

The NAIC's 2006 Fall National Meeting

by Eric C. Nordman, CPCU, CIE



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The National Association of Insurance Commissioners (NAIC) met in St. Louis, MO, from September 9–12, to consider a variety of important regulatory matters. The purpose of this article is to provide a brief summary of some of the activities that are of interest to the property and casualty industry.

The Property and Casualty Insurance Committee

The Property and Casualty Insurance Committee met and discussed a wide variety of issues. The committee heard a report from its four task forces and

eight working groups on a variety of topics. The committee also engaged in a debate about whether its Class Action Insurance Litigation Working Group should be working on a model law. The discussion took place as the committee considered its 2007 charges. Proponents for development of a model law maintain that it is needed as courts continue to serve as de facto regulators by certifying classes that should not be certified, and extending jurisdiction over insurance regulatory matters beyond their scope of authority. Opponents argue that the working group meetings are biased in favor of insurers and against consumers. Opponents complained that the meetings generally consisted of insurer representatives coming before the working group to complain about how expensive and troublesome class-action litigation is for them.

The Property and Casualty Insurance Committee also discussed two NAIC consumer alerts. NAIC staff advised that the *Consumer's Guide to Auto Insurance* and the *Consumer's Guide to Home Insurance* were recently updated to be included in the NAIC InsureU campaign. An outside firm had developed the InsureU program and wished to make the two consumer guides available to the public. Staff reported that other than cosmetic changes and updating the copyright, little had changed. **Eric C. Nordman, CPCU, CIC**, (NAIC) advised that more recent premium numbers had been substituted for older ones in the auto insurance guide, and that Colorado was now listed as a tort state instead of a no-fault state because of a recent law change. A working group was appointed to review the consumer guides and update them further, if necessary.

Surplus Lines

The committee heard from its Surplus Lines Task Force informing that it received a report from the Surplus Lines Financial Analysis Working Group on the previous quarter's addition of insurers to the NAIC *Quarterly Listing of Alien Insurers*. The task force also adopted a motion instructing the NAIC's International Insurers Department to adopt the UCAA biographical affidavit. The reason for considering this action is to establish a uniform format of the affidavit that is acceptable to all state insurance departments regardless of whether the insurer is admitted or alien. The task force heard a report from a group of interested parties regarding its progress on a proposal to form an interstate compact. The interested parties group proposes a compact as a solution to tax and regulatory issues presented by multi-state surplus lines placements. The interested parties group met in St. Louis on September 8, 2006, and working with regulators, will be trying to fashion an interstate compact that would establish standards for multi-state surplus lines transactions and address the premium allocation and tax issues.

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Statistical

The Statistical Information Task Force heard an update on progress toward delivering the Auto Database Report. The task force learned that all of the data has been received from the statistical agents and the states. It is undergoing the final review steps and will be sent to the data providers and the task force for final review shortly. The task force discussed progress on narrowing the questions being considered to identify what data or information needs to be collected to address public policy issues related to medical liability insurance. Interested parties suggested reaching out to them for assistance in identifying information sources. The task force agreed to listen to a presentation at the 2006 NAIC Winter National Meeting from the Physicians Insurers Association of America on the information it collects from its members. The task force also considered its proposed charges for 2007 and scheduled a conference call to finish work on them.

Workers Compensation

The Workers Compensation Task Force received the "State of the Line" annual update from the National Council on Compensation Insurance (NCCI). The advisory organization presented a preliminary 2005 private carrier workers compensation calendar combined ratio of 102 percent and a preliminary 2005 private carrier workers compensation accident year combined ratio of 90 percent. It was noted that workers compensation claims frequency continues to decline and that indemnity severity is moderating. The task force also received reports from its working groups. The task force learned that the Professional Employer Organization Model Law Working Group discussed its September 5, 2006, draft model regulation. Among issues identified in need of redrafting were those of "split workforce" and "client fee arrangements." It was explained that the draft would be revised by the end of September for discussion during a conference call in October. The task force received a report from the Large Deductibles Study Implementation Working Group. The

Working Group met on September 10, in joint session with the Producer Licensing (D) Working Group to discuss possible changes to the NAIC Third Party Administrator Statute. Principal among the proposed changes was that of adding workers compensation to the act. The task force received a report from the NAIC/IAIABC Joint Working Group. It was announced that the working group, which did not meet during the NAIC Fall National Meeting, would meet on September 26, 2006, in Little Rock, AR, to discuss independent contractor and cross-border claims issues. It was further noted that during the Arkansas meeting, the draft Third Party Administrator Statute would be presented for discussion. The task force also received reports from the NCCI Oversight Working Group and the Settlement Review Working Group. Details provided by these working groups were reserved for an executive session because of the sensitive nature of the regulatory discussions involved.

Natural Disasters

The Catastrophe Insurance Working Group met twice during the NAIC Fall National Meeting. Its first session was devoted to reviewing comments received on the white paper *Natural Catastrophe Risk: Creating a Comprehensive National Plan*. During the session, the working group heard from State Representative Brian Kennedy (RI) regarding the procedures that will be used to secure input from the National Conference of Insurance Legislators (NCOIL) on the white paper. The working group also discussed written comments from the American Academy of Actuaries (AAA), the American Insurance Association (AIA), the Cincinnati Insurance Companies, the Property Casualty Insurers Association of America (PCI), the Reinsurance Association (RAA), and State Farm. The working group had an open dialogue regarding the elements that should be contained within a comprehensive national plan covering natural disaster perils. It also discussed the implications of changing the tax law to allow insurers to establish forward-looking catastrophe reserves. The

working group discussed efforts that are needed to encourage the development of sound land use planning, effective and affordable mitigation efforts for disaster perils, and how to encourage retrofitting of existing housing stock. It also discussed how to encourage insurers to offer credits that recognize policyholder mitigation efforts in their property insurance rates. The working group recognized that inexpensive property insurance is partly responsible for enticing people to move to coastal communities and that current escalating rates cause hardships, particularly for those on fixed incomes. The working group discussed how insurers could influence disaster mitigation efforts in much the same way as they did for auto safety by encouraging the mandates for seat belts and air bags. As the meeting drew to a close, the working group decided that, following edits to its white paper, the working group would adopt the white paper on September 11, 2006, and send to the Property and Casualty Insurance (C) Committee. The working group would ask the committee to receive the report and submit it to NCOIL for its input.

The Catastrophe Insurance Working Group met for a second time on September 11, 2006. During its second meeting, the working group heard a report from Commissioner Paula Flowers (TN) on the activities of the New Madrid Subgroup. Commissioner Flowers advised that two informal meetings of the subgroup had been held. The first meeting occurred during the NAIC's 2006 Summer National Meeting and involved presentations from CUSEC, the USGS, and a consulting engineer. The second informal meeting was held on September 9, 2006. She advised that the subgroup has collected some information from states on their earthquake insurance markets and building codes. The working group also heard from NAIC staff that the model bulletin related to implementation of minimum flood insurance training requirements was adopted by the NAIC Plenary on September 10, 2006. The working group reviewed pending federal legislation addressing either the National

Flood Insurance Program or natural disasters. The working group received a letter from State Senator Pam Redfield (NE) regarding the procedures that will be used to secure input from NCOIL on the white paper *Natural Catastrophe Risk: Creating a Comprehensive National Plan*, and received a copy of an NCOIL resolution in support of the adoption of stronger building codes and building requirements. The working group had an open dialogue regarding the elements that should be contained within a comprehensive national plan covering natural disaster perils. The working group was not ready to adopt the white paper and, therefore, scheduled a conference call for the afternoon of Monday, September 18, 2006, to finish work on the white paper.

Terrorism

The Terrorism Insurance Implementation Working Group met September 11, 2006, to consider several matters. The working group held a moment of silence to honor those that lost their lives in the tragic events of September 11, 2001, and for those serving in the military. The working group heard a report on the Treasury's Terrorism Risk Insurance Program activities. The TRIP Office recently published final rules related to the types of commercial property and casualty insurance covered by the act, the mandatory make-available requirement, and the operation of the new program trigger. The working group also heard a report from Paul Mattera (Liberty Mutual) regarding the activities of the CEO roundtable related to its work on developing a framework for providing terrorism risk insurance. The objectives of the CEO roundtable are to promote stability of financial markets and economic recovery after a terrorist attack, focus the federal role on what private markets cannot do, maximize private capacity by facilitating entry of new capital, and encouraging underwriting discipline and sound financial management. The program design is for a two-part program that has the federal government assuming the risk of loss for acts of terrorism that involve nuclear, biological, chemical, or radiological

(NBCR) events and creating a program similar to the current Terrorism Risk Insurance Program for other terrorist acts. The program would apply to commercial property and casualty lines only. The working group also heard about a proposal from the American Insurance Association (AIA) for a long-term terrorism insurance approach. The AIA approach is similar to the CEO roundtable approach in that it creates two approaches, one for NBCR and one for the conventional terrorism risks. The AIA would also include tax incentives, pre-emption of state insurance coverage requirements, and regulatory oversight of rates, possible creation of voluntary risk pooling mechanisms, and relaxation of pre-loss reserving requirements. The working group heard from Wayne McOwen (Guard Financial) representing a coalition of insurers interested in workers compensation insurance related to acts of terrorism. He advised that workers compensation response to the injured workers and the economy is an important element in economic recovery following a terrorist event. McOwen stressed that workers compensation insurers, unlike providers of other commercial lines insurance, cannot limit coverage to the injured worker under workers compensation policies. The working group listened to comments from Rey Becker (Property Casualty Insurers Association of America—PCI) on PCI's perspective on the CEO roundtable proposal. They also heard from Ed Harper (Assurant), chairman of the Group Life Coalition. Harper supported the principles offered by the CEO roundtable and the AIA. He expressed concern over testimony presented by the NAIC to the President's Working Group related to group life insurance. Superintendent Howard Mills (NY) announced that the report from the President's Working Group would be an important element of the working group's future efforts. He advised that the regulators would plan to have conference calls to continue to make progress on the issue.

Class-Action Litigation

The Class Action Insurance Litigation Working Group met on September 9, 2006, and heard from consumer

representative David "Birny" Birnbaum (Center for Economic Justice) about his concern that the proceedings of the working group were biased in favor of insurers and against the interest of insurance consumers. The working group heard from Rey Becker (Property Casualty Insurance Association of America) concerning *Hensley v Computer Science Corporation*, an Arkansas class-action involving 581 insurers. The plaintiff attorneys are seeking certification as a national class to challenge the insurance industry's use of claims handling software. The working group also heard from Jim McCabe (representing Allstate) concerning *DeHoyas v Allstate*, a 2001 case brought by seven Allstate policyholders in the U.S. District Court, Western District of Texas. The working group learned that Allstate has offered to settle the case. In the settlement agreement, Allstate has agreed to change its insurance scoring algorithm, allow existing customers to have their policies re-rated, make its scoring algorithm available to the public, take steps to educate consumers regarding credit, develop an appeal program, and increase its marketing targeted to multicultural consumers. The working group heard from Garrett Williams (State Farm) regarding *Hill v State Farm*, a California class action asking for distribution of much of State Farm's capital and surplus. The working group learned that following an appeal the matter was remanded to the trial court. The trial court granted summary judgment to State Farm. The working group discussed a proposal by Commissioner John Morrison (MT) that the NAIC serve as a clearinghouse regarding a requirement of settlement negotiation to regulators that is contained in the Class Action Fairness Act of 2005. The working group adopted a motion to study whether the NAIC should serve as a clearinghouse for notices under the Fair Act. The working group also reviewed three alternative model law drafts to provide guidance to courts when a motion is before the court requesting certification of a class action, and motions are pending asserting lack of jurisdiction

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because the insurance commissioner has exclusive or preliminary jurisdiction over the action or as part of the action, or asserting that a party has failed to exhaust its administrative remedies. The working group decided to have a conference call to discuss the models further.

Risk Retention Groups

The Risk Retention Working Group met September 9, 2006. The working group heard a report from its Corporate Governance Subgroup. The subgroup is continuing its work on the draft corporate governance standards. The subgroup is making good progress and is hopeful that a completed draft will be ready for the 2006 Winter National Meeting. Derek White (VT) agreed to draft a document on ownership of risk retention groups to present to the working group in the near future. The Working Group also heard updates on the activities of the Risk Retention (E) Task Force and the Casualty Actuarial Task Force Warranty Subgroup. The working group learned that the Risk Retention Group (E) Task Force did not meet at the 2006 NAIC Fall National Meeting. The task force members continue to discuss state accreditation criteria and whether they apply to the regulation of risk retention groups. The Casualty Actuarial (E) Task Force Warranty Subgroup members have been developing guidance for actuaries commenting on the adequacy of funds to pay warranties. The subgroup members have begun to develop a draft of reserving issues related to service contracts. Nebraska Insurance Director Tim Wagner pointed out that these issues are not specific to risk retention groups but also apply to traditional insurers. He said two issues to address are the underlying reserves for warranty coverage and capturing data on warranty lines of business separately in company financial statement filings. The Working Group also discussed and agreed to correct the placement of language to the NAIC Risk Retention and Purchasing Group Handbook that had been adopted during the June 10, 2006, working group meeting. The language had been erroneously placed

in the section relating to the non-domiciliary state's requirements. The working group agreed that the changes should have been made in the section relating to domiciliary state regulatory authority.

Crop Insurance

The Crop Insurance Working Group listened to a report from the Federal Crop Insurance Corporation's Risk Management Agency (RMA). The working group discussed the RMA's Cooperative and Trade Association Payments to Producers Program. The RMA clarified that in order for companies in this program to offer rebates to its policyholders, they are required to obtain a letter from the state regulator indicating that the company's rebate does not violate the state's anti-rebating laws. The working group also received the Manager's Report to the Board of Directors, Federal Crop Insurance Corporation (FCIC), for the July 2006 meeting and received an overview of the recent NAIC/RMA financial analysis overview session held in Kansas City, MO. A status report on the RMA & NAIC agreement of information sharing efforts was provided.

Uninsured Motorists

The Uninsured Motorist Issues Working Group considered adopting Standards for Monitoring Compulsory Auto Insurance and Financial Responsibility Laws. Commentary was received from the working group on various sections of the Standards document. The working group agreed to a September 30, 2006, deadline for additional comments on the Standards document. The working group also agreed that at the 2006 Winter National Meeting, it will vote on the revised version of the Standards documents. The working group also discussed the 2006 Insurance Research Council (IRC) Study on Uninsured Motorists. David Snyder (American Insurance Association—AIA), provided information on the methodology used by the IRC to calculate the number of uninsured motorists in each state. Snyder proclaimed that the level of

uninsured motorists is nearly at the same level as with previous years, but there are differences in geographical areas. He maintained that it is important for the working group to not use a single methodology to measure the level of uninsured motorists. Director Eleanor Kitzman (SC) suggested that a baseline needed to be developed to more accurately measure the level of uninsured motorists in the United States. Donald Griffin (Property Casualty Insurers Association of America), supported the establishment of a baseline and reminded the working group of the importance of consistency. The working group discussed a State Uninsured Motorist Verification chart developed by NAIC staff. Director Kitzman reminded the working group that this chart is a "work in progress" and suggested that a draft of the chart be placed on the NAIC web page for commentary.

Title Insurance

The Title Insurance Issues Working Group received a presentation by Steve Alexander of the Florida Consumer Advocate's Office regarding an analysis of Florida's Title Insurance Market. Alexander highlighted several key issues affecting Florida's title market. Alexander revealed that the fundamental problem with title insurance was that the buyer was not the same as the payer and the fact that reverse competition is having an adverse affect on prices. He concluded his presentation with a recommendation that the costs of title insurance and title services should be included in mortgage interest rates so that proper price incentives could be restored. The working group also received a presentation from Rich Carlson (Miller Star Regalia) regarding new amendments and revision to the Title Insurance Model Act. He suggested that greater clarity and greater capacity was needed on the current model so that some of the current title insurance issues can be addressed. The working group agreed that a revision is needed, and that it was the appropriate group to conduct the revision. Carlson suggested an interim meeting to explore ideas

and recommendation on the proposed revision to the model. The working group determined that the revision should be placed on a future agenda along with Steve Alexander's recommended solution to controlling the costs of title insurance.

Advisory Organizations

The Advisory Organization Examination Protocol Working Group received a presentation by John Humphries (AGI Services), contract examiner with the Georgia Department of Insurance. Humphries discussed how his firm conducted statistical agent examinations. He explained review and evaluation procedures in addition to examination standards. He noted that the NAIC *Market Conduct Examiners Handbook*

has been helpful in providing guidance for conducting the statistical agent examinations. The working group discussed the need to update the NAIC *Market Examiners Handbook*, Chapter 25, titled "Conducting the Statistical Agent Examination." Bruce Ramge (co-chairman—NE) asked that members consider from the discussions what changes may be appropriate to update this chapter to include examination of both statistical agents and advisory organizations. He is to contact members in the next few weeks to identify those who wish to serve in an informal drafting group for this purpose. The working group also discussed the need to consider how best to conduct multi-state examinations,

when appropriate, of statistical agents and advisory organizations. The working group discussed the referral of these issues to a market regulation working group, in lieu of continuing with review of these issues through the current working group. There was general support that this should be seriously considered for 2007, but that for now, the working group would continue to make progress on these issues with special emphasis on property and casualty advisory organization examination concerns. ■

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Mega-Catastrophes: Industry and Government Collaboration

by Kathleen J. Robison, CPCU, CPIW, ARM, AU



Kathleen J. Robison, CPCU, CPIW, ARM, AU, has more than 30 years of experience with leading claims organizations, and possesses a wide range of commercial and personal insurance coverage knowledge and applicability. K. Robi & Associates, LLC, which she founded in 2004, provides customized consultant services in the property and casualty insurance fields, including expert witness testimony, litigation management, claims and underwriting best practices reviews/audits, coverage analysis, and interim claims management. She can be reached at (423) 884-3226 or (423) 404-3538; or at info@krobiconsult.com.

Mega-Catastrophes: Industry and Government Collaboration" was presented on September 12, 2006, at the CPCU Society's Annual Meeting and Seminars in Nashville. The Regulatory & Legislative Section developed the seminar along with the Reinsurance and Claims Sections.

The questions posed at the seminar were: Can a partnership be developed between government and industry to handle losses exceeding the industry's capacity? How can we maximize the use of the private sector strengths and expertise in claims handling under a private-public partnership?

The speakers were: **Robert Rick Jones, CPCU**, SCF Arizona (moderator); **William E. (Bill) Bailey, J.D., Ph.D., CPCU**, special counsel to the Insurance Information Institute; **Shelley S. Boone II**, DHS-FEMA, Region IV; **Davin D. Cermak**, NAIC; **Dakin Kinser, SCLA**, State Farm; **Scott Harris**, Department of Emergency Management, City of Nashville; and **Cecil Whaley Jr.**, Tennessee Emergency Management Agency. The panel of speakers presented the points of view of the regulator, legislator, and insurers.

Bailey began with an historical perspective. In the aftermath of Hurricane Andrew, 1992, the issue of government and industry partnership arose. There he served for 18 months as the director of the Hurricane Insurance Information Center. Hurricane Andrew created 700,000 claims. In 2004, Hurricanes Charlie, Francis, Ivan, and Jean hit Florida

creating 3,400,000 claims. Based upon the partnership models created by the government and the insurance industry, almost five times as many claims were adjusted promptly and efficiently. The claims were handled in less time in part due to technology advances but most importantly because there had been industry-governmental relationships developed. The models were in place.

Between 1992 and 2004, the partnership was developed and refined through the California Northridge earthquake, the Oklahoma City tornado, and other catastrophic events. During this period, New York sent people down to Florida to learn how the state of Florida was preparing to handle these large events. New York adopted Florida's "lessons learned," ran test exercises, and was able to utilize them on September 11, 2001.

Bailey stated that "the insurance industry has a well-developed CAT claims department with tested procedures and knowledgeable, experienced personnel." The various governmental entities



William E. Bailey, J.D., CPCU, explained how partnership models developed by the government and the insurance industry helped to adjust catastrophe claims more promptly and efficiently in the past several years.

partnering with the insurance industry were able to learn from and build upon that knowledge base.

The working partnership is important because 40 percent of the insured property in the United States is located in coastal counties. Hurricanes, tornados, and earthquakes will continue to occur from time to time. They have the ability to cause significant devastation. And that devastation has the potential to be greater than the industry could bear. The insurance industry, governmental entities, and the public section need to continue and further develop the partnership.

Davin D. Cermak, an economist from the NAIC who has worked extensively on catastrophe issues, stated that there already exists a private/public partnership. This occurs every time the government declares a disaster, and the President flies over in Air Force One.

He said that the lesson learned from Katrina is that society and government are ill-equipped to handle these mega-catastrophe type storms. He pointed to a number of issues as examples. Conflict exists over what is and what is not covered. The NAIC assisted in manning a hotline after Katrina. Individuals called in who had a wind policy, a flood policy, and a homeowners policy. They had been visited by three different adjusters with each one assigning different percentages of the damage caused by wind versus flood, and all they had left of their homes was a concrete slab. Cermak said that this is a part that needs to be fixed somehow and it will take a partnership to do it.

According to Cermak, another issue with mega-catastrophes is that our society has done a poor job in regard to land usage issues. We continue to build on beachfront areas, in floodplains, and on earthquake faults. Eventually storms come on shore, water rises, and the earth shakes. Major devastation occurs. And yet we continue to rebuild and build more in the same area.

The NAIC has put forth the Natural Catastrophe Insurance Plan. The regulators believe that there needs to



■ From left, Davin D. Cermak and Dakin Kinser, SCLA, explained the inherent problems with rebuilding on beachfronts, in floodplains, and on earthquake faults.

be a private-public partnership in these matters. As such, the plan contains three layers or elements: society, state, and federal.

The first layer would involve and impact business companies and society. There would be a mandatory offering of an All Peril Policy to consumers. The consumer would check off the coverages he or she does not want. The All Peril Policy could be mandatory where the mortgage is federally backed. Mitigation and retrofitting of existing buildings to withstand damages would be encouraged. Insurance companies would be allowed to build up tax-deferred reserves for future catastrophic losses.

The state's role would be to: develop an optional catastrophic fund on a state or regional level, have oversight and enforcement of building code requirements particularly in the high-risk areas, and collect premiums for the federal catastrophic fund layer, which would supplement the state/regional fund should it run dry. States can opt out of the federal fund if they have elected not to have their own catastrophic fund.

The federal role would be a sort of reinsurance for the state/regional funds. There would be a national committee established to oversee the plan, review the rates to insure that they are risk-based and sound, and to audit the state/regional funds.

Questions remain at what levels do the state/regional and federal funds kick in. A large issue is that the federal government wants a business, not a governmental solution. And a mandatory offer of All Risk Policy does not really change the societal risk because people still have to elect to buy the coverage and pay for it. According to Cermak, the challenge will be to find the correct balance between the individual and government.

Dakin Kinser, SCLA, a claims manager and disaster response coordinator for State Farm, discussed how the insurance industry's first responders (CAT teams) partner with the government agencies before, during, and after the disasters. Prior to the disasters, insurance carriers and governmental agencies should meet, discuss, and plan how to respond together to major catastrophes.

One such organization begun in Florida is called Partners in Recovery. Together they look for ways to respond quickly and in an efficient fashion to the people who need the help the most. Mega-catastrophes are human tragedies, and efforts must center on how to help the folks in need.

Part of partnering means that civil order exists in the affected area. The safety of claims personnel must be insured. Insurance companies cannot place their employees in work situations where civil unrest exists.

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Partnering also includes sharing resources. During the Katrina adjustment process, insurance companies brought in the resources to open hotels for their staffs. These hotels were also open to emergency personnel, FEMA, police officers, medial personnel, etc.

Kinser said that the insurance industry needs to continue to educate its policyholders on flood coverage. Often he has heard that most people believe the government will handle the situation for them, that their flood damage will be handled through the government-declared relief programs and, therefore, there is no need to buy flood insurance. At the same time, all should encourage the various governmental agencies to continue to promptly develop the technology that performs better prediction and communications functions. This will give everyone more time to prepare.

The next three speakers from various governmental agencies echoed the need for all individuals to be prepared. Shelley S. Boone II, acting director for the national Preparedness Division and facility manager for FEMA, Region IV, emphasized that all disasters are local. Long before the adjusters and FEMA arrive, it is the local police, emergency workers, firefighters, area volunteers, etc. working the problem. Therefore, it is a federal mandate to partner and to create partnerships prior.

After each disaster, FEMA goes through a reevaluation on how to do better the next time. It is essential that there be partnerships with the private sector. It is the private sector that supports the majority of the initial efforts. This is one reason that FEMA encourages businesses to develop continuity of operations in their disaster plans.

Boone reiterated the earlier speakers' statements concerning the partnership that has formed between the insurance industry and governmental agencies such as FEMA, since Andrew. He is encouraged that the partnership



■ Seminar panelists reinforced the importance of educating policyholders about flood coverage.

continues and is enhanced after each catastrophe to be better prepared for the next one.

Cecil Whaley Jr., from the Tennessee Emergency Management Agency, alerted the audience that the New Madrid fault line runs under the cities of St. Louis and Memphis. It is not a matter of "if" but "when" the New Madrid fault will result in an earthquake. Whaley said if the magnitude is similar to before the 1800s, it will be a catastrophe like nothing we have ever experienced before. And the disruption will be felt nationwide. For example, Memphis is home to the main activities of FedEx, and Louisville, KY, which is predicted to be 50 percent down, has a significant UPS operation.

Before the event occurs is the time to prepare. There must be partnerships established with operation models to get to those affected as soon as possible. And even with that people should be prepared to take care of themselves for 72 hours. Governmental agencies will not be able to get to all people in all areas immediately. Roads will be blocked. In some areas, there will be people who will need immediate attention, and that will take priority.

Scott Harris, from the City of Nashville, Department of Emergency Management, supports the remarks of Whaley. Harris stated that all emergency relief starts at the local level. It is whom you call first. It is where you look first.

He encourages all citizens to be prepared. Everyone should have a three-day supply of water, non-perishable food, a first-aid kit, battery-operated weather radio, and flashlights with batteries. Homeowners may even want to consider having a couple of blue tarps on hand to cover their homes should the roofs sustain damage.

Harris suggested that perhaps insurance companies should give a price break, a credit, for policyholders who have a disaster preparedness package and a plan for taking care of their homes to minimize damage. It would be similar to receiving a discount for having a burglar alarm system.

A question-and-answer session discussing the viability of state wind pools and other mechanisms followed. The moderator Rick Jones, CPCU, concluded the seminar by asking the audience to consider "Do we really learn anything from each catastrophe or are we just relearning the same things?" ■

Sections Strategic Task Force Report Summary

by Kathleen J. Robison, CPCU, CPIW, ARM, AU

At the CPCU Society's 2005 Annual Meeting and Seminars, the Board of Governors created a Sections Strategic Task Force. The task force developed a strategic vision for sections, and presented it to the board at the CPCU Society's 2006 Annual Meeting and Seminars in Nashville in September. The Board of Governors accepted the report and referred it to the Executive Committee to develop detailed recommendations for consideration by the board at the April 2007 Leadership Summit meeting. This article summarizes the report and recommendations.

David Medvidofsky, CPCU, CIC, chaired the task force. Members of the task force were **Tony L. Cabot, CPCU;** **Matthew J. Chrupcala, CPCU;** **John L. Crandall, CPCU;** **Clint Gillespie, CPCU;** **Michael J. Highum, CPCU;** **Kelli M. Kukulka, CPCU;** **W. Thomas Mellor, CPCU, CLU, ChFC;** **Kathleen J. Robison, CPCU, CPIW;** **Eli E. Shupe Jr., CPCU;** **Nancy S. Vavra, CPCU;** and **Barry R. Midwood, CPCU,** as CPCU Society liaison.

The task force began its assessment by focusing on issues of strategy and purpose. It developed a series of strategic questions designed to answer "who, what, and why," before addressing the question of "how?"

After task force consensus on the questions, feedback was shared with designated section liaisons. The task force also met with key stakeholders at the mid-year meeting to share findings, to test attributions, and to obtain additional input.

The task force took a qualitative approach relying on member input and interviews to develop findings. Prior survey data were reviewed.

Prior to creating the strategy, the sections' current mission and vision statement were reviewed. The task force recommended the following changes.

Special Note: One of the recommendations is to re-brand the sections into interest groups. Therefore, the reader will note the reference to interest groups rather than sections.

Proposed Mission

The CPCU Society aligns its members within interest groups consistent with the major disciplines of the property and casualty insurance industry. Serving the industry and other stakeholders in an ethical and professional manner, interest groups add value by increasing interest in attaining the CPCU designation and by helping make CPCU the most recognized, valued, and highly-respected designation in the property and casualty industry through consistent and valuable technical content.

Proposed Vision

Interest groups offer targeted educational content that make CPCU the most widely recognized, valued, and highly respected professional designation/brand in the property and casualty industry. Instead of being focused toward a value-add for a narrow target, interest groups are at the forefront for name recognition and desirability of the CPCU designation by reaching a broad audience. Although segmented by discipline, interest groups target their consistent and high-quality technical content to anyone in the industry seeking focused information.

Interest group affiliation is provided automatically to CPCU Society members. This enables consistent and ongoing technical content to reach CPCUs affording continuing education and reminding them of the value of CPCU Society membership.

Ultimately, the reach of interest groups extends beyond just CPCU Society members. All industry professionals are, therefore, exposed to CPCU through the work of its interest groups. Exposure to the high-quality, technical content of the volunteer interest groups:

1. draws industry professionals to interest groups through exposure to their work; which
2. increases interest in CPCU and other Institute programs as a course of study; which
3. increases Institute participants and program designees; which
4. increases CPCU Society and chapter membership

Special Note: The above is a recommended long-range vision for sections. Included in the recommendations are specific steps to position sections for the proposed mission. The task force believed strongly that attaining the mission would be a staged process. The sections offerings must first be of consistently high value on par with other offerings before extending sections' reach beyond Society members.

Proposed Strategy

The strategy is to position sections as a provider of readily available, high-quality, technical content to stakeholders. The level of content and delivery will vary based on the audience:

- For prospective CPCU candidates, sections offer technical information such as symposia and expertise within the disciplines of the industry.
- For current CPCUs the newsletter and web site are of high value and encourage CPCUs not presently part of the CPCU Society to see the benefits of joining. Retention of current CPCU Society members increases by providing consistent, high-quality, technical content within member disciplines. CPCU Society members are connected to others within a functional discipline offering networking and resource advantages not available through other industry designations or associations.

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Sections Strategic Task Force Report Summary

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As the technical content is consistently on par with competitor offerings, “associate memberships” are offered to non-CPCUs working in the industry and to industry providers (e.g., vendors). This provides a new revenue stream for the CPCU Society and further increases name recognition of CPCU. Candidate interest in the Institute’s programs increases as well through the exposure sections create.

Accomplishing this vision requires strategic actions that are presented as a series of strategic initiatives that align with four key perspectives:

- organizational structure
- leadership development
- membership
- value-added services

These strategic initiatives are summarized with a proposed template for reporting on results.

Organizational Structure (OS)

OS1—Re-Brand Sections as Society Interest Groups

Rationale: The term “sections” does not concisely describe their purpose. Other associations with similar structures such as PMI, ABA, etc. use “interest group” terminology. As the vision for sections evolves, re-branding them as interest groups signals something “new and improved.” Further, the phrase “sections” carries connotations of silos where “interests” applies whether one works in a discipline or just has “interest” in learning more.

OS2—Create Interest Group Resource and Governance Committee

Rationale: As the interest groups are exposed to a wider audience, the demand for consistent, high-quality content will increase. CPCU Society staff provides excellent support. Interest groups can enhance CPCU Society capacity by forming a rotating four-member committee overseeing standards of

content (see Recommendation VA1) and providing a resource for backup, training, and consultative advice. This committee would consist of:

- a former section chairman
- a former section web liaison
- a former section newsletter editor
- an additional member with experience in one of the above tasks

OS3—Assess Current Interest Groups and Align Them with Major Industry Functions

Rationale: The industry has evolved since the creation of sections. For example, many companies no longer have “underwriting” departments—they have moved staff functions to product teams and field functions to production positions. Project management is integrated into most positions but has no discrete focus. As membership is opened, there needs to be a clear alignment between technical interests and the content focus of interest groups.

OS4—Open Interest Group Membership to all Society Members

Rationale: Open membership will expose all CPCU Society members to the work performed by interest groups. Providing newsletter and web site access will consistently remind CPCU Society members of the value they receive by belonging to the Society. This recommendation also supports the CPCU Society’s goal of visibility. Continuing education is provided while leveraging one of CPCU’s key differentiators: the ability to connect its members at both the interdisciplinary level (chapters) and the intradisciplinary level (interest groups).

Leadership Development (LD)

LD1—Formalize Standard Interest Group Leader Training and Orientation for the Chairman, Newsletter Editor, and Web Liaison. This training

will include an operations manual and continuously updated list of best practices.

Rationale: As membership is opened, interest group offerings will have wider exposure. Content value will become more important. Formalized training and reference materials need to be provided as tools to support the key interest group roles.

LD2—Create a Developmental Scorecard for Interest Group Volunteers and CPCU Society Members

Rationale: As budget and time demands increase, employers and employees will need to understand and demonstrate the value of their commitment. A development scorecard will show employers what their investment provides. It will also enable employees to easily articulate the value they receive. The present CPD qualifier may be promoted or modified to meet this need.

Membership (M)

M1—Create Value Statements and Other Communications Tools to Promote Interest Groups

Rationale: As the sections are re-branded and membership is opened up to all CPCU Society members, value statements and a communications strategy must be created. These efforts must crisply articulate the value of interest group membership, and describe how the value of CPCU Society membership has increased. This highlights the differentiation that interest groups provide CPCU Society members through focused technical content that CPCU Society members will continuously receive.

M2—Establish Affiliations between Interest Groups and Other Industry Organizations (e.g., PLRB, The “Big I,” and RIMS)

Rationale: To promote the technical expertise of CPCU Society interest

groups and to support the goal of making CPCU the most widely recognized and highly respected designation, affiliations should be formed with other associations and/or designation programs. By presenting at their conferences and contributing to their newsletters, the CPCU Society increases their reach to potential designees committed to continuous learning.

M3—Refresh the Interest Group Newsletters

Rationale: As the reach of newsletters increases (first to all CPCU Society members and longer term as a revenue-generating product) they must be refreshed. This will support the re-branding efforts. A task force should be formed to finalize recommendations—potential areas of review include electronic versus hard copy delivery (or option for both), the colors, logo, and layout, and the possibility of providing one comprehensive quarterly interest group newsletter with space for each interest group's contribution (versus publishing 14 separate newsletters).

M4—Designate Liaison(s) to Promote Interest Group Benefits to Chapters, Major Employers, and the Insurance Services Community

Rationale: The value of interest groups may be promoted by expanding the Connections concept. A discussion of the value of the interest groups must be added to the present agenda. Designating special liaisons will expand capacity to extend outreach to chapters and industry service providers.

M5—Strengthen Connection between CPCU Society and Accredited Risk Management and Insurance Degree Programs

Rationale: Students pursuing degree programs in risk management and insurance are future prospects for the Institutes' programs. Increasing awareness helps capture interested students. Recommendations to strengthen this

connection include offering interest group membership to any approved university, offering a pool of guest lecturers, and providing a student forum for web site and newsletter submissions.

Value-Added Services (VA)

VA1—Develop Consistent Format and Content Standards for Core Interest Group Offerings

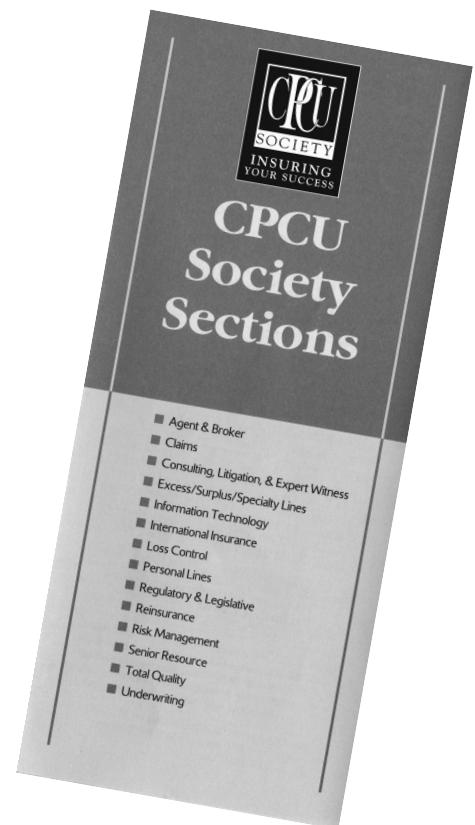
Rationale: As membership increases to all CPCU Society members, interest groups have an opportunity to promote their value to a wider audience. Longer term the strategy is to broaden interest group reach outside of the CPCU Society. This strategy requires content that compares favorably with alternative offerings. Specific content targets and standards assure the CPCU Society member regularly receive high-quality content. Support and governance for this recommendation is contemplated under recommendation OS3 above.

VA2—Expand Delivery Methods of Technical Content

Rationale: Time and expense dictate member participation. Present delivery methods of the newsletter and the CPCU Society's Annual Meeting and Seminars for technical content should be expanded by the interest groups to include webinars, more symposia, and chapter-ready presentations through a pool of local speakers. The possibility of on-demand or ability to purchase video of the CPCU Society's Annual Meeting and Seminars must be considered to meet the needs of our growing international presence and those who cannot attend CPCU Society's Annual Meeting and Seminars.

VA3—Encourage Interest Groups to Convert Highest-Rated CPCU Society Annual Meeting Technical Seminars into Symposia

Rationale: A great deal of work goes into producing quality technical sessions that are presented at the CPCU Society's



Annual Meeting and Seminars. In their efforts to re-brand themselves and increase awareness of their offerings, interest groups have an opportunity to convert these programs into tested and finalized symposia. Not only does this effort support the strategic goal of industry outreach, but it offers an additional revenue source to the CPCU Society.

VA4—Conduct SWOT Analysis for Each Interest Group; Implement Findings

Rationale: As the interest group expectations change and the prospective members increase to all CPCU Society members, each interest group needs to assure that their offerings align with member needs. Action plans should be developed based on the findings and reported back through the interest group governors. ■

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Regulatory & Legislative Section Quarterly
is published by and for the members of the Regulatory & Legislative Section of the CPCU Society.
<http://rl.cpcusociety.org>

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Statements of fact and opinion are the responsibility of the authors alone and do not imply an opinion on the part of officers, individual members, or staff of the CPCU Society.

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 Printed on Recycled Paper



Regulatory & Legislative Quarterly

RLQ

Volume 14

Number 2

December 2006

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720 Providence Road
Malvern, PA 19355
www.cpcusociety.org

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