



AMERICAN ACADEMY *of* ACTUARIES

September 13, 1999

The Honorable Robert Bennett, Chair
Special Committee on the Year 2000 Technology Problem
U.S. Senate
Washington, D.C. 20510

Dear Senator Bennett:

As a representative of the American Academy of Actuaries Committee on Property and Liability Issues, I am pleased to provide you with a copy of a report recently completed by the Casualty Actuarial Society's Work Group on Y2K Issues. The report "A White Paper on Actuarial Considerations Related to Y2K Insurance Exposures and Liabilities" was prepared at the request of the Academy by the Casualty Actuarial Society (the international research, examination, and membership organization for actuaries in property and casualty insurance) on a fast-track research basis. The white paper examines the Y2K issue from an insurance liabilities perspective. It includes the survey results from interviews with accountants and insurance regulators on the Y2K issue. Key findings of the report are:

- Y2K insurance liabilities are unlike any historical liability, though in some respects they are similar to mass torts and natural catastrophes;
- current federal and state legislation and court interpretations of policy language may have a material impact on liabilities;
- most state insurance regulators surveyed believe Y2K losses will not have a significant impact on insurer profitability or solvency;
- most accountants and state regulators surveyed agree that the liability for individual insurers is not yet reasonably estimable and will not be as of December 31, 1999.

The report also provides actuaries with some of the tools they need to better prepare for the Y2K event. The Academy stands ready to assist you with any other insurance related issues. Please feel free to contact Greg Vass, Casualty Policy Analyst at 202-223-8196 or vass@actuary.org if we can be of further assistance.

Sincerely,

Frederick Kist, FCAS, MAAA
Chairperson,
Committee on Property and Liability Issues

The American Academy of Actuaries is the public policy organization for actuaries practicing in all specialties within the United States. A major purpose of the Academy is to act as the public information organization for the profession. The Academy is non-partisan and assists the public policy process through the presentation of clear and objective actuarial analysis. The Academy regularly prepares testimony for Congress, provides information to federal elected officials, comments on proposed federal regulations, and works closely with state officials on issues related to insurance. The Academy also develops and upholds actuarial standards of conduct, qualification and practice and the Code of Professional Conduct for all actuaries practicing in the United States.