

ACCEPTABILITY PROCESS OVERVIEW

Florida Commission on Hurricane Loss Projection
Methodology

June 18, 2013

Dr. Jack E. Nicholson,
Acceptability Process Committee Chair

Commission Meetings to Review Models for Acceptability – Closed Meeting

- First portion of meeting is closed for the purpose of discussing trade secrets used in the design and construction of the hurricane loss model under consideration
 - Discussions confined to trade secrets related to particular model under consideration
 - Only public information absolutely essential to the understanding of the trade secret may be provided
 - Any public information discussed must be discussed during the public meeting portion to ensure full access to the public
 - Scheduled for 1½ hours

Commission Meetings to Review Models for Acceptability – Closed Meeting

- Trade secrets to be provided:
 - Items identified in the *Report of Activities* as trade secret
 - Form V-3, Mitigation Measures – Mean Damage Ratio
 - Form A-6, Logical Relationship to Risk
 - Items identified by the Professional Team during the on-site and/or additional verification reviews (will be noted in the Professional Team Reports)
 - Issues identified by Commission during Meetings to Review Modeling Organization Submissions deemed trade secrets by modeling organization (2 issues identified at the December 17, 2012 meeting)

Commission Meeting to Review Models for Acceptability – Closed Meeting

- Authorized Attendees
 - Commission members
 - Commission staff
 - Professional Team members
 - Modeling Organization designated personnel, staff, consultants
- No telephone calls made or received from the closed meeting room, other than those needed to meet the needs of the modeling organization
- Any notes taken are collected and shredded at the conclusion of the closed meeting and prior to anyone leaving the meeting room

Commission Meeting to Review Models for Acceptability – Closed Meeting

- No teleconference call-in number available for authorized attendees due to security reasons
- Recorded electronically as per SBA policies and procedures in accordance with Section 627.0628(3)(f), Florida Statutes
- No other transcript recorded by Commission
- Quorum of Commission members not required
- No voting regarding the acceptability of a model

Commission Meeting to Review Models for Acceptability – Closed Meeting

- Once closed meeting has concluded and public portion has begun, Commission may decide to go back into a closed meeting upon a motion, a second, and a majority vote

Commission Meeting to Review Models for Acceptability – Public Meeting

- Written transcribed record taken by Commission
- Quorum required – majority of 11 members (6)
- No Commission member, who is present, may abstain from voting, except in the case of a special conflict of interest
- All votes taken by roll call vote based on majority of those present
- Scheduled for 2½ hours

Commission Meeting to Review Models for Acceptability – Voting Procedures

- Standards categorized under 6 groupings
 - General Standards
 - Meteorological Standards
 - Vulnerability Standards
 - Actuarial Standards
 - Statistical Standards
 - Computer Standards
- Minimum number of votes would be 1 for each group of standards
- If Commission determines the model meets all standards in a grouping, the model is found acceptable with respect to each individual standard in the grouping

Commission Meeting to Review Models for Acceptability – Voting Procedures

- Standards with subparts (A, B, C, etc) are considered 1 standard
- At the request of any Commission member, 1 or more standards in a group may be carved out for a separate vote
- Commission may review and modify the voting requirements for any model, as may be appropriate due to the unique aspects of the model, based upon a motion of any member that is duly seconded

Commission Meeting to Review Models for Acceptability – Public Meeting

- First order of business is to determine if the modeling organization responded to all deficiencies in the manner specified by the Commission
 - Deficiencies and Professional Team comments included in Professional Team Report
 - Commission Chair may call upon Professional Team members to comment
 - Discussion from Commission members
 - Discussion from modeling organization

Commission Meeting to Review Models for Acceptability – Public Meeting

- Modeling organization provides a general overview of the model (10-15 minutes)
 - Concentrates on the theoretical basis for the model
 - Highlights measures taken to ensure the model is accurate and reliable
- Presentation then should focus on changes, including output ranges, from the previously accepted model and the effect those changes had on loss costs
- Presentation should include an explanation of corrections made for deficiencies noted by the Commission

Commission Meeting to Review Models for Acceptability – Public Meeting

- Commission Chair announces the Commission is ready to review the model for acceptability
- Commission Chair will ask members their preference for reading the standards by title or in entirety

Commission Meeting to Review Models for Acceptability – Voting Procedures

- Commission Chair reads the first standard
- Modeling Organization discusses compliance of the model with the standard
- Commission Chair calls upon Professional Team to comment
- Commission Chair asks members for questions or comments
- After all questions have been responded to, Commission Chair proceeds to next standard

Commission Meeting to Review Models for Acceptability – Voting Procedures

- Once all standards in grouping have been presented and discussed, Commission Chair will ask if any standards need to be carved out and voted on separately
- Commission Chair asks for motion to accept the model under a grouping of standards
- Once motion has been made and seconded, Commission Chair will ask if there is any further discussion
- Once discussion is complete, Commission Chair asks for roll call vote
- Any standards carved out will be voted on separately in a roll call vote

Commission Meeting to Review Models for Acceptability – Voting Procedures

- Commission will have completed its determination of a model's acceptability when it has completed voting on all standards
- Commission may revisit a previous vote
- Commission may change the voting procedure
- If a model fails to meet 1 or more standards, it is not found to be acceptable
 - Modeling organization may file an appeal and request a meeting with the Commission in open and/or closed session to provide additional information and data to justify that the model complies with the standards and requirements

Acceptable Model – Discovery of Errors and/or Changes

Errors/Changes in the underlying model **OR**
in the submission documentation:

- Modeling Organization is to immediately notify the Chair in writing and no later than when the modeler has notified external parties
 - Detail the nature of the error/change
 - Why the error/change occurred
 - What is needed or has been done to correct the problem
 - Time frame needed for making the correction
 - Any other relevant documentation

Acceptable Model – Discovery of Errors and/or Changes

Commission Chair:

- Reviews notification
- Informs Commission members as soon as possible
- Determines if a special meeting is needed
- Assesses, with at least 3 Professional Team members, severity of the error/change and determines whether a temporary suspension of the model's acceptability is warranted until the Commission has an opportunity to review
- Sends letter to Modeling Organization as soon as practical notifying any decisions of the Chair pending review by the Commission

Acceptable Model – Discovery of Errors and/or Changes

Failure to Notify:

- If the Modeling Organization intentionally fails or unreasonably delays notification of the Commission, the Commission will review and investigate the circumstances to determine the appropriate course of action

Acceptable Model – Interim Software Updates

Modeling Organization updates/revisions to the model software only:

- Underlying acceptable model has not been updated or revised
- No changes in the Loss Cost or Probable Maximum Loss
- Modeling Organization Requirements:
 - Notify Commission Chair in writing
 - Detail nature of the software updates/revisions
 - Effect on the underlying acceptable model
 - Effect on the model results

Acceptable Model – Interim Software Updates

- Modeling Organization Requirements continued:
 - Forms completed for current accepted model and for updated/ revised version
 - Form A-4, Output Ranges
 - Form A-8, Probable Maximum Loss
 - Form S-5, Average Annual Statewide Loss Costs – Historical versus Modeled
 - Percent Change comparisons between the 2 versions to demonstrate no change
 - Updated/revised model clearly identified with new/unique version number

Acceptable Model – Interim Software Updates

Commission Chair:

- Informs Commission members as soon as possible
- Assesses, with at least 3 Professional Team members, the regression test results
- No Change in the underlying acceptable model and No Change in the model results:
 - Commission Chair sends updated acceptability notification letter
 - Denotes functional equivalence to the currently accepted model
 - Same expiration date as the currently accepted model

Acceptable Model – Interim Software Updates

- Change determined in the underlying acceptable model
OR
Change in the model results:
 - Commission Chair sends letter to Modeling Organization of pending review by the Commission
 - Commission Chair determines the need for a special meeting or for the issue to be addressed at the next regularly scheduled meeting

Acceptable Models

- Under the 2011 Standards, determination of acceptability expires on September 1, 2015