



AMERICAN ACADEMY *of* ACTUARIES

June 9, 2010

The Honorable Christopher Dodd
Senate Committee on Banking, Housing,
and Urban Affairs

The Honorable Richard Shelby
Senate Committee on Banking, Housing,
and Urban Affairs

The Honorable Barney Frank
House Committee on Financial Services

The Honorable Spencer Bachus
House Committee on Financial Services

Dear Senator Dodd, Senator Shelby, Representative Frank, Representative Bachus:

As you work to reconcile the differences between H.R.4173 and S.3217 on financial regulation, the Financial Regulatory Reform Task Force (Task Force) of the American Academy of Actuaries¹ would like to take this opportunity to express its support for an Office of Financial Research (OFR) as contained in the Senate bill, including its responsibilities for

- the development of information related to the financial services industry,
- the monitoring of emerging risk developed from domestic and international sources, and
- the independent reporting and interpretation of results.

These responsibilities will include the identification of the development of risk at systemically important companies as well as across the financial services industry.

We believe the OFR would facilitate and provide consultation in Congressional oversight and legislation related to the development of systemic risk in the financial services industry. The Senate legislation proposes that both the OFR and the Office of National Insurance (ONI) accumulate and evaluate data related to the formation of systemic risk in the insurance industry. We urge the final legislation clarify the responsibilities of each Office so that there is no overlap or duplication in responsibilities. The legislation should clarify the distinction in the roles of the OFR and ONI and any complementary nature of the responsibilities related to the accumulation and analysis of data for the insurance industry.

We advocate for the creation of an Office of the Chief Actuary with responsibilities related to the federal oversight of insurance within the Office of National Insurance (ONI) and we also advocate for the allocation of actuarial expertise within the OFR in order to provide the necessary expertise for the monitoring of systemic risk. Our concern is not so much where an Office of Chief Actuary resides but rather that actuarial resources be deployed to facilitate effective systemic risk regulation across the financial services industry.

¹ The American Academy of Actuaries (“Academy”) is a 16,000-member professional association whose mission is to serve the public on behalf of 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

Systemic risk regulation includes the monitoring of the development of risk in the insurance industry as well as across the entire financial services industry. Actuaries, with a strong focus on the measurement and management of financial risks and training in data management, will be invaluable in the successful identification and management of systemic risk.

Sincerely,

A handwritten signature in black ink, reading "Jesse M. Schwartz". The signature is written in a cursive style with a large, stylized initial "J".

Jesse M. Schwartz
Chair, Financial Regulatory Reform Task Force
American Academy of Actuaries

CC:
The Honorable Nancy Pelosi
The Honorable John Boehner
The Honorable Harry Reid
The Honorable Mitch McConnell