



AMERICAN ACADEMY *of* ACTUARIES

---

**SECOND EXPOSURE DRAFT**

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

**Comment Deadline: July 1, 2006**

**Approved by the Board of Directors  
American Academy of Actuaries  
for release as an exposure draft  
January 26, 2006**

---

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

**TABLE OF CONTENTS**

Transmittal Memorandum .....	iii
Section 1. Introduction.....	1
1.1 Duty of Qualification .....	2
1.2 Purpose of Qualification Standards .....	2
1.3 General and Specific Qualification Standards .....	2
1.4 Structure of Qualification Standards.....	2
1.5 Periodic Assessment .....	3
Section 2. General Qualification Standard .....	3
2.1 Basic Education and Experience Requirement.....	3
2.2 Continuing Education Requirement.....	4
2.3 Actuaries Issuing Statements of Actuarial Opinion in More than One Area of Actuarial Practice.....	6
2.3.1 Statements of Actuarial Opinion Involving Skills that Can Be Learned in More than One Area of Actuarial Practice .....	6
2.3.2 Statements of Actuarial Opinion that Blend Elements of Two or More Areas of Actuarial Practice .....	6
2.3.3 Statements of Actuarial Opinion in Two or More Distinct Areas of Actuarial Practice.....	6
2.4 Statements of Actuarial Opinion Issued by More than One Actuary .....	7
Section 3. Specific Qualification Standards .....	7
3.1 Basic Education Requirement.....	7
3.1.1 Successful Completion of Examinations .....	8
3.1.1.1 Statement of Actuarial Opinion, NAIC Life and A&H Annual Statement.....	8
3.1.1.2 Statement of Actuarial Opinion, NAIC Property and Casualty Annual Statement.....	8
3.1.1.3 Statement of Actuarial Opinion, NAIC Health Annual Statement.....	8
3.1.2 Alternative Basic Education .....	8
3.2 Experience Requirement.....	9
3.3 Continuing Education Requirement.....	9
Section 4. Changes in Practice and Application .....	9
4.1 Changes in Areas of Actuarial Practice .....	9
4.1.1 General Qualification Standard .....	9

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

4.1.2	Specific Qualification Standard .....	9
4.2	Changes in Application .....	9
4.3	Emerging or Non-Traditional Areas of Actuarial Practice .....	10
Section 5.	Acknowledgment of Qualification.....	10
Section 6.	Recordkeeping Requirements .....	10
6.1	Continuing Education Recordkeeping Requirements.....	10
6.2	Substantiating Compliance .....	11

**APPENDIXES**

Appendix 1	Examples of Statements of Actuarial Opinion.....	12
Appendix 2	Sample Alternative Basic Education Statement (Specific Qualification Standard) .....	17
Appendix 3	Procedures for the Adoption of Qualification Standards by the American Academy of Actuaries.....	18
Appendix 4	Guidelines for Determining When Specific Qualification Standards Should Be Developed.....	23
Appendix 5	Sample Continuing Education Recordkeeping Form .....	24

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

**TRANSMITTAL MEMORANDUM**

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

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

SUBJECT: Proposed Amendments to Qualification Standards (Doc. No. 077)  
Second Exposure Draft

DATE: March 1, 2006

---

The American Academy of Actuaries, the American Society of Pension Professionals and Actuaries, the Society of Actuaries, the Casualty Actuarial Society, and the Conference of Consulting Actuaries have adopted an identical *Code of Professional Conduct* (Code) that requires their members to: (1) perform professional services only when they are qualified to do so; and (2) meet applicable qualification standards. The Code notes that actuaries must observe the applicable qualification standards issued by an actuarial organization that is a full member of the International Actuarial Association (IAA) for the jurisdiction in which actuarial services are being performed. A similar requirement in the IAA Code of Professional Conduct requires actuaries who are members of a full member organization of the IAA to meet the qualification standards of the American Academy of Actuaries when practicing in the United States.

The current *Qualification Standards for Prescribed Statements of Actuarial Opinion* (Qualification Standards) have been effective since April 15, 2001. In November 2002, the Committee on Qualifications solicited input on a discussion draft that proposed to expand significantly the scope of the Qualification Standards from its current focus on statutory and regulatory work to all statements of actuarial opinion. A majority of respondents agreed that the scope of the Qualifications Standards should be expanded. In May 2004, the Committee on Qualifications released an exposure draft that defined a statement of actuarial opinion as an opinion expressed by an actuary to be relied upon by the outside person or organization to whom the opinion is addressed. The respondents to the exposure draft were again receptive to the expansion of the Qualification Standards, although some respondents expressed concern over the definition of a Statement of Actuarial Opinion. One concern was that the revised definition of a Statement of Actuarial Opinion went beyond the scope of Precept 2 of the *Code of Professional Conduct*.

## SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)

*The Committee has revised the definition of a Statement of Actuarial Opinion as follows:*

**For purpose of these Qualification Standards, a Statement of Actuarial Opinion (SAO) is an opinion expressed by an actuary 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. Many actuaries hold positions that are non-actuarial in nature or have non-actuarial aspects (e.g., general management positions). Actuaries in such positions may have general occasion to issue oral or written statements by virtue of the positions they hold and not because they are actuaries. The Qualification Standards 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 Qualification Standards are not intended to apply.**

**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.”**

Several questions were raised with respect to draft reports that are sent to clients, which are included as SAOs in Appendix 1 of the 2004 exposure draft. Although the actuary may send a draft to a client with an understanding that the report has not been subject to an organization’s full review process, and may change as a result of that review process, it is the Committee’s opinion that, if the draft contains actuarial information, it is an SAO and the actuary issuing the report must be qualified.

Several respondents raised questions regarding the basic education requirement of the general qualification standard, specifically with respect to exam content. The Committee is recommending that the following basic education and experience requirements should be met before issuing an SAO:

- 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.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

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, or the American Society of Pension Professionals and Actuaries (currently casualty, health, life, and pension), 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.

***There are no substantive changes to the basic education and experience requirements of the specific qualification standards***, although they have been organized in a more streamlined manner. The examination content listed therein has been reviewed by the Academy’s Health, Life, and Casualty Practice Councils.

There were several suggestions that the Continuing Education Requirements of the Qualification Standards should be increased and many suggestions that the list of Organized Activities should be expanded. In light of these comments and the increased level of scrutiny on all professional service organizations, ***the Committee on Qualifications recommends increasing the current continuing education requirement of 24 hours over a two-year period to an annual 30-hour requirement of continuing education that is “relevant to the subject of the SAOs that they issue.”*** At the same time, the Committee recommends that continuing education requirements may be satisfied by ***any*** appropriate available means, including self-study, thereby eliminating the requirement for organized activities. However, the Committee encourages the participation in activities that provide interaction with groups of actuaries or other professionals whenever possible. Expanding the possible sources of continuing education and eliminating the distinction between organized and other activities minimize the financial burdens of the increased requirement.

***The Committee recommends an increase in the continuing education requirement for the specific qualification standards from 12 to 15 hours.*** At least 6 of the 15 hours must involve interaction with outside actuaries or other professionals.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

The Committee would appreciate feedback from the entire membership on these proposed Qualification Standards and is especially interested in responses to the following questions:

1. Does the revised definition of a statement of actuarial opinion, in conjunction with the examples in Appendix 1, provide sufficient clarity as to the scope of the Qualification Standards?
2. Is the revised basic education and experience requirement sufficiently clear?
3. Should the continuing education requirement be expanded to 30 hours annually, with an elimination of the distinction between Organized and Other activities and with the expansion of covered activities to include self-study?

Please submit your comments on the second exposure draft either by e-mail to [qualifications@actuary.org](mailto:qualifications@actuary.org) or to the following address:

Committee on Qualifications  
American Academy of Actuaries  
1100 17th Street NW  
Washington, D.C. 20036

In order to be considered, comments must be received by the close of business on **July 1, 2006**.

Thank you for your assistance with this important matter.

### **Board of Directors**

Peter L. Perkins, President

Stephen J. Lehmann, President-Elect	Ethan E. Kra
John P. Parks, Secretary-Treasurer	Elise C. Liebers
Michael S. Abroe, Vice President	Karl Madrecki
Mary D. Miller, Vice President	Thomas G. Myers
Geoffrey C. Sandler, Vice President	R. Stephen Radcliffe
David K. Sandberg, Vice President	Edward L. Robbins
Donald J. Segal, Vice President	P.J. Eric Stallard
Timothy J. Tongson, Vice President	Christine L. Stroud
Geoffrey C. Sandler, Vice President	Andrea M. Sweeny
Robert E. Wilcox, Past President	Thomas S. Terry
Barbara J. Lautzenheiser, Past President	Patricia A. Teufel
Alfred A. Bingham, Jr.	James F. Verlantz
Thomas A. Campbell	

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

**Committee on Qualifications**

Kathleen A. Riley, Chairperson

Nolan E. Asch

Donna Claire

Mary Frances Miller

Carl Shalit

Henry W. Siegel

Frank P. Stone



**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

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

**Section 1. Introduction**

The American Academy of Actuaries (Academy), through Precept 2 of its *Code of Professional Conduct*, requires its members to: (1) perform professional services only when they are qualified to do so; and (2) satisfy applicable qualification standards.<sup>1</sup> Such professional services may include the rendering of advice and recommendations or opinions based upon actuarial considerations, including the issuance of Statements of Actuarial Opinion.

By virtue of their common *Code of Professional Conduct*, members of the American Society of Pension Professionals and Actuaries (ASPPA), the Casualty Actuarial Society (CAS), the Conference of Consulting Actuaries (CCA), International Actuarial Association (IAA), and the Society of Actuaries (SOA), whether or not they are also members of the Academy, are subject to all requirements imposed by these Qualification Standards upon members of the Academy.

**For purposes of these Qualification Standards, a Statement of Actuarial Opinion (SAO) is an opinion expressed by an actuary 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. Many actuaries hold positions that are non-actuarial in nature or have non-actuarial aspects (e.g., general management positions). Actuaries in such positions may have general occasion to issue oral or written statements by virtue of the positions they hold and not because they are actuaries. The Qualification Standards 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 Qualification Standards are not intended to apply. (See Appendix 1 for examples.)**

**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.”**

---

<sup>1</sup> The *Codes of Professional Conduct* of all five of the U.S.-based actuarial organizations are identical in this respect. The word “actuary” as used herein means an actuary who is a member of ASPPA, the Academy, the CAS, the CCA, or the SOA, as well as a member of any actuarial organization that is not U.S.-based but requires its members to meet these Qualification Standards when practicing in the United States.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

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 these Qualification Standards.

- 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.** While this obligation may be met by an actuary obtaining experience and education in a manner or to an extent differing from that contained in these Qualification Standards, where an actuary has satisfied these standards, 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 Qualification Standards** — Statements of Actuarial Opinion often involve the public interest. 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. These Qualification Standards have been developed to provide guidance to actuaries so they can determine whether they are qualified to issue Statements of Actuarial Opinion. Qualification Standards 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 Qualification Standards** — The Qualification Standards are structured around areas of actuarial practice. An actuary practicing in a traditional 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 these Qualification Standards. Additional guidance concerning the application of the Qualification Standards to emerging or non-traditional areas of practice appears in Section 4.3.

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

## SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)

- 1.5 Periodic Assessment — Actuaries should regularly review their qualifications and may contact the Committee on Qualifications 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. 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 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 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, 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 –

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

- 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.

### 2.2 Continuing Education Requirement

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 improvements in actuarial practice and science that are relevant to the Actuarial Services they provide. Further, opportunities to practice are expanding beyond traditional work for pension plans and insurance companies to encompass the broader world of financial services. Actuaries working in emerging areas may need to be familiar with new techniques and concepts from other related disciplines (e.g., economics, statistics, finance, investments, accounting, computer modeling, and law).

Continuing education offers actuaries the opportunity to keep abreast of developments in actuarial science. Continuing education can also equip actuaries with the necessary background and understanding to move into emerging areas of practice or to expand their current practices to encompass new business opportunities.

Continuing education requirements such as those set forth in these Qualification Standards are not a guarantee of competence. Their purpose is to require actuaries to make a reasonable, good faith effort to get and maintain the education they need to provide a high quality of Actuarial Services, whether in existing, emerging, or completely new areas. It is an actuary's responsibility to ensure that work is performed with integrity and competence.

To satisfy the General Qualification Standard, actuaries are required to complete and document at least 30 hours each calendar year of continuing education that is relevant to the subject of the Statements of Actuarial Opinion that they issue. The 30-hour requirement must be met before an actuary can issue a statement of actuarial opinion. Hours spent meeting the basic education and experience requirement may also be applied toward the continuing education requirement if earned in the year prior to issuing the statement of actuarial opinion. The 30-hour requirement encompasses the continuing education requirement of the Specific Qualification Standards (see Section 3.3). Furthermore, if an actuary must obtain continuing education requirements in more than one area of practice, the total hours required

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

remains at 30. An actuary should use good judgment in obtaining continuing education in all areas of practice related to the actuary's work and is reminded of the obligation under Precept 2 of the *Code of Professional Conduct* not to perform work unless qualified to do so.

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 best enhance an actuary's ability to practice in a desired field.

Organized activities such as conferences, seminars, and webcasts that provide an opportunity for "Q&A" or actuarial committee meetings can be particularly valuable sources of continuing education because they offer the chance for dialogue with other actuaries. Also, continuing education need not be purely "actuarial" in nature. To the contrary, a course on Financial Accounting Standards Board (FASB) standards, computer modeling, or financial economics might be particularly valuable to an actuary if it enhances an actuary's knowledge concerning his or her practice. Sessions on professionalism topics can be particularly useful and actuaries are encouraged to include them as part of the continuing education requirement.

Self-study is a worthwhile source of continuing education, although it does not offer the same opportunities for dialogue that organized activities typically do. Careful reading of relevant articles in journals and learned treatises, publishing relevant papers or articles in actuarial or other professional journals, listening to tapes of actuarial meetings or other relevant seminars or conferences, studying for actuarial exams, or drafting actuarial exam questions can all provide an actuary with meaningful continuing education.

Enrolled Actuaries who issue Statements of Actuarial Opinion other than Schedule B (Form 5500) certification and other government-required forms must supplement the Joint Board's continuing education requirements with the continuing education requirements of the Qualification Standards. Each hour that satisfies the Joint Board's continuing education requirement can also be counted as an hour of continuing education for purposes of these Qualification Standards.

An hour is defined as 60 minutes and fractions of an hour may be counted. Up to 10 hours of continuing education earned in any year, in excess of the required 30, may be carried forward to the following calendar year.

In recognition of preparation time, two additional credit hours, for a total of three, may be counted for each hour spent as an instructor, discussion leader, or speaker at a continuing education activity.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

General business courses and educational materials, while beneficial, typically do not contain enough current technical content to qualify as relevant continuing education under these Qualification Standards. Such courses and materials may be considered personal development but should not be counted toward the continuing education requirements of the General Qualification Standards.

### 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 should be particularly mindful of the obligation under Precept 2 of the *Code of Professional Conduct* not to issue such Statements of Actuarial Opinion unless qualified to do so and 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). An actuary is reminded of the obligation under

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

Precept 2 of the *Code of Professional Conduct* not to perform work unless qualified to do so.

- 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.<sup>3</sup> The Statements of Actuarial Opinion for which Specific Qualification Standards currently should be met are the following:

- Statement of Actuarial Opinion, NAIC Life and A&H 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 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

---

<sup>3</sup> The Committee on Qualifications considers specific guidelines in determining when a Specific Qualification Standard should be developed (see Appendix 4).

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

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 and A&H 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 or the Casualty Actuarial Society on the following topics: (a) policy forms and coverages, underwriting, and marketing; (b) principles of ratemaking; (c) statutory insurance accounting and expense analysis; and (d) premium, loss, and expense reserves.

#### **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 the 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



## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

actuary who was qualified to issue the Statement of Actuarial Opinion at the time the review took place under standards in effect at that time. Although this experience need not necessarily be recent, it must be relevant to the subject of the Statement of Actuarial Opinion.

- 3.3 Continuing Education Requirement — In addition to meeting the continuing education requirement of the General Qualification Standard (see Section 2.2), 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 interaction with outside actuaries or 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.

### **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 principles of actuarial practice, 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.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

- 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 believe I meet the Qualification Standards 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 four years beyond the year(s) to which the records are applicable.

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

- 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 Qualification Standards.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

### **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 general consensus of the Academy's Committee on Qualifications.

#### **I. General Observations**

- a. Unless so designated by an actuary, internal communications within a company, firm, or governmental agency are not SAOs.
- b. A preliminary draft of an actuarial opinion that has not been provided to an actuary's client who requested the opinion is not an SAO. A preliminary draft of an actuarial opinion that has been provided to an actuary's client who requested the opinion is 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 an actuarial opinion.
- 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.

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

**II. Commonly Issued Actuarial Opinions and Work Products**

Please observe that only *actuarial* statements of opinion can be SAOs.

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

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

<b>Is the Actuarial Opinion or Communication an SAO?</b>	<b>Actuarial Opinion/Communication</b>	<b>Area of Actuarial Practice</b>	<b>Applicable Qualification Standard</b>
	29. Policyholder dividend opinion	L	General
	30. CCRC pricing opinion	H/L/P	General
	31. Health & welfare fund financial opinion	H	General
C. These determinations are SAOs.	1. SFAS 35 determination	P	General
	2. SFAS 87 & 88 determination	P	General
	3. SFAS 106 determination	H/L/P	General
	4. SFAS 109 liability determination	H/P	General
	5. SFAS 112 determination	C/H/L/P	General
	6. GASB 25 determination	P	General
	7. GASB 27 determination	P	General
	8. CAS 412 determination	P	General
	9. CAS 413 determination	P	General
	10. SFAS 5 determination	H/L/P	General
	11. SOP 92-6 retiree obligation opinion	H/P	General
D. These opinions and communications may contain an SAO.	1. Slide presentation (depends on content)	C/H/L/P	General
	2. Speech (depends on content)	C/H/L/P	General
	3. Phone conversation (depends on content)	C/H/L/P	General
	4. 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
	5. Congressional testimony (almost always an SAO if an actuary is testifying as an expert on an actuarial subject)	C/H/L/P	General
	6. 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
E. These opinions are usually SAOs because they are relied on by third parties.	1. Pension plan cost	P	General
F. 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
G. These communications are not SAOs.	1. Draft of an actuarial report (unless provided to the actuary's client)	C/H/L/P	N/A
	2. Meeting minutes	C/H/L/P	N/A
	3. Letters to the editor	C/H/L/P	N/A
	4. Interview by media	C/H/L/P	N/A
Key: (C) Casualty; (H) Health; (L) Life; (P) Pension; (N/A) Not Applicable			

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

**III. Application of Qualification Standards to Public Service Actuaries**

The Qualification Standards 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.

<b>Is Actuarial Opinion or Communication an SAO?</b>	<b>Actuarial Opinion/Communication</b>	<b>Traditional Areas of Actuarial Practice</b>	<b>Applicable Qualification Standard</b>
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

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

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.	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			



**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

**APPENDIX 2**

**SAMPLE ALTERNATIVE BASIC EDUCATION STATEMENT  
(SPECIFIC QUALIFICATION STANDARD)<sup>4</sup>**

I have been requested by [ACTUARY’S NAME] to provide a written statement regarding his/her knowledge of the examination topics required by the American Academy of Actuaries’ (Academy) Specific Qualification Standard for

5

---

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

6

---

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

---

[Signature]

[Date]

---

<sup>4</sup> There is no requirement that this format be used.

<sup>5</sup> Insert the applicable area of actuarial practice or the title or description of the particular statement of actuarial opinion to be issued, as appropriate.

<sup>6</sup> Insert the applicable area of actuarial practice or the title or description of the particular statement of actuarial opinion to be issued, as appropriate.

**SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

**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 (Academy) for the adoption of Qualification Standards.

**I. Development**

The Committee on Qualifications may develop a proposed qualification standard whenever, in the committee's judgment, development and adoption of the proposed standard would further the goals and interests of the Academy. Proposed changes or new qualification standards must be approved by at least a majority vote of a quorum of the Committee on Qualifications, and must be accompanied by a written report from counsel advising the Board of Directors (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;

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

- 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.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

### **IX. Committee deliberations**

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

### **X. Public hearings**

- a. Public hearings are not generally required, but may be convened at the discretion of the Committee on Qualifications or by request of the Academy President. Factors to be considered in deciding whether a public hearing should be held include:
  1. The complexity of the exposure draft;
  2. The professional significance of the exposure draft; and
  3. Any other relevant considerations.
- b. Expenses directly related to the hearing will be borne by the Academy, including the cost of a hearing room, tape-recording and transcription services, audio-visual equipment, and production of printed materials. However, those attending and participating in the hearing will do so at their own expense.
- c. Notice of the public hearing will be given to the recipients of the exposure draft through *The Actuarial Update* or otherwise at least 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.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

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

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

### **XII. Final approval**

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

### **XIII. Promulgation**

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

The final standard will contain the following information:

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

### **XIV. Documentation**

- a. All written comments, tapes, transcripts, and other relevant materials connected with the development of a standard will be available for inspection in the Academy office during normal business hours for one year following the later of either the effective

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

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.

## **SECOND EXPOSURE DRAFT—Qualification Standards (January 2006)**

### **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.

