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IAIR's President's Message

Summer is just around the corner. I am still amazed at how time flies by so quickly. Since taking office as President of IAIR, the Association has been in a stage of transition and change – just like the seasons.

Francine L. Semaya, Esq.

It is with great respect and pleasure that I thank our immediate past Chair and President, Joseph J. Devito, for his exemplary service to IAIR for the past two years. His energy, enthusiasm and hard work must be recognized. Joe, you're a hard act to follow, but I promise to do my best.

As many of you know, Paula Keyes, IAIR's very capable and dedicated Administrator decided it was time to move on. On behalf of the Officers, the Board of Directors and IAIR membership, I want to thank Paula and her team for all their hard work and commitment to IAIR. We wish Paula lots of good luck in her future endeavors and look forward to her continued commitment as a member of IAIR.

It is also my great pleasure to welcome our new Administrator – The Beaumont Group, Inc. – Maria C. Sclafani, CEO and Susan Barros, President. In just a few short months they have brought a new dimension not only to the look of IAIR, but also to its daily operation. We welcome you and your team and look forward to reaping the fruits of your energy and your late night and early morning emails. The Beaumont Group can be reached at www.iair.org or (212) 867-0228 (phone) and (212) 867-2544 (fax).

IAIR is taking on a new look – not just in this newsletter but in a few weeks new and exciting changes can be found on our website. But that is not all that is changing. The Board of Directors has spent the last few months looking at itself and the entire organization. Our industry is changing and IAIR must become adapted to the changing times and be the premier association for its

IAIR's President's Message (Continued)

members. Our greatest resource is our members – each and every one of you play a vital role in IAIR and as we rethink our goals, objectives and outlook, we look to your suggestions and direct input. Shortly you will be receiving a membership survey. Please take the few minutes to let us know what you need and expect from your membership. "Ask not what you can do for IAIR, but what IAIR can do for you."

The Officers and Board cannot make IAIR the best resource for troubled companies, insolvent companies, and pre- and post-receivership, without your commitment – be it little or big. Have an idea for a program or the desire to speak in one of our programs? Contact our Education Chair. Want to be published? Write an article for our Newsletter and submit it to our Administrator or the Publications Committee. Join a committee. Come to our meetings, fabulous programs and receptions. We have a packed agenda coming up this year – see the schedule of our upcoming programs at the back of this Newsletter. Hope to see you all there. And don't forget to become a sponsor – sponsorship opportunities can be found on our website or call the Office for more details.

The success of any good program is the commitment and hard work of the Program Chair and his/her working team. Our most successful workshop to date was held this past February in Tucson, AZ. Our Chair, Mary Jo Lopez, worked tirelessly and endlessly in putting together a program filled with local, national, and international experts, presenting today's "hot topics" and technological advances. Mary Jo was able to get the most sponsors in the history of IAIR and we hope to continue in her footsteps. Thank you Mary Jo for teaching us all that it can be done.

As IAIR continues to grow and evolve, we need your help. As we learn from the past, live the present and gaze into the future – let's make IAIR work for you. IAIR is your association. Get involved and stay involved. If each of us brings in one new member this year, we will not only double in size, but multiply in what we, as the leading insolvency association can do for not only our members, but for the ever-changing marketplace.

Please feel free to contact me with your ideas, your critiques, to volunteer, or to say hello. I can be reached at fsemaya@cozen.com or at (212) 908-1270. You can also reach out to our officers who have become my right arm.

Patrick Cantillo – 1st VP

Hank Sivley – 2nd VP

Lowell Miller – Treasurer

Mary Cannon Veed – Secretary

Joseph DeVito – Immediate Past President

I look forward to welcoming each of you at the upcoming IAIR Quarterly Meeting during the June NAIC meeting in San Francisco.

Board Talk

By Michelle Bolter & Jamie Saylor

On the heels of another remarkable IAIR Insolvency Workshop, we were able to catch up with one of IAIR's newest Board Members, Wayne Wilson.

Wayne Wilson

Wayne's been a member of IAIR since joining the California Insurance Guarantee Association (CIGA) as its Executive Director midway through 2006. He was elected to the IAIR Board during our December, 2007 Annual Meeting.

Before taking over leadership of CIGA, Wayne's 30 plus year career in the insurance industry has provided diverse experiences that will bring new perspective to the IAIR Board. Wayne served for eight years as Vice President of Legislative and Regulatory Affairs for Farmers Insurance, eleven years as Western Regional Vice President for the American Insurance Association, six years as an attorney and lobbyist in Sacramento in part serving the Association of California Insurance Companies, and four years as Deputy Attorney General for the Nevada Commissioner of Insurance.

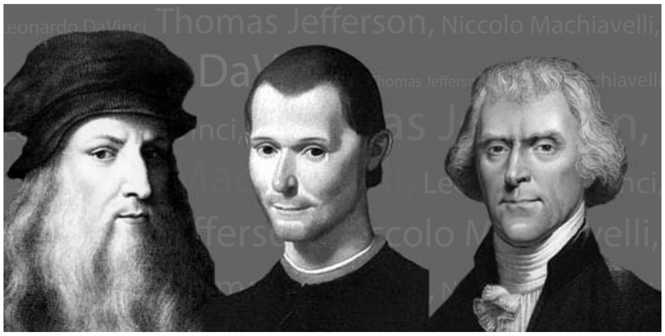
When we asked his greatest career accomplishment, Wayne modestly answered that his leadership and involvement in training and growing the government affairs team at Farmers Insurance was something in which he will always take tremendous pride. Wayne helped to develop a platform and team at Farmers that left the company significantly stronger than before he had joined.

Wayne feels that one of the most important issues facing IAIR is ensuring the organization steadies its focus on its main strategic mission; defining what the organization is and where it should be headed are issues that must be addressed in the short term as well as the long term. Wayne feels that our newly elected President, Fran Semaya, and the rest of the Board are up to the challenge and have this mission squarely in their sights.

And now for the hard hitting journalism you've come to expect from this feature.

Q: If you could have dinner with any three people in the world, dead or alive, fictional or non-fictional, who would they be and why?

A: Leonardo DaVinci, Thomas Jefferson, and Niccolo Machiavelli. Wayne admits that he might need two separate dinners; one with DaVinci and Jefferson and a separate one



with Machiavelli in order to avoid any personality conflicts. Wayne feels the depth and breadth of intelligence, insight, complexity, and creativity of DaVinci and Jefferson would provide incredible dinner conversation. And while as the author

Board Talk (Continued)

of The Prince, Machiavelli is seldom described in such glowing terms, Wayne would enjoy trying to gain some insight into Machiavelli's twisted notions of good, evil, and morality. Wayne goes so far as to state that in speaking with Machiavelli, he could never turn away an opportunity to gain insight from Machiavelli that might help Wayne understand how to deal with the complex world of insurance receivers and guarantee funds.

Q: What is your favorite NAIC/IAIR conference location?

A: Honolulu, Hawaii. As a native Californian, Wayne loves any excuse to get away to Hawaii. Although he prefers his timeshare location on Maui when IAIR visits Oahu in December 2009, Wayne hopes to sip a few pina coladas and relax on the beach.

Q: What is the last fictional book you read?

A: Wayne's just as likely to pick up a Robert Ludlum thriller as a John Grisham mystery as he makes his dash through the airport. But coincidentally the last novel he read is The Machiavelli Covenant by Allan Folsom, a novel filled with international conspiracy.

Q: What is your favorite leisure activity?

A: World travel. Wayne has been to an incredible list of Far Eastern and South American destinations. He and his wife have most recently visited Istanbul, Turkey. One of his most memorable trips was to the unspoiled Torres del Paine National Park in the Patagonia region of Chile. Wayne fondly remembers the pristine lakes and mountainous backdrops of this region.

Q: What is your favorite sports team?

A: As a Stanford graduate, Wayne enjoys watching the Cardinals perform on the basketball court much more than on the football field these days. As a matter of fact, the men's program is a top 10 basketball team.

Q: Give us one piece of personal information that your business acquaintances might not know about you?

A: Wayne became a proud grandfather to his first grandchild in November 2007. The spoiling of his granddaughter has already begun.

Thanks to Wayne for his time and cooperation on this article.

Florida Insurance Reform: One year after a massive legislative overhaul, is Florida any closer to finding a solution to its property insurance problems?

By Fred E. Karlinsky, Shareholder, and Richard J. Fidei, Partner
Colodny, Fass, Talenfeld, Karlinsky & Abate, P.A.

In the wake of two tumultuous storm seasons, Florida has experienced the significant growth of both its state-backed insurer and reinsurance fund.

This article briefly summarizes the major legislative, regulatory, and market developments in Florida's property insurance industry over the past three years. It is also intended to highlight the state's metamorphosis into a full-fledged market competitor and the deliberate steps the state took in making that transition. This article concludes with an overview of the new problems facing a state that continues to struggle with a shrinking voluntary property insurance market while state officials remain perplexed over the failure of recent reform to result in meaningful rate reduction.

Natural Disaster and Government Reaction

During the 2004 and 2005 hurricane seasons, a total of eight hurricanes made landfall in Florida.[1] These storms caused an estimated $36 billion in losses based on approximately 2.8 million claims.[2] Insurers generally reacted to these unprecedented losses by submitting new rate filings and asking for rate increases. Also, some insurers began to withdraw from the property insurance market or reduce their exposure in Florida's riskiest areas – primarily its heavily populated coastlines. In the aftermath of these storms, three of the state's largest insurers, State Farm, Allstate and Nationwide, collectively nonrenewed tens of thousands of homeowners policies in these coastal areas. These actions caused policyholders to be confused because many had never filed claims with their carriers.[3]

In early 2006, the Florida Legislature began taking steps to address a growing concern regarding the health of the state's voluntary insurance market. Of particular concern to state officials was the solvency of Citizens Property Insurance Corporation (Citizens) the state's "insurer of last resort." Citizens had been created in 2002 by the merger of Florida's existing Property and Casualty Joint Underwriting Association and Windstorm Joint Underwriting Association.[4] During the 2004 and 2005 hurricane seasons, Citizens as a residual market insurer, provided wind coverage to those Florida homeowners in certain designated high risk areas, who were unable to procure policies in the voluntary market. In addition, Citizens offered multi-peril residential coverage in certain areas throughout the state.[5]

As a result of the 2005 storms, Citizens incurred over $2.5 billion in losses and was faced with a shortfall deficit of $1.7 billion.[6] In 2006, the Florida Legislature passed Senate Bill 1980, which granted Citizens a $715 million appropriation to partially offset its deficit.[7] The balance of the deficit of approximately $1 billion was the subject of an emergency assessment amortized over ten (10) years requiring certain Florida insureds to make a Citizens assessment payment on all new and renewal policies.[8]

The 2006 Legislature also created the Insurance Capital Incentive Build-Up Program to provide state funded low interest loans to insurers under certain conditions. Insurers which brought new capital to the Florida market would be eligible for a matching funds loan from the state. This program provided an incentive for private insurers to infuse new capital into the Florida market. With limited exception, insurers had to have at least $50 million in surplus after participation in the Program and are required to maintain at least a 2:1 surplus to net written premium ratio.[9] A total of $250 million was allotted for this loan program by the state[10] and, by the middle of 2007, all money had been utilized.[11]

This program provided an incentive for private insurers to infuse new capital into the Florida market.

The 2006 legislation did little, however, to stem ongoing nonrenewals of homeowners policies by private insurers. It also failed to address the decisions of some insurers to stop writing, or restrict the writing of, new business in a state that these insurers felt presented unacceptable levels of risk. Although smaller private insurers were encouraged – and promised bonuses – to remove policies from Citizens, the takeouts by these carriers did not ameliorate the problem of availability for many homeowners who continued to have to seek coverage from Citizens. Additionally, premiums for these "take out" policies, as well as the policies of many insurers, reached new heights.[12]

By the summer of 2006, the combination of the decreased availability and affordability of homeowners insurance in Florida was continuing to breed discontent among residents in all parts of the state. Despite the $715 million legislative appropriation, Citizens still faced a substantial deficit which was being recouped through policyholder assessments. In June 2006, in response to growing public concern, then Governor Jeb Bush issued an Executive Order, creating the Property and Casualty Insurance Reform Committee.[13] The Committee was charged with examining Florida's insurance market and formulating recommendations to reduce the cost of premiums, increase the availability of insurance, and reduce the risk to homeowners and businesses. Chaired by then Lieutenant Governor, Toni Jennings, the Committee held public meetings across the state during a three-month period in 2006. The Committee heard testimony from multiple witnesses, including homeowners, carriers, reinsurers, catastrophe modelers, insurance agents, and even realtors, and it ultimately produced a report containing dozens of recommendations for legislative action.[14]

In the meantime, Governor Bush's last term of office was coming to an end, and Republican Charlie Crist, then Florida's Attorney General, was elected Governor of Florida. Governor Crist campaigned heavily on issues related to the availability and affordability of homeowners insurance. His term commenced in January 2007.[15]

Among the Committee's most significant recommendations were the augmentation of the Florida Hurricane Catastrophe Fund and the expansion of Citizens. Many of these recommendations were carried out, in one form or another, during the January 2007 Special Session of the Florida Legislature. Spurred by Governor Crist, the Legislature enacted sweeping reforms that impacted many aspects of the property insurance industry in Florida. From revisions to the state building code to programs designed to fund home mitigation measures, the Special Session legislation had two chief goals: making insurance more available to, and affordable for, Florida homeowners.[16]

Availability and State-backed Insurance

The Florida Legislature took a number of steps in 2007 to attempt to make insurance available to homeowners who had been nonrenewed by their carriers. The January 2007 Special Session legislation, along with an Emergency Order issued by Governor Crist, resulted in a temporary freeze on cancellations and nonrenewals of existing homeowners policies.[17] The legislation also changed the rules for the required notice period necessary to cancel or nonrenew policies during hurricane season so insureds would receive longer advance notice in order to be able to find alternative coverage.[18] It also prohibited insurers from writing, in the Legislature's opinion, more profitable automobile insurance policies if the insurer wrote homeowners coverage in any other state unless the insurer also offered homeowners policies in Florida.[19]

Florida residents formed "Homeowners Against Citizens"

A major component of the Legislature's effort to increase availability, however, involved Citizens. As a residual market insurer, Citizens was previously required by statute to charge premiums higher than the state's top 20 voluntary market insurers.[20] However, Citizens' legally mandated high rates became increasingly unpopular as more homeowners faced cancellations or nonrenewals from their private carriers and found themselves paying significantly higher premiums for Citizens coverage. In fact, after Citizens' policy population more than doubled between 2002 and 2006, frustrated Florida residents formed "Homeowners Against Citizens" and actively campaigned for Citizens to provide more affordable insurance rates.[21]

These demands were met in January 2007 when state legislators abandoned the original

Florida Insurance Reform: (Continued)

theory that Citizens, as a state-run insurer of last resort, should not compete with the voluntary market. Perhaps the most significant change implemented by the legislation was the requirement that Citizens' rates be "actuarially sound" and subject to the standards that apply generally to private carriers. As a result, Citizens became competitive with the voluntary market. Temporarily, the Legislature rolled back Citizens' rates to a prior, lower level and froze any rate increases by Citizens until 2009.[22] These events, as well as rate increases in the voluntary market, made Citizens' rates lower than many carriers in the private market. Importantly, this created competitive disadvantages for the private market since Citizens does not have to maintain any surplus and its rates: (i) do not have to reflect private reinsurance costs or a profit margin; (ii) are not subject to all of the taxes imposed on the private industry; and (iii) can be lower because Citizens has the authority to make assessments for any deficits it incurs.

The new legislation expanded eligibility for coverage in Citizens in the residential market by repealing a provision enacted in 2006 that rendered nonhomestead properties ineligible for coverage from Citizens. This expanded Citizens' policyholder base to include vacation homes and other nonhomestead properties. The legislation also provided that a Citizens policyholder would remain eligible for coverage with Citizens regardless of whether the policyholder received an offer of coverage from a private market insurer. This change allows a policyholder to choose to stay in Citizens and to reject any "take-out" offers from the voluntary market. Eligibility for coverage with Citizens also was extended to new applicants who received offers from private insurers that were 15 percent greater than comparable coverage from Citizens, a lower threshold than previously existed.[23]

The new legislation also expanded Citizens' role in providing coverage for commercial risks and in offering multiperil coverage. Citizens assumed the commercial policies formerly held by the state's recently revived Property and Casualty Joint Underwriting Association.[24] Additionally, the new legislation permitted Citizens to provide multiperil coverage for commercial residential properties in all areas of the state, including the multi-million dollar condominium developments that dominate significant parts of Florida's high-risk coastlines. In August 2007, Citizens began offering multiperil policies. In 2008, Citizens will begin offering multiperil commercial nonresidential policies.[25]

Finally, the new legislation substantially expanded the types of insurance policies and premiums that are subject to assessments to fund deficits of Citizens. The assessment base was expanded to encompass virtually the same base subject to assessment by the Florida Hurricane Catastrophe Fund, including all lines of property and casualty insurance, but not workers' compensation, accident and health, medical malpractice and miscellaneous others.[26]

Partially as a result of these changes and market conditions, Citizens has become the largest property insurer in Florida. Citizens currently has more than 1.4 million policies and more than $3.235 billion in direct written premium. Its assessment base is in excess of $34 billion.[27]

Affordability and State-Backed Reinsurance

The other principal focus of the January 2007 Special Session was the expansion of the Florida Hurricane Catastrophe Fund (FHCF). The FHCF was created by the Florida Legislature in 1993 in the aftermath of Hurricane Andrew, which caused an estimated $20 billion worth of damage. Financed through mandatory premiums paid by insurance companies that write residential property in the state, the FHCF functions as a reinsurer, offering participating insurers reimbursement for a percentage of their catastrophic losses. The FHCF was originally intended to serve as a supplement to, but not a replacement for, the private reinsurance market. The main advantage of the FHCF is that it is able to offer lower rates for reinsurance than is otherwise available in the private reinsurance market.[28]

Florida Insurance Reform: (Continued)

The Florida Legislature, believing that the availability of cheaper reinsurance would lead to lower homeowners premiums, entered the January 2007 Special Session determined to expand the role of the FHCF in the reinsurance market. The new legislation allowed insurers to select options to expand their FHCF coverage either above or below the then existing level of coverage and established two types of coverage – mandatory and optional. "Mandatory" coverage was simply a continuation of the FHCF's traditional coverage, and every insurer writing residential property insurance in the state is required to purchase at least a portion of its reinsurance from the FHCF. Each insurer's individual retention is determined by its share of FHCF reimbursement premiums and based on a factor, or retention multiple. For example, if the factor is 2.5 for the 2008 FHCF contract year, then an insurer that pays a $1 million FHCF reimbursement premium for 2008 will have a retention of $2,500,000. Although an insurer's retention (or deductible) is on a "per occurrence" basis, there is a fixed and limited amount of coverage to which an insurer is entitled for all hurricane events causing losses in a contract year.[29]

The new "optional" coverages can be obtained either above or below the FHCF mandatory coverage layer. The Temporary Emergency Additional Coverage Option (TEACO) allows an insurer to purchase its share of a specified layer of coverage below the mandatory coverage at rate-on-line pricing.[30] The Temporary Increase in Coverage Limits (TICL) allows an insurer to purchase one of twelve layers of coverage above the mandatory FHCF coverage. Pricing is based on the average annual loss, plus expenses, without a risk load or a rapid cash build up factor. Unlike the mandatory FHCF layer of coverage, the optional layers of coverage are fixed and do not expand with exposure growth.[31] These layers were established only for a three year period starting in the 2007 contract year. During this period, the TEACO retention will be set as low as $3 billion and the TICL capacity will be as high as $32 billion.[32]

Because of the substantial expansion of the FHCF, the new legislation mandated that private insurers pass on to policyholders the savings they would enjoy from the purchase of the expanded, lower-priced, state provided reinsurance. The Office of Insurance Regulation (OIR) calculated presumed factors which were to provide an actuarial estimation of the rate reductions expected as a result of the FHCF expansion. Each insurer was required to utilize these presumed factors in formulating its new rates. The savings to be reflected in the presumed factors rate filings applied to any policy written or renewed on or after June 1, 2007. Importantly, these savings needed to be reflected in rate filings before many insurers' catastrophe reinsurance programs, and the costs related thereto, had been finalized.[33]

Subsequently, insurers were required by September 30, 2007 to make "true up" filings based on their actual reinsurance costs and pass on to the insureds the actual savings which resulted from the expanded FHCF coverage.[34] These later "true up" filings have been the subject of high profile criticism by the Governor, various members of the Legislature and OIR because the savings and rate reductions have not been as significant as anticipated and suggested by OIR.

The Calm after the Storm?

In one sense, the Florida Legislature's 2007 efforts met with a certain amount of success in the view of many policymakers. Many homeowners were able to procure coverage through Citizens. They also paid lower rates than they otherwise would have paid thanks to the Citizens' rate rollback and temporary rate increase freeze. For these homeowners, property insurance certainly became more available and somewhat more affordable in the short term.

For millions of other Florida homeowners, however, the results have been less favorable. Despite the expansion of state backed reinsurance through the FHCF and the resultant rate filings to reflect the benefits of this expanded coverage, the average price of property insurance has not sharply declined, but rather in many instances, has continued to rise. At the height of the 2007 insurance reform effort, state leaders indicated homeowners could expect to see reductions in premiums raging from 24 to 50 percent.[35] One year later, the OIR reported that approximately one-third of Florida policyholders had experienced no rate relief.[36] One of the state's largest insurers, State Farm, recently agreed to a nine percent rate reduction.[37] Nationwide also reduced its rates after proceeding to arbitration following OIR's disapproval of a previously filed rate increase.[38] Meanwhile, large insurers have continued to drop policies throughout the state and there is growing concern by some that more policyholders are now being insured by smaller, more thinly capitalized insurers.

Compounding the apparent failure of the legislative reforms to increase voluntary market participation and decrease prices is the enormous financial risk now resting squarely on the state's shoulders. In the event of a significant catastrophic event like Hurricane Katrina, or a series of smaller storms as seen in 2004 and 2005, Citizens could deplete its cash on hand and find itself in the unpopular position of having to levy assessments. The state could then find itself in a familiar position – facing a massive deficit and looking to policyholders to supply the difference through payment of assessments.

The FHCF, with its $28 billion exposure, would be even more deeply affected by a catastrophic event since both Citizens and private insurers would turn to it for reimbursement. Although the state has authorized the FHCF to sell $30 billion in bonds to finance its risk exposure, critics note that the largest sale of municipal bonds in American history was an $11 billion bond issue in California.[39] There is no guarantee that sufficient bond buyers could be found, especially in view of the fact that Citizens and the Florida Insurance Guarantee Association (FIGA) may also be in a position of having to issue bonds to fund their deficits. In fact, it was noted at a recent Florida House Insurance Committee meeting that the FHCF was only able to sell approximately $3.5 billion in bonds from a $7 billion issuance. Liquidity issues with the FHCF could impair its ability to timely pay insurers reinsurance benefits due to them which would implicate solvency issues for those insurers in the aftermath of a hurricane or series of hurricanes.[40]

In any event, each entity would be required to fund bond repayments. All of these entities would still be faced with the daunting task of paying for any bonds they did sell. To do so, the FHCF would levy an assessment which would be borne by all policyholders within its assessment base. It was estimated during a recent Florida House Insurance Committee meeting that a severe storm could result in an assessment by the FHCF of each policy in the range of $11,000 to $18,000 annually over thirty (30) years.[41] Under the 2007 legislation, the expanded policyholder assessment base would also be responsible for any Citizens assessment. As noted, a further compounding factor is that policyholders could be required to pay assessments of FIGA if any private insurers are forced into liquidation as a result of storm claims.

Conclusion

State officials are perplexed over the failure of the 2007 insurance reforms to bring about meaningful rate reduction. In October 2007, the OIR served Allstate with broad subpoenas, demanding an explanation of the criteria Allstate used when it began dropping 300,000 homeowners policies starting in 2005 and justification for its rate filings. These subpoenas requested voluminous documentation regarding a variety of issues, including communications involving the trade associations, rating agencies, and risk modelers.[42] This reflected public accusations of possible collusion among various industry groups in the rate making process.

Last month, after Allstate failed to comply with the subpoenas, Insurance Commissioner

Florida Insurance Reform: (Continued)

Kevin McCarty suspended nine (9) Allstate insurer affiliates from writing new policies in the state until they complied with the OIR's request. Although a state appellate court has temporarily enjoined the enforcement of this suspension by Commissioner McCarty, the propriety of the Commissioner's suspension has not been finally decided by the appellate courts as of this date.[43]

Other companies have been subpoenaed by OIR, including Cincinnati Insurance Group, Auto Owners Insurance Company and certain of its affiliates and various State Farm insurer entities. Hearings on these carriers' rate filings have not occurred as of this date. Further, the Florida Senate has convened a newly formed Select Committee on Property Insurance Accountability, which recently took testimony regarding the availability and affordability of insurance. Senior insurance executives from Hartford, American Strategic Insurance Company, Nationwide, Florida Farm Bureau, and Allstate Floridian testified before the Senate Committee and many faced difficult questioning and harsh rebukes regarding various market issues.[44] The Committee has requested that Allstate provide documentation similar to what has been subpoenaed by OIR and all internal documents having to do with the 2007 Special Session legislation for their review.

These actions reveal the depths of the frustration experienced by state officials with Florida's insurance industry. In January, 2008, Governor Crist announced that he had commissioned a team of attorneys to determine whether the state could file a class action lawsuit against the insurance industry on behalf of state residents.[45]

Whether further state intervention into the voluntary market will achieve the goal of lower rates and improve the availability of coverage remains to be seen. Significant issues have been raised as to whether these efforts have served to stabilize the Florida insurance market or discouraged private insurers and reinsurers from investing much needed capital into the market. The capacity of both Citizens and FHCF to pay claims is also in question, thereby implicating the claims paying capacity and solvency issues for the private market. In the meantime, millions of Floridians will again anxiously await the first sign that the wind is starting to blow.

1 Hurricanes Charley, Frances, Ivan, and Jeanne in 2004; Hurricanes Dennis, Katrina, Rita, and Wilma in 2005. See National Weather Service, National Hurricane Center Archive of Hurricane Seasons (available at http://www.nhc.noaa.gov/pastall.shtml).

2 Property And Casualty Insurance Reform Committee Final Report, p. 1, November 15, 2006 (available at http://www.myfloridainsurancereform.com/docs/finalreport.pdf).

3 "Ruling: Insurers can drop policies," St. Petersburg Times, published February 20, 2007 (available at http://www.sptimes.com/2007/02/20/Business/Ruling __Insurers_can_.shtml).

4 Citizens: Company Overview (http://www.citizensfla.com/about/generalinfo.cfm).

5 Citizens Plan of Operation. (http://citizensfla.com/about/generalinfo. cfm?show=pdf&link=/shared/generalInfo/pdf/planofoperation.pdf).

6 "Citizens deficit to cost all homeowners," South Florida Sun-Sentinel, September 15, 2006 (http://www.orlandosentinel.com/business/orl-citizens1506sep15,0,6151225.story?coll=orl-business-headlines).

7 "Legislature earmarks money for Citizens shortfall," Tampa Bay Business Journal, May 8, 2006 (http://www.bizjournals.com/tampabay/stories/ 2006/05/08/daily11.html?from_rss=1).

8 Section 627.351(6), Fla. Stat.

9 Section 215.5595, Fla.Stat.; Rule 19-15.001,F.A.C.; "A Study of Private Capital Investment Options and Capital Formation Impacting Florida's Residential Insurance Market," Appendix 4, by State Board of Administration of Florida, September 19, 2006 (http://www.myfloridainsurancereform.com/docs/relatedResources/PrivateCapitalInsuranceinFlorida91906.pdf).

10 Property And Casualty Insurance Reform Committee Final Report, p. 11, November 15, 2006 (http://www.myfloridainsurancereform.com/docs/finalreport.pdf).

11 Insurance Capital Build-Up Incentive Program, Final Report (as of 6/28/07) (http://www.sbafla.com/pdf/ICBIP/ActivitySum/ActivitySummary.pdf).

12 "Insurer to take back 100,000 customers," South Florida Sun-Sentinel, October 12, 2006 (http://www.orlandosentinel.com/news/custom/growth/orl-citizens1206oct12,0,7336907.story?coll=orl-news-growth-headlines).

13 Exec. Order No. 06-150, June 27, 2006 (available at http://www.myfloridainsurancereform.com/docs/eo6150.pdf).

14 Property And Casualty Insurance Reform Committee Final Report, November 15, 2006 (http://www.myfloridainsurancereform.com/docs/finalreport.pdf).

15 For background information about Governor Crist see www.charliecrist.com.

16 CS/HB 1A approved January 25, 2007 (available at http://www.myfloridahouse.gov/sections/Bills/billsdetail.aspx?BillId=34571).

17 "Insurance loopholes close: The state Cabinet approves a cancellation rule and a rate freeze," St. Petersburg Times, January 30, 2007 (http://www.sptimes.com/2007/01/30/news_pf/State/Insurance_loopholes_c.shtml).

18 Section 627.4133, Fla. Stat.

19 Section 624.4055, Fla. Stat.

20 For information about Citizens, see http://citizensfla.com/about/generalinfo.cfm?show=text&link=/shared/generalinfo/default info.html.

21 "Homeowners Against Citizens" is now known as "Having Affordable Coverage" (http://www.hacfl.org).

22 Section 627.351(6)(m), Fla. Stat.

23 Section 627.351(6)(c), Fla. Stat.

24 Section 627.351(6)(b), Fla. Stat.

25 "Citizens Board Approves Plan for Commercial Coverage for Small Businesses" (http://citizensfla.com/about/pressreleases.cfm?show=text&link=/shared/press/articles/04_26_07.html).

26 Section 627.351(6)(b), Fla. Stat.

27 See Citizens Corporate financials (available at http://citizensfla.com/about/corpfinancials.cfm).

28 Information about the FHCF is available at http://www.sbafla.com/FHCF/about.asp.

29 Section 215.555, Fla. Stat.

30 Section 215.555(16), Fla. Stat.

31 Section 215.555(17), Fla. Stat.

32 Section 215.555(16)-(17), Fla. Stat.

33 Presumed Factor Report, March 1, 2007 (available at http://www.sbafla.com/FHCF/about.asp).

34 Id.

35 "Lawmakers lament results of property tax and insurance vows," Sarasota Herald-Tribune, July 13, 2007 (available at http://www.heraldtribune.com/article/20070713/NEWS/707130517).

36 "Florida Commissioner McCarty: Getting to Savings for Florida Property Owners," Insurance Journal TV, November 13, 2007 (http://www.insurancejournal.tv/videos/1849).

37 "Florida Office of Insurance Regulation Reaches Agreement with State Farm, Returning more than $46 million to Policyholders," October 2, 2007 (available at http://www.floir.com/PressReleases/viewmediarelease.aspx?ID=2783).

38 "Nationwide Insurance Company of Florida Testifies before Florida Senate Select Committee," February 2, 2008 (http://www.pr-inside.com/nationwide-insurance-company-of-florida-r421360.htm).

39 "Homeowner's Insurance Changes Proposed", February 11, 2008 (available at http://www.cftlaw.com/news.php?category=&headline=Homeowner%27s+insurance+changes+proposed).

40 Id

41 Id

42 "Florida Office of Insurance Regulation Subpoenas Allstate for Public Hearing on Policies and Rates", October 16, 2007 (http://www.floir.com/PressReleases/viewmediarelease.aspx?ID=2802).

43 Statement by Florida Insurance Commissioner Kevin McCarty on District Court Order to expedite Appeal Process of Allstate License Suspension, January 31, 2008 (http://www.floir.com/PressReleases/viewmediarelease.aspx?ID=2869).

44 Statement by Florida Insurance Commissioner Kevin McCarty on State Senate Request for Insurance Co. Executives to Testify at Public Hearing on Property Insurance Rates, January 10, 2008 (http://www.floir.com/PressReleases/viewmediarelease.aspx?ID=2851)

45 "Property Insurance Lawsuit", December 19, 2007 (http://www.wkrg.com/news/article/property_insurance_lawsuit/8251/).

Claim Estimation in Liquidations: Integrity – the Final Chapter?

by Robert M. Hall

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I. Introduction

The insurance company liquidations of the 1980's (e.g. Mission, Transit Casualty and Integrity) carry with them a legacy of long tail claims and corresponding issues with reinsurance recoverables.

It may take decades for incurred by not reported (hereinafter "IBNR) losses to ripen in non-contingent and liquidated claims. In the meantime, estates remain open eating up assets with administrative costs and reinsurers go out of business.

This had led several liquidators to develop plans to estimate claims actuarially and to force payment of such estimates by reinsurers. This creates a number of practical problems. The first, and most obvious, is that actuarial projections of long tail claims are always estimates that vary within a wide range. A second, and even more difficult problem, is estimating the nature of claims, their size and the year(s) in which the losses take place, so as to determine which reinsurers to bill and for how much. However, the initial (and perhaps final) issue is whether liquidation statutes allow receivers to estimate claims and collect from reinsurers on that basis. The purpose of this article is to examine case law on point.

II. Mission Insurance Company

Under § 1025 of the California Insurance Code, unliquidated or undetermined claims may be filed in the receivership proceeding but shall not be paid until they are "definitely determined, proved and allowed." Nonetheless, the receiver of Mission claimed broad discretion to protect claimants with long tail claims, reduce administrative costs and collect reinsurance recoverables more rapidly from reinsurers. This discretion, the receiver claimed, meant only that he had to enact a reasonable liquidation plan and that it was irrelevant whether a different plan might be better.

The Reinsurance Association of America (hereinafter "RAA") challenged the claim estimation plan and the Court of Appeal of California flatly rejected the receiver's arguments:

> While the Commissioner's policy and economic arguments may be persuasive, they cannot trump section 1025's express language. The Commissioner notes that actuarial estimates are used to assess the value of future liabilities, and are relied on in the insurance industry to set reserves and estimate future losses. The point of section 1025, however, is to preclude present payment of such contingent and unliquidated claims (emphasis in the original).[1]

An insolvent affiliate of Mission, Holland-America Insurance Company, was domiciled in Missouri. Advocates of claim estimation were able to convince the legislature in that state to approve a claim estimation procedure. § 375.1200.2 R.S.Mo. reads as follows:

> If the fixing or liquidation of any claim or claims would unduly delay the administration of the liquidation or if the administrative expense of processing and adjudication of a claim or group of claims

> of a similar type would be unduly excessive when compared with the moneys which are estimated to be available for distribution with respect to such claim or group of claims, the determination and allowance of such claim or claims may be made by an estimate. Any such estimate shall be based upon actuarial evaluation made with reasonable actuarial certainty or upon another accepted method of valuing claims with reasonable certainty. (emphasis added)

The liquidator of Holland-America developed a liquidation plan which included claim estimation and payment of reinsurance recoverables based thereon. Again, the RAA challenged the plan based on the arguments that reinsurer's indemnity obligations do not include IBNR and that such claims are both contingent and unliquidated. In Angoff v. Holland-America Ins. Co., 937 S.W.2d 213 (Ct. App. Mo. 1996), the court upheld the plan based on the statute cited above:

> The Missouri insolvency statutes grant the receiver considerable discretion in evaluating and determining claims by estimation using actuarial evaluation or other accepted methods of valuing claims with reasonable certainty. We believe this includes determinations for IBNR losses to the extent that those types of claims can be determined with reasonable certainty.[2]

The RAA, however, took the issue back to the Missouri legislature and was able to reverse, effectively, the Angoff case by adding the following to § 375.1220 R.S. Mo.:

> However, nothing in subsection 2 of this section or any other section of this chapter shall be construed as authorizing the receiver, or any other entity, to compel payment from a reinsurer on the basis of estimated incurred but not reported losses . . . .[3]

III. Integrity Insurance Company

The liquidator of Integrity adopted a liquidation plan which called for the estimation of IBNR and for reinsurers to pay claims based on such estimation. The RAA again challenged this plan with Debra Hall, then Senior Vice President and General Counsel of the RAA, trying the case, creating the record and working on the appeal. The trial court upheld the plan and the RAA and other reinsurer trade associations appealed arguing that IBNR is not a "claim" under relevant reinsurance contracts or within the meaning of New Jersey receivership statutes. More particularly, the RAA argued that the plan was in violation of N.J.S.A. 17:30C-28a which provides that no contingent claim shall share in the distribution of Integrity's assets unless such claim becomes absolute before the last day fixed for filing of claims.

In an unpublished opinio[4], New Jersey Superior Court rejected the liquidator's plan:

> IBNR claims are actuarial estimates and are, therefore, not absolute. They are derived from standards of measurement that vary according to the judgment of the valuator. They are nothing more than an estimate of the value of a potential actual loss that accounts both for the possibility that the loss will not occur and for the possibility that the extent of the loss will differ from the actuarial estimate. Accordingly, IBNR claims are not absolute and are prohibited by the statute from sharing in the estate.[5]

The court labeled "alchemy" the liquidator's argument that the claims became absolute upon the liquidator's determination to settle the claims.[6]

On appeal, the New Jersey Supreme Court affirmed opinion of the Superior Court as to the meaning of "absolute" in N.J.S.A. 17:30C-28(a). The court commented:

> Because the process by which the Liquidator proposes to estimate IBNR claims of necessity entails looking outside of each claim to other similar claims in respect of their very existence, nature, extent and cost, IBNR claims fail to satisfy that most basic of requirements in order to be "absolute": that in order for a claim to participate in the liquidation of an insolvent insurer's estate, the claim, in

> each of its fundamental respects, must stand on its own, and not by reference to any other claim.[7]

After more than a decade of litigation, Integrity's effort at claim estimation was defeated.

IV. Conclusion

The laws of most states contain similar language concerning contingent and unliquidated claims i.e. that they cannot share in the distribution of the assets of an estate. The implication from the case law outlined above is that receivers cannot collect reinsurance recoverables on such claims until they become non-contingent and are liquidated. The courts in California and New Jersey have confirmed that this situation cannot be overcome by a liquidation plan by which claims are estimated and reinsurers are forced to pay claims based on such estimates.

As the Holland-America situation demonstrates, the legislature is the proper venue for the claim estimation debate. There receivers can argue the cost benefits of early closing of the estate while preserving recoveries for those with long tail claims. Similarly, reinsurers can argue the inequities of requiring reinsurers to pay theoretical claims of theoretical nature, size and date.

Endnotes:

1 Quackenbush v. Mission Ins. Co., 46 Cal. App.4th 458, 467 (1996).
2 S.W.2d 213 at 217-8.
3 § 375.1220.3.
4 Docket No. A-6972—03T5 Superior Court of New Jersey, Appellate Division, October 2, 2006.
5 Slip Op. at 8.
6 Slip Op. at 10.
7 935 A.2d 1184, 1191 (N.J. 2007).

Insurance History of India

Neeraj Gupta

Insurance in India started without any regulations in the Nineteenth Century.

It was a typical story of a colonial era; a few British insurance companies dominated the market and served mostly large urban centers. After independence, the insurance industry was nationalized. The life insurance companies were nationalized in 1956, and then the general insurance (we call it property & casualty in this country) was nationalized in 1972. Only since 1999, have private insurance companies been allowed back into the business of insurance with a maximum of 26% of foreign holdings.

Insurance under British System

Life insurance in the modern form was first set up in India through a British company called the Orient Life Insurance Company in 1818, followed by the Bombay Assurance Company in 1823 and the Madras Equitable Life Insurance Society in 1829. All of these companies operated in India but did not insure the lives of Indians. They insured the lives of Europeans living in India. Some companies that started later did provide insurance for Indians, but, the Indians were treated as "substandard" and therefore had to pay a 20% extra premium. The first company that had policies that could be purchased by Indians with "fair value" was the Bombay Mutual Assurance Society starting in 1871.

The first general insurance company, Triton Insurance Company Ltd., was established

Insurance History of India (Continued)

in 1850. It was owned and operated by the British. The first "Indian Owned" general insurance company was the Indian Mercantile Insurance Company Limited set up in Bombay in 1907.

By 1938, the insurance market in India was buzzing with 176 companies. However, the industry was inundated with fraud. As a result, a comprehensive set of regulations were put in place to fix the problem. By 1956, there were 154 Indian insurance companies, 16 non-Indian insurance companies and 75 provident societies that were issuing life insurance policies. Most of these policies were centered in the big cities. In 1956, the finance minister S.D. Deshmukh announced the nationalization of the life insurance business.

Insurance under the monopoly system

The nationalization of life insurance was justified mainly on three counts;

1. `It was perceived that private companies would not promote insurance in rural areas.
2. `The Government would be in a better position to channel resources for saving and investment by taking over the business of life insurance.
3. `Bankruptcies of life insurance became a big problem. At the time of the takeover, 25 insurance companies were already bankrupt and over 25 were on the verge of bankruptcy.

The life insurance industry was nationalized under the Life Insurance Corporation (LIC) Act of India. In some ways LIC has become very successful. Despite being a monopoly, it has over 60-70 million policyholders. Given that the Indian middle-class is around 250-300 million, the LIC has managed to capture about 30% of it. Market penetration in the rural areas has grown substantially. Around 48% of the customers of the LIC are from rural and semi-urban areas. This probably would not have happened had the charter of the LIC not specifically set out the goal of serving the rural areas.

The life insurance industry was nationalized under the Life Insurance Corporation (LIC) Act of India.

Although efforts were made to maintain an open market for the general insurance industry by amending the Insurance Act of 1938 from time to time, malpractice escalated beyond control. As a result the general insurance industry was nationalized in 1972. The General Insurance Corporation (GIC) was set up as a holding company. It had four subsidiaries: New India, Orient, United India and the National Insurance companies. GIC has a quarter million agents. It has more than 2,500 branches and 30 million individual and group insurance policies.

Insurance under current system

Although Indian markets were privatized and opened up to foreign companies in a number of sectors in 1991, insurance remained out of bounds. The government wanted to proceed with caution and it decided to set up a committee headed by Mr. R.N. Malhotra (then the Governor of the Reserve Bank of India). Liberalization of the Indian insurance market was recommended in a report released in 1994 by the Malhotra Committee, indicating that the market should be opened to private-sector competition, and ultimately, foreign private-sector competition.

As a result of the Malhotra Committee report, on December 7, 1999 the government passed the Insurance Regulatory and Development Authority (IRDA) Act. This act repealed the monopoly conferred to the Life Insurance Corporation in 1956 and to the General Insurance Corporation in 1972.

At present, 312 million middle class consumers in India have enough financial resources to purchase insurance products

Insurance History of India (Continued)

like pensions, health care, accident benefits, life, property and auto insurance. Only 3% of the insurable population, however, has insurance coverage in any form. The potential premium income is estimated around $85 billion. This will place India as the sixth largest market in the world after US, Japan, Germany, UK and France.

Some areas of future growth

Life Insurance

The traditional life insurance business for LIC has been a little more than a savings policy. Term life has accounted for less that 4% of the insurance premiums of LIC. For the new life companies, term life policies would be the main line of business.

Health Insurance

Health insurance expenditure in India is roughly 6% of the GDP, much higher than most countries with the same level of economic development. There has been an almost total failure of the public health care system in India. This creates an opportunity for the new insurance companies.

Pension

The pension system in India is in its infancy. There are generally three forms of plans: provident funds, gratuities, and pension funds. Most of the pension schemes are confined to government employees (and some large companies). The vast majority of workers are in the informal sector. As a result, most workers do not have any retirement benefits to fall back on after the retirement. Therefore, there is a huge opportunity for development of pension funds in India.

> *Over the next couple of decades there is likely to be a high growth for income in India for two reasons.*

Non Life Insurance

The flurry of activities of the new companies in the life insurance market has not been repeated in other types of insurance. The reason is basic; lack of data. The companies do not have access to DMV and all premiums are based on the value of the vehicle and the location where it is registered. Unless the new companies have access to reliable data on accidents of different kinds under Indian conditions, it will be hard to offer competitive policies.

Conclusions

It seems unlikely that the LIC and GIC will just disappear within the next decade or two. IRDA has taken a “slow” approach. It has been very cautious in granting licenses. It has set up fairly strict standards for all aspects of the insurance business. Regulators realize that too many regulations can kill the incentives for the newcomers; too relaxed regulations may induce failure and fraud that led to nationalization in the first place.

India is not unique among developing countries where insurance business has been open to foreign competitors. Openness of the market will not mean a takeover especially since foreign insurance cannot have a majority shareholding in any company.

Over the next couple of decades there is likely to be a high growth for income in India for two reasons. Financial deregulation always speeds up the development of the insurance sectorand growth in per capita GDP will help insurance business to grow.

View from Washington Summer 2008

by Charlie Richardson

The 5th Annual Insurance Summit presented by Networks Financial Institute in Washington, D.C., and supported by Baker & Daniels LLP and B&D Consulting, was held on March 5, 2008.

Major federal and state policymakers, as well as Professors Sharon Tennyson of Cornell University and Therese Vaughan of Drake University, and industry representatives participated. All research presented at the Summit is available on NFI's Web site, www.networksfinancialinstitute.org. Also speaking at the summit was Dr. Howard Frumkin of the Centers for Disease Control and Prevention, who discussed research on the impact of global warming and climate change on the financial services sector. Morton Kondracke, Editor of Roll Call and Journalist with Fox News, shared his political insights after the Ohio and Texas primaries the day before.

Here are some of the highlights from the Summit – a pretty good summary of where things now stand in Washington as this article was being written and what lies ahead in this Congress and beyond.

Michael T. McRaith, Illinois Director of Insurance, for the National Association of Insurance Commissioners

- The state insurance regulatory system is not perfect, but it is improving.
- We need to recognize that while OFC and other insurance regulatory reform proposals are important to segments of the industry, they are not issues that resonate with the public. People are more concerned, for example, about affordability and availability of health insurance.
- Insurance regulation isn't about the companies; it's about the consumers. Insurance is local, personal and intimate, and state regulators are far more likely to be able to help consumers than a gigantic new federal agency.

Rep. Ed Royce (R-CA), Member of the House Financial Services Committee and Co-Sponsor of the OFC Bill in this and the Previous Congress

- The United States has always striven for national markets, which have been the key to our success in many industries. The current regulatory model for insurance demonstrates the inefficiencies that can be caused by a fractured market.

- International competitiveness implications cannot be ignored. The European Union has one insurance market; the U.S. has over 50. Likewise, the U.S. does not have a single representative able to engage in international dialogue on behalf of the insurance industry as a whole.
- The Treasury Department has said it will release a report on U.S. competitiveness in the financial services sector in the near future. The report is expected to include a call for some kind of federal role in insurance regulation.

Kathleen L. Mellody, Counsel, Majority Staff, House Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises

Andrew J. Olmem, Counsel, Minority Staff, Senate Committee on Banking, Housing and Urban Affairs

These key House and Senate staff laid out Congress' agenda for the year. The Congressional staff spoke under the condition that their specific remarks would not be reported outside the Summit, but it can be fairly said that both the House and Senate expect to be very busy with several financial services issues through the close of this Congress. The mortgage/housing meltdown and economic turmoil is front and center, but there will be insurance reform hearings in both chambers.

I moderated a hard-hitting panel of industry leaders from six key trade associations who represented both sides of the OFC and regulatory reform debate. The panel discussed state v. federal regulation, Congress' appetite for dealing with insurance issues, consumer protection and national trends. The panelists were:

J. Kevin McKechnie, Executive Director, American Bankers Insurance Association

Stephen E. Rahn, Vice President & Associate General Counsel, Lincoln Financial Group for the American Counsel of Life Insurers

Debra T. Ballen, Executive Vice President, Public Policy Management, American Insurance Association

Greg D. Wren, Executive Director, Coalition Opposed to a Federal Insurance Regulator

Thomas C. Koonce, Assistant Vice President, Federal Government Affairs, Independent Insurance Agents and Brokers of America

Robert R. Detlefsen, Vice President, Public Policy, National Association of Mutual Insurance Companies

Prof. Sharon Tennyson, Cornell University, "Consumer Complaints in the Insurance Industry"

- How consumer protection issues would be handled under an OFC remains a concern, particularly given that in 2006 state insurance regulators collectively received almost 3 million contacts from consumers.
- Banks, which already have a dual-system of regulation, receive far less consumer contact. There are a number of factors that could explain this phenomenon, including the nature of the products, the access to information provided by each industry, regulatory philosophies (solvency the primary focus in banking), as well as confusion in the banking industry as to who has jurisdiction over specific complaints.
- Although analysis is hindered by the difficulty of obtaining data and by lack of comparability of some data sources across states, preliminary analysis of available data suggests that only a small proportion of complaints are justified, and suggests a positive association between state regulatory intensity and consumer complaints.

Prof. Therese M. Vaughan, Drake University and Former Iowa Insurance Commissioner and NAIC President, "The Implications of Prompt Corrective Action for Insurance Firms"

View from Washington (Continued)

- A system of prompt corrective action – namely the risk-based capital requirements – currently exists in state insurance regulation and provides thresholds for company and regulatory action similar to those required for banks.
- There are two key differences between the prompt corrective action requirements in banking and insurance. Banking's requirements include a leverage test (on top of the risk-based capital requirements) as well as a series of automatic restrictions on bank activities based on capital levels.
- Given the differences between insurance and banking, regulators should not attempt to harmonize the triggers for regulatory action between insurance and banking.
- Requiring ex-post review of major insurer insolvencies would inject a measure of accountability that is currently missing from the insurance regulatory system.

Dr. Howard Frumkin, Director of the National Center for Environmental Health, Agency for Toxic Substances and Disease Registry, of the Centers for Disease Control and Prevention

- The reality of climate change is no longer debatable.
- Climate change has the potential to have a profound impact on public health through heat waves, severe weather, air pollution, allergies, vector-borne disease, water and food supplies, mental health and environmental refugees.
- Public health experts are already seeing an increase in certain diseases outside of their normal ranges. This is demonstrated by the expanding range for malaria cases as well as tropical fevers showing up as far north as Vancouver.
- The impacts of climate change may compound one another (e.g., increasing frequency of droughts coupled with the warmer temperatures allows certain tree parasites to thrive, kill trees, thus increasing frequencies of forest fires).
- Health insurers and property and casualty insurers will have an increasing stake in their ability to measure and insure against the impact of climate change.
- Actions can be taken to reduce our carbon output and to improve health quality that, likewise, can have a compounding impact.
- Use of public transportation reduces emissions from automobiles while lessening the need to build more roads, thereby reducing the carbon output of construction and vehicles while preserving our green spaces and, ultimately, improving air quality. Walking rather than driving can lessen pollution, save funds expended on gas, and have beneficial health effects against diabetes and other expensive diseases encouraged by physical inactivity.

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