



Collective Proposed Standard Changes for ROA 2011
AIR Opinion on Weights in Proposed Location Grid A

**PRESENTATION TO THE FLORIDA COMMISSION
ON HURRICANE LOSS PROJECTION METHODOLOGY
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AIR Agrees With Location Grid Data – It Was Our Idea! But. . .

- The original proposal to replace the FHCF data with notional gridded data as the input for many of the Actuarial Forms was proposed by AIR
- The proposal under consideration today reflects the collaborative efforts of all the modelers
- The proposed Location Grid A currently suggests weights for each grid point, however the weights are based on Census Data
- Page 1 of the Modeler Recommendations for Actuarial Forms provides the rationale for the suggested changes, including an objection to input data subject to arbitrary movement, including Census Data
- **No matter the validity of any matrix of weights on its own as a formula for benchmarking the absolute risk, replacing one set of weights with another can only lead to some of the same problems – ambiguity in instructions, increased calculations and detail, and potential shifting of the weights over time.**

What Are We Trying to Accomplish With Current Form A-6?

- A proxy for the average insurance rate in each region? If so, the weights make sense
- However the Commission's mission is to **evaluate models for accuracy and reliability of risk assessment independently of both other models and (regulated) insurance rates**
- In line with this mission, the weightless grid exposure set is the appropriate approach as it will lead to a clear view of the relative risk of loss in Florida at a highly refined level