

DEVELOPMENT OF FLOOD STANDARDS

Florida Commission on Hurricane Loss Projection
Methodology

September 30, 2014

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Acceptability Process Committee Chair

Overview

- Commission's new responsibilities
- What has been accomplished thus far
- On-going & continuing activities
- Purpose of this meeting
 1. Obtain agreement on basic principles
 2. Propose a process to accomplish the Commission's new mandate
 3. Impact on the Report of Activities
 4. Time line & objectives in order to develop flood standards

Commission's New Responsibilities

(SB 1262 & CS/CS/CS/SB 542 – Impacts s. 627.0628, F.S.)

- Trade secrets used in flood models are exempt from public records and public meeting requirements
- Adopt flood standards
- Applies only to personal lines residential flood
- Deadline July 1, 2017

Commission's New Responsibilities (Continued)

(Impacts s. 627.062 & creates s. 627.715, F.S.)

- s. 627.062 – Creates a new rating standard for residential flood losses estimated using a model or method or straight line average ... found to be acceptable or reliable by the Florida Commission on Hurricane Loss Projection Methodology.
- Creates new section – s. 627.715, F.S. which defines four types of flood insurance: “Standard,” “Preferred,” “Customized,” and “Supplemental.”
- Defines “Flood.”

Commission's New Responsibilities (Continued)

(Impacts s. 627.062 & creates s. 627.715, F.S.)

- Specifies the process that insurers use to file rates prior to October 1, 2019.
- Requires that Citizens Property Insurance Corporation not provide insurance for the peril of flood.
- Requires that the Florida Hurricane Catastrophe Fund not provide reimbursement for losses proximately caused by the peril of flood.

What has been accomplished thus far?

- January 7, 2014, Call from AIR asking about what the proposed bill would require.
- February 3, 2014, Discussion with Mark Johnson as to how the proposed bill would impact the Commission.
- February 11-13, 2014, Attend RAA Modeling Conference.
- May 2014, Bill passes.
- June 13, 2014, Bill signed into law.
- June 18-20, 2014, FHCF Participating Insurer Workshop, Panel with Model discussion (alternative perils including flood).

What has been accomplished? (Continued)

- July 1, 2014, Review and planning for the Commission incorporating flood standards (early draft to revise Report of Activities to incorporate flood standards).
- July 11, 2014, Flood standards planning with staff.
- August 1, 2014, Internal discussion of flood standards and process with staff.
- August 14, 2014, Calls with KatRisk and EQECAT.
- August 15, 2014, Call with FPM.

What has been accomplished? (Continued)

- August 18, 2014, Call with AIR.
- August 21, Call with ARA.
- August 22, 2014, Discussion of flood and modeling with Mark Powell of HWind.
- August 28, 2014, Call with RMS.
- September 10, 2014, Request for Qualifications (RFQu) for Professional Team members includes professional credentials in Coastal Engineering and Hydrology, responses due October 2, 2014.
- September 4, 2014, Call with Mark Johnson.
- September 16, 2014, Call with Professional Team.
- September 30, 2014, Meeting of the Acceptability Process Committee of the FCHLPM to discuss process and time line.

On-Going & Continuing Activities

- Collect data and information and post on the Commission's website
- For example,
 1. Description of the flood modeling process
 2. Data sources needed to model flood
 3. Academic and other studies that the Commission needs to be aware of
 4. Any on-going or anticipated flood modeling or flood pricing activities at the international, national or state level
 5. Any flood issues that might need to be considered in the Commission's work to develop flood modeling standards

Purpose of this Meeting

- Briefly review the law and the requirements for the Florida Commission on Hurricane Loss Projection Methodology (Commission).
- Discuss what has already been accomplished.
- Obtain agreement on a few basic principles:
 1. The Commission's review process should be basically the same for hurricane and flood models – same deadlines and timetable and basic submission requirements.
 - a) On-site reviews expanded to review flood (not to say the review has to occur on the same day, but may)
 - b) Commission meetings expanded to review flood (not to say the review has to occur on the same day, but may)
 2. Modelers may only model the “hurricane peril.”
 3. Modelers may only model the “flood peril.”
 4. Modelers may model “both” the hurricane and flood perils.

Purpose of this Meeting (Continued)

- Obtain agreement on a few basic principles (continued):
 5. Hurricane modeling and flood modeling should be independent of one another.
 6. There should be separate hurricane standards and flood standards.
 7. Flood damage is caused by the flood peril and therefore flood standards, although they may be similar in nature and structure to hurricane standards, need to be unique to the peril of flood.
 8. A flood modeler will not need to refer to a hurricane standard and vice versa.
 9. The failure of a hurricane model will not impact the acceptability of a flood model and vice versa.

Purpose of this Meeting (Continued)

- Propose a process to accomplish the Commission's new mandate.
 1. Create a Flood Standards Development Committee.
 2. The Committee to be Chaired by the Chair of the Commission or another member appointed by the Chair.
 3. Members of the Committee appointed by the Commission Chair, but consideration should be given to including all Commission members.
 4. Meetings be held monthly or more frequently in order to develop "**Discussion Standards**" that would be incorporated in the Commission's 2015 Report of Activities.
 5. Propose a calendar with topics, objectives, and deadline in order to meet the July 1, 2017 statutory deadline.
 6. Commission Chair "dissolves" the Flood Standards Development Committee and appoints new Committee Chairs in December 2015.
 7. Allow for Flood Modelers to request "preliminary on-site informational discussion meetings" prior to the development of the final flood standards due July 1, 2017. No written documentation produced other than suggested revisions to the "discussion standards" for the purpose of creating final flood standards by July 1, 2017.

Purpose of this Meeting (Continued)

- Suggest the following:
 1. Focus on intermediate goals in order to reach the final deadline.
 2. Discipline and leadership will be required.
 3. Too much “open” and “off track” discussion can result in inefficient delays and a rush to finish the standards by the deadline.
 4. Creation of a plan and a commitment of everyone to stick to the plan in order to accomplish each objective on time.

Report of Activities

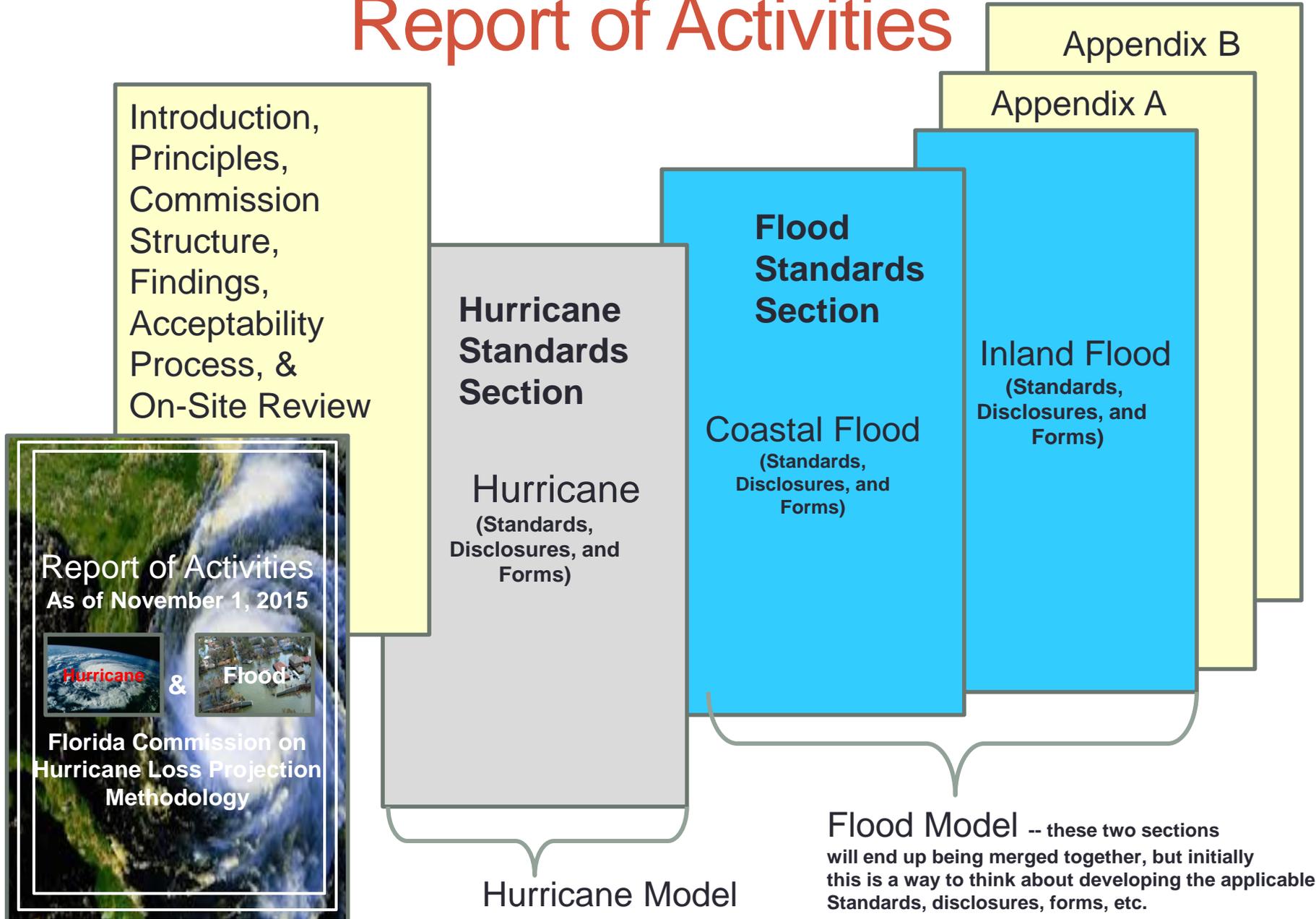
Two Sections

- Section on Hurricane Standards
- Section on Flood Standards
 - A. Coastal Flooding Model Requirements (Standards)
 - B. Inland Flooding Model Requirements (Standards)
- The failure of any type of flood standard, whether coastal or inland, will result in the flood model failing to be found acceptable. The flood model may consist of coastal flooding components, inland flooding components, and maybe other types of flooding components.
- The review cycle should be the same (due to budget and time considerations) for both types of models and the Professional Team's review would be one of three types:
 - Hurricane Model Review (only)
 - Hurricane Model and Flood Model Review (two steps)
 - Flood Model Review (only)
- It is anticipated that deadlines would be the same (not separate for each submission). The Commission's review will be one process (both hurricane and flood), not two separate processes or cycles of review.

Report of Activities

- On site, the Professional Team would bifurcate the review and review hurricane models based on hurricane modeling standards, disclosures, and forms (i.e., requirements) and flood models based on flood modeling standards, disclosures, and forms (i.e., requirements).
- The failure of one standard will only impact the acceptability of that model which failed (either hurricane or flood).
- A hurricane modeler will have all the requirements needed in the Hurricane Standards section of the Report of Activities.
- A flood modeler will have all the requirements needed in the Flood Standards section of the Report of Activities.

Report of Activities



Report of Activities

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Process for Determining the Acceptability of
a Computer Simulation Model

On-Site Review

Report of Activities

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20xx Standards, Disclosures, and Forms
for Hurricane Models

Section on Flood Model Standards

20xx Standards, Disclosures, and Forms
for Flood Models

Report of Activities

- **Appendix A**
 - Working Definitions of Terms Used in the Report of Activities
 - Hurricane Models
 - Flood Models
 - References
 - Hurricane Models
 - Flood Models
 - Inquiries or Investigations
 - Hurricane Models
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Report of Activities

- **Appendix B**

- Florida Statutes
 - S. 627.0628
 - S. 627.701(5)-(9)
 - S. 627.062(12)
 - S. 627.715
- Meeting Schedule and Topics of Discussion
- Transcript Information
- Commission Documentation

Example Format

- **General Flood Standards**

- GCF – 1
- GIF – 1
- GCF – 2
- GIF – 2
- GCF – X
- GIF – X

- **Hydrological/Meteorological Flood Standards**

- HMCF – 1
- HMIF – 1
- HMCF – 2
- HMIF – 2
- HMCF – X
- HMIF – X

- **Statistical Flood Standards**

- SCF – 1
- SIF – 1
- SCF – 2
- SIF – 2
- SCF – X
- SIF – X

- **Vulnerability Flood Standards**

- VCF – 1
- VIF – 1
- VCF – 2
- VIF – 2
- VCF – X
- VIF – X

- **Actuarial Flood Standards**

- ACF – 1
- AIF – 1
- ACF – 2
- AIF – 2
- ACF – X
- AIF – X

- **Computer Flood Standards**

- CCF – 1
- CIF – 1
- CCF – 2
- CIF – 2
- CCF – X
- CIF – X

Time Line & Objectives

- September 2014 – Acceptability Process Committee Meeting to discuss the process for the development of flood standards.
- October 2014 –
 1. Review of law changes and discussion
 2. Discussion with modelers as to how flood is modeled (basic concepts)
 3. Identification of issues that need in depth discussion at later meetings

Time Line & Objectives

- November 2014 – General Standards Discussion
 1. A discussion of any issues that need resolving as these issues relate to the development of general flood standards
 2. General flood standards discussion (comparison with hurricane modeling standards, similarities and differences)
 3. The purpose of each standard
 4. Relevant forms
 5. Disclosures
 6. Audit requirements
- December 2014 – General Standards Developed
 1. Presentation of “draft” standards, purpose, relevant forms, disclosures, and audit requirements
 2. Discussion of new or emerging issues
 3. Discussion and further refinement as needed

Time Line & Objectives

- January 2015 – Hydrological/Meteorological Standards Discussion
 1. A discussion of any issues that need resolving as these issues relate to the development of hydrological/meteorological standards
 2. Hydrological/meteorological flood standards discussion (comparison with hurricane modeling standards, similarities and differences)
 3. The purpose of each standard
 4. Relevant forms
 5. Disclosures
 6. Audit requirements
- February 2015 – Hydrological/Meteorological Standards Development
 1. Presentation of “draft” standards, purpose, relevant forms, disclosures, and audit requirements
 2. Discussion of new or emerging issues
 3. Discussion and further refinement as needed

Time Line & Objectives

- March 2015 — Statistical Standards
 1. A discussion of any issues that need resolving as these issues relate to the development of statistical flood standards
 2. Statistical flood standards discussion (comparison with hurricane modeling standards, similarities and differences)
 3. The purpose of each standard
 4. Relevant forms
 5. Disclosures
 6. Audit requirements
- April 2015 — Statistical Standards Development
 1. Presentation of “draft” standards, purpose, relevant forms, disclosures, and audit requirements
 2. Discussion of new or emerging issues
 3. Discussion and further refinement as needed

Time Line & Objectives

- May 2015 – Vulnerability Standards
 1. A discussion of any issues that need resolving as these issues relate to the development of vulnerability flood standards
 2. Vulnerability flood standards discussion (comparison with hurricane modeling standards, similarities and differences)
 3. The purpose of each standard
 4. Relevant forms
 5. Disclosures
 6. Audit requirements
- June 2015 – Vulnerability Standards Development
 1. Presentation of “draft” standards, purpose, relevant forms, disclosures, and audit requirements
 2. Discussion of new or emerging issues
 3. Discussion and further refinement as needed

Time Line & Objectives

- July 2015 – Actuarial Standards
 1. A discussion of any issues that need resolving as these issues relate to the development of actuarial flood standards
 2. Actuarial flood standards discussion (comparison with hurricane modeling standards, similarities and differences)
 3. The purpose of each standard
 4. Relevant forms
 5. Disclosures
 6. Audit requirements
- August 2015 – Actuarial Standards Development
 1. Presentation of “draft” standards, purpose, relevant forms, disclosures, and audit requirements
 2. Discussion of new or emerging issues
 3. Discussion and further refinement as needed

Time Line & Objectives

- September 2015 – Computer Standards
 1. A discussion of any issues that need resolving as these issues relate to the development of computer flood standards
 2. Computer flood standards discussion (comparison with hurricane modeling standards, similarities and differences)
 3. The purpose of each standard
 4. Relevant forms
 5. Disclosures
 6. Audit requirements
- October 2015 – Computer Standards Development
 1. Presentation of “draft” standards, purpose, relevant forms, disclosures, and audit requirements
 2. Discussion of new or emerging issues
 3. Discussion and further refinement as needed

Time Line & Objectives

- October 2015 –
Finalize other sections of 2015 Report of Activities related to flood modeling review
- November 2015
Adopt “Discussion Flood Standards” for the Commission’s 2015 Report of Activities and updates for incorporating flood model review
The Flood Standards Development Committee is dissolved
- December 2016
Commission Chair appoints new Committee Chairs
- January 2017 – July 2017
Commission revises flood standards and adopts final flood standards for publication

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