

## **Does the SOA Need a Continuing Professional Development Requirement?** by Ian Duncan and Kathleen Wong

*From the Editor: The Society's Board of Governors, at their June meeting, approved a draft continuing professional development (CPD) requirement for SOA members, to become effective on Jan. 1, 2009. The board had been considering this issue for over a year, and the Knowledge Management Strategic Action Team (KMSAT) developed the proposal specifics. Given the importance of this development to the profession in general, and its particular implications for entrepreneurial actuaries with relatively limited education resources, TIC is running this article to present the concerns of one of our members, Ian Duncan, along with responses from Kathleen Wong of the KMSAT.*

*As the details of any final CPD rules are developed, we encourage you to send your opinions and comments on to the section council so that we can represent our members' views back to the SOA. Feedback is welcome on whether the requirement is necessary, what the requirement specifics should be or any other aspect of the issue.*

***Ian Duncan:*** At the outset, let me say that I do not oppose the notion of continuing education. Far from it: I speak regularly at SOA and other professional meetings, perform research and publish, and chair the Health Section's professional community team which develops relationships with healthcare researchers. My objection is based on principle and the requirement's economic implications. I would recommend that all actuaries consider these principles:

The board has not explained what problem it is trying to fix. In the U.K. profession, a CPD requirement was introduced a couple of years ago in response to the supposed failure of the profession in connection with the insolvency of the Equitable. But it is not clear how continuing education of actuaries would have prevented this failure. The disciplinary body found two of the Equitable's actuaries guilty of not adhering to the profession's Guidance Notes (equivalent to ASOPs), but the connection between a CPD requirement and adherence isn't clear. And what is appropriate in the United Kingdom doesn't necessarily translate to the United States.

We have the American Academy of Actuaries (Academy) as the body that maintains oversight over standards of practice and administers the Actuarial Board for Counseling and Discipline (ABCD). Failure on the part of an actuary to perform according to actuarial standards may be referred to the ABCD. The Academy's Qualification Standards contain a CPD requirement, and revisions to those Standards currently underway will strengthen that requirement and broaden the definition of actuarial statements of opinion so they apply to virtually all U.S. actuaries. We also have a more aggressive legislative legal climate in which a professional failure by the actuary may lead to litigation, a powerful check on the professionalism of actuaries. The environment already contains sufficient checks, balances and incentives for the actuary to practice professionally.

***Kathleen Wong's response:*** At its March 2007 meeting, the board determined that CPD is an appropriate role for the SOA, to achieve the strategic vision of the organization—for actuaries to be recognized as the leading professionals in the modeling and management of financial risk and contingent events. A key aspect of this vision is the concept of professionalism, which carries with it an obligation to maintain qualifications throughout one's career. External forces have also shaped the board's decision. One of the findings of the Morris Review in the United Kingdom was that actuaries were not keeping current on advances in fields affecting their work. The report cited the Equitable failure and also the inappropriate advice given to pension plans. The Critical Review of the U.S. Actuarial Profession (CRUSAP), convened at least partly in reaction to the Morris Review, included a recommendation that actuarial organizations define the purpose and scope of professional development for their members.

Ian noted that the Academy sets standards of practice and also requires that actuaries issuing public statements of opinion be qualified to do so. However, many of our members are not covered by these requirements—either because they don't practice in the United States or because they don't issue public statements of opinion. In the aggressive legal climate that Ian alludes to, specifying what the actuary is required to do to create a presumption of having met continuing education requirements will be helpful to actuaries who do find themselves threatened by litigation.

**Ian:** We are a profession, and a professional has a duty to his profession. We each benefit from the profession that was built by our predecessors, and owe a responsibility to pass on a flourishing profession to our successors. Many actuaries take this responsibility very seriously and volunteer in the service of the profession. Equally, the professional has an obligation to maintain his professional standards. By satisfying the profession's rigorous examination requirements we have demonstrated that we have the perseverance, seriousness and study skills necessary to be actuaries. These skills don't evaporate on qualification, so why the board thinks it is necessary to demand that they be demonstrated annually after qualification is not clear.

**Kathy:** A professional's duty to the profession is one of the strongest arguments in support of a CPD requirement. Appropriate CPD ensures that anyone calling himself an actuary has remained qualified. Meeting the initial examination requirements demonstrates the skills necessary to initially qualify as an actuary and the ability to remain current in the field; it does nothing to assure that the actuary will in fact take the steps to remain qualified. While an actuary's skills do not evaporate on qualification, those skills will erode over time if continuing education is not pursued.

**Ian:** Who should be responsible for determining an actuary's continuing education requirements? I would argue that it is the actuary and his employer or client who are in the best position to judge what education and training are necessary and, in the case of the employer, to provide it. In imposing a requirement for CPD on actuaries, the board is saying that it needs to regulate the profession in order to fix a "market failure," presumably that the actuary and his employer or client don't require enough continuing education. Even if it were true that the actuary isn't spending enough time on continuing education, isn't it the responsibility of the actuary and his employer or client to determine the necessary level of education, policed by the purchaser of the actuary's professional skills who is in the best position to assess whether the actuary is performing at a required standard? As an employer of actuaries and seller of actuarial services, I know that my firm would not last very long if we ceased to stay abreast of and train in the latest tools and techniques in our field. The board has not even begun to demonstrate that these market-based mechanisms have failed and require supplementing with a CPD requirement.

**Kathy:** I strongly disagree with this assertion. The client is generally not in a position to know what training the actuary needs; they are hiring the actuary because they don't have actuarial expertise. In some cases, the same may hold true for the employer, who may be more of a generalist than his employee or may not be an actuary. A major finding of the Morris Review was that actuaries are too insular, and the report specifically discounted the value of CPD provided by the employer. If everyone talks only to colleagues at their same company, how do they learn what is happening in the rest of the actuarial world and in related professions?

On the other hand, the actuary himself may indeed be in the best position to judge what education and training are necessary to maintain and enhance his education. The proposed CPD program is designed to be flexible, allowing each actuary to determine the most appropriate way to fulfill the requirement. Each actuary will also be responsible for justifying his choices, particularly if a disciplinary action ever arises. Finally, the profession should be proactive in setting CPD expectations rather than waiting for existing market-based mechanisms to fail.

**Ian:** What, exactly, does an actuary need to know? One of the most troubling aspects of a general CPD requirement is that it is often so vague: the actuary should demonstrate that he is studying something—anything! The U.S. profession is in a difficult position with respect to its educational requirements because it operates a two-class membership system; both associates and fellows are considered professionals qualified to practice. If there is a standard of education that a qualified actuary must demonstrate in order to practice (and maintain through CPD), what is that standard? Is it demonstrated by knowledge at the associateship level, or the fellowship level? The U.S. profession with its multiple levels of professional qualification is in a box: it can't tell us what additional education we require to be considered qualified actuaries until it imposes a single, minimum initial standard of qualification on all actuaries.

**Kathy:** The current proposal leaves it up to the individual actuary to determine what type of CPD they need, both in subject matter and level. This flexibility recognizes that actuaries are at different positions in terms of knowledge and expertise, and

would be necessary even if the SOA only credentialed fellows.

The requirement will be specific in terms of the number of hours of education required over a cycle and how many of those hours must be in “structured” activities. The point is to give actuaries an idea of the minimum amount of time that should be devoted to CPD. It will make clear that each actuary needs to determine CPD activities that are appropriate for their situation. Using levels from the SOA’s value ladder to describe sessions at continuing education sessions will help actuaries find appropriate activities. The board also intends to encourage sections to develop recommended CPD strategies for actuaries at varying levels of expertise, as a guide for actuaries practicing in specific areas.

**Ian:** One argument made for CPD is that other professions have such a requirement. Even if one accepts that actuaries should follow other professions, the existence of CPD requirements for lawyers and doctors has not eliminated medical errors or legal malpractice. If there are ills to be cured in the actuarial profession, let’s figure out what they are and how to cure them directly.

**Kathy:** Having a CPD requirement is a hallmark of a profession. Actuaries who do not maintain their knowledge and skills reflect poorly on all actuaries and devalue the FSA. While the existence of CPD requirements has not eliminated errors or malpractice in other professions, it quite likely has lessened them.

**Ian:** What sanctions will be associated with the final requirement? Will the SOA bust an FSA in rank down to ASA, or put an asterisk by their name? Do employers or clients care? As an employer of actuaries I care about what level of educational attainment a new hire has achieved, but once they join my company I am responsible for determining their training needs. The sanction that probably does mean something is the loss of membership in the Academy, for those actuaries who require membership to sign statements; actuaries who can’t afford the time and expense of the SOA’s CPD requirements may choose to hold only that designation.

**Kathy:** Sanctions will be laid out clearly in the final proposal. The draft proposal, subject to modification, is that an actuary who does not attest to meeting CPD will not lose his credential. However, there will be an indication in the membership

directory that he has not fulfilled the requirement, and the actuary will be required to communicate "change in status" to any current clients and whenever he makes public actuarial statements.

It is expected that in the case where a disciplinary action is initiated against an actuary, the fact that the actuary has not met CPD requirements will be a negative that may be considered in evaluating the case. Making a false statement about having completed CPD will in itself be cause for disciplinary action.

The Academy has also recently promulgated new qualification standards for actuaries issuing statements of actuarial opinion. Those standards were developed independently of the KMSAT's work on the SOA plan, but the resulting requirements from the two organizations are quite similar. In recognition of this, the board agreed to allow an alternate compliance route for CPD. That route would allow members to satisfy the SOA's CPD requirements by satisfying either the Canadian Institute of Actuaries (CIA) or the Academy requirements. This alternate route should eliminate any incentive for an actuary to choose to drop the SOA designation.

**Ian:** There is a conflict of interest inherent in the board's actions. We need to ask *cui bono*, or who will benefit most from this requirement? Those who would truly benefit (employers and clients) are not clamoring for regulation. The SOA provides most of the continuing education in the profession, and it is one of the biggest profit centers for the SOA. Members of the Entrepreneurial Actuaries Section, who generally have limited CPD resources and are concerned about the cost this requirement imposes on our members, serve direct client needs and are probably as aware as any of client demands. And our members are very concerned about the multiple continuing education demands being required by different actuarial bodies. As a small employer who also has to comply with the CIA's requirement for 100 hours of CPD in a two-year period, I am absolutely opposed to the CPD regulation as a tax on my company. Why I would want to pay this price to employ an actuary when I can hire a non-actuary with health care experience?

**Kathy:** We are very cognizant of the expense issue for entrepreneurial actuaries and SOA members who work internationally. The CPD requirements have been set with consideration of how to make the process economical for actuaries in all

situations—for example, limiting the amount of CPD that must be obtained in a structured setting, allowing employer-provided training for most of the structured requirement, including webcasts or certain types of volunteer committee work as structured credit. Structured CPD can also be obtained from providers other than the SOA.

Continuing education is not a major profit center for the SOA. As an educational organization for actuaries, provision of continuing education is certainly an important responsibility of the SOA. The increase in demand for CPD that will flow from this requirement may well enable us to provide continuing education programs on a more cost-effective basis.

**Ian:** We all have a responsibility to continuously upgrade our skills and remain abreast of techniques we deem necessary. But the ultimate determinant of the required skills is the needs of our employers and clients. I urge the profession to reject the imposition of a regulatory standard and to exercise their professional responsibility in this area. I urge board members to reconsider and to leave education decisions to members and employers. I urge the profession to be aware of the power wielded by its board, which, while elected, can enforce far-reaching regulations over all actuaries with little opportunity for member feedback. And I urge members of the profession to be alert to their board and its actions, and, if necessary, to let members know if those actions are not in the best long-term professional interests of members.

**Kathy:** I hope these comments have helped to address some of the concerns of the section and at least given you an understanding of how the board reached its decision. I recognize that some of you will still remain unconvinced. The details of the final plan will be exposed to the membership once the board approves them (target date October 2007); members who have specific concerns can contact the SOA for more information. I encourage you to forward your suggestions and reactions, in particular with respect to specific aspects of the plan that you feel could be improved.

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*AXA Equitable Life Insurance Company. She currently is a vice president of the Board of Governors of the SOA and a member of the KMSAT. For more information on KMSAT's work or to provide them with your comments, please contact Emily Kessler, KMSAT's SOA staff lead, at [ekessler@soa.org](mailto:ekessler@soa.org).*