

**PROFESSIONAL TEAM REPORT  
TO THE FLORIDA COMMISSION ON HURRICANE LOSS PROJECTION  
METHODOLOGY ON FUTURE INQUIRIES OR INVESTIGATIONS FROM THE  
2005 REPORT OF ACTIVITIES  
JULY 2006**

***COMMERCIAL RESIDENTIAL PROPERTY:***

Modeler comments received during our on-site reviews included the following: There are some new data from 2004, but they are not clear cut. Most of the useful data appear to be from Hurricane Wilma. The newer data are “murkier”. With regard to the Commission considering Commercial Residential as a stand-alone category, modelers expressed the desire to be able to file loss costs applicable to personal and commercial residential separately. Coding of data is not as easy as residential. Accurate and reliable insurance-to-value determinations have been very erratic for commercial loss cost estimations and have been found to contain substantial amounts of errors. Most of the condo policies cover flood, and claims may not be able to distinguish between flood and wind loss. Expected losses differ from one floor to another. To quantify condo losses you have to consider wind and water losses. One modeler recommended that a separate set of Standards or a subset of the current Standards may be required. Numerous special conditions may not be addressed by the models, including meteorological height conversions and vulnerability functions varying with building height. Boundary layer profiles will have to be checked to ensure they are reasonable. Modeling for condos will necessarily be more engineering-oriented, and may be difficult to validate through insurance company data. Policy terms and conditions can be challenging in the commercial residential setting.

The Professional Team believes that although commercial residential coverages are currently being modeled, the creation and monitoring of Standards may be extremely difficult.

***RADIUS OF HURRICANE FORCE WINDS:***

Modeler comments received during our on-site reviews included the following: There was concern expressed that the observed measurements of the radius of hurricane force winds may not be accurate. Therefore, it may be difficult to validate model assumptions. The reference data are highly suspect. One modeler expressed belief that the wind speeds reported by the National Hurricane Center (NHC) are too high, and NHC is currently the sole authority for the data. Modelers expressed doubt as to the usefulness of radius of hurricane force winds data. One modeler described that they do look at it in the context of the current wind model, and while they do think that is important, there is a limited amount they can do with the information available.

The Professional Team recognizes the importance of the spatial distribution of winds, but is sensitive to the inadequacies associated with radius of hurricane force wind data.

***LONG-TIME VARIATION:***

An introduction to evolving literature on long-time variation is provided in “Multidecadal Variability of Tropical Cyclones Affecting Florida” prepared by Dr. Jenni Evans. The Professional Team believes the Commission should continue to monitor this issue.

***HURRICANE SEASON IMPACT:***

Modeler comments received during our on-site reviews included the following: Adding one year with no storms results in less than a 1% change in loss costs overall provided there are no changes to the Standards nor the model.

The Professional Team believes it is prudent to maintain the requirement to update the storm frequency annually to reduce any potential bias entered in the model results by the inclusion or exclusion of a year’s hurricane season.

***RISK LOCATION:***

Modeler comments received during our on-site reviews included the following: Loss cost numbers would go up. Rather than lumping everything at a ZIP Code centroid where actual latitude/longitude is closer to the coast, policies would see substantial increases in the loss costs. Modelers are currently able and willing to model at latitude/longitude GPS levels of resolutions. Currently the process is limited by the level of detail in the insurance company exposure data. Insurers may have difficulties processing data at the latitude/longitude level. Some clients of modelers are still using the model at the ZIP Code level. The Commission does not provide the only reason for using ZIP Code level data in the models.

The Professional Team believes that the current procedure allowing latitude/longitude GPS data while requiring information at the ZIP Code level remains appropriate.