



AMERICAN ACADEMY *of* ACTUARIES

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May 19, 2017

The Honorable Paul Ryan
Speaker, U.S. House
H-232 Capitol Building
Washington, DC 20515

The Honorable Nancy Pelosi
Democratic Leader, U.S. House
H-204 Capitol Building
Washington, DC 20515

Re: H.R. 10, Financial CHOICE Act of 2017

Dear Speaker Ryan and Leader Pelosi:

On behalf of the Financial Regulatory Task Force of the American Academy of Actuaries,¹ the professional association for U.S. actuaries, we are providing you with comments regarding H.R. 10, the *Financial CHOICE Act of 2017*.

We take no position for or against any provision in the current draft of the legislation; however, we bring to your attention a notable omission from the bill. If Congress wishes to establish an Office of the Independent Insurance Advocate (OIIA), that office should include within it an Office of the Actuary, overseen by a qualified chief actuary.

Without this important function, the OIIA would be disadvantaged in effectively fulfilling its mission. The actuarial role in regulation and oversight of insurance is a long-established and effective one, employed in U.S. state-based oversight and regulation, as a part of international insurance supervision, and in the management of many national financial security programs. Without the same dedicated capacity in a U.S. OIIA, that office would have to seek external expertise on the key aspects of its designated role such as evaluating the financial soundness of federal insurance programs and the effectiveness of existing and proposed regulatory regimes and risk management and mitigation programs.

Actuaries are uniquely qualified through rigorous education and training to be experts in assessing the risks of insurance products, employee and retiree benefits, and their effect on companies' overall financial strength relative to the risks assumed. Also, actuaries are required to adhere to the profession's Code of Professional Conduct that establishes high standards of conduct, practices, and qualification.

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.

Actuaries have been instrumental in the development of regulations and risk management frameworks governing the insurance industry. Recognizing this, Congress has established two distinct Offices of the Actuary for Social Security and Medicare in recognition of the unique capabilities of the actuarial profession related to the management of these benefits. Congress has highly regarded these actuaries' roles in meeting the objective of providing fair, balanced, and sound advice over the many years of their existence. Having a chief actuary in the proposed OIIA would accomplish the same result.

Qualified actuaries possess the tools and methods necessary to measure and manage the potential development of risk throughout the financial services system, particularly the insurance industry, which requires unique skill sets. Actuaries by their training and experience have the following skills needed to identify risk throughout the financial services industry:

- In-depth understanding of insured risks such as liability, damage to property and motor vehicles, mortality, morbidity, longevity, and catastrophe;
- Understanding how economic risks can affect the value of liabilities and company solvency; and
- The ability to develop and implement methodologies to quantify risk and communicate findings and options for managing and mitigating risk.

A qualified actuary leading an Office of the Actuary would provide essential expertise and services. If Congress chooses to establish an Office of the Independent Insurance Advocate, it would not be able to adequately address its many unique challenges without actuarial expertise. Actuarial solvency and risk management methodologies would be important in ensuring the success of the Office of the Independent Insurance Advocate.

In summary, if the House proceeds with the *Financial CHOICE Act of 2017*, including creation of an Office of the Independent Insurance Advocate, the American Academy of Actuaries strongly recommends adding an Office of the Actuary within the OIIA. So doing would be critical to the success and effectiveness of the OIIA. The Academy offers assistance in crafting such a provision within the Act. The Academy would also be available in the future to assist with developing infrastructure and procedures to most effectively serve the stated purpose of the proposed OIIA.

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