



AMERICAN ACADEMY *of* ACTUARIES

April 13, 2012

Cyrus Amir-Mokri
Assistant Secretary for Financial Institutions
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220-0002

Dear Secretary Amir-Mokri:

I write to you regarding the important selection of qualified candidates to serve on the Financial Research Advisory Committee.

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 Financial Research Advisory Committee as announced in the *Federal Register* (March 22, 2012) in fulfillment of the Committee's mission to "provide advice and recommendations to the Office of Financial Research (OFR) and to assist the OFR in carrying out its duties and authorities."

Given that a major focus of the OFR's work is in support of the Financial Stability Oversight Council (FSOC) and the FSOC in turn is charged with comprehensive monitoring of financial services, including insurance, and is specifically, by statute, required to report on "significant financial market and regulatory developments, including insurance and accounting regulations and standards," I was dismayed that the skill sets identified for membership on the Committee did not include actuarial science. Instead, only the fields of economics, financial institutions and markets, statistical analysis, financial markets analysis, econometrics, applied sciences, risk management, data, information standards, and technology, were indicated.

Much of the information that the FSOC, OFR, and therefore the Committee, is expected to 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 just as important—if not more so—to include actuaries at the federal level as the Committee navigates these complex issues. The dissemination of analysis and data and issuance of reports regarding insurers and the insurance markets across traditional lines of coverages (Property/Casualty, Life) as well as their cross-functional practices (reinsurance risk transfer, capital markets, etc.) distinguishes the core competencies of actuaries.

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.

The nature of the actuarial profession’s peer-reinforced oversight further underscores the point that the actuarial voice on the Committee 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 review the work of other technical advisors—whether it is for the work of the FSOC or Federal Office of Insurance—to ensure that resources are deployed appropriately and adequately to complete their respective missions.

Finally, just as the committee description states that the OFR occupies a place for which there “exists no other source within the Federal government that could serve this function,” the actuaries perform such a role within the insurance sector. I hope the exclusion of actuaries from the desired skills needed for the Advisory Committee was an oversight and that the selection process will reflect our profession’s expertise in its membership.

If you have any concerns or questions regarding this matter, please feel free to contact me through the Academy via Tina Getachew, senior analyst, Risk Management and Financial Reporting Council (getachew@actuary.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Maryellen Coggins", with a long horizontal flourish extending to the right.

Maryellen Coggins
Vice President
Risk Management and Financial Reporting Council
American Academy of Actuaries