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NEWS RELEASE

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Actuaries Support “Systemic Risk Regulator” to Prevent Future Financial Meltdowns

WASHINGTON – 5 March 2009 – The American Academy of Actuaries supports the establishment of a governmental regulator to prevent systemic risk from destabilizing the U.S. economy, according to written testimony submitted to a congressional subcommittee.

“The time has come for a financial regulator focused on systemic risk,” wrote **James Rech**, the American Academy of Actuaries vice president for risk management issues.

Rech said that a governmental systemic risk regulator can effectively manage financial risks and protect the public, provided that the regulator implements actuarial principles and concepts. He identified regulatory controls in the insurance industry that have successfully limited systemic risk and said that the concepts should be used in developing a regulatory structure for credit default swaps and other financial products with insurance-like features.

“We think there are valuable ‘lessons learned’ from insurance regulation that can inform the debate over creation of a systemic risk regulator,” Rech wrote. “It begins with understanding and defining risks, measuring those risks over time, and linking the possible measurement outcomes to effective actions. Actuaries are key players in this process, because of the extensive experience the profession has in dealing with risk management and solvency issues.”

The testimony was submitted on behalf of the American Academy of Actuaries Risk Management and Financial Reporting Council to the U.S. House Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises. For more information or to schedule an interview with James Rech, please contact Andrew Simonelli, assistant director of communications for the American Academy of Actuaries, at 202.785.7872. For more information on the American Academy of Actuaries, or to obtain a copy of the testimony, please visit: www.actuary.org.

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