

Regulatory Process for Reviewing Hurricane Models and use in Florida Rate Filings

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Florida Commission on Hurricane Loss Projection Methodology

- Created by Florida Statute 627.0628
- Purpose is to consider any actuarial methods, principles, standards, models or output ranges that have the potential for improving the accuracy of or reliability of the hurricane loss projections used in residential property rate filings.
- Commission has been in operation since 1995.

Florida Commission on Hurricane Loss Projection Methodology Membership

- The Insurance Consumer Advocate
- Senior Manager of the Florida Hurricane Catastrophe Fund
- Executive Director of Citizens Property Insurance Corporation
- Director of Division of Emergency Management
- Actuary member of the Florida Hurricane Catastrophe Fund Advisory Council

Florida Commission on Hurricane Loss Projection Methodology Membership

- Actuary employed by the Florida Office of Insurance Regulation
- Actuary employed by Property and Casualty Insurer with at least 1 percent market share
- Expert in Insurance finance who is full time member of State University System
- Expert in Statistics who is full time member of State University System

Florida Commission on Hurricane Loss Projection Methodology Membership

- Expert in computer system design who is full time member of State University System
- Expert in meteorology who is full time member of State University System

Florida Commission Professional Team

- Professional Team consists of professional individuals with expertise and professional credentials in Actuarial Science, Statistics, Meteorology, Computer Science and Engineering
- Professional Team conducts detailed on site review of Hurricane Models to determine whether meets the standards established by Commission and makes recommendations.

Florida Commission Acceptance Process

- Florida Commission establishes every two years standards for model review in subsequent years submissions.
- Current standards were established in 2011 and will not change until 2013
- Standards are established in General, Meteorological, Vulnerability, Actuarial, Statistical and Computer categories

Florida Commission Models accepted

- Commission has currently accepted models from AIR, Applied Research Associates, EQECAT, Risk Management Solutions and Florida Public Model.

Note accepted models are all based on long term frequency with demand surge included but without storm surge and are only reviewed and accepted for Florida Residential Property.

Florida Rate filings Hurricane Models

- Per Florida Statute 627.062 expected hurricane losses in rate filing must be from a model or method found to be acceptable by the Florida Commission on Hurricane Loss Projection Methodology
- Per Florida Statute 627.0628 the results of Commission accepted model or method must not be modified
- This only applies to Residential Property

Florida Rate Filings Hurricane Models

- Rate filings use Hurricane Models for direct expected hurricane losses, expected reinsurance recoveries in reinsurance cost, allocation of reinsurance cost to State and Product Line and to provide Probable Maximum Loss to determine reasonability of reinsurance coverage placed
- Reinsurance cost is required in filing but the premium is contractual and not direct output of model though model output can be used to measure reasonability of reinsurance premium

Florida Rate Filings Hurricane Models

- Filing system requires when model is used detailed questions identifying model and how used in filing, all input to the model and output from the model
- Filing system requires for reinsurance cost identification of which model used for reinsurance recoveries and PML return period for reinsurance placed

Florida Hurricane Catastrophe Fund use of Hurricane Models

- Florida Hurricane Catastrophe Fund is state run Reinsurance reimbursement mechanism which for certain layers is mandatory for Residential Property Insurers
- Rates for the Florida Hurricane Catastrophe Fund use all of the Accepted Models of the Florida Commission on Hurricane Loss Projection Methodology

- Any Questions?