

2016 CAS RPM Seminar

Severe Weather 6-Regulatory Perspective

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Florida Commission on Hurricane Loss Projection Methodology

- 1) Created by Florida Statute 627.0628
- 2) 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.
- 3) Commission has been in operation since 1995.



Florida Commission Membership

- 1) The Insurance Consumer Advocate
- 2) Senior Manager of the Florida Hurricane Catastrophe Fund
- 3) Executive Director of Citizens Property Insurance Corporation
- 4) Director of Division of Emergency Management
- 5) Actuary member of the Florida Hurricane Catastrophe Fund Advisory Council
- 6) Actuary employed by the Florida Office of Insurance Regulation



Florida Commission Membership

- 7) Actuary employed by Property and Casualty Insurer with at least 1 percent market share
- 8) Expert in Insurance finance who is full time member of State University System
- 9) Expert in Statistics who is full time member of State University System
- 10) Expert in computer system design who is full time member of State University System
- 11) Expert in meteorology who is full time member of State University System
- 12) Licensed professional structural engineer who is full time member of State University System



Florida Commission Professional Team

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



Florida Commission Models

- 1) Commission has currently accepted models from AIR, Applied Research Associates, EQECAT, Risk Management Solutions and Florida Public Model.
- 2) 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 Commission Review of Flood Models

- 1) Commission shall adopt actuarial methods, principles, standards, models or output range for personal lines residential flood loss no later than July 1, 2017.
- 2) Commission is in process of developing the standards and preliminary discussion standards which are not final are developed and on the Commission website at <http://www.sbafla.com/methodology/>



Florida Rate filings Hurricane Models

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



Florida Rate Filings Hurricane Models

- 1) 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 Probably Maximum Loss to determine reasonability of reinsurance coverage placed.
- 2) 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

- 1) 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
- 2) Filing system required 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



Florida Rate Filings Flood Models

- 1) Company can use but is not required to use Commission Accepted Model once Commission reviews and accepts models.
- 2) Straight average of more than one model result is acceptable for flood but not hurricane.
- 3) Flood rate filings per Section 627.715, Florida Statute are submitted on informational basis without actuarial support in filing but are subject to audit of the actuarial support.



Questions?

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