

FLORIDA COMMISSION ON HURRICANE LOSS PROJECTION METHODOLOGY

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October 5, 2016

Commissioner David Altmaier
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399-0305

Dear Commissioner Altmaier:

Thank you for your September 28, 2016 letter requesting that the Florida Commission on Hurricane Loss Projection Methodology (Commission) address certain issues relating to Monroe County.

As Commission Chair, I intend to raise the issues in your letter with the full Commission in the course of our review of models under the current (2015) standards and our deliberations on the 2017 standards. Please treat the following comments as preliminary, pending consideration by the Commission.

1. You requested that the Commission research the “wide variation in model results” for Monroe County using both the current (2015) standards and the standards that will be adopted during calendar year 2017. You also requested that the Commission “respond to the question of whether, in developing new modeling review standards in 2017, standards can be put in place to increase consistency among models.”

I intend to raise with the Commission the issue of consistency, as you have framed it, in the course of our deliberations on the 2017 standards, which are scheduled to be adopted by November 1, 2017. All 33 of the standards—general, meteorological, statistical, vulnerability, actuarial, and computer—are adopted for the purpose of enabling the Commission to

Commissioner David Altmaier

October 5, 2016

Page Two

independently verify the accuracy and reliability of each model. As always, testimony from the public will also be invited during the deliberations on the 2017 standards.

2. You requested that “model results by hurricane deductible, particularly concerning Monroe County, be reviewed both under current model review standards and in the development of future model review standards to provide more accurate estimates of hurricane loss cost and probable maximum loss.”

The Commission will carefully review each model to determine whether it meets each of the standards adopted in 2015. As with item 1, I intend to raise your concerns with the Commission in the course of deliberations on the 2017 standards.

3. You requested that “model treatment of wind vs water (surge) be reviewed to validate that models provide an accurate result for projected wind losses in Monroe County, consistent with Commission standards that **only** wind losses are to be estimated by an accepted model and not any water or surge damage.”

You have highlighted an issue that has been considered and addressed by the Commission in its standards for many years, not merely for Monroe County, but for all counties. I am confident that, as in past years, we will conduct a rigorous review of all models to assure that the relevant standards regarding exclusion of flood or hurricane storm surge losses are met.

4. You have requested a “description of the review process that compares actual storm results with model results, including whether or not this is done for additional storms other than those shown in the Commission Statement of Activities.”

Form S-4, Validation Comparisons, which appears at page 135 of the 2015 Report of Activities, requires the modeler to compare modeled results and actual results for five hurricanes within the Base Hurricane Storm Set. During the Commission’s on-site review of models, the Commission professional team obtains additional comparisons, including comparisons for storms beyond those submitted in Form S-4, which is just one part of the statistical validation process.

The issues you have raised are important to the Commission. Let me assure you that I, along with every other member of the Commission, remain committed to fulfilling our statutory mission using a review process that ensures that all models used in Florida meet rigorous hurricane modeling standards.

Sincerely,



Lorilee Medders

Chair

Florida Commission on Hurricane Loss Projection Methodology