membership criteria. Based on the current membership requirements of the U.S.-based actuarial organizations, this revision is expected to impact very few U.S. actuaries.

The second exposure draft makes clear that an actuary who does not obtain a Casualty Actuarial Society (CAS), Society of Actuaries (SOA), or Enrolled Actuary (EA) designation (primarily a non-U.S. credentialed actuary) will be required to be a current or former member of the Academy prior to issuing a statement of actuarial opinion (SAO) in the U.S. This requirement subjects the actuary to the Academy’s vetting process which, in part, assures that the actuary has met the U.S.-specific knowledge requirement and education requirements that the Academy has determined is similar to those met by actuaries with CAS, SOA, or EA designations.

The revised language also makes the intent clear that maintaining membership in any specific organization is not required. This is reinforced by section 2.1.2, which states that basic education and experience requirements must be met only once.

Specialty tracks and examinations—The COQ revised the language to clarify that section 2.1(d) sets qualifications for issuing SAOs “on a particular subject within an area of actuarial practice,” rather than “an area covered by a specialty track offered by the Society of Actuaries or in an area of practice covered by the exams for the Casualty Actuarial Society or the American Society of Pension Professionals and Actuaries.” The goal was to keep this section of the U.S. Qualification Standards clearly focused on the basic education component in a way that was both sufficiently particular about basic education as well as sufficiently general so as not to become outdated solely because of a change in the name of a specialty track or the addition of a particular specialty track offered by a basic education provider. In addition, the applicability of this section to actuaries with CAS credentials was unclear because the CAS does not currently offer specialty tracks.

The revised language in 2.1(d) clarifies qualifications for actuaries with a fellowship in the CAS or SOA, or the highest possible actuarial designation of a non-U.S. actuarial organization:

- If education relevant to the particular subject of the SAO was available when the actuary chose a specific area of practice and obtained their designation in that area of practice, the actuary must either 1) have completed such education (see section 2.1(d)(1)); or 2) meet the applicable one-year experience requirement in 2.1(d)(2).
- If education relevant to the particular subject of the SAO was not available, the actuary meets the basic education and experience requirement but only with additional education relevant to the SAO. In addition, the actuary must comply with section 4 with respect to new areas of practice, new applications in an area of practice, and emerging or non-traditional areas of practice.

For all other actuaries (such as associates), the actuary must meet the three-year experience requirement in 2.1(d)(2).

Basic Education and Experience Requirement Must Be Met Only Once—Several commentators were concerned that the removal of the second sentence in section 2.1.2 could disqualify actuaries who are qualified under the 2008 or previous USQS. This exposure draft includes language to clarify that once an actuary has met the basic education and experience requirements of the USQS for a practice area under a prior version of the USQS, the actuary is not required to meet them again for the same practice area under the revised USQS.

Exams/Examinations—One commentator pointed out that current SOA requirements to earn associate or fellow designations require several courses that do not include exams. This exposure draft broadens the language on education and exams throughout the USQS to recognize course work that may not be an examination.

Enrolled Actuaries—Many commentators said that the changes to the requirements for Enrolled Actuaries (EAs) went beyond clarification. The COQ initially believed the changes in the first exposure draft were clarifications but, based on comments and upon further consideration, the COQ agrees and acknowledges that the first exposure draft would have affected the future qualification requirements for EAs that issue SAOs related to pension but not ERISA. However,

the COQ determined that revisions were appropriate. Consistent with section 2.1.2, the following changes will apply only prospectively.

This second exposure draft specifies the requirements for EAs to be qualified to issue three types of SAOs: 1) pension SAOs related to ERISA, 2) SAOs related to pensions but not ERISA, and 3) other SAOs. A change has been made to the requirements for issuing SAOs related to pensions but not ERISA. In this exposure draft, in order to meet the basic education and experience requirement to issue such SAOs, EAs are required to have either 1) completed one year of responsible, relevant actuarial experience, or 2) completed education included in the curriculum required to obtain an actuarial designation relevant to the particular subject of the SAO. No change is proposed for EAs issuing pension SAOs related to ERISA. EAs who change areas of actuarial practice would remain subject to the rules in section 4 and would need to accrue three years of experience in their new area of actuarial practice after obtaining the required basic education.

In addition, direct reference was made in section 2.1.1 to the Joint Board for the Enrollment of Actuaries (JBEA) current qualifying experience requirements for EAs in 20 CFR § 901.12(b). This is to assure that the USQS track the JBEA's own qualification rules should the law change in the future.

With respect to continuing education (CE), the COQ considered the various comments and concluded that sufficient time had passed since 2008, when the annual 30-hour requirement was first imposed, and that all actuaries choosing to be members of one of the U.S.-based actuarial organizations should be subject to the same CE requirements. Thus, this second exposure draft eliminates any "carve-out" for Enrolled Actuaries. Nevertheless, a new section 2.2.7 has been added to make clear that the U.S. actuarial profession recognizes and affirms the need for actuaries to satisfy any separate continuing professional education requirements specified by the Joint Board in order to maintain their Enrolled Actuary status.

Diversity, Equity, and Inclusion (DE&I)—Many commentators requested that the USQS clarify that professionalism topics include DE&I, and several of those commentators suggested that DE&I continuing education be required. The COQ considered all these comments and agreed with the need to clarify that some DE&I topics could be considered professionalism CE. Thus, Frequently Asked Question #48 has been updated to clarify that DE&I topics may be considered either general business skills CE or professionalism CE depending upon the content of the particular CE offering. This change immediately addresses some of the comments received, with the understanding that the FAQ may be further amended if appropriate upon final approval of an updated USQS.

The COQ noted that many commentators urged the COQ to consider how the USQS could be used to address barriers to entry into the profession and to promote a more open professional environment in the workplace. The COQ understands the intent of these comments. However, the COQ's charge is to recommend revisions to the USQS, with the understanding that the USQS is the standard for actuaries practicing in the U.S. that defines what actuaries need to know in order to be qualified to provide Actuarial Services that result in an SAO. Actuarial Services is defined in the Code as "Professional services provided to a Principal by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations,

findings, or opinions based upon actuarial considerations.” Therefore, the COQ concluded that addressing barriers to entry into the profession and promoting a more open professional environment in the workplace are rightly under the purview of the profession’s membership organizations, not the USQS.

The COQ took particular note of comments that directly linked the awareness of biases to actuarial work. Based on those comments and the experience of COQ members related to current issues facing actuaries while performing actuarial services across practice areas, the COQ determined that topics regarding biases in data, assumptions, algorithms, and models would be responsive to the technical issues facing many actuaries today and would be appropriate for a new explicit CE requirement that is consistent with the purpose of the USQS. As a result, the COQ is including a new requirement for CE on “bias topics.” The next section explains this new requirement.

New Requirement for CE related to Bias Topics—This second exposure draft includes a new one-hour minimum CE requirement dedicated to what is referred to as “bias topics.” Section 2.2.6 specifies that bias topics “include content that provides knowledge and perspective that assists in identifying and addressing biases that may exist in data, assumptions, algorithms, and models that impact Actuarial Services. Biases may include but are not limited to statistical, cognitive, and social biases.” The COQ included bias topics in the CE requirements to focus on a topic that provides knowledge and perspective that is relevant to the Actuarial Services that form the basis of an SAO.

The COQ noted that actuaries play an important role in helping maintain the public’s trust in financial security systems, products, and services. The COQ believes that this new requirement is consistent with assuring the public of the importance of the actuaries’ role in a future in which big data, artificial intelligence, and evolving regulatory and societal requirements will place new demands on, or expectations of, such systems, products, and services.

The COQ believes that bias topics are relevant to actuaries issuing SAOs in all practice areas. Bias topics may include subjects that are considered DE&I, as long as those subjects directly impact or are related to the provision of Actuarial Services. Depending upon the content of the particular CE, bias topics CE may also count toward other categories of CE such as professionalism and/or organized activities.

Changes Made Section by Section

Note: Section numbers refer to those in the second exposure draft unless otherwise noted.

Section 1, Introduction

- Corrected a typo in the first paragraph.
- Streamlined language listing the actuarial organizations. (Change made in first exposure)

Section 1.4, Structure of Qualification Standards

- Added language to distinguish traditional areas of practice and particular subjects within a traditional area of practice.
- Added a reference to guidance on the application of the USQS to a particular subject within an area of practice or an emerging or non-traditional area of practice in section 2.1(d).
- Made clarifying changes in last paragraph in response to comment.

Section 2, General Qualification Standard

- Made clarifying edits.

Section 2.1, Basic Education and Experience Requirement

- Labeled the six bullet points with letters. (Change made in first exposure)

2.1(a) Basic Education (Bullet 1 in 2008 USQS)

- Made clarifying changes in response to comments. The changes in the initial draft were meant to focus on education and receipt of designations rather than membership in any particular organization. These changes are not a reflection of the value of membership in any particular actuarial organization. The COQ believes that an actuary's basic education that qualifies the actuary to practice in the U.S. should be independent of an organization's current membership criteria. An organization's membership criteria are set by each organization, can change over time, and may not always align with the basic education requirements of the USQS.

The changes in the second exposure draft were made to clarify this concept. The phrase "current or former member of the Academy" is intended to assure, through the application of the Academy's membership criteria, that an actuary who has not earned a U.S. actuarial credential has been determined by the Academy to have basic education similar to the basic education offered by the U.S. credentialing organizations and have U.S. practice-specific knowledge. This phrase was also included in sections 2.1(d)(1) and 2.1(d)(2). Without that vetting that now occurs when a non-U.S. actuary applies for Academy membership, the only appropriate substitute is three years' experience as laid out in section 2.1(d)(3).

2.1(c) U.S.-Specific Knowledge (Bullet 3 in 2008 USQS)

- Added "U.S. actuarial practices and principles" to assure that all actuaries in the U.S. are knowledgeable not only about U.S. law but also about U.S. professionalism content, which the public expects from actuaries who practice in the U.S.

2.1(d) Subject Area Knowledge (Second part of section 2.1 in 2008 USQS)

- Added language to clarify that the section sets qualifications for issuing SAOs "on a particular subject within an area of actuarial practice."
- Removed references to "an area covered by a specialty track offered by the Society of Actuaries or in an area of practice covered by the exams for the Casualty Actuarial Society of the American Society of Pension Professionals and Actuaries" because

specialty tracks and areas of practice are subject to change. The phrase “a particular subject within an area of actuarial practice” is used in place of the deleted language to clarify the intent of the section and to assure that the basic education requirement is applicable to any current or future area of practice. (Change made in first exposure)

- Deleted the last paragraph with the list of specialty tracks of the Society of Actuaries. (Change made in first exposure)

2.1(d)(1)

- Changed “area of actuarial practice relevant to the subject of the SAO” to “relevant to the particular subject of the SAO,” consistent with the change in section 2.1(d). This change was also made in sections 2.1(d)2 and 2.1(d)3.

Section 2.1.1, Enrolled Actuary

- Clarified, as described above, that enrolled actuaries must meet the qualifying experience requirements for enrollment as set by 20 CFR § 901.12(b) in effect when this revision of the USQS takes effect.

2.1.1(a)

- Clarified that Enrolled Actuaries are deemed to satisfy section 2.1(a) through (d) for the purpose of pension SAOs related to ERISA.

New section 2.1.1(b)

- Added a new section (b) to clarify requirements for SAOs related to pensions but not ERISA. The language mirrors that in sections 2.1(d)(1) and 2.1(d)(2).

2.1.1(b) (now section 2.1.1[c])

- Clarified that Enrolled Actuaries must satisfy 2.1(c) and (d) for all other types of SAOs.

Section 2.1.2, Basic Education and Experience Requirement Must Be Met Only Once

- Clarified that once an actuary has met the requirements of the USQS for a practice area under a prior version of the USQS, the actuary is not required to meet them again under the revised USQS.
- Made minor change to title of section.

Section 2.2.1, Background

- Changed “pension plans and insurance companies” to “pension and insurance issues.” (Change made in first exposure)
- Deleted examples of related disciplines. (Change made in first exposure)

Section 2.2.2, Continuing Education Requirement in General

- Added a requirement that 1 hour of the required 30 hours of CE be on bias topics as described above.

- Moved the three-hour limitation on business skill topics from section 2.2.7 into this section for clarification.
- Updated the example. (Change made in first exposure)

Section 2.2.3, Effective Date and Transition (in 2008 USQS, now eliminated)

- Deleted this section as it is no longer relevant. (Change made in first exposure)

Section 2.2.6, Relevant Continuing Education (Section 2.2.7 of 2008 USQS)

- Changed “business and consulting skills topics” to “general business skill topics.” General business skills include consulting skills.
- Added “bias” as a new CE topic, along with a description of what an actuary might deem covered under this topic.
- Restructured the example section: 1) general business skill topics; 2) bias topics; 3) professionalism topics.
- Expanded description of professionalism topics.
- Changed “tapes” to “recordings.” (Change made in first exposure)

Section 2.2.7, Applicability to Enrolled Actuaries (now eliminated)

- The CE exemption for EAs has been eliminated. EAs subject to the USQS must satisfy the CE requirements of section 2.2 of the revised USQS when issuing SAOs.

New section 2.2.7, Continuing Education for Enrolled Actuaries

- The COQ felt it was important to recognize and affirm the need for actuaries to satisfy any separate continuing professional education requirements specified by the JBEA in order to maintain their Enrolled Actuary status.

Section 2.2.8, Additional Guidance (Section 2.2.9 in 2008 USQS)

- Moved language on general business courses to section 2.2.2 as described above.

Section 3, Specific Qualification Standards

- Updated the name of the NAIC Life, Accident & Health, and Fraternal Annual Statement. This change was also made in section 3.1.1.1. (Change made in first exposure)

3.1.1.2, Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement

- Added the Society of Actuaries as a provider of relevant education. (Change made in first exposure)

Section 3.1.2, Alternative Basic Education

- Changed “the” to “this.”

Section 5, Acknowledgment of Qualification

- Added full name of USQS.

Appendix 1, Examples of Statements of Actuarial Opinion

Section A

- Updated the names of the NAIC Annual Statement Opinions. (Change made in first exposure)
- Updated the name of Form 5500 Schedule BSB/MB Certification. (Change made in first exposure)
- Replaced “insurance company statutory reserve opinion” and “loss reserve opinion” with “reserve opinion,” making it applicable to all practice areas.
- Updated names of SFAS and GASB determinations. (Change made in first exposure)
- Added certification of pension benefit calculation. (Change made in first exposure)
- Moved “internal management report,” “sale price of a company opinion,” “merger/spinoff opinion,” “profit tests for management,” and “certification of pension benefit calculation” to section B.

Section B

- Added “depending on content and intent” to description of section B.
- Added “or other written communication.” (Change made in first exposure)
- Deleted “slide”
- Moved “letters from the editor” and “interview by media” into section B from section E.

Appendix 2, Sample Alternative Basic Education Statement

- Changed “his/her” to “their.”

Appendix 3, Procedures for the Adoption of Qualification Standards by the American Academy of Actuaries

X. Public Hearings

- b. Changed “tape recording” to “recording.”

XIV. Documentation

- a. Changed “tapes” to “recording.”

Appendix 5: Sample Continuing Education Recordkeeping Form

- Added column for bias topics.

Committee on Qualifications

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**QUALIFICATION STANDARDS
FOR ACTUARIES ISSUING STATEMENTS OF ACTUARIAL
OPINION IN THE UNITED STATES INCLUDING CONTINUING
EDUCATION REQUIREMENTS**

Section 1. Introduction

The American Academy of Actuaries (Academy), through Precept 2 of its *Code of Professional Conduct*, requires its members to perform Actuarial Services only when they are qualified to do so on the basis of basic and continuing education and experience and only when they satisfy applicable qualification standards.¹ Such Actuarial Services may include the rendering of advice and recommendations or opinions based upon actuarial considerations, including the issuance of Statements of Actuarial Opinion.

Members of U.S.-based organizations that have adopted the *Code of Professional Conduct*, whether or not they are also members of the Academy, are subject to all requirements imposed by the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States including Continuing Education Requirements* (U.S. Qualification Standards or USQS) upon members of the Academy. The Code also requires that actuaries observe the applicable qualification standards that have been promulgated by a Recognized Actuarial Organization (as defined in the *Code of Professional Conduct*) for the jurisdiction in which the actuary renders Actuarial Services.

For purposes of the USQS, a “Statement of Actuarial Opinion” (SAO) is an opinion expressed by an actuary² in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed. “Actuarial Services” are defined in the *Code of Professional Conduct* as “Professional services provided to a Principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.”

Many actuaries hold positions that are non-actuarial in nature or have non-actuarial aspects (for example, general management positions). Actuaries in such positions may have occasion to issue oral or written statements by virtue of the positions they hold and not because they are actuaries. The USQS are not intended to apply to such statements, even though they may happen to have actuarial aspects. If it is common for persons holding comparable positions to issue such statements, whether or not they happen to be actuaries, this is evidence that the USQS are not intended to apply.

Actuaries who issue Statements of Actuarial Opinion when rendering Actuarial Services in the United States are required by the *Code of Professional Conduct* to satisfy the USQS.

¹ The *Codes of Professional Conduct* of all five of the U.S.-based actuarial organizations are identical in this respect.

² The word “actuary” as used herein means an actuary who is a member of any actuarial organization that requires its members to meet the USQS when practicing in the United States.

- 1.1 Duty of Qualification — An actuary must be mindful of the obligation imposed by Precept 2 of the *Code of Professional Conduct* not to perform Actuarial Services unless qualified to do so. This obligation may require the actuary to obtain qualifications in addition to those set forth in the USQS. However, where an actuary has satisfied the USQS, in the absence of evidence to the contrary, there is a presumption that an actuary has met the duty of qualification imposed by the *Code of Professional Conduct*.
- 1.2 Purpose of the U.S. Qualification Standards — A Statement of Actuarial Opinion may be used by parties who are not familiar with the qualifications of an actuary who issues such statements. An actuary who issues Statements of Actuarial Opinion must have achieved fundamental education and experience in relevant areas of actuarial practice and must maintain necessary expertise through continuing education. The USQS have been developed to provide guidance to actuaries so they can determine whether they are qualified to issue Statements of Actuarial Opinion. The USQS are developed through established Academy notice and comment procedures (see appendix 3).
- 1.3 General and Specific Qualification Standards — The General Qualification Standard (see section 2) provides the basic education and experience requirements and continuing education requirements for most Statements of Actuarial Opinion. However, in some instances, the Academy’s Board of Directors has determined that certain additional requirements must be met for an actuary to have the necessary qualifications to issue a particular Statement of Actuarial Opinion. In these instances, an actuary must satisfy the Specific Qualification Standard for that particular Statement of Actuarial Opinion (see section 3).
- 1.4 Structure of the U.S. Qualification Standards — The USQS are structured around areas of actuarial practice. The traditional areas of actuarial practice are casualty, health, life, and pension. An actuary practicing in a traditional area of practice, a particular subject within an area of practice, or an emerging or non-traditional area may be called upon to issue Statements of Actuarial Opinion and, in such circumstance, is required to comply with the USQS. Additional guidance concerning the application of the USQS to a particular subject within an area of practice or an emerging or non-traditional area of practice appears in sections 2.1(d) and 4.3.
- The USQS include basic education and experience requirements, and continuing education requirements. In order to comply with the USQS, an actuary is required to satisfy all of these elements.
- 1.5 Periodic Assessment — Actuaries should regularly review their qualifications and may contact the Committee on Qualifications or the Actuarial Board for Counseling and Discipline (ABCD) for guidance to address specific questions and concerns.

Section 2. General Qualification Standard

An actuary who issues a Statement of Actuarial Opinion when providing Actuarial Services must satisfy the General Qualification Standard requirements. When issuing certain types of Statements of Actuarial Opinion, an actuary must also satisfy Specific Qualification Standards (see section 3). An actuary must have met the following General Qualification Standard requirements for basic education and experience and continuing education before issuing a Statement of Actuarial Opinion:

2.1 Basic Education and Experience Requirement

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

- a) Basic Education: Have achieved a Fellow or Associate designation from either the Society of Actuaries (SOA) or the Casualty Actuarial Society (CAS), or have achieved the Enrolled Actuary (as defined in section 2.1.1) designation, or be a current or former Member of the Academy.
- b) Experience: Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems.
- c) U.S.-Specific Knowledge: Be knowledgeable, through education or documented professional development, of 1) the U.S. Law applicable to the Statement of Actuarial Opinion, and 2) U.S. actuarial practices and principles. “Law” is defined in the *Code of Professional Conduct* as statutes, regulations, judicial decisions, and other statements having legally binding authority.
- d) Subject Area Knowledge: In order to issue Statements of Actuarial Opinion on any particular subject within an area of actuarial practice, an actuary must meet one of the following with respect to the particular subject of the Statement of Actuarial Opinion:
 - (1) Attain (i) fellowship in the CAS or SOA, or (ii) the highest possible actuarial designation of a non-U.S. actuarial organization and be a current or former member of the Academy. In addition, if education relevant to the particular subject of the SAO was available when the actuary chose a specific area of practice and obtained their designation in that area of practice, the actuary must have completed such education. If education relevant to the particular subject of the SAO was not available, then the actuary meets this basic education requirement with additional education relevant to the SAO;³ or

³ See section 4 for requirements regarding changes in area of practice or new applications in an area of practice, as well as emerging or non-traditional areas of practice.

- (2) Attain (i) fellowship in the CAS or SOA, or (ii) the highest possible actuarial designation of a non-U.S. actuarial organization and be a current or former member of the Academy. In addition, the actuary must have a minimum of one year of responsible actuarial experience in the particular subject relevant to the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under the USQS in effect at that time; or
- (3) Have a minimum of three years of responsible actuarial experience in the particular subject relevant to the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under the USQS in effect at that time.

2.1.1 Enrolled Actuary — An Enrolled Actuary is an individual who has met the requirements of Title III, Subtitle C of the Employee Retirement Income Security Act of 1974 (ERISA) and has satisfied the qualifying experience requirements for enrollment as prescribed in 20 CFR § 901.12(b) in effect as of [effective date of USQS]⁴.

- a) For purposes of pension SAOs related to ERISA, an Enrolled Actuary is deemed to satisfy section 2.1 (a) through (d).
- b) For purposes of an SAO related to pensions but not ERISA, an Enrolled Actuary is deemed to satisfy section 2.1 (a) through (d) if the Enrolled Actuary has either 1) completed a minimum of one year of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under the USQS in effect at that time; or 2) completed education relevant to the particular subject of the SAO, either through the curriculum required to obtain an actuarial designation relevant to the particular subject of the SAO or through additional education.
- c) For all other SAOs, an Enrolled Actuary is deemed to have satisfied sections 2.1(a) and 2.1(b) but must satisfy sections 2.1(c) and 2.1(d) with regard to the subject of the Statement of Actuarial Opinion.

2.1.2 Basic Education and Experience Requirement Must Be Met Only Once — An actuary need only satisfy the basic education and experience requirement in an area of practice or in a particular subject area within an area of practice, once. Accordingly, if an actuary has satisfied the basic education and experience

⁴ 20 CFR § 901.12(b) (b) Qualifying experience. Within the 10-year period immediately preceding the date of application, the applicant shall have completed either -

(1) A minimum of 36 months of certified responsible pension actuarial experience; or

(2) A minimum of 60 months of certified responsible actuarial experience, including at least 18 months of certified responsible pension actuarial experience.

requirements to issue an SAO in an area of practice under a prior version of the USQS, the actuary is not required to satisfy the basic education and experience requirements under any subsequent version of the USQS in that same area of practice.

- 2.1.3 Changes in Practice or Application — For specific guidance on new or changed areas of actuarial practice or changes in the application of actuarial science, see section 4.

2.2 Continuing Education Requirement

- 2.2.1 Background — Actuarial practice is grounded in the knowledge and application of actuarial science, a constantly evolving discipline. If actuaries are to provide their Principals with high-quality service, it is important that they remain current on emerging advancements in actuarial practice and science that are relevant to the Actuarial Services they provide. Further, opportunities to practice are expanding beyond traditional work on pension and insurance issues to encompass the broader world of financial services. Actuaries working in emerging areas need to be familiar with relevant new techniques and concepts from other related disciplines.

- 2.2.2 Continuing Education Requirement in General — To satisfy the General Qualification Standard, actuaries are required to complete and document at least thirty (30) hours each calendar year of relevant continuing education of which at least three (3) hours must be on professionalism topics, at least one (1) hour must be on bias topics, no more than three (3) hours may be spent on general business skill topics, and at least six (6) hours must be “organized activities” (see section 2.2.6). The 30-hour requirement will typically be met in the calendar year preceding the year in which the actuary issues a Statement of Actuarial Opinion. However, if the 30-hour requirement is not met in the year before an actuary issues a Statement of Actuarial Opinion, the shortfall can be earned in the same year, if earned prior to issuing the SAO. The hours earned to satisfy the shortfall cannot be applied to satisfy the continuing education requirement for the current year.

Example:

An actuary earns 30 hours of continuing education in 2020 and, assuming the other qualification requirements are met, can issue SAOs in 2021. However, in 2021, the actuary only earns 27 hours of continuing education. The actuary cannot issue SAOs in 2022 until 3 hours of continuing education are earned. The actuary must then earn an additional 30 hours of continuing education in 2022 to issue SAOs in 2023.

- 2.2.3 Initial Year of Applicability — Hours spent meeting the basic education and experience requirement may be applied toward the continuing education

requirement if earned in the year prior to issuing the Statement of Actuarial Opinion.

- 2.2.4 Coordination with Specific Qualification Standards — The 30-hour requirement includes hours obtained pursuant to the continuing education requirement of the Specific Qualification Standards (see section 3.3).
- 2.2.5 Practicing in More than One Area of Actuarial Practice — If an actuary must obtain continuing education requirements in more than one area of practice (see section 2.3), the total annual hours required for all areas of actuarial practice combined remains at 30. An actuary should use good judgment in obtaining continuing education in all areas of practice related to the actuary’s work.
- 2.2.6 Relevant Continuing Education — Continuing education is “relevant” if: (1) it broadens or deepens an actuary’s understanding of one or more aspects of the work an actuary does; (2) the material expands an actuary’s knowledge of practice in related disciplines that bear directly on an actuary’s work; or (3) it facilitates an actuary’s entry into a new area of practice. Ultimately, it is an actuary’s responsibility to make a reasonable, good-faith determination of what continuing education opportunities will enhance an actuary’s ability to practice in a desired field.

Relevant continuing education includes not only technical topics in the actuary’s area of practice, but also includes general business skill topics, bias topics, and professionalism topics. For example:

- a) General business skill topics include content that assists in developing client relationship management skills, presentation skills, communication skills, project management, and personnel management.
- b) Bias topics include content that provides knowledge and perspective that assist in identifying and addressing biases that may exist in data, assumptions, algorithms, and models that impact Actuarial Services. Biases may include but are not limited to statistical, cognitive, and social biases.
- c) Professionalism topics include content that assists in understanding and applying the *Code of Professional Conduct*, ASOPs, and related actuarial professionalism guidance. Professionalism continuing education includes studying, reviewing, or providing input on an exposure draft of an ASOP; studying or reviewing the *Code of Professional Conduct*; attending an actuarial professionalism webinar; and serving on the Actuarial Standards Board or a professionalism committee.

Continuing education can be obtained through either “organized activities” that involve interaction with actuaries or other professionals working for different

organizations or “other activities.” “**Organized activities**” include, but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is directly relevant to the area of practice of the subject of the Statement of Actuarial Opinion. In-house meetings can satisfy the requirement of interaction with actuaries or professionals working for different organizations by using outside speakers.

“**Other activities**” include, but are not limited to, reading actuarial literature, statutes, or regulations; reading other books, papers, or articles on relevant technical or professional topics; writing professional papers or articles; listening to recordings of actuarial meetings or other relevant seminars or conferences; relevant in-house meetings; studying for actuarial exams; drafting actuarial exam questions; or preparing to speak or lead a discussion at a continuing education activity.

2.2.7 Continuing Education for Enrolled Actuaries — Actuaries subject to the USQS who are also Enrolled Actuaries must separately assure that they meet any continuing professional education requirements specified by the Joint Board for the Enrollment of Actuaries in order to maintain their Enrolled Actuary status.

2.2.8 Additional Guidance — An hour of continuing education is defined as 50 minutes and fractions of an hour may be counted. Hours of continuing education in excess of the annual requirement, including hours of organized activities, may be carried forward one year.

2.3 Actuaries Issuing Statements of Actuarial Opinion in More than One Area of Actuarial Practice

2.3.1 Statements of Actuarial Opinion Involving Skills that Can Be Learned in More than One Area of Actuarial Practice — Some Statements of Actuarial Opinion may require the exercise of skills that can be learned in more than one area of actuarial practice; for example, the principles involved in calculating annuity reserves could be learned in either the life or pension areas. An actuary who issues such Statements of Actuarial Opinion is deemed to meet the General Qualification Standard if the actuary meets the basic education and experience requirements and continuing education requirements in any one of the areas of actuarial practice relevant to the Statement of Actuarial Opinion.

2.3.2 Statements of Actuarial Opinion that Blend Elements of Two or More Areas of Actuarial Practice — Some Statements of Actuarial Opinion may blend significant elements of two or more areas of actuarial practice (for example, reserving for continuing care retirement communities, which involves significant elements of both health and life practice). An actuary who issues such Statements of Actuarial Opinion is deemed to meet the General Qualification Standard if the actuary meets the basic education and experience requirement in any one area. In meeting the continuing education requirement,

an actuary should include material in all areas of actuarial practice relevant to the Statement of Actuarial Opinion. An actuary may find it prudent to work with an actuary with complementary experience and education (see section 2.4 below) or to obtain additional experience and/or continuing education relevant to the Statement of Actuarial Opinion.

2.3.3 Statements of Actuarial Opinion in Two or More Distinct Areas of Actuarial Practice — An actuary may choose to issue Statements of Actuarial Opinion in two or more distinct areas of actuarial practice, although each Statement of Actuarial Opinion issued by the actuary may involve only one area of actuarial practice (for example, a life actuary might agree to conduct a reserve adequacy analysis for a health insurance company). An actuary who issues Statements of Actuarial Opinion in two or more distinct areas of actuarial practice must fully satisfy the basic education and experience requirement in each area. In meeting the continuing education requirement, an actuary should include material in each practice area (in this example, life and health).

2.4 Statements of Actuarial Opinion Issued by More than One Actuary — An actuary who meets the General Qualification Standard may not necessarily be qualified, as required by Precept 2 of the *Code of Professional Conduct*, to issue a particular Statement of Actuarial Opinion. For example, the Statement of Actuarial Opinion may involve elements of an area of actuarial practice in which an actuary is not fully qualified. In that event, for purposes of the General Qualification Standard, an actuary may issue the Statement of Actuarial Opinion with another actuary whose basic education and experience, or continuing education, complements that of the first actuary with respect to the jointly issued Statement of Actuarial Opinion. Both actuaries will be deemed to meet the General Qualification Standard if their collective basic education and experience and continuing education are sufficient as to all areas of actuarial practice relevant to the Statement of Actuarial Opinion, and if they are collectively qualified under Precept 2 of the *Code of Professional Conduct* to issue the particular Statement of Actuarial Opinion.

Section 3. 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 Statement of Actuarial Opinion. These Specific Qualification Standards apply only to the types of Statements of Actuarial Opinion for which such standards have been adopted.⁵ The Statements of Actuarial Opinion for which Specific Qualification Standards currently should be met are the following:

- Statement of Actuarial Opinion, NAIC Life, Accident & Health, and Fraternal Annual Statement
- Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement
- Statement of Actuarial Opinion, NAIC Health Annual Statement

3.1 Basic Education Requirement — An actuary must have obtained sufficiently comprehensive knowledge of and responsible experience with the subjects specifically involved to be able to determine which actuarial concepts and techniques are applicable to the assignment and to apply those concepts and techniques successfully. In addition to meeting the basic education and experience requirement of the General Qualification Standard (see section 2.1), an actuary must meet additional specific knowledge requirements as outlined below. An 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 for a particular Specific Qualification Standard is not required to pass additional examinations that may subsequently be offered by the U.S.-based organizations with regard to that Statement of Actuarial Opinion after an actuary has met the basic education requirements.

3.1.1 Successful Completion of Examinations

3.1.1.1 Statement of Actuarial Opinion, NAIC Life, Accident & Health, and Fraternal Annual Statement — An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries or the Society of Actuaries on the following topics: (a) policy forms and coverages, (b) dividends and reinsurance, (c) investments and valuations of assets and the relationship between cash flows from assets and related liabilities, (d) statutory insurance accounting, (e) valuation of liabilities, and (f) valuation and nonforfeiture laws.

3.1.1.2 Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement — An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries, the Casualty Actuarial Society, or the Society of Actuaries on the following

⁵ The Committee on Qualifications considers specific guidelines in determining when a Specific Qualification Standard should be developed (*see* appendix 4).

topics: (a) policy forms and coverages, underwriting, and marketing, (b) principles of ratemaking, (c) statutory insurance accounting and expense analysis, (d) premium, loss, and expense reserves, and (e) reinsurance.

3.1.1.3 Statement of Actuarial Opinion, NAIC Health Annual Statement — An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries, the Casualty Actuarial Society or the Society of Actuaries on the following topics: (a) principles of insurance and underwriting, (b) principles of ratemaking, (c) statutory insurance accounting and expense analysis, (d) premium, loss, expense, and contingency reserves, and (e) social insurance.

3.1.2 Alternative Basic Education — An actuary may also satisfy this basic education requirement by acquiring comprehensive knowledge of the applicable topics through responsible work and/or self-study. To comply with the basic education requirement through self-study, an actuary must obtain a signed statement from another actuary who is qualified to issue Statements of Actuarial Opinion under the specific qualification standard being met. This statement must indicate that the writer is familiar with an actuary's professional history and that an actuary has obtained sufficient alternative education to satisfy the basic education requirement for the specific qualification standard. A sample statement appears in appendix 2. This statement should be obtained before an actuary issues a Statement of Actuarial Opinion and should be retained by the actuary.

3.2 Experience Requirement — An actuary must obtain at least three years of responsible experience relevant to the subject of the Statement of Actuarial Opinion under review by an actuary who was qualified to issue the Statement of Actuarial Opinion at the time the review took place under the USQS in effect at that time. Although this experience need not necessarily be recent, it must be relevant to the subject of the Statement of Actuarial Opinion.

3.3 Continuing Education Requirement — To satisfy the Specific Qualification Standards, an actuary must obtain sufficient continuing education to maintain current knowledge of applicable standards and principles in the area of actuarial practice of the Statement of Actuarial Opinion. At a minimum, an actuary must complete 15 credit hours per calendar year of continuing education that is directly relevant to the topics identified in section 3.1.1. A minimum of 6 of the 15 hours must be obtained through experiences that involve interactions with outside actuaries or other professionals, such as seminars, in-person or online courses, or committee work that is directly relevant to the topics identified in section 3.1.1. Hours that satisfy the continuing education requirement of the Specific Qualification Standards may also be used to satisfy the continuing education requirement of the General Qualification Standard. Hours of continuing education in excess of the annual requirement may be carried forward one year.

Section 4. Changes in Practice and Application

- 4.1 Changes in Areas of Actuarial Practice — Changes in an actuary’s practice may require an actuary to issue Statements of Actuarial Opinion in an area of actuarial practice that is new to an actuary. For example, an actuary may move from performing life reserve valuations to health ratemaking or to issuing Health Annual Statement Opinions.
- 4.1.1 General Qualification Standard — If an actuary changes to an area of actuarial practice where an actuary issuing the Statement of Actuarial Opinion need satisfy only the General Qualification Standard, an actuary must comply with the General Qualification Standard by meeting the applicable basic education and experience requirement and obtaining continuing education that is relevant to Statements of Actuarial Opinion to be issued in the new area of actuarial practice.
- 4.1.2 Specific Qualification Standard — If an actuary changes to an area of actuarial practice where an actuary issuing the Statement of Actuarial Opinion must satisfy a Specific Qualification Standard, that actuary must comply with the Specific Qualification Standard by meeting the applicable basic education and experience requirement and obtaining continuing education that is relevant to Statements of Actuarial Opinion to be issued in the new area of actuarial practice.
- 4.2 Changes in Application — Changes in the application of actuarial science may develop through revisions to published actuarial principles, actuarial standards of practice (ASOPs), and supporting literature. An actuary practicing in an area of practice with a new application of actuarial science must maintain qualification through appropriate continuing education. If the area of practice of the new application is a new area of practice, the actuary must become qualified by meeting the basic education and experience requirement of the new area of practice as described in section 4.1.
- 4.3 Emerging or Non-Traditional Areas of Actuarial Practice — 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 Statements of Actuarial Opinion in those areas.

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 Statement of Actuarial Opinion.

Section 5. Acknowledgment of Qualification

A Statement of Actuarial Opinion 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 I meet the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States including Continuing Education* of the American Academy of Actuaries to render the actuarial opinion contained herein.

A qualification acknowledgment is not required on preformatted forms, such as Schedule B (Form 5500).

Actuarial Standard of Practice No. 41, *Actuarial Communications*, provides guidance when a specific actuarial engagement or assignment requires significant and ongoing communications between the Principal and actuary. The acknowledgment of qualification should be included in the cumulative communications with respect to each specific engagement or assignment and is not required in each individual communication. An oral Statement of Actuarial Opinion is typically part of the cumulative communications and would not require a separate acknowledgement of qualification.

Section 6. Recordkeeping Requirements

- 6.1 Continuing Education Recordkeeping Requirements — Actuaries who must satisfy the requirements of the General or Specific Qualification Standards should keep appropriate timely records as evidence that their continuing education requirements have been met. Retaining personal notes detailing the content of reading material would usually be a particularly appropriate way to document continuing education by means of self-study. A sample recordkeeping form is provided in appendix 5. If an actuary chooses not to use the sample recordkeeping form, 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 six years beyond the year(s) to which the records are applicable.

- 6.2 Substantiating Compliance — Whenever an actuary issues a Statement of Actuarial Opinion, an actuary should be prepared to provide evidence of compliance with the USQS, including certificates of attendance (if any), meeting outlines or handouts, and notes related to “other activities,” when requested by the appropriate counseling and disciplinary body of the profession, in connection with a disciplinary, counseling, or other proceeding of such body relating to the *Code of Professional Conduct*.

APPENDIX 1

EXAMPLES OF STATEMENTS OF ACTUARIAL OPINION

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

This appendix is intended to help actuaries understand which statements are SAOs. It represents the consensus of the Academy's Committee on Qualifications.

I. General Observations

- a. Internal communications within a company, firm, or governmental agency may or may not be an SAO depending on whether or not the internal communication expresses an actuarial opinion and whether or not it is intended to be relied upon.
- b. A draft of an actuarial opinion that has not been provided to an actuary's Principal who requested the opinion is not an SAO. A draft of an actuarial opinion that has been provided to an actuary's Principal who requested the opinion is an SAO unless the document is clearly marked that it should not be relied upon. If there is a reasonable likelihood that the Principal will rely on the draft regardless of intent, that is an indication that the draft is an SAO. If the Principal is not subsequently sent a final report within a reasonable time frame, that is an indication that the draft report is an SAO. The actuary should communicate to the Principal that the final report replaces the draft report. There may be instances where the actuary sends the Principal a draft report that clearly indicates it should not be relied upon (a document that is not an SAO according to the above definition) and the actuary and Principal subsequently agree that a final report will not be issued. In this case, the draft report is not an SAO.
- c. An SAO 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 an SAO.
- d. Not every communication by an actuary is an SAO. The communication must be based on actuarial considerations.
- e. A statement that contains data and/or other information but does not contain actuarial advice or an actuarial opinion is not an SAO.
- f. An SAO may or may not be embodied in a public document.

II. Commonly Issued Actuarial Opinions and Work Products

Please observe that only *actuarial* statements of opinion can be SAOs. This list was prepared as of the date of adoption of the USQS. It is not intended to be and should not be interpreted as all-inclusive.

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
A. These opinions and communications are SAOs.	1. NAIC Life, Accident & Health, and Fraternal Annual Statement Opinion	H/L	Specific
	2. NAIC Health Annual Statement Opinion	H	Specific
	3. NAIC Property & Casualty Annual Statement Opinion	C	Specific
	4. Form 5500 Schedule SB /MB Certification and Other ERISA Forms	P	General
	5. VEBA Account Limit Determination	H/L/P	General
	6. Reserve opinion	C/H/L/P	General
	7. Profit tests for regulators	C/H/L	General
	8. State exam opinion	C/H/L	General
	9. Tax issue opinion	C/H/L/P	General
	10. Nonforfeiture law compliance demonstration	L	General
	11. Indeterminate premiums opinion	L	General
	12. Rate filing opinion	C/H/L	General
	13. COBRA premium determination	H	General
	14. Opinion re: rate level indications	C	General
	15. Cash flow testing	C/H/L/P	General
	16. Non-guaranteed elements opinion	C/H/L/P	General
	17. Actuarial appraisal	C/H/L/P	General
	18. Actuarial audit	C/H/L/P	General
	19. Opinion of assumptions and methods used to value social insurance	C/H/L/P	General
	20. Supporting reports	C/H/L/P	General
	21. Expert testimony	C/H/L/P	General
	22. Sales illustrations	H/L	General
	23. Testimony at rate filing or reserve adequacy hearing	C/H/L	General
	24. Loss ratio opinion	H	General
	25. Premium increase demonstration	H	General
	26. Ratemaking opinion	C	General
	27. Internal management report (depending on content and intent)	C/H/L/P	General
	28. Asset adequacy analysis	C/H/L/P	General
	29. Pricing opinion	L	General
	30. Policyholder dividend opinion	L	General
	31. CCRC pricing opinion	H/L/P	General
	32. Health & welfare fund financial opinion	H	General

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
	33. Determination of maximum deductible contributions under IRC section 404	P	General
	34. Pension plan non-discrimination testing	P	General
	35. Adjusted Funding Target Attainment Percentage (AFTAP) certification under IRC section 436	P	General
	36. ASC 712 determination	C/H/L/P	General
	37. ASC 715 determination	H/L/P	General
	38. ASC 718 determination	P	General
	39. ASC 960 determination	P	General
	40. ASC 965 retiree obligation opinion	H/P	General
	41. GASB 67 determination	P	General
	42. GASB 68 determination	P	General
	43. GASB 74 determination	H/P	General
	44. GASB 75 determination	H/P	General
	45. CAS 412 determination	P	General
	46. CAS 413 determination	P	General
	47. ASC 450 determination	H/L/P	General
48. Draft of an actuarial report provided to the actuary's client	C/H/L/P	General	
B. These opinions and communications may contain an SAO, depending on content and intent.	1. Presentation or other written communication (depends on content)	C/H/L/P	General
	2. Internal management report	C/H/L/P	General
	3. Sale price of a company opinion	C/H/L/P	General
	4. Merger/spinoff opinion	C/H/L/P	General
	5. Profit tests for management	C/H/L/P	General
	6. Certification of pension benefit calculation	P	General
	7. Speech	C/H/L/P	General
	8. Phone conversation	C/H/L/P	General
	9. Certification of data requested by state insurance departments (not unless there is an opinion included on an actuarial subject other than that the data are reliable)	C/H/L/P	General
	10. Congressional testimony (almost always an SAO if an actuary is testifying as an expert on an actuarial subject)	C/H/L/P	General
	11. NAIC working group or task force opinion (usually is, although not everyone who works on the opinion must be qualified)	C/H/L/P	General
	12. Letters to the editor	C/H/L/P	N/A
	13. Interview by media	C/H/L/P	N/A

Is the Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Area of Actuarial Practice	Applicable Qualification Standard
C. These opinions are usually SAOs because they are relied on by third parties.	1. Pension plan cost	P	General
	2. Effect of principal plan changes on pension cost	P	General
D. These communications are not SAOs when used alone without an opinion as to what the results suggest.	1. Experience study	C/H/L/P	N/A
	2. Personal computer program	C/H/L/P	N/A
E. These communications are not SAOs.	1. Draft of an actuarial report not provided to the actuary's client	C/H/L/P	N/A
	2. Meeting minutes	C/H/L/P	N/A
Key: (C) Casualty; (H) Health; (L) Life; (P) Pension; (N/A) Not Applicable			

III. Application of U.S. Qualification Standards to Public Service Actuaries

The USQS apply to all actuaries, including those working in public service (for example, actuaries providing professional services to federal, state, or local governments). When a public service actuary issues a Statement of Actuarial Opinion (SAO), 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 SAO, and to approve, disapprove, accept, or reject a submission based upon another actuary’s SAO. The review itself may be an SAO, but only if:

- The review itself of an SAO (or a submission based upon and substantially supported by an SAO) is intended by an actuary to be relied upon by the person or organization to which it is addressed; and
- The review is based on actuarial considerations.

If the above two conditions apply, then an actuary issuing the review must meet the General Qualification Standard for issuing SAOs in the applicable area of actuarial practice.

The following is a list of communications that are routinely issued by public service actuaries. Public service actuaries also author communications that are not specifically referenced in this listing.

Is Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Traditional Areas of Actuarial Practice	Applicable Qualification Standard
A. These opinions and communications are not SAOs.	1. Rate filing query letter	C/H/L	N/A
	2. Answers to consumers’ questions	C/H/L/P	N/A
	3. Legislative/rulemaking activities — draft, review, etc.	C/H/L/P	N/A
	4. Reserve adequacy comments within an insurance department	C/H/L	N/A
	5. Review and approve appointed actuary designations	C/L	N/A
	6. Analyze insurance company and industry data	C/H/L	N/A
	7. Actuarial review of NAIC models and pronouncements	C/H/L	N/A
	8. Accept/reject company license applications	C/H/L	N/A
	9. Review Asset Valuation Reserve determinations	C/H/L	N/A
	10. Requests for clarification of SAOs received	C/H/L/P	N/A

Is Actuarial Opinion or Communication an SAO?	Actuarial Opinion/Communication	Traditional Areas of Actuarial Practice	Applicable Qualification Standard
B. These opinions, communications, and testimonies are SAOs if based on actuarial considerations.	1. Issue actuarial opinions re: resolution of troubled company	C/H/L	General
	2. Review reinsurance contracts for compliance with risk transfer and 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. Rate filing — written or oral approval/disapproval	C/H/L	General
	12. Reserve adequacy opinion — approval/disapproval	C/H/L/P	General
	13. Approve/disapprove actuarial portion of policy forms	C/H/L	General
	14. Approve/disapprove actuarial memo on reserves and nonforfeiture values	C/H/L	General
	15. Resolve filed audit issues consistent with ASOPs	C/H/L/P	General
	16. Review small group annual actuarial certifications	H	General
	17. Review actuarial opinion of political subdivision that self-funds its health insurance	C/H/L	General
Key: (C) Casualty; (H) Health; (L) Life; (P) Pension; (N/A) Not Applicable			

APPENDIX 2

**SAMPLE ALTERNATIVE BASIC EDUCATION
STATEMENT (SPECIFIC QUALIFICATION STANDARD)⁶**

I have been requested by [ACTUARY'S NAME] to provide a written statement regarding their knowledge of the topics covered by relevant education, such as actuarial examinations required by the American Academy of Actuaries' (Academy) Specific Qualification Standard for

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I meet the Specific Qualification Standard described above, based upon my education, experience, and continuing education.

It is my opinion that [ACTUARY'S NAME] has gained comprehensive knowledge of the subjects necessary to meet the basic education requirements of the Academy's Specific Qualification Standard for [DESCRIPTION OF OPINION] through the following responsible work [and/or] self-study:

[Insert a description of the responsible work and/or self-study undertaken by an actuary to satisfy the applicable Specific Qualification Standard. Section 3.1.1 provides guidance on the examination topics at issue.]

Based on the foregoing, I believe that [ACTUARY'S NAME] has satisfied the alternative education requirement of the Academy's Specific Qualification Standard for [DESCRIPTION OF OPINION] for

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In so stating, I take no responsibility for the accuracy, completeness, or quality of any work undertaken by [ACTUARY'S NAME].

[Signature]

[Date]

⁶ There is no requirement that this format be used.

⁷ Insert the applicable area of actuarial practice or the title or description of the particular statement of actuarial opinion to be issued, as appropriate.

⁸ Insert the applicable area of actuarial practice or the title or description of the particular statement of actuarial opinion to be issued, as appropriate.

APPENDIX 3

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 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 (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 60 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 30 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, 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 30 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, recordings, 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 (for example, 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 60 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 4

GUIDELINES FOR DETERMINING WHEN SPECIFIC QUALIFICATION STANDARDS SHOULD BE DEVELOPED

(Adopted by the Academy's Board of Directors on 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 that is embodied in a regulation or a standard and 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 15 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 area of actuarial practice, 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 5

SAMPLE CONTINUING EDUCATION RECORDKEEPING FORM

This form may be used to record earned credit hours for each Specific Qualification Standard requirement and/or General Qualification Standard requirements. Please note that, under the General Qualification Standard, hours should be recorded by area of actuarial practice. Record the number of hours earned in as many columns as apply. This information should be retained for six years.

Name: _____

CONTINUING EDUCATION HOURS									
Date	Sponsor or Activity	No. of hours	Subject	Area of practice	Specific Qualification Standard	Organized Activity Y/N	Professionalism Y/N	Bias Topics Y/N	Business Skills Y/N

Notes: An hour equals 50 minutes.
 Total hours must include at least 6 hours of organized activities, at least 1 hour of bias topics, at least 3 hours of professionalism, and a maximum of 3 hours of business skills topics.