

February 12, 2018

Ms. Kris DeFrain
Director of Research and Actuarial Services
NAIC
At kdefrain@naic.org

Subject: Revised P/C Qualified Actuary Definition

Thank you for the opportunity to comment on the proposed definition of Qualified Actuary for Property/Casualty Quarterly and Annual Statements. I am an actuary.

The following changes should be made to the definition of Qualified Actuary:

- 1A (i) should be stricken from the definition of Qualified Actuary so that the definition of Qualified Actuary does not include a reference to the Qualification Standards promulgated by the American Academy of Actuaries ('the Academy').
- 1A (iii) should be changed from "is a member of the American Academy of Actuaries" to "is a member of US-based actuarial organization that is a full¹ member of the International Actuarial Association."

The reasons for these suggested changes are as follow:

- The American Academy of Actuaries ('the Academy') has closed all meetings to the Committee on Qualifications ('CoQ') to observers. Additionally, the Academy has closed meetings to the Actuarial Standards Board {'ASB'} unless the ASB chair approves the observer. The Academy's updated meeting policy is not in the public interest and is inconsistent with the sunshine laws the commissioners must follow and the robust open meeting policy of the NAIC.
- There is no reason to require membership in the Academy over and addition to membership in other US-based actuarial organizations. This increases the cost for actuaries, but does not increase the professional obligations of the actuary.

¹ Criteria for full IAA membership can be found at http://www.actuaries.org/ABOUT/Documents/Criteria_Membership_EN.pdf In order to be a full member of the IAA, an actuarial organization must have adopted a code of conduct and met other criteria. There are five US based actuarial organizations that are full members of the IAA: American Academy of Actuaries, ASPPA College of Pension Actuaries, Casualty Actuarial Society, Conference of Consulting Actuaries, and the Society of Actuaries,

Academy's Open Meeting Policy

At its January 2018 board meeting, the Academy changed its open meeting policy from a fairly open policy to a very restrictive policy. The CoQ promulgates the Qualification Standards. All CoQ meetings are now closed to individuals who are not members of the CoQ. The ASB promulgates actuarial standards of practice. ASB meetings are now closed unless the ASB chair approves the attendance of the observer. So, it is possible that an ASB chair could exclude individuals due to personal bias, hostility or arbitrary reason. Additionally, closed meetings do not promote an exchange of diverse ideas or inspire public confidence.

By incorporating the Qualification Standards into the definition of Qualified Actuary, the NAIC and the state commissioners are delegating to the Academy the ability to determine the necessary experience, education and continuing education for Qualified Actuaries. By requiring membership in a US based actuarial organization, the NAIC is essentially delegating to the ASB the authority to promulgate the actuarial standards by which NAIC opinions are prepared.

The NAIC holds itself to a high standard with respect to open meetings which is consistent with the NAIC membership and mission. Additionally, a robust open meeting policy is important so that there is transparency into the process and that the public may participate in the process. This is especially true when there may be a perception that state regulators are delegating rule-making authority to the NAIC and the NAIC is then re-delegating that same authority.

The Academy needs to be held to a similar standard with respect to open meetings if the NAIC is to incorporate the Qualification Standards and require Academy membership.

Membership

It is not appropriate to require that a Qualified Actuary be a member of the Academy.

Same Professional Standards

Currently, all five US-based actuarial organizations have adopted the Code of Conduct promulgated by the Academy. A member of any of these actuarial organizations must satisfy the Qualifications Standards and adhere to the actuarial standards of practice promulgated by the ASB. Thus requiring membership in the Academy does not impose additional professionalism or education requirements onto an actuary. However, it does force the actuary to bear multiple sets of annual dues.

Multiple Annual Fees

To require membership in the Academy forces actuaries to be a member of two actuarial organizations and thus pay two sets of annual dues. The Academy does not provide basic actuarial education or basic actuarial credentialing. So, historically US property and casualty actuaries have typically belonged to the Casualty Actuarial Society ('CAS') because they completed their basic education and received their actuarial credential through the CAS. The Society of Actuaries ('SOA') also offers property/casualty education through their general insurance track.

The Academy does important work, but it is not appropriate to fund that work through mandatory Academy membership for those who sign annual property and casualty statements.

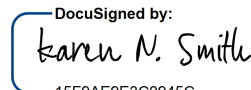
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Thank you very much for consideration of my comments.

The opinions in this letter are my personal opinion and do not represent any actuarial organization to which I belong.

I am available to answer questions or provide additional information. The easiest way to reach me is via email at karens@nova401k.com.

Sincerely,

DocuSigned by:

15F9AE9E3C0945C
Karen Smith, FSA, MAAA

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