



AMERICAN ACADEMY *of* ACTUARIES

July 29, 2008

U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator:

The Insurance Information Act of 2008 (H.R. 5840) would create a federal Office of Insurance Information within the Treasury Department to advise the President and Congress on domestic and international policy issues in connection with all lines of insurance, except health insurance. Actuaries have historically played an essential role in the regulation of insurance. That role has included, among other functions, the review of reserve adequacy reports by companies, reviewing insurance product designs for all products and also the prices for non-life insurance products, reviewing contracts for risk transfer consideration, assisting in the design and operation of capital adequacy and risk management standards, and advising insurance commissioners in the event of mergers, acquisitions or insolvencies. Actuaries also serve as regulators, and have played a vital part in assuring the financial well-being of the industry.

On behalf of the Financial Regulatory Reform Task Force of the American Academy of Actuaries¹, I strongly encourage you to explicitly define the role of the actuary in this legislation. Ensuring that the actuary maintains a key role in any potential federal regulatory structure for insurance is fundamental to the objective of protecting insurance consumers and preserving the financial integrity of the industry.

The American Academy of Actuaries has worked for many years to assure that sound actuarial principles are reflected in the current state-based regulatory system. Should a federal system evolve, we feel that it too should directly incorporate the actuarial role.

The Task Force's specific suggestions for adding language to detailing the role of the actuary in the legislation follow:

- (1) In addition to the use of existing personnel to set up the Office of Insurance Information, a statement that an actuary will be added to the staff, reporting directly to the Deputy Assistant Secretary. One of the primary responsibilities of the office is "to receive, analyze, collect, and disseminate publicly available data and information and issue reports..." Actuaries are specifically qualified by education and experience to analyze insurance data, and would reasonably be expected to play a significant role in this effort.
- (2) Specific inclusion of a representative from the American Academy of Actuaries as a member of the Advisory Group to the Office of Insurance Information. The involvement of an Academy

¹ The American Academy of Actuaries is a 16,000-member professional association whose mission is to assist public policymakers by providing 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.

representative will ensure that sufficient resources and expertise are devoted to all actuarial issues confronting the advisory group.

Members of the Academy's Financial Regulatory Reform Task Force are available to further discuss the above suggestions. I have also attached a copy of the Academy's monograph, *Role of the Actuary Under Federal Insurance Regulation*, written in 2003, which gives more detail on many aspects of this issue.

The Academy maintains an objective perspective, and as such, does not take a position on whether or not a federal regulatory system for insurance is appropriate. However, as this and other proposals look to reconfigure insurance regulation, it feels that the role of actuaries in any such system should be explicitly addressed. If you have any questions concerning this letter or the attached please direct them to Craig Hanna, Director of Public Policy, at (202)-223-8196 or hanna@actuary.org or Tina Getachew, Risk Management and Financial Reporting Policy Analyst at (202)-223-8196 or getachew@actuary.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Rech". The signature is written in a cursive, flowing style.

Jim Rech
Vice President, Risk Management and Financial Reporting Council
American Academy of Actuaries