



AMERICAN ACADEMY *of* ACTUARIES

October 9, 2001

The Honorable Michael G. Oxley
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Oxley:

The American Academy of Actuaries (the Academy)¹ observed with interest the Committee on Financial Services' recent hearing concerning the effects of the September 11 terrorist attacks on the insurance industry and its ability to pay claims. We appreciate the opportunity to serve as a resource to your committee as it seeks to address this important concern.

We understand that some of the proposals currently pending before Congress include establishing a commission on catastrophe loss and insurance loss costs. Such a commission would need members who are experts in the management and analysis of those risks. We recommend that any such commission include several qualified actuaries, and that the term "qualified actuary" be defined in the implementing legislation as "a member of the American Academy of Actuaries (MAAA)."

For more than thirty years, membership in the Academy has been a hallmark of professional quality. Academy members are bound by rigorous professional standards for conduct, practice and qualification and are subject to discipline (up to and including expulsion from membership) if they fail to meet those standards. Academy members are expected to be expert in the analysis and management of risk in their practice areas and to exercise reasoned professional judgment in addressing financial issues. The National Association of Insurance Commissioners has repeatedly recognized the value of Academy membership as evidence of actuarial professionalism by issuing model laws and regulations that define a "qualified actuary" as a member of the Academy.

¹ The American Academy of Actuaries is the public policy organization for actuaries practicing in all specialties within the United States. A major purpose of the Academy is to act as the public information organization for the profession. The Academy is non-partisan and assists the public policy process through the presentation of clear and objective actuarial analysis. The Academy regularly prepares testimony for Congress, provides information to federal elected officials, comments on proposed federal regulations, and works closely with state officials on issues related to insurance. The Academy also develops and upholds actuarial standards of conduct, qualification and practice, and the Code of Professional Conduct for all actuaries practicing in the United States.

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Academy members who practice in the insurance industry typically have a broad understanding of insurance risk and company financial management that could be invaluable to the proposed commission. For example, Academy members generally are well equipped to evaluate reinsurance arrangements. Including Academy members on the proposed commission can only enhance the commission's ability to consider and address the risks currently facing the insurance industry. That, in turn, will inevitably benefit the American public.

The Academy would welcome the opportunity to work with you and your committee on this important proposal. Please contact Todd Tuten, Director of Public Policy, or Greg Vass, Casualty Policy Analyst, at (202) 223-8196, if we may be of assistance to you.

Sincerely,

Lawrence A. Johansen
President