



# Model Demographic Data and Model Updates

**PRESENTATION TO THE FLORIDA COMMISSION  
ON HURRICANE LOSS PROJECTION METHODOLOGY  
OCTOBER 19, 2011**

# Statement of the Issue

## G-3 Risk Location

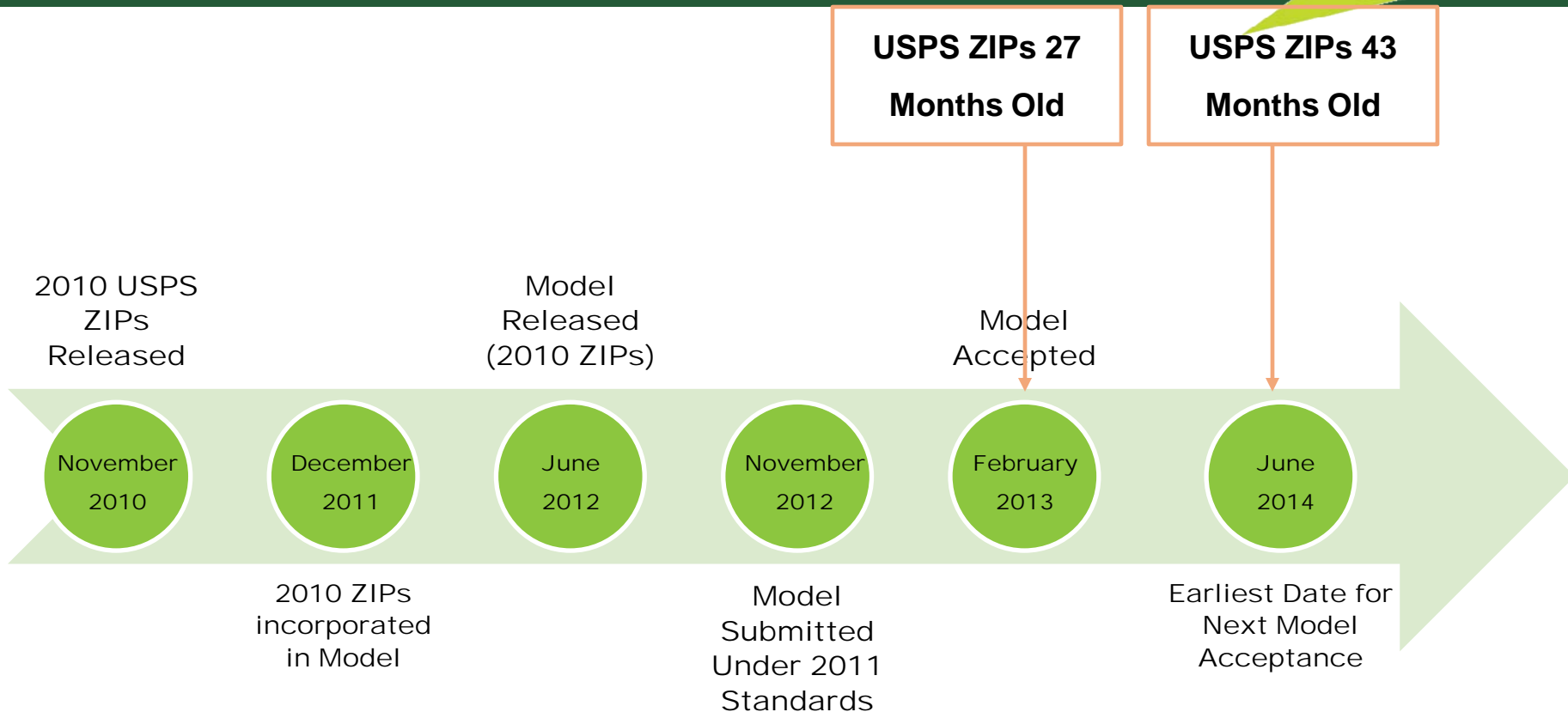
***ZIP Codes used in the model shall not differ from the United States Postal Service publication date by more than 24 months at the date of submission of the model. ZIP Code information shall originate from the United States Postal Service.***

- G-3 states that the ZIP Code data has to be less than 24 months old at the time of a submission
- What the standards don't currently address is the modeler's inability to update the ZIP data more frequently than bi-annually
- This means, from the time one model is accepted to the time the next model is accepted, the ZIP data has aged from roughly 2 years old to nearly 4 years old
- Does the Commission really want insurers using models with ZIPs which are that far out of date?

# Model Release Contingent on ZIP Code Data

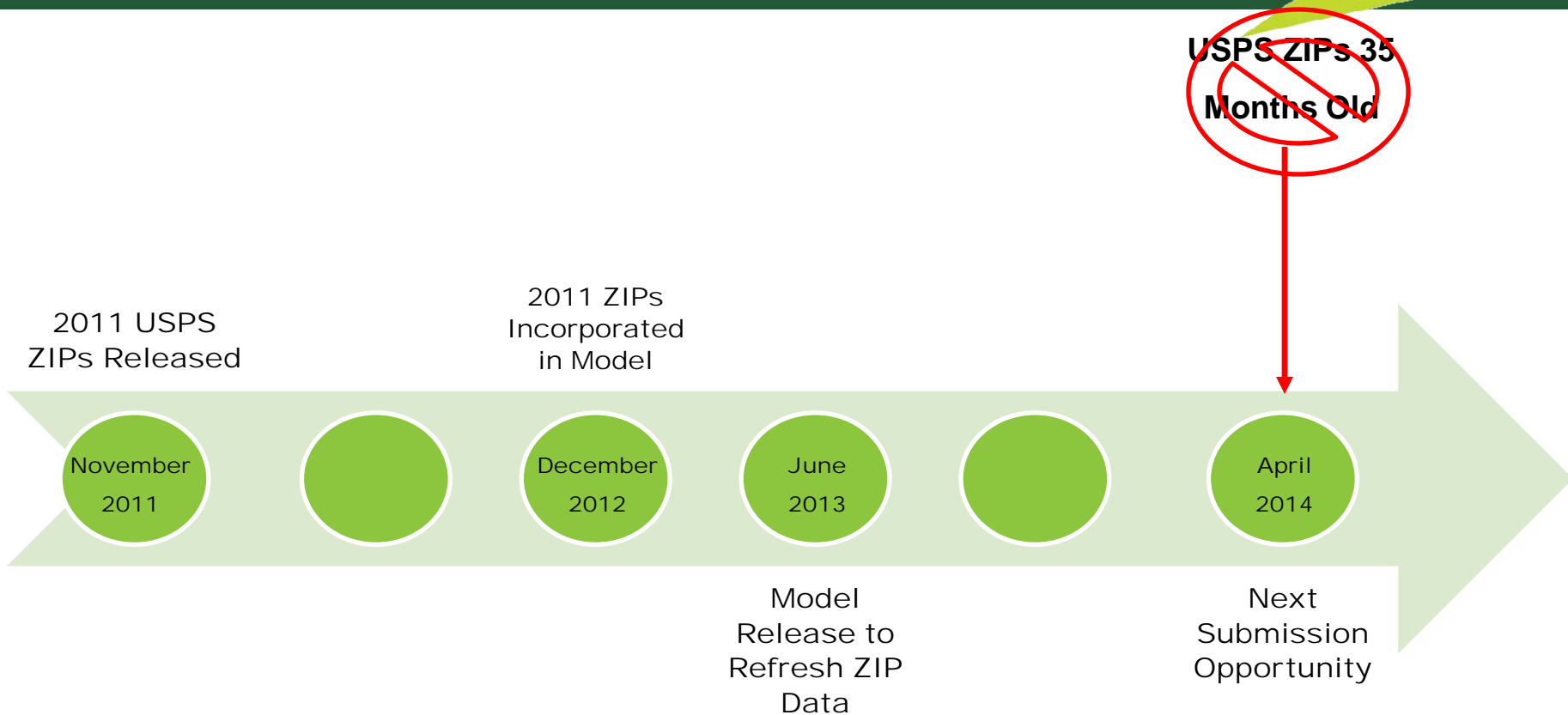
- Model building timeline is dictated by, among other things, the release cycle of the USPS ZIP Codes
- 1.5 years from date of publish (i.e. November of each year) to incorporate ZIP Code updates in next model release
- Two-year submission cycle combined with inability to submit interim models with refreshed ZIP Code data means:
  - Possibility for ZIP Code data passing the 24-month expiration shortly after a model is submitted
  - The model must then be used for up to two years with no way to refresh ZIP data
- USPS ZIP Code data impacts the boundaries of ZIPs and ZIP Code centroid locations
- ZIP Codes inform AIR's industry exposure, and both affect the Average Properties feature of CLASIC/2 and Demand Surge factors.

# Vintage of USPS ZIP Code Date at Model Acceptance



When model is accepted the ZIP Code data is already more than 24 months old.  
At the first opportunity for the next model to be accepted, clients are using a model with ZIP data over 3.5 years old

# Model Update in Odd Year to Refresh ZIPs – Can't Happen



Models released in odd years with only updates to ZIP code data will not be eligible for use in Florida.

# An Open Submission Period Allows Utilization of Latest Demographic Data

**2011 USPS ZIPs  
21 Months Old**

**2012 USPS ZIPs  
22 Months Old**

Model Release  
(2011 ZIPs)

2013  
Standards  
Approved

Model Update  
(2012 ZIPs) -  
**Full  
Submission**

June  
2013

August  
2013

September  
2013

June  
2014

September  
2014

2011 ZIP Data  
Refreshed in  
Model -  
**Abbreviated  
Submission**

Model Update  
(2012 ZIPs)

Open Submission under 2011 Standards

Open Submission under 2013 Standards

# Summary

- Model building timeline is dictated by, among other things, the release cycle of the USPS ZIP Codes
- Allowing interim model release to refresh demographic data is good for Florida insurance consumers
- An abbreviated submission could accommodate an optional ZIP-data-refresh-only model update