

by NAMIC

WASHINGTON (Sept. 28, 2007) "The National Association of Mutual Insurance Companies (NAMIC) today advised state insurance commissioners to be skeptical of bogus attacks on catastrophe models and the firms that develop them. The comments came during a public hearing held at the National Association of Insurance Commissioners' quarterly meeting here.

In prepared remarks, Robert Detlefsen, NAMIC's vice president for public policy, told the Property Casualty (C) Committee that the hearing was apparently inspired by letters the NAIC received from J. Robert Hunter and Birny Birnbaum, two "self-anointed consumer representatives," Detlefsen said. In the letters sent in March 2006 and 2007, "the two bitterly complained" about recent catastrophe models based on near-term hurricane loss projections, which have been used by insurers to seek permission to substantially raise premiums in areas vulnerable to hurricanes.

"As is customary on such occasions, Hunter and Birnbaum have responded by demanding that the NAIC exert tighter regulatory authority over the enemies of "economic justice," Detlefsen said. He explained that the two premise their demand on three accusations: catastrophe modelers are incompetent; models that incorporate near-term projections are based on politics rather than science; and modelers and insurers are engaged in "collusion." "None of these accusations is credible."

The field of climate science has been in a state of flux in the period since Hurricane Andrew, Detlefsen explained. "It is churlish to proclaim that practitioners who based their predictions on plausible scientific theories did not know what they were doing simply because the theories ultimately proved incorrect."

On the accusation that catastrophe modelers incorporate near-term projections based on politics rather than science, Detlefsen said the claim stems from the fact that these models have been criticized by some climate scientists and other modelers. "But these criticisms tell us nothing more than the world hosts a broad enough diversity of scientists, with varying backgrounds and different creative ways of approaching problems, they sometimes disagree," he said.

"As of now, no one can claim to know for certain which models will prove most adept at predicting catastrophe risk over time," Detlefsen said. "That is reason enough for regulators to avoid taking any action that will inhibit further innovation in the development of these critically important risk management tools."

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