



AMERICAN ACADEMY of ACTUARIES

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August 31, 2017

Honorable Mike Crapo
Chairman
Committee on Banking, Housing,
and Urban Affairs
U.S. Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
U.S. Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Re: S. 1360—*International Insurance Capital Standards Accountability Act of 2017*

Dear Chairman Crapo and Ranking Member Brown:

On behalf of the Financial Regulatory Task Force of the American Academy of Actuaries,¹ the national association for the U.S. actuarial profession, we want to take the opportunity to provide comments on a bipartisan bill referred to the Committee on Banking, Housing, and Urban Affairs—S. 1360, the *International Insurance Capital Standards Accountability Act of 2017*.

Our comments specifically are in reference to Section 4, regarding the establishment of the Insurance Policy Advisory Committee on International Capital Standards and Other Insurance Issues by the Board of Governors of the Federal Reserve System.

We believe that any such committee that is established for such purposes should have a clear charge and scope of responsibility. The proposed bill should include a statement of purpose for the newly formed advisory committee, explicitly stating its role in supporting the Board of Governors with respect to the responsibilities described in the following sections 5 and 6. This will provide a greater level of clarity to the committee's members, members of Congress with oversight responsibility, and external stakeholders.

Second, we believe that given the scope of responsibilities of the committee, changes to the list of experiences included in the bill are necessary to appropriately support its future work. The current list is appropriate for matters dealing with availability and affordability issues within the insurance sector but does not explicitly provide for financial issues such as capital standards. Thus, we suggest editing the current experience list within Section 4(b)(2), to include:

¹ The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted 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.

- Solvency regulation;
- Risk management for insurers/reinsurers;
- Capital management for insurers/reinsurers; or
- Financial strength analysis.

We also note that the health insurance sector is not included in the fields listed in Section 4(b)(1). To the extent that international capital standards are expected to apply to health insurance companies, we recommend adding health insurance to the sectors represented on the committee.

Finally, if Congress moves to establish the advisory committee, we strongly feel that the committee should include actuarial expertise specifically in the area of solvency matters. Actuaries are uniquely qualified through rigorous education and training to be experts in assessing the risks of insurance products and employee and retiree benefits, and their effect on companies' overall financial strength relative to the risks assumed. Actuaries have worked for decades with insurance and other financial sector regulators to develop prudent rules addressing insurer solvency, including regulatory capital requirements. A primary goal for actuaries and the actuarial profession is to maintain or strengthen each insurer's ability to fulfill its obligations to policyholders and the general public.

Therefore, we hope you will consider the aforementioned changes to the International Insurance Capital Standards Accountability Act of 2017. We believe they are in the public interest and are necessary to provide the proposed committee with the appropriate focus and membership to advise the board as it seeks to protect policyholders and maintain vibrant insurance markets.

We appreciate the opportunity to provide these comments. If you have any questions or would like to discuss further, please contact Nikhail Nigam, the Academy's policy analyst for risk management and financial reporting issues, at 202-223-8196 or nigam@actuary.org.

Sincerely,

William Hines, MAAA, FSA
Chairperson
Financial Regulatory Task Force
American Academy of Actuaries

CC: Members of the Senate Committee on Banking, Housing, and Urban Affairs