



# AMERICAN ACADEMY *of* ACTUARIES

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July 19, 2005

The Honorable Joe Barton  
Committee on Energy and Commerce  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Barton:

This letter presents the comments of the American Academy of Actuaries' Federal Health Committee<sup>1</sup> regarding the *Health Care Choice Act of 2005* (H.R. 2355). As introduced, this bill contains language that would allow a non-actuary to offer statements of opinion on reserves. For the reasons set forth below, we recommend that only a member of the American Academy of Actuaries be permitted to provide such an opinion.

The *Health Care Choice Act* states that health insurance issuers should submit:

*To the insurance commissioner of each secondary State in which it offers individual health insurance coverage, a copy of the issuer's quarterly financial statement submitted to the primary state, which statement shall be certified by an independent public accountant and contain a statement of opinion on loss and loss adjustment expense reserves made by— (A) a member of the American Academy of Actuaries; or (B) a qualified loss reserve specialist.*

We recommend that the legislation require that an opinion on loss and loss adjustment expense reserves be rendered only by a qualified actuary who is a member of the American Academy of Actuaries. An actuary who is an Academy member would be obliged to comply with the standards of qualification, conduct, and practice that the Academy enforces, as described below. This is also consistent with current requirements of state departments of insurance and the National Association of Insurance Commissioners (NAIC).

The American Academy of Actuaries is the U.S.-based organization with primary responsibility for promoting actuarial professionalism. Members of the Academy are subject to Qualification Standards promulgated by the Committee on Qualifications, and the Code of Professional Conduct, as well as Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB). Members of the Academy are also subject to the Actuarial Board for Counseling

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<sup>1</sup> The Academy is the public policy organization for actuaries of all specialties within the United States. In addition to setting qualification and practice standards, a major purpose of the Academy is to act as the public information organization for the profession. The Academy is nonpartisan and assists the public policy process through the presentation of objective analysis. The Academy regularly prepares comments on proposed federal regulations, and works closely with state officials on issues related to insurance. The Academy also supports the development and enforcement of 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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and Discipline (ABCD), which provides confidential guidance to actuaries on how to maintain high professional standards in their practices and investigates complaints that may be brought against them. Academy members who fail to comply with applicable professional standards are subject to public discipline up to and including expulsion from membership.

Through Academy membership, members are providing a high level of assurance of their qualifications and expertise for rendering a prescribed statement of actuarial opinion on reserves. An actuary credentialed by the Academy is required to have the appropriate education and experience to sign an actuarial opinion. Non-actuarial specialists, such as “qualified loss reserve specialists,” who are not members of the Academy, may not be subject to comparable professional standards, codes, and discipline processes. Further, they may not have the appropriate education or experience to certify loss reserves. Therefore, in a situation where a non-actuarial specialist had issued a flawed “actuarial” opinion or certification, there would not necessarily be any means to address the inadequacies in the specialist’s work or prevent flawed work in the future.

Recognizing the importance of actuarial professionalism, standards and the code of conduct, federal legislation and regulation have previously acknowledged the role of Academy membership. For example, the *Small Business Health Fairness Act of 2005* states, “The term ‘qualified actuary’ means an individual who is a member of the American Academy of Actuaries.” This legislation would require qualified actuaries to sign statements of actuarial opinion related to loss reserves, contribution rates, and current and projected value of assets and liabilities. Also, under the regulations for the *Medicare Prescription Drug, Improvement, and Modernization Act of 2003*, actuarial equivalence attestations must be signed by qualified actuaries who are members of the Academy. Thus, there already exists precedent supporting the requirement that actuarial certifications be made only by members of the Academy.

Members of the Academy would be happy to work with you on specific legislative language to appropriately reference the standards of conduct, practice, and qualifications of the Academy. If you or your staff have any questions please feel free to contact me through the Academy senior health policy analyst (federal), Holly Kwiatkowski at (202) 223-8196 or [kwiatkowski@actuary.org](mailto:kwiatkowski@actuary.org).

Sincerely,

Alfred A. Bingham, Jr., FSA, MAAA, FCA  
Chairperson, Committee on Federal Health Issues  
American Academy of Actuaries