

2010 National Events of Casualty Actuarial Interest

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CAMAR Spring Meeting

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Systemic Risk Regulation (SRR)

- Creation of new Federal Systemic Risk Regulator (SRR)
- Proposed Office of National Insurance (ONI)
- Proposed Office of Financial Research (OFR)
- Responsibilities for Data Collection and Monitoring
- How to Regulate Systemic Risk
- Insurance viewed as part of Financial Services Industry
- Academy suggested an Office of the Chief Actuary
- White Paper to recognize actuaries as risk experts

Actuarial Profession's Views on SRR

- Systemic risk regulation makes sense at federal level
- Rapid product innovation and diverse/complex financial services providers make it difficult for states to regulate systemic risk
- SRR should monitor systemic risks, nationally and globally
- SRR should establish systemic risk criteria for regulatory intervention
- SRR should compile data
- SRR should work with state regulators, other countries, and international regulators
- SRR should regulate systemically important companies
- SRR should recognize ability of state regulatory system for insurance
- SRR should use the experience within the state regulatory system
- SRR should not lessen responsibility of state regulators to the public

Systemic Risk Regulation Academy White Paper

- Role of the Systemic Risk Regulator
- Governance and Structure
- Data Needs of the SRR
- Relationship to Functional Regulators
- Range of Potential Regulatory Action
- Relationship of the Regulator with the Actuary

Role of the Systemic Risk Regulator

- Clearly define systemic risk
- Establish and monitor risk metrics
- Establish criteria for insurance systemic risk regulation
- Report to Congress and the public
- Assume responsibility for systemic risk regulation
- Act to require company action

A PUBLIC POLICY WHITE PAPER

Role of the Systemic Risk Regulator

May 2010

American Academy of Actuaries
Financial Regulatory Reform Task Force



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GAO Looks at Credit Insurance

- Credit Card Accountability Responsibility and Disclosure Act of 2009 mandates a GAO conduct a study of these Credit Card Debt Protection products for consumers
- Death, Disability, Unemployment, Property Loss
- Insurance vs. Debt Cancellation, Debt Suspension
- Credit card companies now can buy “reinsurance” to cover aggregate losses under their contracts with cardholders
- Advantages and disadvantages of the federal government adopting a regulated measure (e.g., loss ratios) comparing the benefits vs. the costs of these consumer products

Patient Protection and Affordable Care Act Health Care Reform and Federal Black Lung

- This health reform legislation includes a rollback of 1981 reforms to Federal Coal Mine Health and Safety Act regarding “rebuttable presumptions” for eligibility to receive benefits
- It also includes continuation of monthly black lung benefits to the surviving spouse of coal miner who has been awarded benefits, after the death of the coal miner (for any cause)
- Further, it applies retroactively to any pending claim that was filed after January 1, 2005 (claims can be re-filed multiple times)
- Insurance coverage applies based on date of last exposure
- NCCI filed for increases in disease load of 30-50% in 3 states with no consideration of retroactive applicability of new law

Liability Limits for Oil Spills

- Federal law has \$75 million limit for non-clean up cost
- Proposed legislation to increase limit to \$10 billion
- Deep Horizon event would be subject to higher limit
- Extensive consequential damages from loss of business
- Current \$75 million limit becomes public policy issue
- Academy is submitting comments to Congress
- Concern over raising limit retroactively to April 2010
- Emphasis should be on how to better manage risk
- “Black Swan” event – not contemplated in the law