



AMERICAN ACADEMY *of* ACTUARIES

June 8, 2011

Honorable Jeffrey A. Goldstein
Under Secretary for Domestic Finance
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220-0002
Re: Federal Advisory Committee on Insurance

Dear Secretary Goldstein:

On behalf of the American Academy of Actuaries¹ (Academy), I call your attention to a critical consideration regarding actuarial participation to secure the effectiveness of the proposed Federal Advisory Committee on Insurance (FACI). As announced in the *Federal Register* (5/13/11), appointments to the Committee will be made with the “objective of creating a diverse and balanced body with a variety of interests, backgrounds, and viewpoints represented” and who possess “relevant expertise.” Such diversity and experience will not be realized if the committee does not include individuals with direct actuarial expertise.

The charge of the Federal Insurance Office (FIO), as identified in the *Federal Register*, notice illustrates the need to have actuarial expertise represented directly and specifically on the panel. The FIO’s duties include: monitoring all aspects of the insurance sector, generally (except Health, Long-term Care, and Crop Insurance), domestic and foreign, prudential and systemic risk regulation, examining whether underserved communities have access to affordable insurance products (often related to actuarial risk assessment and underwriting). The FIO’s duties also include administering the Terrorism Risk Insurance Program. In addition, it is expected that the FIO will collect data and information on and from the insurance industry; enter into information-sharing agreements; analyze and disseminate data and information; and issue reports regarding all lines of insurance (except health insurance), which again distinguishes the core competencies of actuaries. Further, much of the information that the FIO, and therefore the FACI, will examine, will emanate from actuaries in the insurance industry. Just as it is necessary to have actuarial oversight at the state regulatory level to fully assess the industry’s actuarial work product, it is important, if not more important, at the federal level to assist the Committee and the FIO Director in navigating these complex issues.

Finally, it is the nature of the actuarial profession’s peer reinforced oversight that makes the point why the actuarial voice on the FACI is essential. Just as the regulatory actuary is in place to critically examine the work of industry, there similarly should be controls in place to view the work of technical advisors on staff to the FIO to ensure their resources are deployed appropriately and adequately to complete the Office’s mission.

¹ The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Actuaries are required to adhere to the profession's Standards of Practice and Code of Professional Conduct, which establish high standards of conduct, practices, and qualifications. Actuaries maintain their qualifications through continuing education, on-going training, and experience.

Actuaries have been instrumental in the development of the regulations and risk management frameworks governing the insurance industry. The actuarial profession today regularly provides input to insurance regulators concerning the design and implementation of regulations dealing with insurer solvency, including required minimum reserve levels and risk-based capital requirements. Actuaries also are employed in other sectors of the financial services industry beyond the insurance sector, including pension funding, healthcare, and investment banking.

I welcome the opportunity to discuss with you any additional contributions actuaries might have for the FOCI, and should you require input on examining individual qualification criteria as you review applications, please feel free to contact the Academy through Craig Hanna, Director of Public Policy (hanna@actuary.org or (202) 223-8196).

Sincerely,

A handwritten signature in black ink, appearing to read "M. Frances Miller", is centered on a light gray rectangular background.

Mary Frances Miller
President
American Academy of Actuaries

cc: Chris Ledoux
Federal Insurance Office
Via email: conrad.ledoux@treasury.gov