EXECUTIVE SUMMARY

- In July, the chair of the Natural Catastrophe Subcommittee of the Extreme Events Committee, Shawna Ackerman, participated in the Natural Disaster Subcommittee meeting at the summer meeting of the National Conference of Insurance Commissioners (NCOIL).

- In June, led by the subcommittee’s chair, Jeff Kucera, the Property and All Other Lines Subcommittee of the Products, Pricing and Market Committee issued a comment letter to the Federal Trade Commission regarding its Draft Model Order to File a Special Report to obtain data to study the effect of credit-based insurance scores on consumers of homeowners’ insurance.

- In June, led by chair Shawna Ackerman, the Natural Catastrophe Subcommittee issued a comment letter to the NAIC’s Climate Risk Disclosure Working Group regarding its Climate Risk Disclosure proposal.

- In May, led by chair Shawna Ackerman, the Natural Catastrophe Subcommittee of the Extreme Events Committee issued a comment letter to Sens. Steve Geller and Dean Kirby, Co-Chairs of NCOIL’s Natural Disaster Subcommittee regarding NCOIL’s Proposed Resolution Regarding a New Approach to State Catastrophe Funds and Federal Mega-Disaster Assistance.

- In March, at the request of the P/C Risk-Based Capital Working Group of the National Association of Insurance Commissioners (NAIC), the Risk-Based Capital (RBC) Committee issued a revision to its underwriting factors using a cap of 15% rather than 35%.

- In March, the Terrorism Risk Insurance Subcommittee held meetings with both the Government Accountability Office (GAO) and the Congressional Budget Office to discuss the actuarial implications of financing insurance for terrorism and other extreme events.

- The Risk Transfer Working Group (RTWG) is continuing to assist the P&C Reinsurance Study Group and the Casualty Actuarial and Statistical Task Force (CASTF) of the NAIC in addressing issues raised by regulators on risk transfer in finite risk reinsurance transactions. In February, the RTWG, working with CASTF, reissued the industry survey completed in 2005 on finite risk reinsurance.
Committee on Property & Liability Financial Reporting (COPLFR) chair, Marc Oberholtzer is expected to present the results of the updated survey to CASTF in September at the NAIC’s Fall Meeting in Washington, DC.

- In early December, Marty Simons, the co-chair of the Natural Catastrophe Subcommittee of the Extreme Events Committee, spoke at a public hearing held by the Property & Casualty Insurance (C) Committee of the NAIC on the use of catastrophe modeling by rating agencies.

- Under the auspices of COPLFR’s RTWG, COPLFR chair Marc Oberholtzer presented a well-received session on risk transfer practices for regulators at the NAIC’s Financial Summit in Atlanta in November.

- In November, Shawna Ackerman, the co-chair of the Extreme Events Committee, and Sara Frankowiak, the vice-chair of the Flood Insurance Subcommittee, discussed with representatives of the GAO the actuarial implications of adding wind insurance coverage to the National Flood Insurance Program (NFIP).

- In November, the P/C RBC Committee provided the NAIC with an updated report on underwriting risk factors and a PowerPoint presentation to accompany the introduction of the report via conference call. The report was exposed for approximately a 30-day period. The Reinsurance Association of America submitted the only set of comments received during the exposure period.

- In October, the CPC’s COPLFR held its third annual Effective Loss Reserve Opinion Seminar in Chicago. Additionally, two of the sessions were recently presented by Chap Cook, Nicole Elliott, and Tom Ghezzi in a webinar format as part of a program jointly sponsored by the Academy and the Casualty Actuarial Society (CAS).

- At the end of September, COPLFR published its highly-anticipated overview on the importance of the relationship between actuaries, boards of directors, and audit committees. *An Overview for Audit Committee Members of P/C Insurers: Effective Use of Actuarial Expertise* is currently available on the Academy website.

- In September, the Extreme Events Committee’s Flood Insurance Subcommittee submitted comments to the House of Representatives regarding H.R. 3121, a bill to modify the NFIP.

- In September, theExtreme Events Committee’s Terrorism Risk Insurance Subcommittee submitted comments to the House of Representatives regarding H.R. 2761, the Terrorism Risk Insurance Revision and Extension Act of 2007.

In addition to the items set forth above, the CPC is actively pursuing the integration of the public policy initiatives outlined in the Academy’s strategic plan.

* For more on CPC activities please refer to the full cycle report in the Appendix.
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In addition to the items set forth in this report, the CPC is actively pursuing the integration of the public policy initiatives outlined in the Academy’s strategic plan.
STRATEGIC DIRECTIONS

2.1. **Strengthen our reputation as the major source of unbiased technical advice to Congress and the executive branch, on matters within our expertise.**

A COPLFR subgroup, under the leadership of Kristi Carpine-Taber, is continuing its work on a white paper addressing the interpretation of reserve ranges.

The Flood Insurance Subcommittee is continuing its work on a monograph that will discuss the origins, structure, and purpose of the NFIP. It will also address the ongoing viability of the NFIP and provide recommendations for its continued efficacy.

Under the leadership of chair Dale Ogden, a subgroup within COPLFR hosted a stand-alone seminar at the Hilton Chicago O’Hare Airport on October 17 and 18 for P/C actuaries currently writing statements of actuarial opinion on reserves. The P/C Effective Loss Reserve Opinion Seminar, a repeat of a highly successful event for the Academy in 2005 and 2006, discussed all of the standards and regulations applicable to these opinions and addressed some of the evolving regulatory issues regarding what constitutes good practice and compliance. The Effective Loss Reserve Opinion Seminar subgroup has begun planning the 2008 seminar, which will be held in Baltimore at the Westin at BWI on Wednesday, December 3 and Thursday, December 4.

Additionally, two of the Effective Loss Reserve Opinion Seminar sessions were presented by Chap Cook, Nicole Elliott, and Tom Ghezzi in a webinar format as part of a program jointly sponsored by the Academy and the CAS. Tom Ghezzi’s webinar was held at the end of November; the Cook/Elliott webinar was held at the beginning of December.

**Outlook:** The CPC has made substantial efforts in seizing and developing opportunities to educate public policymakers and the public and expects to make further progress throughout this year.

The NAIC has asked the P/C RBC Committee to revisit its comments on a possible trend test for property/casualty risk-based capital. That project is currently underway. The RBC Committee also provided the NAIC with an updated report on underwriting risk factors and a corresponding presentation to the NAIC’s Property Risk-Based Capital Working Group in November. At the request of the NAIC’s P/C Risk-Based Capital Working Group, the RBC Committee recently issued a revision to its underwriting factors using a cap of 15% rather than 35%.

The NAIC’s CASTF asked the Workers’ Compensation Subcommittee to propose a data reporting construct that could be used on an elective basis in states that want to understand the effects of large deductible polices on premiums for purposes of certain premium-based assessments (specifically excluding premium taxes) and/or want to acquire additional information about the extent of large deductible business and its effect on the workers’ compensation marketplace. The Subcommittee’s work on this project is
ongoing, and it hopes to present its results by or before the Fall NAIC National Meeting in September.

The RTWG, under COPLFR, is continuing to assist the P&C Reinsurance Study Group and the CASTF of the NAIC in addressing issues raised by regulators on risk transfer in finite risk reinsurance transactions. Marc Oberholtzer of the RTWG presented a newly developed course for regulators and financial examiners on risk transfer testing at the NAIC’s Financial Summit in Atlanta last November. Additionally, the CASTF and P&C Reinsurance Study Group recently reissued its risk transfer survey to property/casualty insurance companies. The RTWG is currently evaluating the data and will provide analysis to the NAIC in time for its September meeting.

In September, the Terrorism Risk Insurance and Flood Insurance Subcommittees of the Extreme Events Committee sent comment letters to the House of Representatives regarding H.R. 2761 and H.R. 3121, respectively.

In October, the Terrorism Risk Insurance Subcommittee sent a comment letter to the Senate regarding its version of the bill to extend the Terrorism Risk Insurance Extension Act. In early November, the Subcommittee responded to a specific request from a staff member of Sen. Nelson regarding the effect of terrorism risk on insurance coverage for stadiums.

In August, the Workers’ Compensation Subcommittee submitted a comment letter to Superintendent Eric Dinallo of the New York State Insurance Department addressing the specific portion of a recently-passed New York law intended to prohibit data sharing of statistical information for workers’ compensation insurance by rating organizations.

On November 7, Extreme Events Committee co-chair Shawna Ackerman and Flood Insurance Subcommittee vice-chair Sara Frankowiak discussed with representatives of the GAO the actuarial implications of adding wind insurance coverage to the NFIP.

In May, led by chair Shawna Ackerman, the Natural Catastrophe Subcommittee of the Extreme Events Committee issued a comment letter to state Sens. Steve Geller and Dean Kirby, Co-Chairs of NCOIL’s Natural Disaster Subcommittee regarding NCOIL’s Proposed Resolution Regarding a New Approach to State Catastrophe Funds and Federal Mega-Disaster Assistance.

In June, led by the subcommittee’s chair, Jeff Kucera, the Property and All Other Lines Subcommittee of the Products, Pricing and Market Committee issued a comment letter to the Federal Trade Commission regarding its Draft Model Order to File a Special Report to obtain data to study the effect of credit-based insurance scores on consumers of homeowners’ insurance.

In June, led by chair Shawna Ackerman, the Natural Catastrophe Subcommittee issued a comment letter to the NAIC’s Climate Risk Disclosure Working Group regarding its Climate Risk Disclosure proposal.
The NAIC’s CASTF has asked the Natural Catastrophe Subcommittee to publish an issue brief on the subject of catastrophe modeling. This project is underway with an estimated publication date of October 2008.

**Outlook:** On December 26, 2007, the president signed HR 2761, which extends the Terrorism Risk Insurance Program for seven years. Congress had passed a TRIA replacement/renewal law at the end of 2005; that two-year extension was a stopgap measure intended partly to give Congress more time to consider a permanent solution.

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2.3. **Promote awareness of and participation in public policy issues by our members.**

In September, COPLFR issued *An Overview for Audit Committee Members of P/C Insurers: Effective Use of Actuarial Expertise* for the purpose of educating audit committees and corporate boards of directors on the role of the appointed actuary. The work product is designed to provide insight to boards and audit committees as to what they can and should expect from their actuaries.

In January, A.M. Best published an article by COPLFR chair Marc Oberholtzer outlining the main points of the *Overview*.

Last month, the Medical Malpractice Insurance Subcommittee produced the first in a series of one-page informational fact sheets on a variety of topics relating to medical malpractice insurance. The first fact sheet addressed policy types. Future fact sheets will cover tort damages, among other topics.

Recently, and in keeping with the goals expressed in the Strategic Plan, the CPC created its Emerging Issues Task Force, which will report directly to the CPC on emerging issues in the casualty actuarial community. The CPC will decide on a case-by-case basis whether, and if so, how to address such issues.

**External Contacts:**
- CAS
- NAIC
- NCOIL
- GAO
- CBO

**Publications:**

The following Casualty Practice Council public statements have been issued in the past year:
<table>
<thead>
<tr>
<th>Publication</th>
<th>Audience</th>
<th>Publication Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comment letter by the Natural Catastrophe Subcommittee of the Extreme Events Committee regarding the NAIC’s Climate Risk Disclosure Working Group’s Climate Risk Disclosure proposal</td>
<td>NAIC’s Climate Risk Disclosure Working Group</td>
<td>June 30, 2008</td>
</tr>
<tr>
<td>Comment letter by the Property and All Other Lines Subcommittee regarding the Federal Trade Commission’s Draft Model Order to File a Special Report to obtain data to study the effect of credit-based insurance scores on consumers of homeowners’ insurance</td>
<td>Federal Trade Commission</td>
<td>June 18, 2008</td>
</tr>
<tr>
<td>Comment letter by the Natural Catastrophe Subcommittee of the Extreme Events Committee regarding NCOIL’s Proposed Resolution Regarding a New Approach to State Catastrophe Funds and Federal Mega-Disaster Assistance</td>
<td>Sen. Steve Geller, FL, Co-Chair and Sen. Dean Kirby, MS, Co-Chair, Natural Disaster Subcommittee, NCOIL</td>
<td>May 23, 2008</td>
</tr>
<tr>
<td>RBC Committee revision to underwriting factors using cap of 15% rather than 35%</td>
<td>NAIC’s P/C Risk-Based Capital Working Group</td>
<td>March 25, 2008</td>
</tr>
<tr>
<td>Fact Sheet on Medical Malpractice Policy Types</td>
<td>Actuaries and the public</td>
<td>March 11, 2008</td>
</tr>
<tr>
<td>Presentation of draft updated finite risk reinsurance survey</td>
<td>CATF</td>
<td>December 4, 2007</td>
</tr>
<tr>
<td>Presentation on use of catastrophe modeling by rating agencies</td>
<td>Attendees of public hearing hosted by NAIC’s Property &amp; Casualty Insurance (C) Committee</td>
<td>December 1, 2007</td>
</tr>
<tr>
<td>Presentation on risk transfer practices for regulators</td>
<td>Attendees of NAIC’s Financial Summit</td>
<td>November 5, 2007</td>
</tr>
<tr>
<td>Response letter to staffer of Senator Nelson (D-NE) regarding the effect of terrorism risk on insurance coverage for athletic stadiums</td>
<td>Senator Nelson and staff</td>
<td>November 2, 2007</td>
</tr>
<tr>
<td>Comment letter by the Terrorism Risk Insurance Subcommittee to the Senate regarding its draft extension of the Terrorism Risk Insurance Extension Act</td>
<td>Senate</td>
<td>October 15, 2007</td>
</tr>
<tr>
<td>PowerPoint presentation to NAIC’s P/C RBC Working Group on the Academy’s P/C RBC Committee’s update to the risk-based capital underwriting factors</td>
<td>NAIC (Property Risk-Based Capital Adequacy Task Force)</td>
<td>October 9, 2007</td>
</tr>
<tr>
<td>Topic</td>
<td>Recipient/Location</td>
<td>Date</td>
</tr>
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<td>------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Overview for Audit Committee Members of P/C Insurers: Effective Use of Actuarial Expertise</td>
<td>Audit Committees and Boards of Directors of insurance companies</td>
<td>September 29, 2007</td>
</tr>
<tr>
<td>Comment letter by the Flood Insurance Subcommittee to the House of Representatives regarding H.R. 3121, a bill to modify the National Flood Insurance Program</td>
<td>House of Representatives</td>
<td>September 26, 2007</td>
</tr>
<tr>
<td>Update of risk-based capital underwriting factors submitted to Anne Kelly, the chair of the P/C RBC Working Group</td>
<td>NAIC (Property Risk-Based Capital Working Group of Capital Adequacy Task Force)</td>
<td>September 25, 2007</td>
</tr>
<tr>
<td>Comment letter by the Workers’ Compensation Subcommittee to Superintendent Eric Dinallo of the New York State Insurance Department addressing a recently-passed New York law intended to prohibit data sharing of statistical information for workers’ compensation insurance by rating organizations</td>
<td>Superintendent Eric Dinallo and the New York State Insurance Department</td>
<td>August 22, 2007</td>
</tr>
<tr>
<td>Comment letter by the Workers’ Compensation Subcommittee on revisions to NCOIL’s proposed Model Act regarding the application of workers’ compensation regulations to PEOs</td>
<td>State Sen. Carroll Leavell (R-NM), chair of PEO Working Group, NCOIL</td>
<td>August 17, 2007</td>
</tr>
<tr>
<td>Comment letter by the Casualty Practice Council regarding development of statements reflecting its position on principles-based reserving</td>
<td>Consistency Work Group of Life Practice Council</td>
<td>August 15, 2007</td>
</tr>
<tr>
<td>Comment letter by the Workers’ Compensation Subcommittee on a draft set of loss reporting forms intended for use by self-insured entities</td>
<td>IAIABC</td>
<td>August 6, 2007</td>
</tr>
</tbody>
</table>