

## **Acronyms Used in the *Discussion Flood Standards***

(These acronyms are meant to be specific to the *Discussion Flood Standards*)

ACV	Actual Cash Value
AIR	AIR Worldwide Corporation
ALE	Additional Living Expense
ARA	Applied Research Associates, Inc.
ASTM	American Society for Testing and Materials
BFE	Base Flood Elevation
BPMN	Business Process Model and Notation
Commission	Florida Commission on Hurricane Loss Projection Methodology
CFS	Cubic Feet per Second
CRS	Community Rating System
CS	Committee Substitute
EOHW	Envelope of High Water
EQE	CoreLogic EQECAT, Inc.
FCHLPM	Florida Commission on Hurricane Loss Projection Methodology
FHCF	Florida Hurricane Catastrophe Fund
FIPS	Federal Information Processing Standards
FIRM	Flood Insurance Rate Map
FPM	Florida Public Hurricane Loss Model
F.S.	Florida Statutes
FWMD	Florida Water Management District
GIS	Geographic Information System
HO	Homeowner Insurance Policy
HUD	U.S. Department of Housing and Urban Development
HURDAT2	Hurricane Data 2 <sup>nd</sup> generation
LAE	Loss Adjustment Expense
LULC	Land Use Land Cover
MEOW	Maximum Envelope of Water
MH	Manufactured Home Insurance Policy
MOM	Maximum of MEOW
mph	Miles per Hour
MRLC	Multi-Resolution Land Characteristics
NA	Not Applicable
NAD	North American Datum
NAVD	North American Vertical Datum
NFIP	National Flood Insurance Program
NGVD	National Geodetic Vertical Datum
NLCD	National Land Cover Database
NOAA	National Oceanic & Atmospheric Administration
NWS	National Weather Service
OIR	Office of Insurance Regulation
PML	Probable Maximum Loss
Rmax	Radius of Maximum Winds
RMS	Risk Management Solutions, Inc.
ROA	Report of Activities

s	Section of Florida Statutes
SB	Senate Bill
SBA	State Board of Administration
SFHA	Special Flood Hazard Area
SLOSH	Sea, Lake, and Overland Surges from Hurricanes
SysML	Systems Modeling Language
UML	Unified Modeling Language
USGS	United States Geological Survey
WGS	World Geodetic System

## Florida Statutes, 2015

### **627.0628 Florida Commission on Hurricane Loss Projection Methodology; public records exemption; public meetings exemption.–**

#### (1) LEGISLATIVE FINDINGS AND INTENT.–

- (a) Reliable projections of hurricane losses are necessary in order to assure that rates for residential property insurance meet the statutory requirement that rates be neither excessive nor inadequate. The ability to accurately project hurricane losses has been enhanced greatly in recent years through the use of computer modeling. It is the public policy of this state to encourage the use of the most sophisticated actuarial methods to assure that consumers are charged lawful rates for residential property insurance coverage.
- (b) The Legislature recognizes the need for expert evaluation of computer models and other recently developed or improved actuarial methodologies for projecting hurricane losses, in order to resolve conflicts among actuarial professionals, and in order to provide both immediate and continuing improvement in the sophistication of actuarial methods used to set rates charged to consumers.
- (c) It is the intent of the Legislature to create the Florida Commission on Hurricane Loss Projection Methodology as a panel of experts to provide the most actuarially sophisticated guidelines and standards for projection of hurricane losses possible, given the current state of actuarial science. It is the further intent of the Legislature that such standards and guidelines must be used by the State Board of Administration in developing reimbursement premium rates for the Florida Hurricane Catastrophe Fund, and, subject to paragraph (3)(d), must be used by insurers in rate filings under s. 627.062 unless the way in which such standards and guidelines were applied by the insurer was erroneous, as shown by a preponderance of the evidence.
- (d) It is the intent of the Legislature that such standards and guidelines be employed as soon as possible, and that they be subject to continuing review thereafter.
- (e) The Legislature finds that the authority to take final agency action with respect to insurance ratemaking is vested in the Office of Insurance Regulation and the Financial Services Commission, and that the processes, standards, and guidelines of the Florida Commission on Hurricane Loss Projection Methodology do not constitute final agency action or statements of general applicability that implement, interpret, or prescribe law or policy; accordingly, chapter 120 does not apply to the processes, standards, and guidelines of the Florida Commission on Hurricane Loss Projection Methodology.

#### (2) COMMISSION CREATED.–

- (a) There is created the Florida Commission on Hurricane Loss Projection Methodology, which is assigned to the State Board of Administration. For the purposes of this section, the term “commission” means the Florida Commission on Hurricane Loss Projection

Methodology. The commission shall be administratively housed within the State Board of Administration, but it shall independently exercise the powers and duties specified in this section.

- (b) The commission shall consist of the following 12 members:
1. The insurance consumer advocate.
  2. The senior employee of the State Board of Administration responsible for operations of the Florida Hurricane Catastrophe Fund.
  3. The Executive Director of the Citizens Property Insurance Corporation.
  4. The Director of the Division of Emergency Management.
  5. The actuary member of the Florida Hurricane Catastrophe Fund Advisory Council.
  6. An employee of the office who is an actuary responsible for property insurance rate filings and who is appointed by the director of the office.
  7. Five members appointed by the Chief Financial Officer, as follows:
    - a. An actuary who is employed full time by a property and casualty insurer that was responsible for at least 1 percent of the aggregate statewide direct written premium for homeowner insurance in the calendar year preceding the member's appointment to the commission.
    - b. An expert in insurance finance who is a full-time member of the faculty of the State University System and who has a background in actuarial science.
    - c. An expert in statistics who is a full-time member of the faculty of the State University System and who has a background in insurance.
    - d. An expert in computer system design who is a full-time member of the faculty of the State University System.
    - e. An expert in meteorology who is a full-time member of the faculty of the State University System and who specializes in hurricanes.
  8. A licensed professional structural engineer who is a full-time faculty member in the State University System and who has expertise in wind mitigation techniques. This appointment shall be made by the Governor.
- (c) Members designated under subparagraphs (b)1.-5. shall serve on the commission as long as they maintain the respective offices designated in subparagraphs (b)1.-5. The member appointed by the director of the office under subparagraph (b)6. shall serve on the commission until the end of the term of office of the director who appointed him or her, unless removed earlier by the director for cause. Members appointed by the Chief Financial Officer under subparagraph (b)7. shall serve on the commission until the end of the term of office of the Chief Financial Officer who appointed them, unless earlier removed by the Chief Financial Officer for cause. Vacancies on the commission shall be filled in the same manner as the original appointment.
- (d) The State Board of Administration shall annually appoint one of the members of the commission to serve as chair.
- (e) Members of the commission shall serve without compensation, but shall be reimbursed for per diem and travel expenses pursuant to s. 112.061.

- (f) The State Board of Administration shall, as a cost of administration of the Florida Hurricane Catastrophe Fund, provide for travel, expenses, and staff support for the commission.
- (g) There shall be no liability on the part of, and no cause of action of any nature shall arise against, any member of the commission, any member of the State Board of Administration, or any employee of the State Board of Administration for any action taken in the performance of their duties under this section. In addition, the commission may, in writing, waive any potential cause of action for negligence of a consultant, contractor, or contract employee engaged to assist the commission.

(3) ADOPTION AND EFFECT OF STANDARDS AND GUIDELINES.–

- (a) The commission shall consider any actuarial methods, principles, standards, models, or output ranges that have the potential for improving the accuracy of or reliability of the hurricane loss projections used in residential property insurance rate filings and flood loss projections used in rate filings for personal lines residential flood insurance coverage. The commission shall, from time to time, adopt findings as to the accuracy or reliability of particular methods, principles, standards, models, or output ranges.
- (b) The commission shall consider any actuarial methods, principles, standards, or models that have the potential for improving the accuracy of or reliability of projecting probable maximum loss levels. The commission shall adopt findings as to the accuracy or reliability of particular methods, principles, standards, or models related to probable maximum loss calculations.
- (c) In establishing reimbursement premiums for the Florida Hurricane Catastrophe Fund, the State Board of Administration must, to the extent feasible, employ actuarial methods, principles, standards, models, or output ranges found by the commission to be accurate or reliable.
- (d) With respect to a rate filing under s. 627.062, an insurer shall employ and may not modify or adjust actuarial methods, principles, standards, models, or output ranges found by the commission to be accurate or reliable in determining hurricane loss factors and probable maximum loss levels for use in a rate filing under s. 627.062. An insurer may employ a model in a rate filing until 120 days after the expiration of the commission's acceptance of that model and may not modify or adjust models found by the commission to be accurate or reliable in determining probable maximum loss levels. This paragraph does not prohibit an insurer from using a straight average of model results or output ranges for the purposes of a rate filing for personal lines residential flood insurance coverage under s. 627.062.
- (e) The commission shall adopt actuarial methods, principles, standards, models, or output ranges for personal lines residential flood loss no later than July 1, 2017.
- (f) The commission shall revise previously adopted actuarial methods, principles, standards, models, or output ranges every odd-numbered year.

- (g) 1. A trade secret, as defined in s. 688.002, which is used in designing and constructing a hurricane or flood loss model and which is provided pursuant to this section, by a private company, to the commission, office, or consumer advocate appointed pursuant to s. 627.0613 is confidential and exempt from s. 119.07(1) and s. 24(a), Art. 1 of the State Constitution.
2.
  - a. That portion of a meeting of the commission or of a rate proceeding on an insurer's rate filing at which a trade secret made confidential and exempt by this paragraph is discussed is exempt from s. 286.011 and s. 24(b), Art. 1 of the State Constitution. The closed meeting must be recorded, and no portion of the closed meeting may be off the record.
  - b. The recording of a closed portion of a meeting is exempt from s. 119.07(1) and s. 24(a), Art. 1 of the State Constitution.
  - c. This paragraph is subject to the Open Government Sunset Review Act in accordance with s. 119.15, and shall stand repealed on October 2, 2019, unless reviewed and saved from repeal through reenactment by the Legislature.

History.--s. 6, ch. 95-276; s. 6, ch. 96-194; s. 3, ch. 97-55; s. 4, ch. 2000-333; s. 1066, ch. 2003-261; s. 79, ch. 2004-390; s. 4, ch. 2005-111; s. 3, ch. 2005-264; s. 12, ch. 2006-12; s. 145, ch. 2008-4; s. 11, ch. 2008-66; s. 83, ch. 2009-21; s. 10, ch. 2009-70; s. 16, ch. 2009-87; s. 1, ch. 2010-89; s. 431, ch. 2011-142; s. 76, ch. 2012-5; s. 5, ch. 2013-60; s. 2, ch. 2014-80; s. 1, ch. 2014-98; s. 2, ch. 2015-135.

**627.715 Flood insurance. –**

An authorized insurer may issue an insurance policy, contract, or endorsement providing personal lines residential coverage for the peril of flood on any structure or the contents of personal property contained therein, subject to this section. This section does not apply to commercial lines residential or commercial lines nonresidential coverage for the peril of flood. This section also does not apply to coverage for the peril of flood that is excess coverage over any other insurance covering the peril of flood. An insurer may issue flood insurance policies, contracts, or endorsements on a standard, preferred, customized, or supplemental basis.

- (1) (a) 1. Standard flood insurance must cover only losses from the peril of flood, as defined in paragraph (b), equivalent to that provided under a standard flood insurance policy under the National Flood Insurance Program. Standard flood insurance issued under this section must provide the same coverage, including deductibles and adjustment of losses, as that provided under a standard flood insurance policy under the National Flood Insurance Program.
2. Preferred flood insurance must include the same coverage as standard flood insurance but:
- Include, within the definition of “flood,” losses from water intrusion originating from outside the structure that are not otherwise covered under the definition of “flood” provided in paragraph (b).
  - Include coverage for additional living expenses.
  - Require that any loss under personal property or contents coverage that is repaired or replaced be adjusted only on the basis of replacement costs up to the policy limits.
3. Customized flood insurance must include coverage that is broader than the coverage provided under standard flood insurance.
4. Flexible flood insurance must cover losses from the peril of flood, as defined in paragraph (b), and may also include coverage for losses from water intrusion originating from outside the structure which is not otherwise covered by the definition of flood. Flexible flood insurance must include one or more of the following provisions:
- An agreement between the insurer and the insured that the flood coverage is in a specified amount, such as coverage that is limited to the total amount of each outstanding mortgage applicable to the covered property.
  - A requirement for a deductible in an amount authorized under s. 627.701, including a deductible in an amount authorized for hurricanes.
  - A requirement that flood loss to a dwelling be adjusted in accordance with s. 627.7011(3) or adjusted only on the basis of the actual cash value of the property.
  - A restriction limiting flood coverage to the principal building defined in the policy.
  - A provision including or excluding coverage for additional living expenses.
  - A provision excluding coverage for personal property or contents as to the peril of flood.
5. Supplemental flood insurance may provide coverage designed to supplement a flood policy obtained from the National Flood Insurance Program or from an insurer issuing standard or preferred flood insurance pursuant to this section. Supplemental flood

insurance may provide, but need not be limited to, coverage for jewelry, art, deductibles, and additional living expenses.

(b) "Flood" means a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties, at least one of which is the policyholder's property, from:

1. Overflow of inland or tidal waters;
2. Unusual and rapid accumulation or runoff of surface waters from any source;
3. Mudflow; or
4. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in this paragraph.

(2) Flood coverage deductibles and policy limits pursuant to this section must be prominently noted on the policy declarations page or face page.

(3) (a) An insurer may establish and use flood coverage rates in accordance with the rate standards provided in s. 627.062.

(b) For flood coverage rates filed with the office before October 1, 2019, the insurer may also establish and use such rates in accordance with the rates, rating schedules, or rating manuals filed by the insurer with the office which allow the insurer a reasonable rate of return on flood coverage written in this state. Flood coverage rates established pursuant to this paragraph are not subject to s. 627.062(2)(a) and (f). An insurer shall notify the office of any change to such rates within 30 days after the effective date of the change. The notice must include the name of the insurer and the average statewide percentage change in rates. Actuarial data with regard to such rates for flood coverage must be maintained by the insurer for 2 years after the effective date of such rate change and is subject to examination by the office. The office may require the insurer to incur the costs associated with an examination. Upon examination, the office, in accordance with generally accepted and reasonable actuarial techniques, shall consider the rate factors in s. 627.062(2)(b), (c), and (d), and the standards in s. 627.062(2)(e), to determine if the rate is excessive, inadequate, or unfairly discriminatory. If the office determines that a rate is excessive or unfairly discriminatory, the office shall require the insurer to provide appropriate credit to affected insureds or an appropriate refund to affected insureds who no longer receive coverage from the insurer.

(4) A surplus lines agent may export a contract or endorsement providing flood coverage to an eligible surplus lines insurer without making a diligent effort to seek such coverage from three or more authorized insurers under s. 626.916(1)(a). This subsection expires July 1, 2017.

(5) In addition to any other applicable requirements, an insurer providing flood coverage in this state must:

(a) Notify the office at least 30 days before writing flood insurance in this state; and

(b) File a plan of operation and financial projections or revisions to such plan, as applicable, with the office.



(6) Citizens Property Insurance Corporation may not provide insurance for the peril of flood.

(7) The Florida Hurricane Catastrophe Fund may not provide reimbursement for losses proximately caused by the peril of flood, including losses that occur during a covered event as defined in s. 215.555(2)(b).

(8) An agent must, upon receiving an application for flood coverage from an authorized or surplus lines insurer for a property receiving flood insurance under the National Flood Insurance Program, obtain an acknowledgment signed by the applicant before placing the coverage with the authorized or surplus lines insurer. The acknowledgment must notify the applicant that, if the applicant discontinues coverage under the National Flood Insurance Program which is provided at a subsidized rate, the full risk rate for flood insurance may apply to the property if the applicant later seeks to reinstate coverage under the program.

(9) With respect to the regulation of flood coverage written in this state by authorized insurers, this section supersedes any other provision in the Florida Insurance Code in the event of a conflict.

(10) If federal law or rule requires a certification by a state insurance regulatory official as a condition of qualifying for private flood insurance or disaster assistance, the Commissioner of Insurance Regulation may provide the certification, and such certification is not subject to review under chapter 120.

(11)(a) An authorized insurer offering flood insurance may request the office to certify that a policy, contract, or endorsement provides coverage for the peril of flood which equals or exceeds the flood coverage offered by the National Flood Insurance Program. To be eligible for certification, such policy, contract, or endorsement must contain a provision stating that it meets the private flood insurance requirements specified in 42 U.S.C. s. 4012a(b) and may not contain any provision that is not in compliance with 42 U.S.C. s. 4012a(b).

(b) The authorized insurer or its agent may reference or include a certification under paragraph (a) in advertising or communications with an agent, a lending institution, an insured, or a potential insured only for a policy, contract, or endorsement that is certified under this subsection. The authorized insurer may include a statement that notifies an insured of the certification on the declarations page or other policy documentation related to flood coverage certified under this subsection.

(c) An insurer or agent who knowingly misrepresents that a flood policy, contract, or endorsement is certified under this subsection commits an unfair or deceptive act under s. 626.9541.

History.—ss. 3, 4, ch. 2014-80; s. 3, ch. 2015-69.

## Flood Standards Related Meeting Schedule

### 2014

September 30	Acceptability Process Committee Meeting to discuss the process and timeline for developing flood standards
October 30	Flood Standards Development Committee Meeting
November 14	Flood Standards Development Committee Meeting
December 16	Flood Standards Development Committee Meeting

### 2015

January 29	Flood Standards Development Committee Meeting
February 19	Flood Standards Development Committee Meeting
March 31	Flood Standards Development Committee Meeting
April 22	Flood Standards Development Committee Meeting
June 4	Flood Standards Development Committee Meeting
June 30	Flood Standards Development Committee Meeting
July 1	Flood Standards Development Committee Meeting
August 11	Flood Standards Development Committee Meeting
September 24	Flood Standards Development Committee Meeting
October 8	Flood Standards Development Committee Meeting
November 17	Adoption of Discussion Flood Standards

## Transcript Information

All public meetings of the Florida Commission on Hurricane Loss Projection Methodology are transcribed by a Court Reporter. If you would like to purchase copies of any transcript, contact the Court Reporter for the date of the meeting.

September 30, 2014	Tracy Brown, Accurate Stenotype Reporters, Inc., 850-878-2221
October 30, 2014	Mary Kay Kline, Accurate Stenotype Reporters, Inc., 850-878-2221
November 14, 2014	Lori Dezell, Accurate Stenotype Reporters, Inc., 850-878-2221
December 16, 2014	Lori Dezell, Accurate Stenotype Reporters, Inc., 850-878-2221
January 29, 2015	Lori Dezell, Accurate Stenotype Reporters, Inc., 850-878-2221
February 19, 2015	Lori Dezell, Accurate Stenotype Reporters, Inc., 850-878-2221
March 31, 2015	Tracy Brown, Accurate Stenotype Reporters, Inc., 850-878-2221
April 22, 2015	Tracy Brown, Accurate Stenotype Reporters, Inc., 850-878-2221
June 4, 2015	Lori Dezell, Accurate Stenotype Reporters, Inc., 850-878-2221
June 30, 2015	Tracy Brown, Accurate Stenotype Reporters, Inc., 850-878-2221
July 1, 2015	Lori Dezell, Accurate Stenotype Reporters, Inc., 850-878-2221
August 11, 2015	Lori Dezell, 850-251-1482
September 24, 2015	Lori Dezell, 850-251-1482
October 8, 2015	Lori Dezell, 850-251-1482
November 17, 2015	Lori Dezell, 850-251-1482

## Commission Documentation

The State Board of Administration, in its responsibility as administrator for the Commission, maintains documentation for all meetings of the Commission. This information may be obtained by writing to:

Donna Sirmons  
Florida Commission on Hurricane Loss Projection Methodology  
c/o State Board of Administration  
P. O. Box 13300  
Tallahassee, Florida 32317-3300

or by e-mailing to [donna.sirmons@sbafla.com](mailto:donna.sirmons@sbafla.com).

There is a \$0.15 charge per page per s. 119.07(4)(a), F.S.

This publication is available for a charge of \$xx.xx.

Documentation is also available on the Commission website at [www.sbafla.com/methodology](http://www.sbafla.com/methodology).