Pinnacle adopted a new motto, “The Firm of Choice” in October. We did this because we want our clients and prospective clients to immediately think of Pinnacle when their project or challenge requires world class actuarial service. From rate filings to forming a captive to litigation support to turning around difficult business situations, Pinnacle’s expert and experienced actuarial and management consultants are here to help.

We also want to know how well we are serving you. To find out, beginning January 1, Pinnacle will begin soliciting client feedback at the end of each project. We are sensitive to the fact that our clients’ time is valuable, so the survey form will be quick and painless. From time to time, Pinnacle will provide a special “thank you” gift to clients who provide us this valuable feedback.

Finally, you are always welcome to contact me directly with your feedback. You can reach me by calling (309) 665-5010 or writing slehmann@pinnacleactuaries.com.

What “The Firm of Choice” Means

Here’s what clients can expect from Pinnacle:

- **A strong desire to know its customers** and consider their unique business goals, geographic and industry mix, risks and culture
- **Responsive customer service** that is timely, dependable and focused on the client’s unique and evolving needs
- **Effective communication** of findings, featuring objective, understandable reports, presentations and expert analyses
- **Emphasis on knowledge transfer** that results in greater customer satisfaction and better understanding of our results and products

□ continued on page 2
Lehmann, Emma, Carlson Elected to Actuarial Boards

Three Pinnacle actuaries have been elected to serve on the boards of directors of key U.S.-based actuarial associations.

Pinnacle President Steve Lehmann became president of the American Academy of Actuaries, the public information organization for the actuarial profession located in Washington, D.C. As the head of the Academy’s Executive Committee and Board of Directors, he oversees the strategic goals and priorities for the nonpartisan organization, whose committees, task forces and work groups regularly prepare testimony and provide objective information to Congress and senior federal policymakers; comment on proposed federal and state regulations; and work closely with the National Association of Insurance Commissioners and state officials on insurance, pensions and other issues.

Charles C. Emma, a Pinnacle principal, is also serving on the Academy’s board of directors. Steve and Chuck were elected on September 27.

Christopher Carlson, a Pinnacle consultant, became president-elect of the Casualty Actuarial Society (CAS) on November 15th. As president-elect, he will also serve as a member of the CAS Board and Academy Board. Located in Arlington, Va., the CAS is a professional organization devoted to advancing the body of knowledge of actuarial science as applied to property, casualty and similar risk exposures.

“These appointments demonstrate Pinnacle’s commitment to advancing the actuarial profession,” Lehmann said. For more information about the American Academy of Actuaries, please visit www.actuary.org. For more information about the CAS, please visit www.casact.org.

New Webinars Bring Pinnacle Expertise to the Desktop

This January, Pinnacle will begin offering webinars to provide relevant, thought-provoking and practical ideas and information on current issues in the insurance and financial services community.

Called the Apex Discussion Series, the webinars will be available on the third Thursday of each month at 2 p.m. EST. The hour-long discussions, available free of charge, will cover relevant topics including: predictive modeling, enterprise risk management and reserve ranges and variability. Participants will also be able to submit questions electronically during the webinars.

For more information or to sign up for a webinar, visit www.pinnacleactuaries.com or call (309) 655-5010.

California Workers Compensation (continued)

The average number of visits to physical therapists and chiropractors, for example, is down significantly. Costs are down more than initially projected by the Workers’ Compensation Insurance Rating Bureau of California and the premiums charged by commercial insurers and self-insurance programs have followed suit.

Caution Ahead

History demonstrates that swings in the pendulum of workers compensation profitability are swift and dramatic in the state of California. Hence, we expect the recent dramatic downward shift in costs is likely a temporary phenomenon.
The growing scrutiny of company financial statements make it riskier than ever to skip the “reliances, limitations and disclosure” section of an actuarial report. Since this section provides the context necessary to understand a report, disregarding the section can lead to misinformation and potential lawsuits.

Actuarial Standard of Practice No. 23, Data Quality, requires detailed disclosure concerning data -- the foundation of a report’s findings. The standard is in full effect for actuarial work commenced on or after July 1, 2006. This allows data providers and management to see how their information is being used in the actuarial work product. Readers and users of the report should also be better informed of any uncertainty associated with data limitations.

The ASOP advises the actuary to disclose such items as:

- The data source and the extent the actuary relied on data supplied by others;
- Any material adjustments or assumptions that the actuary applied to the data to perform the analysis; and,
- Any limitations on the use of the actuarial work product due to uncertainty about data quality.

For more information, contact Shawna Ackerman by calling (415) 439-5226 or writing shawnaa@pinnacleactuaries.com.

**Pinnacle Adopts “The Firm of Choice” Slogan (continued)**

NODAK Mutual Insurance Company has also benefited competitively from Pinnacle, said Jim Alexander, the insurer’s executive vice president and CEO. Pinnacle helped NODAK with a new automobile rating plan that boosted profitability while simultaneously helping the company remain competitive. “Pinnacle brings a lot of knowledge to our organization and helps us as we try to develop products or rating plans in order to stay competitive in the personal insurance marketplace,” Alexander said.

Pinnacle’s customer responsiveness and broad insurance experience are two of the many reasons why Pinnacle is the actuarial firm of choice for Harco National Insurance Company. “Pinnacle can respond quickly to requests for actuarial services,” said David E. Kimpel, vice president of the Rolling Meadows, Ill.-based company, “Pinnacle also answers questions and discusses the results of their analysis from a businessperson’s perspective,” he said. Pinnacle’s “independent view,” he added, has been “valuable in evaluating trends.”

**Reliances, Limitations and Disclosure: Don’t Skip the Fine Print**

Sometimes one small term in an actuarial report can make a big difference. When a new management team member of an insurer read the reliances and limitation section of the company’s prior-year actuarial report, he discovered the company had been overreserving funds for the wrong policy type. The report indicated reserves were based on occurrence policies, not the claims-made policies the company sells. The report and the actuarial analysis had to be revised and reissued. Had the company been reserving for claims-made policies instead of occurrence policies, the consequences could have been devastating.

**Have you experienced the power of Fast Track Plus™?**

For a free trial, contact LeRoy Boison at (516) 746-7149 or lboison@pinnacleactuaries.com.
Derek Freihaut Joins Pinnacle

Derek Freihaut, FCAS, MAAA, has joined Pinnacle as a Consultant in the Bloomington office. He earned a Bachelor of Science degree in Mathematics and Economics from Rose Hulman Institute of Technology in Terre Haute, Ind. He has extensive pricing experience includes personal and commercial auto, commercial multi-peril, rental programs and other personal lines.

Natural Catastrophe Group Aids Future Planning

The American Academy of Actuaries’ Natural Catastrophe Subcommittee, chaired by Pinnacle Principal Shawna Ackerman, provided input to the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Legislators (NCOIL), which are jointly proposing a national plan for handling extreme natural catastrophe risk.

The subcommittee is also preparing a monograph about insuring extreme natural catastrophe risk. Contact Shawna by calling (415) 439-5226 or writing shawnaa@pinnacleactuaries.com.

Pinnacle Takes Loss Reserving to Jamaica

Pinnacle and the College of Insurance and Professional Studies offered a seminar to prepare attendees for the latest trends in loss reserving. Offered in Kingston, Jamaica last November, “Loss Reserving in the 21st Century,” addressed the effect loss reserves have on financial credibility and how insurers can tackle loss reserve issues and requirements and gain new insight into the loss reserving process.

For more information on this topic, contact Chuck Emma by calling (630) 262-0954 or writing cemma@pinnacleactuaries.com.

Pinnacle Opens Indianapolis Office

Pinnacle opened a new office in Indianapolis in November. The office is located at 374 Meridian Parke Lane, Suite C, Greenwood, IN 46142 and the phone number is (317) 889-5760. For more information, contact John Wade at jwade@pinnacleactuaries.com.

New Consultant Enhances Pinnacle’s Management Services

Terry Pemberton, CPCU, CLU, ChFC, FLMI, recently joined Pinnacle as a management consultant. Pemberton is the principal of Strategic Associates LLC, which serves as an independent strategic planning consulting firm. With more than 30 years of experience in property/casualty insurance industry, Pemberton is experienced in aligning pricing, underwriting and growth decisions of insurers and guiding insurers through a strategic planning exercise using strategy maps and balanced scorecards. To learn more about Terry, please visit www.pinnacleactuaries.com or www.strategicassociates.org.

Herbers Demystifies Actuarial Speak

Pinnacle Principal Joe Herbers offered the presentation, “Actuarial Science for Dummies” at the 2006 IMAC Cayman Captive Conference last November. The session focused on the fundamentals of the actuarial process and how to effectively communicate with actuaries to better understand actuarial results. For more information, contact Joe at (309) 655-5010 or write jherbers@pinnacleactuaries.com.

Come Join Us!

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