addressing the issues

BY SUSAN MILLER

5th Annual Insurance Reform Summit: Regulatory, Environmental and Political Implications Addressed amidst a Changing Financial Landscape

Turmoil in the bond markets, continuing fallout from the home foreclosure crisis, and uncertainty regarding the Democratic Party's 2008 presidential nominee set the stage for a vigorous dialogue during the 5th annual Insurance Reform Summit presented by Networks Financial Institute at Indiana State University on Wednesday, March 5. Held at the Ronald Reagan Trade Center in Washington, DC, the Summit convened members of Congress, the insurance community and academia to discuss pivotal issues impacting the industry. The agenda included an update on ongoing industry issues, most notably the role of a potential federal regulator, and the safety and solvency of the industry. The summit also featured discussion on emerging issues that will impact the industry's future, including climate change and the 2008 presidential election.

INSURANCE AND THE LEGISLATIVE LANDSCAPE

United States Representative Ed Royce (R-CA) who along with co-author Rep. Melissa Bean (D-IL) introduced to the House of Representatives the National Insurance Act of 2007 (HR 3200; the Senate version is S. 40), presented his support of a federal charter to regulate the nation's insurance industry. Rep. Royce noted that the U.S. has a long history of developing and enforcing regulation at the federal level. He noted that nineteenth-century legislators determined that state authority over commerce was neither effective nor efficient, while also noting the passage of contemporary federal regulatory reforms in the past dozen years, including Sarbanes-Oxley (2002), the Fair Credit Reporting Act (1996) and Gramm Leach Bliley (1999).

Rep. Royce cited the fallout in the U.S. bond insurance markets as an example of the turmoil that arose in an industry operating without federal regulation. He also noted the trade challenges the U.S. faces as it competes in a global market, citing the lack of national insurance industry representation at the negotiating table in global insurance market policy debates. Rep. Royce noted that the structure of the banking and securities industries provide them with an authoritative industry voice to leverage in international trade opportunities. "The National Association of Insurance Companies (NAIC) lacks the authoritative power to leverage the industry. It does not make laws," he noted.

While the U.S. Treasury Department's report on insurance sector regulatory reform has not yet been made public, Rep. Royce noted that the legislative landscape is positive for insurance reform. He cited positive comments by U.S. Department of Treasury Secretary Henry Paulson regarding the role of a federal charter as well as a "stinging review" regarding the state-based insurance regulatory environment published in the *2007 Economic Report of the President*. More specifically, he also cited the 2007 report commissioned by Senator Schumer and Mayor Bloomberg and written by consulting firm McKinsey & Co., "Sustaining New York's and the U.S.' Global Financial Services Leadership. The report discusses how the U.S. is losing ground in a global financial marketplace. Recommendation 8 of that report suggests that an optional federal charter could help serve as an antidote to the problem. "The European Union has liberalized markets and established a regulatory framework that is effective. The lack of a federal charter will result in U.S. insurance company's lacking sufficient capital to compete in markets around the world," Rep. Royce noted. He further cited the U.S. Chamber of Commerce, whose Top 10 recommendations for improving U.S. capital markets include the establishment of an optional federal charter.

Rep. Royce expressed that a federal charter would benefit more than trade and commerce. He advocated that a federal charter would present superior consumer protection to that currently offered by the state regulated system. From a population mobility perspective, Rep. Royce argued that a structure with federal oversight could more effectively and efficiently serve consumers as they move across state lines.

REGULATORY CONSIDERATIONS – WHAT IS THE COST TO THE CONSUMER?

Michael McRaith, Illinois Director of Insurance, represented the views of the National Association of Insurance Commissioners (NAIC), expressing that the insurance industry would suffer if a federal regulatory structure is imposed, implying an effective "de-regulation" would result. "Deregulating the life and property/casualty insurance industries would "not serve this country and would not serve consumers" he noted. In contrast to Rep. Royce's comments about federal regulation of interstate commerce being the desire of legislative forbearers, McRaith contextualized the state-based regulation of insurance as a consequence of the stringent review of regulation following on the heels of the New Deal era. After Social Security (1935) and the Federal Deposit Insurance Corporation (FDIC) (1933) were created, Congress enacted the McCarran-Ferguson Act in 1945, which effectively allows states to regulate the insurance industry without federal government interference. Stating that McCarran-Ferguson was not "slapped together by yahoo politicians scrambling to serve the interests of the insurance industry," he added, "To assume insurance was overlooked during a period of stringent regulation is erroneous," he noted.

McRaith argued that ultimately insurance is not about the company but about the consumer who has a claim. "The insurance transaction is local, personal and very different from the securities industry. In other financial arenas such as securities, the buyer is assuming a risk, but in insurance the buyer is spending money to protect against a risk," he said. He noted the provisions and regulations that would be required under a federal charter and doubted whether most consumers would read all of the provisions, while further noting that the legislation proposed does not include standards for use of credit scores or rating factors,

RESEARCH PERSPECTIVES

W. Jean Kwon

NFI Fellow W. Jean Kwon is one of the three scholars in the insurance field that contributed new research to the Summit. He is an Associate Professor in the School of Risk Management, Insurance and Actuarial Science, St. John's University. Additionally, Kwon worked as curriculum director at the American Institute for CPCU and has authored several books, including *Risk Management and Insurance: Perspectives in a Global Economy* and *Risk Management and Insurance in Singapore*. Professor Kwon's **"Cross-accountability in Insurance Regulation"** discusses the importance of insurance regulation from a theoretical perspective and examines the objectives stipulated in the insurance acts and regulations of selected jurisdictions.

Sharon Tennyson

Sharon Tennyson, also an NFI Fellow, is Associate Professor in the Department of Policy Analysis and Management at Cornell University. Dr. Tennyson is a noted expert on economic and policy issues related to insurance and has been published extensively on these topics. She holds a PhD in economics from Northwestern University and was previously on the faculty of the Wharton School of the University of Pennsylvania. Dr. Sharon Tennysons's presentation **"Consumer Complaints in the Insurance Industry"** examines consumer complaints (inquiries) in the insurance industry both conceptually and empirically, with the aim of clarifying the nature of complaints and the role of state regulation in generating or ameliorating complaints.

Therese Vaughan

Former Iowa Insurance Commissioner Therese (Terri) Vaughan is the Robb B. Kelley distinguished professor of insurance and actuarial science at Drake University. Vaughan holds a PhD in managerial science and applied economics from The Wharton School at the University of Pennsylvania. She served as president of the National Association of Insurance Commissioners (NAIC) in 2002. Vaughan's summit presentation, **"The Implications of Prompt Corrective Action for Insurance Firms,"** provides an historical overview of Prompt Corrective Action (PCA) in banking and the extent to which PCA would affect insurance.

U.S. Representative Ed Royce (R)

ultimately putting the buyer at risk. From a rate regulation perspective, McRaith stated that the state-chartered structure already promotes a competitive market that invites self-policing and avoids the costs associated with enforced rate.

McRaith turned to recent history to discuss possible cost and inefficiency consequences of a federal regulatory structure. He cited some economists' attributions of loose Basel II capital standards as a contributor to the current credit crisis. He further cited the federal government's slow response in the aftermath of Hurricane Katrina and the 1980's federal bailout of the savings and loan industry under a federal regulatory structure. "Do we want to risk these kinds of disasters in the insurance world?" he asked.

Finally, McRaith cited the tremendous cost burden that would be associated with a federal charter, as well as the time burden. For the National Insurance Act to be effective, the U.S. government would have to invest a tremendous sum in expanding federal regulatory authority and staffing levels. McRaith noted that the Act's proponents had argued that it would enhance global trade opportunities but stated that the legal and judicial systems of Europe do not make this an accurate assumption and that the NAIC already serves as a collective voice for the insurance industry.

McRaith stated that the 2008 elections will most certainly impact legislation and regulation governing the industry. "Be careful what you wish for. Regardless of which senator wins the presidential election, he or she will expect increased responsibility on the part of insurance companies," he noted. However, McRaith also noted that the U.S. electorate does not rate insurance reform as a high priority item in comparison to larger issues such as the economy, healthcare and education.

PERSPECTIVES FROM THE INDUSTRY

A panel of industry experts responded to legislative and regulator comments, weighing in on the prospect of a federal charter.

J. Kevin McKechnie, Executive Director of the American Bankers Insurance Association (ABIA), stated that the insurance industry enjoys a "tidal wave" of industry support for an optional federal charter. "States simply have limited reach due to their geographies," he noted. McKechnie echoed Rep. Royce's comment that the NAIC does not make or pass laws and therefore lacks the power to adequately regulate and enforce practices. "The industry needs one set of rules in order to create consistency and uniformity across thousands of markets," he stated

Stephen Rahn, Vice President & Associate General Counsel, Lincoln Financial Group, agreed with McKechnie's call for uniformity. "Risk-based standards and consumer protection must be standard across the nation. The life insurance industry needs national leadership, vision, speed and uniformity and a federal charter can provide that," he noted. Rahn further noted that insurance products and consumers are national by nature and that the state-based regulatory system is not equipped to deal with customers' mobility. He cautioned the industry to consider the bond market's current problems and noted that like insurance, the bond industry does not have a federal regulatory structure. "We can continue the Band-Aid approach or recognize that we need an optional federal charter. It's not a question of if but when," he stated.

Debra Ballen, Executive Vice President, Public Policy Management of the American Insurance Association, advanced the organization's perspective that a federal charter does not mean choosing between consumer protection and business practicalities. She argued that the option of a federal charter would provide the scope and size necessary for U.S. insurance companies to compete efficiently while also creating a deregulated rate structure that would enhance consumer value through competition. Ballen cautioned against delaying a federal regulatory structure. She reminded the audience that, since Katrina, virtually all new capital securing U.S. risks has been formulated offshore, due to the decentralized nature of having 51 differing regulatory systems. "We can't wait for another market crisis to strike; rather, we need to identify pressure points in advance," she summarized.

Gregory Wren, Executive Director of the Coalition Opposed to a Federal Insurance Regulator, expressed that the industry's problems cannot be solved by assigning them to a federal regulating body. "Creating an agency with the authority and power to act does not guarantee that the agency will act," he stated. Wren stated that the broad network of state regulators enhances the likelihood that a problem will be detected by one of the 51 regulatory bodies. From a consumer protection perspective, he argued that a state regulated industry is better equipped to deal with the "fourteen million" consumer complaints that were tracked just in 2006. Tom Koonce, Assistant Vice President, Federal Government Affairs of the Independent Insurance Agents and Brokers of America (IIABA) acknowledged that the insurance industry is divided but that the IIABA vigorously opposes a federal charter. He cited consumer protection as the basis for the organization's stance, noting that local regulation works best for consumers and ensures a level of responsiveness not available at the national level. He further expressed concern that a dual structure system where companies choose their method of regulation would confuse the consumer and hinder agents' abilities to serve their customers by requiring the agents to know both the federal and the state systems. "Companies would have a choice but consumers would not," he noted. Koonce advocated targeted federal legislation that will modernize the industry, citing the Surplus Lines Bill that establishes a uniform system of premium tax allocation and collection for surplus lines as a good example of effective federal legislation.

Robert Detlefsen, Vice President, Public Policy, National Association of Mutual Insurance Companies, expressed a more balanced assessment on the role of a federal regulating structure. He noted that coverage mandates, price restrictions and price controls such as rate regulation are standard parts of many state's regimes and that they can be harmful to markets, companies and consumers. Dr. Detlefsen stated that an optional federal charter is an intriguing approach to the federal charter proposal and presents a more consumer and company friendly option. However, he noted that in order for a dual-structured regulatory system to work, the federal charter would have to work the way proponents intended, including continued use credit scoring and other risk-based underwriting variables.

He further noted that a dual-structured system would need to provide companies with the flexibility to change their chartering structure if their regulator did not behave responsibly. He noted, "Companies will also further need financial resources to change their charters. This scenario could result in more regulatory discussion at both the federal and state levels that could ultimately leave the industry worse off than where it is today."

STATE REGULATION AND CONSUMER PROTECTION

Professor Sharon Tennyson of Cornell University presented an analysis of states' efforts to track complaints in the insurance and banking industries and how the handling of complaints may look under federal oversight. Professor Tennyson's studies focused on demand and supply side market conduct and states' attempts to monitor, track and report consumer complaints. Her data indicated that state insurance regulators handled a combined 392,482 consumer complaints in 2006, compared to just 54,851 for bank regulators. The majority – 65 percent – of consumers' insurance complaints in a sample of four states (KS, MI, WI and WY) focused on the claims process. Just 32 percent of the complaints were deemed justified and only 3.7 percent of complaints resulted in enforcement action. States' efforts to invite and respond to consumers' insurance complaints were varied as well.

Professor Tennyson noted that the insurance industry's customer service in response to complaints appears to exceed that offered by the banking industry. The banking industry is harder to measure and is largely policed by a broader set of regulations and a primary focus on solvency, including more focused exams. Tennyson noted that banks' customer service appears to be compromised due to banks' compliance requirements with both state and federal regulations. "If consumer focus is needed in insurance, then ultimately a state provision for regulation may be superior," noted Tennyson.

Dr. Tennyson's paper examines whether or not the threat of regulatory competition has reduced states' focus on resolution of consumer complaints and inquiries. Although analysis is hindered by the difficulty of obtaining data and by lack of compatibility of some data sources across states, analysis of available data suggests that only a small proportion of complaints by consumers are justified and further suggests a positive association between state regulatory intensity and consumer complaints. Tennyson concludes that state regulators may play an intermediary role in resolving disagreements between consumers and insurers.

Professor Therese Vaughan

SOLVENCY UNDER A FEDERAL CHARTER – THE ROLE OF PROMPT CORRECTIVE ACTION

Professor Therese (Terri) Vaughan, Distinguished Professor of Insurance and Risk Management, Drake University and former NAIC President, discussed the implications of prompt corrective action (PCA) for insurance firms. Section 1217 of the National Insurance Act of 2007 (S. 40) requires the development of a system of PCA for federally chartered insurance companies. She reviewed the structure of the banking industry's prompt corrective action model which sets specific statutory capital requirements based on risk-based capital and the institution's leverage (capital/ assets) ratio. Within the banking model, first discretionary and then mandatory action, as well as resolution, is required as a bank's capital falls under specific thresholds. Professor Vaughan noted that the banking industry has largely enforced action and resolutions well before the action tripwires are triggered.

Similarly, the insurance industry adopted state enacted risk-based capital laws, again specifying increasingly consequential actions as capital levels fall below established tripwires, from company and then regulatory action, then authorized control levels, and finally mandatory control levels. Like banks, insurance firms are required to submit capital restoration plans and at a certain level, the regulatory entity must assume control of the firm.

A Scholar Review of the Summit

BY ERIK G. ANDERSEN

"I have never let my schooling interfere with my education." As a quote taken from a man who grew up in a small Missouri town and throughout his life cultivated relationships with presidents, important political figures, business leaders, and common Americans, Mark Twain recognized that education extends beyond the classroom. Similar to Mark Twain, I am a student that pursues opportunity for educational variety. Through meeting industry executives and attending instructional events throughout the United States, I comprehend the educational benefits of studying current topics. As a Networks Scholar, the opportunity to attend NFI's 5th Annual Insurance Reform Summit and listen to leading executives of the insurance industry, government officials, and industry researchers was an occasion to learn about topics facing the American people, insurance industry and U.S. government.

As a previous visitor to our nation's capital, I was enthused at the opportunity to get a behind-the-curtains tour of Washington DC. Eager to learn how policy makers, insurance leaders, and researchers combined ideas to reform the current industry and shape a positive future, I was interested how my concentration of study, insurance, impacted the United States. Highlighted in the Insurance Reform Summit was a panel discussion about the adoption of a federal charter which would offer nationwide regulation to the insurance industry. While one side argued that federal regulation would bring uniformity and speed, the other voiced that the states are varied and no federal charter would satisfy a tailored regulation that is needed for specific states. Additional topics covered included research pertaining to consumer complaints in the insurance industry and an overview of current legislative topics in insurance, including surplus lines regulation, the national flood insurance program, and the affordability of terrorism risk insurance.

In the public eye, my trip to Washington DC could be viewed as an opportunity to learn more about the future of the insurance industry. However, the educational trip involved more spirit and passion than insurance regulation. Arranged by Networks Financial Institute, I and two other scholars walked the hallways of the U.S. Capitol building and watched political action during a session of the House of Representatives. As a young American, I walked the streets of my nation's capital and heard the echoes of the great leaders who had walked the path set before me. Washington DC, a catalyst for national and global opportunity, reenergized my patriotism. Engaged by the speaker's passion for reform and opportunity at the Summit, and hearing the prosperity that politicians promised, inspired my perseverance for education.

Similar to Mark Twain my education is formed not only in the classroom, but by the events attended and conversations held. In an epicenter of policy, change, and optimism that will affect the American people, my Washington DC trip offered a true learning experience.

Scholars Zachary Goodman, Erik Andersen and Kelly Fortner with ISU President Lloyd Benjamin at the Insurance Reform Summit in Washington DC.

Differences lie primarily in that banking triggers are based on leverage ratios along with risk-based capital. Further, banking regulations require regulators to limit specific bank activities at lower capital levels while permitting the regulator to move the bank to a more restrictive action level based on the bank's CAMEL rating, which refers to the five components of a bank's condition: capital adequacy, asset quality, management, earnings, and liquidity.

In summary, Professor Vaughan noted that the prompt corrective action model should be included in a federally regulated insurance structure, although the triggers should not be identical to those used in banking. She noted that the NAIC's Risk-Based Capital Model Law contains provisions that meet PCA's objectives of forcing regulator action at low capital levels and motivating insurers to maintain capital above those established levels. She cautioned that oversight of capital levels is insufficient in itself and that regulators must be authorized with the discretion to intervene.

MOVING TOWARD THE 2008 ELECTIONS

Morton Kondracke, Co-host of Fox News' *The Beltway Boys* and Executive Editor of *Roll Call,* shared his perspective just one day after the March 4 presidential primaries in Vermont, Rhode Island, Ohio and Texas. Kondracke noted both Senator Clinton and Senator Obama's efforts to distance themselves, in Ohio, from NAFTA, while noting that NAFTA has not been a problem for that state, which actually sends 57 percent of its exports to Canada and Mexico. Focusing on the Democratic contest, he noted that while 20 percent of Senator Clinton's voters said race was a factor in their decision, 55 percent of those indicated that they voted or will vote for Clinton. Similarly, 90 percent of African Americans have voted for Senator Obama. While Kondracke expressed that Senator Obama remains in the lead in terms of popular votes and delegates, the prospects of uncounted Michigan and Florida delegates remains uncertain.

Beyond the tabulation of delegates and superdelegates, Kondracke said the "real story" is the emergence of Obama as a "rock star" personality. "Obama offers an end to the poisonous partisanship that prohibits stuff from getting done," he noted. He noted that the 2008 electorate has indicated that above all else, they want to elect a candidate who will take action and stop the polarization that has stymied progress with healthcare, social security reform, education, energy prices and other topics they deem important. "Senator Obama's opportunity is to position himself as an alternative to the polarization that has gripped American politics," Kondracke noted. He discussed how both Senator Clinton and Senator Obama have dramatically similar policy proposals to address healthcare, government entitlements, education, immigration, the Iraq War and troop withdrawal, trade agreements, college costs, diplomacy, infrastructure expenditures and taxes. "They agree on issues; the difference is in style. Obama offers a sense of unity and Hillary offers a sense of a fight," he stated.

Morton M. Kondracke

On the Republican front, Kondracke characterized Senator McCain as a "conviction politician" recognizing that he has refused to waiver on his stance with regards to immigration and other issues. He noted that many conservatives still perceive Senator McCain as too liberal and that he expects Senator McCain to create a sense of separation between himself and President Bush as the campaign continues. He said that McCain's electoral success may rest on his ability to convey the importance of his experience and role in national security, but that he will need to create a competing optimistic vision for America.

Kondracke noted that in an environment where voters continue to largely classify themselves as "independent," the momentum currently resides with the Democratic Party. Given Senator McCain's age and the race/gender status of Senators Obama and Clinton, he noted that the running mate will be especially important on the 2008 ticket.

CONTINUING TO ADDRESS THE ISSUES

NFI Executive Director Elizabeth Coit noted in concluding remarks that despite the changing issues impacting the insurance industry, the focus of the event remains to bring a voice to the myriad issues the financial services industry impacts, and that impact the financial services area.

checking the WEATHER

Climate Change and Its Impact on Financial Services

BY MARTHA HENN MCCORMICK

In recent years, financial services consulting, institutional investment firms and other groups have been issuing reports, studies, and position pieces on the risks and opportunities of climate change for the financial sector. One such report, the June 2005 "Climate Change & the Financial Sector: An Agenda for Action," is a joint publication of the Allianz Group and the World Wide Find for Nature (WWF) and sets the tone of many that follow with a two-sided argument. Allianz and WWF cite both the negative effects on business and consumers and the positive opportunities implied for the financial services sector to mitigate risks, and drive a low-carbon economy. According to the report, the European Union has estimated future costs of the global damage from climate change at 74 trillion euros.

Subsequent to the Allianz/WWF report, a range of other reports have been issued in quick succession. Goodwin Procter issued a January 2007 *Environmental & Energy Advisory* update, "Climate Change Strategies for the Financial Services Industry." In December 2007, Oliver Wyman and its Senior Advisory Board released their report, "Financial Services Firms Should Grasp Emerging Opportunities from Climate Change, While Preparing for Long-Term Threats to Value." In January 2008, we saw the release of a study produced by RiskMetrics Group and commissioned by Ceres, the United States' biggest investor and environmental coalition, and the Investor Network on Climate Change. "Corporate Governance and Climate Change: Banking Sector" surveyed 40 banks in the U.S., Europe, Asia, Canada and Brazil. The study scores banks based on a climate change governance index, its 14 indicators examining "board oversight, management execution, public disclosure, emissions accounting and strategic planning." European banks are ahead of U.S. and Asian banks in their response to climate change. Affirming the recent trend of financial services attention to the climate change issue, this study reveals that 57 of the 100 climate change research reports written by banks were issued in 2007.

Four U.K. institutional investors (Henderson Global Investors, Insight Asset Management, RAILPEN Investments and the Universities Superannuation Scheme) announced their collaboration with the specialist environmental consultancy Acclimatise to issue a series of reports in a range of sectors, including electrical and water utilities, oil and gas, and real estate. Their preliminary report is "Managing the Unavoidable: Understanding the Investment Implications of Adapting to Climate Change." Intending to improve long-term investment performance, the report enumerates climate change risks, implications for cash flows and balance sheets, and the disclosures required by investors to allow them to evaluate corporate exposures to climate-based risk.

Various media reports discuss the Equator Principles, a banking industry framework for addressing environmental and social risks in project financing. Publicly launched in Washington, DC on June 4, 2003, the Principles have been adopted by over forty financial institutions (http://www.equator-principles.com/).

In addition to banks and investment firms, the insurance sector is broadly affected by climate change issues. The industry has paid a heavy price for weather-related claims in recent years and anticipates the weather-related risks for insurance will continue to increase. In addition to weather-related mortality, morbidity and property risks, the implications of climate change and global warming for insurance touch on issues such as the availability of resources, the price of energy, the value of companies, and the wealth of societies.

Under the auspices of the United Nations Environment Programme Finance Initiative (UNEP FI), the most probing examination of the relationship between financial services and climate change is taking place. The Climate Change Working Group (CCWG) of UNEP FI exists to:

- Identify and communicate the financial sector's role in mitigation and adaptation to climate change;
- Raise awareness of the global and regional challenges of climate change not only within the sector but across all sectors and industries, including policymakers and the public at large;
- Position the financial sector as a credible and proactive partner by catalysing concrete action within the institutions;
- Provide input to the United Nations Framework Convention on Climate Change (UNFCCC) process through support of the Kyoto Protocol flexible mechanisms – international emissions trading, Joint Implementation (JI) and the Clean Development Mechanism (CDM), and other initiatives;
- Continue to develop strategies to overcome political and regulatory barriers, which hinder a more proactive role for the finance industry on climate change issues.

UNEP FI's CCWG has issued a 2007 "Declaration on Climate Change by the Financial Services Sector." Identifying human activity as the driver of climate change, it predicts possible global annual economic losses as high as $1 trillion by 2040, with extreme weather events, disease and agricultural failures and their impacts falling most consequentially on the world's regions and peoples least able to sustain them. The declaration concludes with an 8-point series of recommendations targeting greenhouse gas emissions reduction targets, emissions trading mechanisms and carbon pricing and investment in low carbon technologies, improved renewable energy production, climate-friendly economic development strategies, energy efficiency, and adaptation strategies to integrate realities of climate change into disaster reduction and management and sustainable development.

Visit http://www.unepfi.org/work_streams/climate_change/working_group/ for UNEP FI's CCWG list of publications and events, which are extensive. Their repeating series *CEObriefing* contains recommendations specific to carbon-related challenges including mechanisms for finance of carbon solutions, adaptation and vulnerability to climate change in financial services, global economic risks, and future policy changes that will impact financial services. Additionally, they offer a framework for climate risk disclosures by corporations for purposes of investor protection.

Networks Financial Institute, at its 5th Annual Insurance Reform Summit in March 2008, was pleased to host Dr. Howard Frumkin, Director of the National Center for Environmental Health, Agency for Toxic Substances and Disease Registry, of the Centers for Disease Control. Dr. Frumkin presented environmental and public health research conducted in collaboration with Dr. Paul Epstein of Harvard University, and sponsored in part by Swiss Re. Dr. Frumkin identified climate change as one of the most looming public health challenges. Increases in carbon dioxide, the Earth's rising surface temperature and rising tides continue to accelerate. Dr. Frumkin noted that these climate changes have real implications for the public health community, impacting conditions ranging from allergies to malaria, while introducing diseases to regions previously non-afflicted with a particular condition.

Concurrently, the world is beginning to experience the arrival of environmental refugees as climate change and natural disasters displace them. As more than half of the global population resides in urban areas, the problems are accelerated. "We are on a collision course with the convergence of urban migration and global warming," Dr. Frumkin noted. Beyond the atmosphere, the global warming phenomenon and urban migration present threats to food security, mental health and ultimately major economic implications. In addressing the public health challenges posed by climate change, Dr. Frumkin noted key processes that will need to be addressed including preparedness and prevention, an ethical mandate among those that contribute the most to share in the resolution, and the facilitation of constructive engagement among parties to address public health issues.

The industry appears to recognize the vast and society-wide implications of climate change for the financial sector. NFI will continue to explore topics related to this looming crisis as it impacts the health and shape of the financial services sector.

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After having visited many schools throughout Indiana over the last two academic years, Money Bus® team members began to see an opportunity to expand ways in which financial literacy could be taught to students. After a process of development, piloting and revision, NFI is pleased to announce the Kids Count on the Money Bus™ Board Game. This companion piece to the Kids Count™ financial literacy program will be available to schools using the curriculum. This one-of-a-kind board game helps kids learn key lessons about money management and economics. Kids move around the board as they answer easy and challenging questions. They apply previous knowledge and new facts learned throughout the game. Questions focus on earning, saving, spending, giving and budgeting. They seek to reach home by avoiding frivolous spending pitfalls and solving real-life dilemmas.

Kids will love the scenarios they must resolve. Is a pair of dance slippers a need or a want if you're a ballerina? Does a free kitten have any hidden expenses? Which is more important: buying your favorite singer's new CD or paying back the friend who lent you lunch money? The game meets national standards in personal finance and Indiana state standards in economics, math and reading. Far beyond teaching kids to count, the game builds on an expansive teacher-tested and kid-approved elementary school financial literacy curriculum, *Kids Count™*.

To find out more about the new Kids Count on the Money Bus™ Board Game (expected out fall 2008), the *Kids Count™* curriculum (for 3rd through 5th grade), or our *My Family Counts Activity Workbook©*, please contact Luana Nissan at (317) 536-0281 ext. 710 or luana.nissan@isunetworks.org.


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