Pinnacle Establishes Reinsurance Practice

Pinnacle Actuarial Resources, Inc. is pleased to announce the formation of its new reinsurance practice.

Led by Rich Lino and supported by Paul Vendetti and Gary Wang, the new team will address customer demand for more reinsurance assistance. The team’s nearly 50 years of combined actuarial experience positions Pinnacle to help clients refine their reinsurance strategy.

Pinnacle’s integrated approach to reinsurance helps clients maximize business opportunities without accepting undue risk. For example, an integrated approach to property value accumulations might consider a company’s:

- Market presence in catastrophe-prone areas
- Long-term profit targets required to make an acceptable return and targets to evaluate performance in years with and without catastrophe loss
- Reinsurance effectiveness: cost and impact on income statement and balance sheet.

To learn more about how Pinnacle’s new reinsurance practice helps insurers and reinsurers make better business decisions, contact Rich Lino at rlino@pinnacleactuaries.com or (609) 896-2940 or check out www.pinnacleactuaries.com.

Pinnacle’s Reinsurance Services

Here’s a sample of services to audit reinsur- ance treaties and programs for insurers:
- Assess risk-reward impact on results
- Evaluate risk transfer
- Enhance reinsurance market submissions

Here’s a sample of services to reinsurers:
- Evaluate reserve adequacy and results relative to industry benchmarks and trends
- Review effectiveness of cedant’s rate structure versus market benchmarks
- Price individual accounts; provide rating factors for loss development, increased limits, trend and loss ratios by state

New Jersey Supreme Court Decision Will Increase Auto Rates, Pinnacle Predicts

A recent New Jersey Supreme Court decision will dramatically increase automobile insurance rates in that state, Pinnacle Actuarial Resources predicts.

The decisions, Octavio Serrano v. Jacqueline Serrano, et al. (A-99-03) and its companion case DiProspero v. Penn, et al., (A-66-03), concluded that the New Jersey Auto Cost Reduction Act (AICRA) does not imply a “serious impact” requirement for those seeking damages for non-economic losses. As a result, claimants maintain the opportunity to seek recompense for losses such as pain and suffering.

The decision was handed down June 14.

When AICRA was implemented in New Jersey, its language did not specifically include a “serious impact on one’s life standard.” However, the courts continued to apply this standard in conjunction with the requirements set forth in AICRA.

(Continued on page 3)
Get Ready for New Jersey Auto Territorial Changes

Insurers doing business in New Jersey should prepare for the state’s new automobile insurance territory map.

The map, which will be developed by the state’s Territorial Commission, is the result of New Jersey Administrative Code 11:3-16A. This requires each insurer to file a territory map, territorial relativities and amendments to its rating plan no later than 180 days after the insurance commissioner’s approval or certification of the common territory map. At this time, it is unclear when the map will be issued.

Approved last March by the New Jersey Department of Banking and Insurance, the regulation eliminates the “cap” that artificially depressed certain territories’ rates while causing other territories to subsidize the artificially depressed rates. Thanks to the regulation, insurers can have 50 territories for personal auto insurance, up from the 27 territories. The regulation also defines criteria for territories, such as minimum size, shape and zip code and prescribes credibility requirements and transition procedures.

Pinnacle offers actuarial assistance for creating new territories. In addition, Pinnacle offers Summit™ — territory clustering software that can be used by insurers to assist them in their own analyses. For more information, contact LeRoy Boison at (516) 746-7149 or lboison@pinnacleactuaries.com or visit www.pinnacleactuaries.com.

Unleash Predictive Modeling’s Power

► See all that predictive modeling can do.
► Apply predictive modeling to your data.
► Maximize multivariate pricing analysis.

Unleash the power of predictive modeling by checking out the recently-updated predictive modeling section of Pinnacle’s website at www.pinnacleactuaries.com.

Predictive Modeling Boosts Competitiveness for Small and Medium-Sized Companies

Top management at a regional insurer with $50 million in homeowners premium were, at first, skeptical of predictive modeling. They thought they lacked the data to do predictive modeling, and consequently, that it would not make a competitive difference.

After Pinnacle did a multi-variate analysis of their data, however, they became believers.

To say the results opened their eyes would be an understatement. Pinnacle’s predictive modeling analysis revealed that not all the insurer’s auto customers deserved the same multi-line discount. Predictive modeling also revealed the proper surcharge for risks such as swimming pools, pets and prior losses. The resulting underwriting decisions and premiums were significantly better than those made in the past. The results were so good that the company is now preparing to do more predictive modeling.

Small and medium-sized insurance companies are learning first hand that predictive modeling reveals surprising information that can provide a competitive boost. The use of new predictive modeling techniques means that an insurer no longer has to be among the top 10 writers to reap the benefits of an in-depth data analysis and a proprietary rating plan.

Like the carrier described above, many medium-sized companies have been surprised at the amount of information that lies untapped within their own databases. They are thrilled to learn they can apply their own data to develop a rating plan unique to their business.

Small insurers can also get in on the action. Pinnacle has found that small companies can use a combination of their own experience and a review of competitor information to develop more dynamic rating plans than ever.

Since greater segmentation and flexibility in rating plans is becoming the norm for personal and small commercial lines, insurers that fail to adjust are placing themselves at greater risk. They are likely to find their new business results deteriorating as adverse selection works against them.

For more information about predictive modeling, contact Jeff Kucera at (847) 566-9261 or jkucera@pinnacleactuaries.com or Roosevelt Mosley at (309) 665-5010 or rmosley@pinnacleactuaries.com.

Jeff Kucera

To say the results opened their eyes would be an understatement

LeRoy Boison

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Companies, like people, can be creatures of habit. They resist change, even when change is necessary to compete and thrive in today’s market.

Initiating and managing change remains a significant challenge for today’s insurance executive, while change itself is not what it used to be. Change, in the past, was an iterative process to achieve gradual results. Today, change is constant and relentless. Executives are almost always the first to recognize the need for change, but are typically alone in the initial advocacy for it. Change, though necessary, is fraught with peril. Some change initiatives work while others do not.

My experience with managing change has taught me the following lessons:

• **Leadership must champion and protect change.** Delegating this responsibility will dilute the urgency and compromise the outcome. A “mover” can assist by handling responsibilities, facing and resolving complex and often-conflicting goals and objectives, but leadership holds the vision and oversees its outcome.

• **Well-trained employees adapt the best.** Change almost always requires training and retraining. If the organization isn’t keeping employees current on skills and processes, training and acquiring new skills will be even harder.

• **Simpler processes enhance flexibility.** Left to their own devices, organizations typically gravitate toward more complexity, not less. Top management must always serve to advocate the simple and streamlined. If top management must spend some time where the work is actually performed…so be it.

• **Motion is not always progress.** Always define success in specific terms as to how and where the change will add value-- and do it early in the game. Start with your current processes and ask: how do current processes add value; and how will the new process add greater value?

• **Enlist outside help to see through a different lens.** Corporate cultures are very strong and tend to narrow one’s view. All organizations tend to define their problems and develop their solutions with familiar tools and methods. An outsider can offer perspective and expertise.

• **Anticipate technological impact.** Change often requires system support, so know as much as you can about what lies ahead. Know how your customer and business partners will be impacted and have a contingency plan for their needs.

• **Get your employees involved.** The most successful change initiatives have strong buy-in within the organization. Listening to employees, even if their ideas are rejected, makes them more likely to embrace the change.

• **Once success is defined, stick to it.** Over time, organizations tend to redefine the success of a process or initiative by what is easier to achieve rather that what is best.

For more information, contact David Harris by calling (772) 466-3476 or writing dharris@pinnacleactuaries.com.

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New Jersey Supreme Court Decision... **(continued)**

Eliminating the “serious impact” criteria will significantly raise losses and rates, according to research and analysis that Pinnacle published last fall. Specifically, Pinnacle estimates increases in Bodily Injury and UM/UIM costs for drivers selecting the verbal no fault threshold option of between 34 percent and 57 percent, or approximately $98-$163 annually per car.

The analysis, conducted on behalf of the Save New Jersey Supreme Court Decision... **(continued)**

Choices for New Jersey Drivers group, was published in the National Association of Insurance Commissioners’ Fall 2004 *Journal of Insurance Regulation*. The survey was based on claims closed during the period May 1 through June 30, 2003.

For more information, contact LeRoy Boison by calling (516) 746-7149 or writing lboison@pinnacleactuaries.com or by calling Steve Lehmann at (309) 665-5010 or writing slehmann@pinnacleactuaries.com.

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Eliminating the “serious impact” criteria would significantly raise losses and rates.
Pinnacle News Briefs

Pinnacle Expands Its Consulting Team

Paul Vendetti, FCAS, MAAA, a new Consultant in Pinnacle’s Bloomington, Ill. office, comes from a large international insurer where his primary responsibilities were reinsurance pricing, loss reserving and catastrophe modeling. His expertise also includes pricing commercial warranty, crop hail and multi-peril crop insurance. With a B.A. in Political Science from DePaul University, Mr. Vendetti is a Fellow of the Casualty Actuarial Society, member of the American Academy of Actuaries and has ten years experience in the property/casualty industry.

Gary Wang, FCAS, MAAA, a new Consultant in Pinnacle’s Bloomington office, previously worked for a large insurance company where he was responsible for reinsurance treaty pricing for personal and commercial lines and pricing of standard homeowners and commercial auto. Mr. Wang, who earned a B.S. degree in Mathematics from Northern Illinois University and has completed graduate-level coursework in Theoretical and Applied Mathematics, has six years of experience in the property/casualty insurance industry.

Pinnacle Predictive Modeling Seminar Receives Rave Reviews

Attendees at Pinnacle’s predictive modeling seminar got so much out of the program that we want to give your company the chance to benefit.

Held in February in New York City, the two-day seminar covered several applications for predictive modeling including auto, homeowners, commercial lines and territories. Insurance company representatives who came to the seminar gave it rave reviews. Their comments included, “great practical examples cited” and “good presentation and interesting concepts.”

If you missed out, it is not too late to take advantage of Pinnacle’s expertise in applying predictive modeling. Pinnacle will be offering a similar seminar this fall. Alternatively, Pinnacle will come to your company to present the same material offered in New York. For more information, contact Roosevelt Mosley by calling (309) 665-5010 or sending an e-mail to rmosley@pinnacleactuaries.com.

Pinnacle Reveals Predictive Modeling Mysteries

Best’s Review recently published an article by Pinnacle Senior Consultant Roosevelt Mosley that reveals the applications of predictive modeling and explores how these techniques can benefit insurers. Published in the May issue, “Detecting a Pattern” can be found at www.bestreview.com or www.pinnacleactuaries.com.

Consultants Speak at Conferences

Erich Brandt and Chuck Emma spoke at ISU’s Katie School of Insurance continuing education workshop on June 8th. They covered loss reserving developments, the role of actuarial practice, basic loss reserving techniques and gave a primer on Statements of Actuarial Opinion.

Chuck Emma presented to the American Strategic Management Institute’s meeting on Enterprise Risk Management on June 14th. The topic, “Modeling Dependencies and Measuring Capital for Financial Services Enterprises,” included a discussion of actuarial model building techniques and considerations.

Jeff Kucera spoke at the National Association of Mutual Insurance Companies’ Marketing and Personal Lines Underwriting Seminar last April. In the presentation, “Continuing Evolvement of Rating Plans,” he discussed how rating plans are changing and the future of rating plans.

Upcoming Seminars

Mark your calendar and watch the seminars/events section of our website for more information!!!

Pinnacle will be offering the following seminars on:

➤ Predictive Modeling
  November 9-10, 2005 in Las Vegas

➤ Loss Reserves
  December 1-2, 2005 in Chicago