



AMERICAN ACADEMY *of* ACTUARIES

September 1, 2006

Honorable Michael G. Oxley
Chairman
House Committee on Financial Services
2308 Rayburn House Office Building
Washington, DC 20515

Honorable Barney Frank
Ranking Member
House Committee on Financial Services
2252 Rayburn House Office Building
Washington, DC 20515

Honorable F. James Sensenbrenner, Jr.
Chairman
House Committee on the Judiciary
2449 Rayburn House Office Building
Washington, DC 20515

Honorable John Conyers, Jr.
Ranking Member
House Committee on the Judiciary
2426 Rayburn House Office Building
Washington, DC 20515

Dear Congressmen:

The Nonadmitted and Reinsurance Reform Act of 2006 (H.R. 5637), which was marked up by the Financial Services Committee on July 26, would streamline regulation of multi-state surplus lines insurance. We write to you to request an addition to the legislation's "Definitions" section (Sec. 106) with respect to requirements of a "Qualified Risk Manager." The legislation as amended designates certain credentials as qualification for risk managers, yet does not include actuaries.

Actuaries have expertise in the area of risk management and insurance coverage. Actuaries share an expertise in assessing risk, designing insurance programs, establishing prices for these programs, and ensuring that these programs are maintained on a sound financial basis. Actuaries also employ a broad knowledge of business, economics, finance, mathematics, and statistics to evaluate the financial implications of uncertain future events such as death, sickness, injury, disability, extreme medical costs, or property loss.

In addition, many actuaries are involved in setting company policies and are often called on to explain complex technical matters to company executives, government officials, shareholders, policyholders, or the public. Most actuaries are employed in the insurance industry by consulting firms, insurance companies, or regulatory agencies. Many non-insurance financial service institutions, such as banks and securities firms, also employ actuaries.

Actuaries need a strong background in topics such as mathematics, economics, statistics, and finance. An undergraduate degree in one of these areas is typically the start of the academic training for an actuary. A rigorous examination process is also required to obtain professional designation in the actuarial profession. The successful completion of this examination process has often been compared to obtaining a doctorate or PhD in mathematics or finance.

The American Academy of Actuaries¹ offers suggested language for inclusion of an actuary with the designation of the M.A.A.A. (member of the American Academy of Actuaries) as one of the qualified risk managers listed in the amendment. Members of the Academy are required to adhere to high standards of conduct, practice, and qualifications of the actuarial profession, thereby supporting the actuarial profession in fulfilling its responsibility to the public. Precept 2 of the Actuarial Code of Conduct states that an actuary shall perform within his/her qualifications, based on education and experience². This limits actuaries that do not have the qualifications from functioning as a qualified risk manager in addition to other roles.

The Academy's Risk Management and Financial Reporting Council is available if you would like to discuss the qualifications of actuaries as risk managers. If you have any questions concerning this letter please direct them to Craig Hanna, Director of Public Policy, at (202)-223-8196 or hanna@actuary.org.

Sincerely,



Peter Perkins
President
American Academy of Actuaries



Timothy J. Tongson
Vice President, Risk Management and Financial Reporting Council
American Academy of Actuaries

¹ The American Academy of Actuaries is a national organization formed in 1965 to bring together, in a single entity, actuaries of all specializations within the United States. A major purpose of the Academy is to act as a public information organization for the profession. Academy committees, task forces and work groups regularly prepare testimony and provide information to Congress and senior federal policy-makers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions and other forms of risk financing. The Academy establishes qualification standards for the actuarial profession in the United States and supports two independent boards. The Actuarial Standards Board promulgates standards of practice for the profession, and the Actuarial Board for Counseling and Discipline helps to ensure high standards of professional conduct are met. The Academy also supports the Joint Committee for the Code of Professional Conduct, which develops standards of conduct for the U.S. actuarial profession.

² PRECEPT 2. An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards.

CC:

Honorable Richard C. Shelby
Chairman
Senate Banking Committee
534 Dirksen Senate Office Building
Washington, DC 20510

Honorable Paul S. Sarbanes
Ranking Member
Senate Banking Committee
534 Dirksen Senate Office Building
Washington, DC 20510

Suggested insertion into amendment:

Section 106 (9)(C) (Insert on Page 4, Line 20)

(v) "A designation as a Member of the American Academy of Actuaries (MAAA) issued by the American Academy of Actuaries (AAA)."