



AMERICAN ACADEMY of ACTUARIES

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December 15, 2014

Secretariat to the Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland
Via email fsb@bis.org

RE: Consultative Document, *Recovery and Resolution Planning for Systemically Important Insurers: Guidance on Identification of Critical Functions and Critical Shared Services*

Dear Sir or Madame:

On behalf of the Risk Management and Financial Reporting Council (the “Council”) of the American Academy of Actuaries,¹ I am pleased to provide comments to the Financial Stability Board (FSB) on the *Recovery and Resolution Planning for Systemically Important Insurers: Guidance on Identification of Critical Functions and Critical Shared Services* consultative document.

The Council believes that the effective resolution of financial institutions, including insurance companies, is a critical element of a well-functioning, prudential regulatory regime and has important economic benefits and we share the FSB’s goal in this regard. We agree generally with tenets of FSB’s stated objective for an effective resolution regime: “to make feasible the resolution of financial institutions without severe systemic disruption and without exposing taxpayers to loss, while protecting vital economic functions through mechanisms which make it possible for shareholders and unsecured and uninsured creditors to absorb losses in a manner that respects the hierarchy of claims in liquidation.”

Furthermore, the Council agrees it is imperative to identify resolution attributes of insurers that differ from other types of financial institutions, as the risks to which insurers are subject are unique to their structures and products. A definition of insolvency can be quite different for insurance organizations than for other financial institutions and would necessarily be reflected in their resolution plans.

¹ The American Academy of Actuaries is an 18,000+ 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.

While we do not offer any specific comments on the first seven questions related to critical functions and shared services contained in the consultative paper, the Council believes that there are other issues that would be helpful for the FSB in clarifying through further guidance as requested in Question 8. We note there are several references to “actuarial valuations” in the Insurance Annex, which indicates to us the FSB appreciates the value actuaries can add to a resolution process. Actuaries are specifically trained in the evaluation and management of risk and can contribute significantly to the effective planning, recovery, and resolution processes of insurers and financial security programs, such as benefit and retirement plans. The Council recommends that the FSB require entities to use specialized experts and technical resources, including actuaries, in these operations, as deemed appropriate.

In addition, the FSB consultation document proposes the creation of Crisis Management Groups (CMGs) and requires entities to develop recovery and resolution plans. Because of our education and experience, actuaries are well positioned to provide critical input to CMGs when assessing the risks and effectiveness of recovery and resolution plans for relevant entities, where the entities are insurers or the entities provide financial security programs for their employees or members, such as pension and employee benefit plans.

The Academy’s Public Interest Committee is currently examining the issue of sustainability within financial security programs. The Council would be happy to provide you with any work products or findings released by the Committee as they become available, as the recovery and/or resolution of insurance entities are integral parts of the sustainability process.

Thank you for this opportunity to provide our views on on the FSB’s consultation document. If you have any questions or would like to discuss these issues or any of the other items addressed in the consultation paper in more detail, please contact Lauren Sarper, the Academy’s senior policy analyst for Risk Management and Financial Reporting, at 202.223.8196 or sarper@actuary.org.

Sincerely,

William Hines, MAAA, FSA
Vice President
Risk Management and Financial Reporting Council
American Academy of Actuaries

cc: Jeff Schlinsog, Chair, Financial Regulatory Task Force, Risk Management and
Financial Reporting Council, American Academy of Actuaries
Daniel K. Tarullo, Governor, Federal Reserve Board
Marisa Lago, Assistant Secretary, U.S. Department of Treasury
Mary Jo White, Chair, U.S. Securities & Exchange Commission