

An aerial photograph of a coastal region, likely Florida, showing a large body of water in the foreground and a city skyline in the distance. The sky is blue with some clouds. The text is overlaid on the image.

Catastrophe Modeling Regulation

The Florida Experience

Florida Commission



Florida Commission

- Professional Team
 - Includes a structural engineer
 - Does on site visits to modelers
 - Conducts in-depth audit lasting 2+ days
 - Advises Commission on whether it could verify that Standards were met
- Standards, Disclosures, Audits
 - Two day meetings held in July and Sept. to develop Standards for modelers to meet
 - All modelers must submit Disclosure items as public documents

Florida Commission

- Effect of Commission Findings
 - Reimbursement premiums for the FHCFF must be based on models found accurate to the extent

Florida Office of Insurance Regulation

- Regulates rates and solvency of insurers
- Required to hold public hearing on any residential property rate filing based on a computer model if more than +15%
- Actuary's analysis under Standard of Practice 38
 - Must have basic understanding
 - Must evaluate appropriateness of use
 - Must determine that validation has been done
 - Must understand user inputs

Florida Office of Insurance Regulation (Continued)

- Actuary's analysis under Standard of Practice 38 (Continued)
 - Reasonableness of model output considering alternate models
 - Appropriate adjustments and their disclosure
 - Justify material departures from Standard and effect of departure

Reinsurers and Rating Agencies

- Require, use, and develop models without regard to any regulatory framework
- Net cost of reinsurance must be considered in determining rate adequacy
- Net investment and business volume greatly affected by rating agency decisions

Catastrophe Modeling Regulation

- Questions
- Additional Information about Commission available at www.sbafla.com/methodology