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INTRODUCTION

Legislative Findings and Intent

In 1995, the Florida Legislature enacted s. 627.0628, Florida Statutes (F.S.), creating the Florida Commission on Hurricane Loss Projection Methodology (Commission).¹ The Legislature specifically determined that “reliable projections of hurricane losses are necessary to assure that rates for residential insurance are neither excessive nor inadequate,” and that in recent years computer modeling has made it possible to improve on the accuracy of hurricane loss projections. The Legislature found that “it is the public policy of this state to encourage the use of the most sophisticated actuarial methods to ensure that consumers are charged lawful rates for residential property insurance coverage.”² The Legislature clearly supports and encourages the use of computer modeling as part of the ratemaking process.

The Role of the Commission

Although the statutory section creating the Commission is in the Florida Insurance Code, the Commission is an independent body and is administratively housed in the State Board of Administration of Florida (SBA). The role of the Commission is limited to adopting findings relating to the accuracy or reliability of particular methods, principles, standards, models, or output ranges used to project hurricane losses and flood losses.

Section 627.0628(3)(c), F.S., states that “to the extent feasible,” the SBA must “employ actuarial methods, principals, standards, models, or output ranges found by the Commission to be accurate or reliable” in formulating reimbursement premiums for the Florida Hurricane Catastrophe Fund (FHCF). Under s. 627.0628(3)(d), F.S., individual insurers are required to use the Commission’s findings in order to support or justify a rate filing as follows, “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 for use in a rate filing” with the Office of Insurance Regulation (OIR), and “an insurer shall employ and may not modify or adjust models found by the commission to be accurate or reliable in determining probable maximum loss levels…with respect to a rate filing…made more than 60 days after the commission has made such findings.”³ This paragraph does not prohibit an insurer from using a straight average of model results or output ranges for the purpose of a rate filing for personal lines residential flood insurance coverage under s. 627.062.”⁴

In 2014, the Florida Legislature revised s. 627.0628, F.S., to expand the role of the Commission to include flood loss projections used in rate filings for personal lines residential flood insurance coverage. Thus, the Commission was tasked with adopting “actuarial methods, principles, standards, models, or output ranges for personal lines residential flood loss no later than July 1, 2017.

¹ CS/HB 2619 (Ch. 95-276, Laws of Florida).
² Section 627.0628(1)(a), F.S.
The Legislature addressed the definition of and the protection of trade secrets used in designing and constructing a hurricane loss model in 2005 and again in 2010. In s. 627.0628(3)(f), F.S., the Legislature found that it is a public necessity to protect trade secrets used in designing and constructing hurricane loss models, and therefore, allowed an exemption from the public records law requirements and the public meetings law requirements. The goal of this legislation was to enable the Commission to have access to all aspects of hurricane loss models and to encourage private companies to submit such models for review without concern that trade secrets will be disclosed. The exemption applies to trade secrets, as defined in s. 812.081, F.S., used in the design and construction of a hurricane loss model being exempt pursuant to s. 627.0628(3)(f), F.S., from the requirements of the public records law s. 119.07(1), F.S., including s. 24(a), Article I of the State Constitution and the public meetings law s. 286.011, F.S., including s. 24(b), Article I of the State Constitution.

In 2010 the Legislature revised the scope of the public records exemption by providing that the definition of “trade secret” in the Uniform Trade Secrets Act would apply in place of the definition in s. 812.081, F.S. The effect of this change was to make the public records exemption for trade secrets consistent with other similar exemptions.

The 2010 legislation also required that any portion of a closed Commission meeting be recorded. No portion of the closed meeting may be off the record. The bill also created a public records exemption for the recordings of closed meetings.

Legislation in 2014 expanded the public records exemption and public meetings exemption related to recordings generated during closed portions of a meeting or proceeding on trade secrets related to a private company’s development of a flood loss projection model. Additionally, a new rating standard was created under s. 627.062(2)(b)12., F.S., which reads as follows:

Projected flood losses for personal residential property insurance, if applicable, which may be estimated using a model or method, or a straight average of model results or output ranges, independently found to be acceptable or reliable by the Florida Commission on Hurricane Loss Projection Methodology as further provided in s. 627.0628.

Additionally, a new statutory section was created by the Legislature in 2014 that adds s. 627.715, F.S., which defines “flood insurance” and distinguishes among “standard flood insurance,” “preferred flood insurance,” “customized flood insurance,” and “supplemental flood insurance.” A definition of “flood” is also provided in addition to the definitions of other related perils. Under s. 627.715(6), F.S., the language reads “Citizens Property Insurance Corporation may not provide insurance for the peril of flood” and s. 627.725(7), F.S., reads “The Florida Hurricane

---

4 HB 7119 (Ch. 2010-90, Laws of Florida). The language in s. 812.081, F.S., defines trade secrets which relate to theft, robbery, and related crimes. Under s. 688.002(4), F.S., “trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or process that:
   (a) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
   (b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.
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).”

The Work of the Commission

The Commission was created as a panel of experts to evaluate computer models and other recently developed or improved actuarial methodologies for projecting hurricane losses and probable maximum loss levels so as “to resolve conflicts among actuarial professionals” and “to provide both immediate and continuing improvement in the sophistication of actuarial methods used to set rates.”5

Sections 627.0628(3)(a) and (b), F.S., define the role of the Commission:

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. The commission shall, from time to time, adopt findings as to the accuracy or reliability of particular methods, principles, standards, models, or output ranges.

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.

The addition of Section 627.0628(3)(e), F.S., by the Legislature in 2014 adds new language expanding the Commission’s role to include flood loss with the following language:

The commission shall adopt actuarial methods, principles, standards, models, or output ranges for personal lines residential flood loss no later than July 1, 2017.

The statutory language is clear in that those methods or models that have the potential for improving the accuracy or reliability of hurricane and flood loss projections and probable maximum loss levels are the ones to be considered by the Commission. “Improving” suggests that the methods or models should be an improvement over the then existing current methods or models used in the residential rate filing process prior to the Commission’s enactment.

Section 627.0628(3)(e), F.S., originally established two deadlines for the Commission to take action. No later than December 31, 1995, the Commission was required to “adopt initial actuarial methods, principles, standards, models, or output ranges.” No later than July 1, 1996, the Commission was required to “adopt revised actuarial methods, principles, standards, models, or output ranges which include specification of acceptable computer models or output ranges derived from computer models.” The Commission met both those deadlines. To achieve the

5 Section 627.0628(1)(b), F.S.
requirements of the Florida Statutes, in 1995 the Commission developed the following three-step evaluation process:

1. Identification of methods or models – models were identified in the following ways: (1) by referral after having been rejected by the Department of Insurance (now OIR); (2) by being submitted directly to the Commission; or (3) by the Commission’s soliciting them directly from the sponsor or owner.

2. Analysis of the method or model – the Commission adopted standards and five modules to assist in its analysis. The modules were as follows:

   Module 1 – Description of the Model
   Module 2 – Background and Professional Credentials of the Modeling Organization
   Module 3 – Tests of the Model
   Module 4 – Professional Team On-Site Review
   Module 5 – Modeling Organization Presentation

3. Adoption of findings – the Commission may (1) accept a method or model, model specifications, or output ranges derived from computer models; or (2) accept the method or model, model specifications, or output ranges subject to modification; or (3) reject the method or model, model specifications, or output ranges.

In an effort to streamline the model submission and eliminate redundancies, the Commission conducted a complete and thorough reorganization of the Report of Activities in 2003. Part of the reorganization included renaming and incorporating the questions and forms in Modules 1–3 to sub-sections of the standards called disclosures and forms. Module 4 was moved to a separate section called On-Site Review, and Module 5 was moved to the acceptability process. The standards were realigned to facilitate the Commission voting process.

With the addition of flood standards, the Report of Activities is being organized into two sections. Section I is related to hurricane loss projections and Section II is related to flood loss projections. Section II is further subdivided into coastal flood loss projections and inland flood loss projections containing related standards, disclosures, forms, and figures. The “Working Definitions of Terms Used,” the “References,” and the “Inquiries or Investigations” sections are included in the Appendices, which will be related to topics covering both hurricane and flood loss projections and distinguished where appropriate.

As originally required in s. 627.0628(3)(e), F.S., the Commission adopted revisions to actuarial methods, principals, standards, models, or output ranges on an annual basis. The Commission initially adopted standards for the specifications of a computer model on June 3, 1996. Those original standards have subsequently been revised and then adopted on the following dates:

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<td>May 29, 1997</td>
<td>September 19 &amp; October 15, 2001</td>
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<td>April 24 &amp; May 21, 1998</td>
<td>September 18 &amp; 19, 2002</td>
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<td>August 17, 1999</td>
<td>August 21 &amp; 22, 2003</td>
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<td>September 14 &amp; 15, 2000</td>
<td>October 6 &amp; 7, 2004</td>
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The Commission has operated on a biennial cycle since 2009. In 2009 the Legislature amended s. 627.0628(3)(e), F.S., to require the Commission to adopt revisions to actuarial methods, principles, standards, models, or output ranges every odd-numbered year. Under the prior law, these were adopted annually. The standards in this Report of Activities were revised and adopted on September 24 & 25, 2013. The Commission will again adopt revisions to the standards in 2015.

Also in 2009, the Legislature added subsection (4) to s. 627.0628, F.S., requiring the Commission to “hold public meetings for the purpose of receiving testimony and data regarding the implementation of windstorm mitigation discounts, credits, other rate differentials, and appropriate reductions in deductibles pursuant to s. 627.0629.” The legislation further required the Commission to present a report to the Governor, the Cabinet, the President of the Senate, and the Speaker of the House of Representatives by February 1, 2010, on its recommendations for “improving the process of assessing, determining, and applying windstorm mitigation discounts, credits, other rate differentials, and appropriate reductions in deductibles pursuant to s. 627.0629.”

The Commission held six public meetings for the purpose of receiving testimony and data regarding the implementation of windstorm mitigation discounts. The input and data received during the process, as well as other information gathered by the Commission, resulted in the Windstorm Mitigation Discounts Report. The report includes the Commission’s findings and recommendations designed to improve the mitigation discount process.

The Mission Statement

At the September 21, 1995, Commission meeting, the following mission statement was adopted:

The mission of the Florida Commission on Hurricane Loss Projection Methodology is to assess the efficacy of various methodologies which have the potential for improving the accuracy of projecting insured Florida losses resulting from hurricanes and to adopt findings regarding the accuracy or reliability of these methodologies for use in residential rate filings.

The mission statement closely tracks the statute and restates the critical aspects of the Commission’s work. Minor revisions to the mission statement were adopted on November 30, 1995, and can be found in the Principles section of this report.

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6 CS/SB 1758 (Ch. 2009-81, Laws of Florida).
7 CS/CS/CS HB 1495 (Ch. 2009-87, Laws of Florida).
The mission statement was revised again on September 15, 2009, to reflect the Commission’s role in reviewing models for their ability for projecting probable maximum loss levels. Thus, the mission statement was modified, as follows:

The mission of the Florida Commission on Hurricane Loss Projection Methodology is to assess the effectiveness of various methodologies which have the potential for improving the accuracy of projecting insured Florida losses and probable maximum loss levels resulting from hurricanes and to adopt findings regarding the accuracy or reliability of these methodologies for use in residential rate filings and probable maximum loss calculations.

The legislation enacted in 2014 necessitated further revision of the Commission’s mission statement to account for the addition of the projection of flood losses. Therefore, the mission statement was revised on September xx, 2015, to read as follows:

The mission of the Florida Commission on Hurricane Loss Projection Methodology is to assess the effectiveness of various methodologies which have the potential for improving the accuracy of projecting insured Florida losses and probable maximum loss levels resulting from hurricanes and floods and to adopt findings regarding the accuracy or reliability of these methodologies for use in residential rate filings and probable maximum loss calculations.

Overview

To date, the following models have been evaluated by the Commission against the standards for the applicable years listed below and were found acceptable.

<table>
<thead>
<tr>
<th>Modeling Organization</th>
<th>Hurricane Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tillinghast–Towers Perrin</td>
<td>1998</td>
</tr>
<tr>
<td>Modeling Organization</td>
<td>Flood Standards</td>
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<td>-----------------------</td>
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PRINCIPLES

1. The mission of the Florida Commission on Hurricane Loss Projection Methodology is to assess the effectiveness of various methodologies which have the potential for improving the accuracy of projecting insured Florida losses and probable maximum loss levels resulting from hurricanes and floods and to adopt findings regarding the accuracy or reliability of these methodologies for use in residential rate filings and probable maximum loss calculations. History-New 9/21/95, rev. 11/30/95, rev. 9/15/09, __rev.

2. The Commission shall consider the costs and benefits associated with its review process, including costs and benefits to the State and its citizens, to the insurance industry, and to the modeling organizations. History-New 8/18/06

3. The general focus of the Commission shall be on those areas of modeling which produce the most variation in output results and have the most promise of improving the science of modeling. History-New 8/18/06

4. The Commission shall pursue and promote research opportunities from time to time when issues need resolution and such research would advance the science of modeling. History-New 8/18/06

5. All models or methods shall be theoretically sound. History-New 9/21/95, rev. 8/18/06

6. The Commission’s review process shall be active and designed to test model output for reasonableness and to test model assumptions. History-New 8/18/06

7. Models or methods shall not be biased in a way that overstates or understates results. History-New 9/21/95, rev. 8/18/06

8. All sensitive components of models or methods shall be identified. History-New 9/21/95, rev. 8/18/06

9. The trade secret aspects of models or methods being reviewed by the Commission shall be protected. History-New 11/30/95, rev. 5/20/96, rev. 9/14/05, rev. 8/18/06

10. Commission members shall have sufficient information concerning model assumptions and factors used in model development, whether trade secret or not, to make a finding about a model’s acceptability. History-New 8/18/06

11. The Commission’s review process of models or methods shall not restrict competition in the catastrophe modeling industry or thwart innovation in that industry. History-New 11/30/95, rev. 5/20/96, rev. 8/18/06
12. The Commission shall consider how advances in science or technology shall be incorporated in its revision of standards, and, where and when appropriate, develop new standards or revise existing standards to reflect these advances. History-New 8/18/06, rev. 9/16/09

13. The Commission shall consider how statutory changes shall be incorporated in its revision of standards, and, where and when appropriate, develop new standards or revise existing standards to reflect these statutory changes. History-New 8/18/06, rev. 9/16/09

14. The Commission’s review of models or methods for acceptability shall give priority to new standards and standards that have been modified. History-New 8/18/06, rev. 9/16/09

15. The output of models or methods shall be reasonable and the modeling organization shall demonstrate its reasonableness. History-New 9/21/95, rev. 8/22/03, rev. 8/18/06

16. All adoptions of findings and any other formal action taken by the Commission shall be made at a publicly-noticed meeting, by motion followed by a formal member by member roll call vote, all of which shall be transcribed by a court reporter, such transcription to be made a part of the official record of the proceedings of the Commission. The Commission shall not record a transcript for the portion of a Commission meeting where trade secrets used in the design and construction of the hurricane loss model or a flood model are discussed. No official action or decision shall be made in a closed meeting. History-New 11/30/95, rev. 8/22/03, rev. 9/14/05, rev. 8/18/06, rev. 9/15/09, rev. xx/xx/xx.

17. All findings adopted by the Commission are subject to revision at the discretion of the Commission. History-New 11/30/95

18. No model or method shall be determined to be acceptable by the Commission until it has been evaluated by the Commission in accordance with the process and procedures which the Commission considers appropriate for that model or method. History-New 11/30/95, rev. 5/20/96, rev. 8/18/06

19. The Commission’s determination of acceptability of a specific model or method does not constitute determination of acceptability of other versions or variations of that model or method; however, the Commission shall attempt to accommodate routine updating of acceptable models or methods. History-New 11/30/95, rev. 5/20/96, rev. 8/18/06

20. The Commission shall consider the educational needs of its members and from time to time implement educational programs that further Commission members’ understanding of the science of modeling. History-New 8/18/06

21. The acceptability of a hurricane computer model shall be evaluated independently from the acceptability of a flood computer model. The failure to be found acceptable for a standard unique to a hurricane computer model shall not adversely impact the acceptability of a flood computer model being reviewed at the same time or in the same review cycle, nor shall the failure to be found acceptable for a standard unique to a flood computer model adversely impact the acceptability of a hurricane computer model being reviewed at the same time or same review cycle. History-New xx/xx/xx.
22. It shall not be necessary for a hurricane model to include a complete flood model nor shall it be necessary for a flood model to include a complete hurricane model although there may be some overlapping aspects necessary for either an acceptable hurricane model or an acceptable flood model. \textit{History-New xx/xx/xx}

23. It shall be essential that an acceptable flood model include both coastal flooding and inland flooding; therefore, an acceptable flood model shall meet all standards with regard to coastal flooding and inland flooding. \textit{History-New xx/xx/xx}
COMMISSION STRUCTURE

Oversight

The Commission was created, pursuant to s. 627.0628, F.S., “to independently exercise the powers and duties specified” in that statute. The Commission is administratively housed within the State Board of Administration of Florida (SBA), and as a cost of administration, the Florida Hurricane Catastrophe Fund (FHCF) provides travel reimbursement, expenses, and staff support. The SBA has no governing authority over the Commission; however, the SBA annually appoints one of the Commission members to serve as Chair, appoints one of the Commission members who is the actuary member of the FHCF Advisory Council, and has final approval authority over the Commission’s budget.

Membership and Required Expertise

Section 627.0628(2)(b), F.S., requires that the Commission consist of twelve members with the following qualifications and expertise:

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 Florida Department of Financial Services, Office of Insurance Regulation who is an actuary responsible for property insurance rate filings and who is appointed by the Director of the Office of Insurance Regulation;
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 which was responsible for at least 1 percent of the aggregate statewide direct written premium for homeowner’s 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.
The licensed professional structural engineer was added by virtue of CS/SB 1770, which was enacted and became law in 2013. This legislation amended the requirements in s. 627.0628(2)(b), F.S., and enhanced the expertise immediately available to the Commission by increasing the membership to provide for the appointment of an additional member with special qualifications or attributes.

**Terms of Members**

The Insurance Consumer Advocate, Chief Operating Officer of the FHCF, Executive Director of Citizens Property Insurance Corporation, Director of the Division of Emergency Management, and the actuary member of the FHCF Advisory Council shall serve as a Commission member for as long as the individual holds the position listed.

The member appointed by the Director of the Office of Insurance Regulation shall serve until the end of the term of office of the Director who appointed him or her, unless removed earlier by the Director for cause. The five members appointed by the Chief Financial Officer shall serve until the end of the Chief Financial Officer’s term of office, unless the Chief Financial Officer releases them earlier for cause (s. 627.0628(2)(c), F.S.). The member appointed by the Governor shall be appointed by the current Governor in office.

**Officers**

**Officers:** The officers of the Commission shall be a Chair and a Vice Chair.

**Selection:** Annually, the SBA shall appoint one of the Commission members to serve as the Chair (s. 627.0628(2)(d), F.S.). After the Chair is appointed, the Commission shall, by majority roll call vote, select a Vice Chair.

**Duties of the Chair and Vice Chair:**

A. The **CHAIR** shall:
   1. Preside at all meetings except during committee meetings where other Commission members are designated to act as committee chairs;
   2. Conduct a roll call of members at each meeting;
   3. Ensure all procedures established by the Commission are followed;
   4. Designate one of the Commission members to act in the role of Chair at any meeting where the Chair and Vice Chair cannot attend;
   5. Assign members to serve on Committees and appoint Committee Chairs.

B. The **VICE CHAIR** shall:
   In the absence or request of the Chair, preside at Commission meetings and have the duties, powers, and prerogatives of the Chair.
Executive Committee

The Executive Committee shall consist of the Chair, the Vice Chair, and three Committee Chairs which shall be appointed by the Chair. The purpose and role of the Executive Committee shall be to determine priorities for each biennial cycle for model review.

Member Duties and Responsibilities

The purpose of the Commission is to adopt findings relating to the accuracy or reliability of particular methods, principles, standards, models, or output ranges used to project hurricane and flood losses and probable maximum loss levels. This work is extremely technical and requires specialized expertise. Therefore, the Legislature, in s. 627.0628, F.S., limited membership on the Commission to a careful balance of individuals meeting specific employment, education, and expertise requirements. Thus, each member’s contribution cannot be underestimated and each member should make every effort to attend all meetings, in person or by telephone, and be prepared to actively participate. In particular, each member has the following responsibilities and duties:

1. Fully prepare for each Commission meeting and committee meeting where the member is designated as a committee member;
2. Attend and participate at each meeting in person or by telephone;
3. Give notice to SBA staff, in advance if possible, when a member must leave a meeting early or cannot attend at all;
4. Abide by the requirements of Florida’s Sunshine Law. A summary of the requirements of this law is outlined in this section;
5. Since it is the SBA’s responsibility to fund all Commission activities, all communications related directly to Commission activities shall be directed to SBA staff who are responsible for administrative support of the Commission. Directly related to Commission activities, the following communications should not take place:
   a. Commission members should not contact Professional Team members or modeling organizations directly, except in conjunction with communications during the on-site visit of a Commission member,
   b. Modeling organizations should not contact Commission members or Professional Team members directly,
   c. Professional Team members should not contact Commission members or modeling organizations directly,
A Committee Chair or the Commission Chair may, in conjunction with SBA staff, contact a modeling organization or outside party for the purpose of clarifying or refining input or suggested changes to the Report of Activities;
6. Give notice of “special” conflicts of interest where the member, the member’s relative, business associate, or any principal by whom he or she is retained stands to reap a direct financial benefit or suffer a potential loss from the issue being voted on. Financial benefit which is speculative, uncertain, or subject to many contingencies is not a special benefit that would preclude a member from voting. See Attorney General’s Opinion 96-63 (September 4, 1996) and Commission on Ethics Opinion 94-18 (April 21, 1994). If a special conflict of interest arises and the special conflict is apparent prior to the meeting, the member must give advance notice to SBA staff. If the special conflict becomes apparent during a meeting, the member should immediately inform the Chair or Vice
Chair. The conflicted member shall recuse himself or herself from any activity of the Commission in the area of the special conflict;

7. Commission members are expected to meet the highest standards of ethical behavior. Commission members may be subject to the Code of Ethics for Public Officers and Employees, ss. 112.311-112.326, F.S., including, but not limited to, s. 112.313(7), F.S., relating to conflicting employment or contractual relationships; s. 112.3143, F.S., relating to voting conflicts; and s. 112.3145, F.S., relating to disclosure of financial interests. It is understood, given the nature of the expertise held by Commission members, that general conflicts of interest are inherent. The conflicts of interest which are addressed in s. 112.3143, F.S., and the conflicts which would preclude a Commission member from voting on an issue are only those conflicts which are special. Additionally, Commission members should be mindful of situations which may arise that have the potential to give an unfair advantage to any modeling organization or result in a particular Commission member having unique information and being in a position to exercise greater influence than other Commission members.

New Member Orientation and Continuing Education of Existing Members

As part of the SBA’s administrative support of the Commission, the SBA staff will be responsible for new member orientation. The SBA staff may also design programs for continuing education at the request of the Commission. The cost of such programs is subject to approval through the state budgetary process as outlined under Budget Consideration.

On-Site Visits to the Modeling Organization by Commission Members

The 2005 legislative changes to s. 627.0628, F.S., specified that the goal was to enable the Commission to have access to all aspects of hurricane loss models. Since both a public records exemption and a public meetings exemption are provided in the law, Commission members are able to review trade secrets in much more depth and able to inquire into the underlying nature of the models without exposing such trade secret information to modeling organization competitors.

Although reliance on the expertise of the Professional Team will continue to be necessary in the Commission’s review process, it is anticipated that Commission members may request to have greater access to the model by going to the modeling organization’s location for an on-site visit.

The procedure for on-site visits and additional verification review visits will require that the Commission member obtain approval from the Commission and obtain authorization from the SBA for reimbursable travel (due to budget considerations). The deadline for requesting on-site visits, which will include any additional verification review visits, will be seven days prior to the Commission meeting to review modeling organization submissions in order for the requests to be placed on the meeting agenda.

Travel arrangements will be coordinated through SBA staff and in accordance with the SBA’s travel policy. Commission members are responsible for their own transportation arrangements to/from and during the on-site visits. Commission members shall dress in a manner that is appropriate and professional.
The Commission member’s on-site visit shall take place at the same time as the Professional Team’s on-site or additional verification review. The Commission member’s presence shall not disrupt the activities or work of the Professional Team. This procedure will limit Commission member(s) participation to that of an observer during the Professional Team activities and their review process. The Commission member may ask questions of the modeling organization in meetings separate from those of the Professional Team. Given time and resource constraints, all reasonable attempts will be made to schedule meetings between the modeling organization and Commission members, and the modeling organization should make its best effort to be available to answer the Commission member’s questions.

If any notes are taken by a Commission member, the notes identified by the modeling organization as trade secret will be placed in a sealed envelope marked “Confidential” with the date, time, and Commission member’s signature across the seal. The notes will be kept by the modeling organization and returned to the Commission member during the closed meeting to discuss trade secrets. At the conclusion of the closed meeting, all notes will be returned to the modeling organization.

It should also be noted that the job of the Professional Team while on-site is to review the model rather than to educate Commission members. The education of Commission members by the Professional Team is better accomplished in other settings.

Commission members will refrain from discussing the model among themselves while on-site and will be mindful of the requirements of the public meeting laws of Florida. Since Professional Team members have signed contracts with the SBA that contain a confidentiality clause accepted by each modeling organization and are prohibited from discussing such proprietary information, Commission members cannot be included in any activities, meetings, or deliberations of the Professional Team.

**Trade Secret Documents for Review On-Site by Commission Members:** The Professional Team reviews the Audit section of the *Report of Activities* while on-site, and a Commission member may have additional questions or prefer a more in-depth discussion about a particular audit item. In order for the modeling organization to have the necessary personnel and documents available, Commission member(s) shall identify the items from the Audit section of the *Report of Activities* that they are particularly interested in reviewing on-site. Each Commission member may create a prioritized list of items to be provided to SBA staff no later than the Commission meeting to review modeling organization submissions. The list will be provided to the modeling organization with the Professional Team pre-visit letter, in preparation for the member’s on-site visit.

All items included in the Audit section are of equal importance since all are required for verification of the standards. Because the time required to review the different audit items will vary, Commission members should prioritize the items they request to review based upon their expertise and interest. Due to time constraints, it will be the responsibility of the member(s) to allocate their time accordingly while on-site.
Documents Containing Trade Secrets Used in the Design and Construction of Hurricane Loss Models and Flood Loss Models

Material Containing Potential Model Trade Secrets to be Visually Displayed or Discussed during Closed Meetings (Trade Secret items): The Commission may develop a Trade Secret List of information, documents, and presentation materials that contain potential trade secrets used in the design or construction of the hurricane loss model or a flood loss model that the Commission wants to review during the closed portion of the Commission meeting to review models for acceptability in addition to the trade secret items identified in the Report of Activities.

The trade secret material shown to the Commission will be under the control of the modeling organization. This information, by law, shall be confidential and exempt from the State’s public records requirements.

Closed Meetings for the Purpose of Discussing Trade Secrets Used in the Design and Construction of Hurricane Loss Models and Flood Loss Models

There is an exemption from public meeting requirements for those portions of a Commission meeting where trade secrets, used in the design and construction of hurricane loss models and flood loss models, are discussed. The closed portion of a Commission meeting where trade secrets are reviewed and discussed will be held prior to the public portion of the Commission meeting to review models for acceptability. Voting regarding the acceptability of a model shall only take place during the public portion of the meeting. During any closed meeting, Commission members shall confine their discussions to trade secrets related to that particular model under consideration. Discussions other than those involving trade secrets shall take place during the public portion of the meeting. Only public information that is absolutely essential to the understanding of the trade secret information may be provided along with the trade secret information during the closed meeting. Any such public information discussed must be discussed during the public portion of the meeting to ensure full access of the public to that information.

In accordance with s. 627.0628(3)(f), F.S., the closed portion of a Commission meeting will be recorded electronically as per SBA policies and procedures. The recording is exempt from s. 119.07(1), F.S., and s. 24(a), Article 1 of the State Constitution.

Attendees: The only authorized attendees of the closed portion of the Commission meeting to review models for acceptability shall include Commission members, Commission staff, Professional Team members, and modeling organization designated personnel, staff, and consultants.

Role of Professional Team: The discussion of trade secrets may involve verbal explanations, review of documents, and various types of demonstrations. Although the Professional Team will be present during the discussion of trade secrets, they should be viewed by the Commission members as a resource to confirm that the information being provided is consistent with the information provided on-site. Questions related to modeling organization trade secrets should be addressed directly to the modeling organization rather than to the Professional Team members.
Room Requirements: Before the closed portion of the Commission meeting to review models for acceptability begins, the room will be cleared of all unauthorized persons and all their belongings. No briefcases, cellular phones, laptops, or other electronic devices shall be accessible to the authorized attendees during the closed meeting other than equipment needed by the modeling organization and equipment required by the Commission to accommodate Commission members.

All telephone lines and all microphones will be checked to ensure that discussions cannot be heard, relayed, or recorded beyond the confines of the room. Personnel outside of the meeting room will be asked to move to a distance where discussions cannot be inadvertently overheard or visual presentations seen. No telephone calls shall be made or received from the meeting room during the discussions of trade secrets other than those needed to meet the needs of the modeling organization. Authorized attendees needing to make or receive telephone calls will be required to leave the meeting room to handle such communications. Any notes taken by authorized attendees, other than the modeling organization, will be collected and shredded at the conclusion of the closed meeting and prior to anyone leaving the meeting room. During the closed meeting, internet access may be available where modeling organizations may choose to provide direct access to the model by electronic means to help answer questions of Commission members.

Teleconference: Due to security reasons, a teleconference call-in number will not be available to authorized attendees. If requested by the modeling organization, Commission staff will contact, from the meeting room, additional modeling organization personnel to allow their participation by phone.

Breaks: If a break is taken during a closed meeting, authorized attendees will not discuss any of the proceedings from the time the meeting doors are open until they are closed following the conclusion of the break. No notes or other recorded information may be taken out of the meeting room during a break. Other than authorized attendees, no one will be allowed to enter the meeting room during a break with the exception of building maintenance personnel, food or beverage service personnel, or electronic technicians needed to provide services for the meeting room.

Transcripts: The Commission will not record a transcript for the closed portion of a Commission meeting. Although an audio recording shall be maintained - see above.

Quorum Requirements: A quorum of Commission members will not be required to conduct the closed portion of the Commission meeting.

Additional Closed Meetings: Once the initial closed portion of the Commission’s meeting has concluded, the public portion of the meeting will begin. Upon a motion and a second and a majority vote, the Commission may decide to go back into a closed meeting. If such a decision is made by the Commission, all meeting security requirements previously outlined will apply.
**Commission Meetings**

**Quorum:** A majority of the twelve Commission members (i.e., seven members) is required to constitute a quorum. A quorum is the number of members necessary to transact the official business of the Commission. “Presence” shall be defined as either a physical presence or as participation by any other means that allows the Commission member to communicate simultaneously with those members who are present.

**Voting Abstentions based on Conflict:** For the purpose of determining whether there is a quorum, if a member abstains from voting based on a special conflict of interest (as defined under *Member Duties and Responsibilities*), that member would still be deemed present for purposes of the quorum requirement (Attorney General’s Opinion 75-244; August 29, 1975).

**Temporary Absence:** “If a member in attendance at a meeting is called away and is unable to return to the meeting, the transcript should reflect the point at which … [the member] left and - if the remaining members constitute a quorum - the meeting should continue.” If, however, the member is only temporarily absent, and this member is needed to constitute a quorum, the “appropriate procedure would be to recess the meeting until the member can return or, at least, to postpone a vote on any matter before the body until … [the member’s] return” (Attorney General’s Opinion 74-289; September 20, 1974).

**Meeting Notices:** Written notice of a meeting of the Commission shall be provided to each member as soon as possible, and at a minimum, except in the event of an emergency meeting, at least seven days prior to the date scheduled. Section 286.011, F.S., requires public meetings to be noticed, and the notice must contain a time certain, a date, and the location of the meeting. If available, an agenda should be provided. If no agenda is available, it is sufficient if the notice summarizes the subject matter to be covered in the public meeting.

**Public Access:** Any member of the public shall have access to all Commission meetings that do not involve the discussion of trade secrets used in designing and constructing hurricane loss models. That portion of a Commission meeting where a trade secret is addressed is confidential and exempt according to s. 627.0628(3)(f)2, F.S., and thus will not be open to the public.

**Agendas:** Agendas listing topics planned for discussion shall be furnished to each member prior to the meeting. The agenda is to be used merely as a guide and topics not listed may be raised and discussed and the members may choose not to address an issue or topic listed on the agenda.

**Location:** Meetings shall be in Tallahassee, Florida, unless special circumstances arise.

**Recording:** The SBA staff shall be responsible for ensuring that all Commission meetings are recorded. A transcribed record shall be taken for all public portions of Commission meetings and an electronic recording shall be taken for all closed portions of Commission meetings. Commission meeting records shall be maintained by SBA staff in accordance with SBA policies and procedures. The Commission will not record a transcript for any closed portion of a Commission meeting.
Voting Requirement: Except in the case of a special conflict of interest (as defined under Member Duties and Responsibilities), no Commission member who is present at any meeting at which an official decision or act is to be taken or adopted by the Commission may abstain from voting (s. 286.012, F.S.).

Designation of an Acting Chair: Depending on the circumstances, the Chair or Vice Chair may temporarily appoint any member to act as Chair in those situations where the physical presence of a Chair is desirable to facilitate conducting the meeting.

Purpose and Conduct of Meetings: The Commission holds eight types of meetings: (1) Committee meetings designed to review and revise the Commission’s standards, disclosures, forms, acceptability process, and other sections of the Report of Activities, (2) Commission meetings for the purpose of adopting revisions to the standards, disclosures, forms, acceptability process, and other sections of the Report of Activities, (3) Commission meetings for the purpose of reviewing model submissions, (4) Commission meetings for reviewing model acceptability, (5) Commission meetings to consider an appeal by a modeling organization if a model is not found to be acceptable by the Commission, (6) planning workshops for the purpose of discussing, studying, and educating Commission members on scientific advances and new developments in the fields of meteorology, engineering, actuarial science, statistics, and computer science, (7) Executive Committee meetings to review and prioritize any ideas, issues, and concepts for consideration by the Commission, and (8) Commission meetings to vote on the recommendations of the Executive Committee. The discussions from the planning workshops may be used in planning for future standards, disclosures, and forms. The meetings to review model acceptability may involve the discussion of modeling organization trade secrets. The Commission shall conduct the portion of a meeting where trade secrets used in the design and construction of the hurricane loss model are discussed as a closed meeting. Each type of meeting is discussed below.

Committee Meetings

Committee meetings are for the purpose of discussing issues, developing standards, completing necessary groundwork, and reaching a consensus among those present so when the Commission meets later to formally adopt the standards and Report of Activities, most of the issues can be easily resolved with less detail and finalizing work required. Committee meetings provide for an informal workshop environment where Commission members, Professional Team members, SBA staff, modeling organizations, insurers, regulators, and the general public are encouraged to participate and provide input. A working draft of proposed revisions to the standards, disclosures, forms, acceptability process, and other portions of the Report of Activities is created. A public notice is required, but it is not necessary that a quorum be present since all official business requiring a vote will be conducted at Commission meetings.

The role of the Chair of a Committee is to present the draft of proposed standards and other relevant documents with the aid of the Professional Team and SBA staff. The role of the other Committee members is to thoroughly review the proposed draft and provide input and ideas at the Committee meetings. Committee members have the responsibility of preparing in advance and becoming familiar with all the relevant issues. Such members have the responsibility of
reading documents, raising questions, forming opinions, and participating in discussions. The role of the other Commission members is to participate, at their option, in all or various Committee meetings. In this manner the difficult work will be spread among Commission members and specific expertise will be utilized when reviewing and revising standards. It is beneficial for each Commission member to be fully prepared to participate as an active Committee member and provide quality input and discussion at the Committee stage.

Committee meetings are not Commission meetings. Due to quorum requirements, no formal voting shall take place at Committee meetings, but a consensus among Committee members and others participating is desirable. The Committee Chair is expected to report issues and bring work products to the Commission at properly scheduled and noticed Commission meetings. It is possible for a Committee to meet with one Commission member (the Chair of the Committee) and other interested parties (non-Commission members), but such Committee meetings shall be publicly noticed and approved by the Commission Chair. The Committee meeting idea works best when Commission members guide the Committee meetings and there is broad participation by the public, modeling organizations, regulators, or other interested parties. Although Committee meetings can be held with a substantial number of Commission members present, care should be taken to include the public and all interested parties to gain maximum participation and input. Committee Chairs should regularly call upon and solicit input from any and all interested parties present.

The recommended way to conduct a Committee meeting is as follows:

1. Standard
   a. Each standard should be taken in order and read in its entirety or presented visually to the members.
   b. The Committee Chair asks if the standard is located in the appropriate grouping of standards or if it should be moved to a more appropriate section.
   c. The Committee Chair asks if the standard is still relevant, whether it should be eliminated, or if modifications should be made. If modifications are suggested, the Chair should ask for proposed wording, if anything needs to be added, or if anything needs to be deleted in the standard.
   d. Any proposed changes to the standard are then read and explained.
   e. The Committee Chair next asks if there are any objections to the proposed changes and if any further changes are needed.
   f. The Committee Chair asks whether there are wording issues associated with the standard, are there any ambiguities, or are there ways to further clarify the standard by better drafting.

2. Purpose
   a. The Committee Chair reads or visually presents the purpose of the standard and asks if the purpose is clear and if any changes are needed.
   b. The Committee Chair asks if there are any objections or comments regarding the wording in the Purpose section.
   c. The Committee Chair asks if there are any wording or drafting issues associated with the purpose.

3. Disclosures
   a. The Committee Chair reads or visually presents each disclosure and asks if the disclosure is relevant and located with the appropriate standard.
b. The Committee Chair asks whether any additions, deletions, or other proposed changes are needed to the disclosures.

c. The Committee Chair asks if there are any objections to the proposed changes and if any further changes are needed.

d. The Committee Chair asks whether there are wording issues or additional instructions that need to be addressed to clarify the disclosure requirements.

4. Audit

a. The Committee Chair reads or visually presents the audit requirements and asks if it is clear and will be sufficient to help verify if the modeling organization has met the standard.

b. The Committee Chair asks whether any additions, deletions, or other proposed changes are needed to the Audit section.

c. The Committee Chair asks if there are any objections to the proposed changes and if any further changes are needed.

d. The Committee Chair asks whether there are wording issues or additional instructions that need to be addressed to clarify the audit requirements.

5. Forms

a. The Committee Chair asks whether the forms are appropriate, relevant, and located in the appropriate grouping of standards.

b. The Committee Chair asks if there are any proposed changes suggested for the forms and if additional instructions are needed.

c. The Committee Chair asks if there are any objections to the proposed changes or if additional wording changes are needed for clarification.

6. Trade Secret Items

The Committee will identify trade secret information, documents, and presentation materials that contain potential trade secrets used in the design or construction of the hurricane loss model that the Commission wants the modeling organization to visually display or discuss during the closed portion of a Commission meeting to review models for acceptability.

The meeting of the Acceptability Process Committee will proceed differently, but will follow a similar logical pattern as described above. The Acceptability Process Committee will start by reviewing the “Process for Determination of the Acceptability of a Computer Simulation Model.” All proposed changes will be discussed. Any modifications will be considered. Objections and comments will be solicited from those participating. Finally, any wording or formatting issues will be discussed.

Following the discussion of the acceptability process, the Acceptability Process Committee will take up other various sections of the Report of Activities by considering their appropriateness and relevancy, proposed/suggested changes or modifications, any objections, and wording or formatting issues.

As consensus is built and revisions are agreed to, the SBA staff in conjunction with the Professional Team will note the changes/modifications and produce the draft documents that will be distributed in advance of the Commission meetings that will be held for the purpose of adopting the standards and finalizing the Report of Activities for the next odd year.
**Commission Meetings to Adopt Standards**

The Chair of the Commission will open the meeting and ask each Committee Chair, who presided over the revisions to the standards, to comment as to the purpose of each standard and any changes suggested by the Committee under each standard. This will not only include the standard, but the purpose, the disclosures, the audit requirements, and the forms. The Committee Chair along with the Professional Team and SBA staff will discuss and comment on revisions to the standards. The Commission members will ask questions and offer further suggestions if necessary and appropriate. The Chair may also ask for comments from others in attendance including modeling organizations, regulators, insurers, or the general public.

Once the discussion is concluded, the Committee Chair should make a motion that the Commission adopt the standard along with the suggested revisions including those associated with the purpose section, the disclosures, the audit requirements, and the forms. Another Committee member should second the motion. The Commission Chair will then ask if there is any further discussion. The Commission Chair will recognize Commission members for final comments or questions. Once the discussion is completed, the Commission Chair will ask for a roll call vote. Each standard (including its accompanying purpose section, disclosures, audit requirements, and forms) will be voted on separately.

The “Process for Determining the Acceptability of a Computer Simulation Model” will be voted on separately. The Commission Chair will ask the Chair of the Acceptability Process Committee to explain the changes to the acceptability process. Once this is completed and comments are made by the Professional Team and SBA staff, the Committee Chair will make a motion that the Commission adopt the acceptability process as amended. Another Acceptability Process Committee member should second the motion. The Commission Chair will ask if there is any further discussion. After recognizing Commission members for discussion, the Commission Chair will ask for a roll call vote.

The final items to be voted on by the Commission include the remaining sections of the Report of Activities. If any of these sections do not change, they can be combined and adopted with one roll call vote. The Acceptability Process Committee will be responsible for these recommendations. The Committee Chair will discuss any changes/modifications and should make a motion to approve each section separately. Another Acceptability Process Committee member should second the motion. The Commission Chair will recognize Commission members for discussion and questions, and then will call for a roll call vote.

As a final consideration, the Commission Chair should consider whether it is appropriate to authorize the SBA staff to make any needed editorial changes consistent with the adopted Report of Activities. This would be done by roll call vote after a Commission member makes a motion that is seconded and after discussion.

Once all voting necessary to finalize the Report of Activities is completed, the Commission may take up other business or may adjourn.
Commission Meetings to Review Modeling Organization Submissions

The purpose of the meeting to review modeling organization submissions is to identify any “deficiencies” in the submissions, to create a list of “issues” to be addressed by each modeling organization, and to determine whether an “existing” modeling organization will be required to submit Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis) prior to the Professional Team on-site review.

Modeling organization submissions must be received by either the March 1 or November 1 deadlines, and the submissions will have been distributed to each Commission member and the Professional Team for their review. The SBA staff will work with the Professional Team to identify any deficiencies or issues. Prior to the meeting, the Commission Chair working with SBA staff and the Professional Team may request that the modeling organization meet with the Commission (in person or by conference call) or provide additional information to clarify the submission.

Deficiency: A deficiency is defined as a lack of required documentation. A list of deficiencies will be created if the submission is incomplete, unclear, or non-responsive. Failure to adequately provide a required written response or the necessary public documentation expected by the Commission in the submission will result in a deficiency. If necessary, the Commission will attempt to further clarify its expectations by providing additional comments or instructions with the deficiency so that the modeling organization is fully aware of what is expected and will have a reasonable opportunity to correct the deficiency. The Commission will determine the appropriate time frame for correcting deficiencies. Failure to correct the deficiency within the time frame specified will result in the termination of the review process. The Commission Chair will have the discretion to extend the time frame for a modeling organization correcting deficiencies if unusual circumstances are involved.

Issue: Issues are related to the operation and theoretical soundness of the model. Issues should not require a modeling organization to submit additional public documentation that is not required of all modeling organizations. Issues should be addressed by the modeling organization with the Professional Team during the on-site review as well as with the Commission when the modeling organization presents the model to the Commission for acceptability. Should the nature of an issue be such that the Commission feels public documentation is needed, then the documentation should be added to the disclosure requirements and required of all modeling organizations. Otherwise, some modeling organizations might be put in an awkward position and vulnerable to making more information about their model public than other modeling organizations thus resulting in a competitive disadvantage. [See Principle #11: The Commission’s review process of models or methods shall not restrict competition in the catastrophe modeling industry or thwart innovation in that industry.]

In conducting the meeting to review the modeling organization submissions, the Commission Chair will take up one modeling organization submission at a time as indicated on the agenda for the meeting. The Commission Chair will take up each standard grouping and consider all the responses provided under the standard including the modeling organization’s response to compliance with the standard, the information provided in the disclosures, any response provided to the audit requirements, and the completeness of the forms.
The first point of discussion will relate to submission deficiencies. The SBA staff working with the Professional Team will have provided a report to the Commission members regarding deficiencies that have been identified and that need to be corrected. The Commission will review those deficiencies and add, delete, or modify the list as appropriate. Following a discussion of the deficiencies, the Commission will next discuss the issues identified under each grouping of standards. The SBA staff working with the Professional Team will have provided the Commission members with a list of issues prior to the meeting. The Commission will review those issues associated with each grouping of standards and add, delete, or modify the list as appropriate. The third point of discussion will relate to the requirement of Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis) for an existing modeling organization. The SBA staff working with the Professional Team will have provided, prior to the meeting, a recommendation to the Commission for requiring a completed Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis). The Commission will determine, based on the recommendation and changes disclosed in the model submission, whether an existing modeling organization will be required to provide Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis).

Upon review of each grouping of standards, the Commission Chair will ask if there is a motion and a second to continue the review process subject to the correction of the deficiencies and to approve the list of issues to be addressed in the review process. The Statistical Standards motion will also include the decision on the requirement of Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis). Motions should include a specific time frame for correcting any deficiencies in the submission and if required, a specific time frame for providing a completed Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis) prior to the Professional Team on-site review. The modeling organization will be expected to resubmit or amend the original submission as specified by the Commission in the Acceptability Process of the Report of Activities. The Commission Chair will call for further discussion. After discussion, the Commission Chair will ask for a roll call vote. The next grouping of standards will then be addressed. At any point, the Commission can determine that the modeling organization has not been responsive to the submission requirements and vote to terminate the review process.

Commission Meetings to Review Models for Acceptability

The first portion of the Commission’s meeting to review a model for acceptability will be closed to the public and will involve the discussion of trade secrets used in the design and construction of the hurricane loss model identified in the Report of Activities as trade secret items and by the Professional Team during the on-site or additional verification reviews.

At the public meeting to determine the acceptability of a model, once a quorum is present, either in person or by telecommunications, all votes will be by a roll call vote based on the majority vote of those present. No Commission member, who is present at any Commission meeting at which an official decision or act is to be taken or adopted by the Commission, may abstain from voting except when a special conflict of interest exists (s. 286.012, F.S., s. 112.3143, F.S.). For those circumstances in which a standard does not apply to a particular model, the Commission will vote affirmatively that the standard does not apply and such a vote will constitute a determination by the Commission that the standard is not applicable.
For hurricane computer models, the standards will be categorized under six groupings: (1) General Standards, (2) Meteorological Standards, (3) Statistical Standards, (4) Vulnerability Standards, (5) Actuarial Standards, and (6) Computer Standards. For flood computer models, there will be two sections of standards, Coastal Flood and Inland Flood. The Coastal Flood Standards will be categorized under six groupings: (1) General Coastal Flood Standards (2) Hydrological/Meteorological Coastal Flood Standards, (3) Statistical Coastal Flood Standards, (4) Vulnerability Coastal Flood Standards, (5) Actuarial Coastal Flood Standards, and (6) Computer Coastal Flood Standards. The Inland Flood Standards will be categorized under six groupings: (1) General Inland Flood Standards, (2) Hydrological/Meteorological Inland Flood Standards, (3) Statistical Inland Flood Standards, (4) Vulnerability Inland Flood Standards, (5) Actuarial Inland Flood Standards, and (6) Computer Inland Flood Standards. The minimum number of vote tallies taken to determine the acceptability of a model would be one for each group of standards. If the Commission determines that the model meets all standards in a grouping, the model is found acceptable with respect to each individual standard in the grouping. Standards with subparts denoted by a notation of A, B, C, etc. are considered one standard. At the request of any Commission member, one or more standards in a grouping may be set aside from the remaining standards in that grouping for a separate vote.

Based upon a motion of any member that is duly seconded, the Commission may review and modify the voting requirements for any model as may be appropriate due to the unique aspects of the model.

At the start of the public portion of the meeting, the Commission Chair will first ask the Professional Team to report on the modeling organization responses to the deficiencies identified in the meeting to review modeling organization submissions. The Commission Chair may entertain discussion from Commission members or the modeling organization. Failure to provide the trade secret information required in the Report of Activities and the Professional Team report will result in a deficiency. If the Commission identifies other deficiencies, the Commission may specify a time frame for correction of those deficiencies that may include a review by one or more Professional Team member(s).

The Commission Chair will then call upon the modeling organization to provide an overview presentation as required in the Acceptability Process of the Report of Activities. The modeling organization shall make a presentation and Commission members may ask questions during and after the presentation.

The Commission Chair will announce that the Commission is ready to review the model for acceptability. The Commission Chair will ask Commission members their preference for reading the standards, by title or in entirety. The Commission Chair will read the first standard and will call upon the modeling organization to discuss the compliance of the model with the standard. The Commission Chair will next call upon the Professional Team to comment after which the Commission Chair will ask Commission members for questions or comments. If there are none, or after all questions have been responded to, the Commission Chair will then proceed to begin reading the next standard. Once all the standards in a grouping have been presented and discussed, the Commission Chair will ask the Commission members whether there are any standards that need to be carved out and voted on separately. If no response is heard, the Commission Chair will ask for a motion to accept the model under that grouping of standards. A motion will be made and seconded by Commission members at this time. Prior to voting, the
Commission Chair will ask if there is any further discussion. If members have questions or comments, they will be recognized. Once the discussion is completed, the Commission Chair will ask for a roll call vote. Any standards carved out will be separately voted on in a roll call vote.

The Commission Chair will then move to the next grouping of standards and begin to read the first standard in the grouping. The review process will follow as indicated in the paragraph above.

The Commission will have completed its determination of the acceptability of the model when it has completed voting on all standards. This does not preclude the Commission from revisiting a previous vote or revising the voting procedure as noted above. Upon conclusion of voting on all the standards, the Commission Chair will instruct SBA staff to tally the votes. The SBA staff member will indicate whether the particular model, either a hurricane computer model or a flood computer model, has been found acceptable by noting that the Commission does or does not find the relevant model to have met all the standards. If the Commission finds the relevant model acceptable, the Commission Chair will indicate to the modeling organization that the modeling organization will receive a letter as provided in the Acceptability Process of the Report of Activities. It is not necessary for both a hurricane computer model and a flood computer model to be found acceptable for one or the other to be found acceptable. As long as the relevant model meets all the standards that apply to it, such model will be found acceptable regardless of whether the other model meets all of its relevant standards and is also found acceptable. [See Principle #22: It shall not be necessary for a hurricane model to include a complete flood model nor shall it be necessary for a flood model to include a complete hurricane model although there may be some overlapping aspects necessary for either an acceptable hurricane model or an acceptable flood model.]

The voting procedure can be changed only if approved by the Commission members, given a quorum is present. This will require a motion, a second, and approval of a majority by roll call vote.

**Commission Meetings to Consider an Appeal by a Modeling Organization if a Model is not Found to be Acceptable by the Commission**

If a model fails to meet one or more standards and is not found to be acceptable by the Commission, the modeling organization may file an appeal with the Commission and request a meeting with the Commission in order to provide additional information and data to the Commission to justify that the model complies with the Commission’s standards and other requirements. The appeal process is specified in the Acceptability Process of the Report of Activities.

The purpose of the meeting to consider an appeal by a modeling organization is to review the appeal documentation and determine whether or not to reconsider the model.

The Commission Chair will call upon the modeling organization to provide a presentation which would include reasons and justification for reconsideration. Commission members may ask questions during and after the presentation. After discussion, the Commission Chair will ask for
a motion to reconsider the model. A motion will be made and seconded by Commission
members. Prior to voting, the Commission Chair will ask if there is any further discussion. Once
discussion is completed, the Commission Chair will ask for a roll call vote.

If the motion to reconsider the model is successfully approved by a majority vote, the
Commission shall then determine if additional data and information is necessary prior to
reconsideration of the model. The Commission may formulate additional questions and request
additional data and information to be responded to by the modeling organization. Such questions,
data, and information may include proprietary information, and if so, may be addressed by the
modeling organization in a closed session if requested by the modeling organization. If
additional data and information is necessary for reconsideration of the model, the Commission
questions, data, and information request shall be provided to the modeling organization in a letter
from the Commission Chair no later than ten days after the meeting to consider the appeal
request. The Commission may proceed with scheduling a meeting with the modeling
organization for reconsideration of the model.

If the Commission does not specify any follow up questions or identify any additional data or
information needed, the Commission may proceed with the reconsideration of the model. The
Commission shall then determine which standards should be reconsidered. This may include
only the standards that were previously not found acceptable or it may include other standards
that have come into question as a result of new information and data which cast doubt as to the
accuracy or reliability of the model. The Commission shall vote on which standard or standards
to be reconsidered prior to reconsideration of the model. The modeling organization may request
more time to prepare for reconsideration if it feels that the nature of the review has become more
complex and that it needs additional resources, time, and data to respond.

In reconsidering an earlier decision regarding a standard or standards, the Commission shall be
guided by new information and data which was not previously provided by the modeling
organization. Each standard will be discussed and voted upon separately in a roll call vote. The
Commission Chair will read the title of the first standard being reconsidered and will call upon
the modeling organization to present new information and data and to discuss the compliance of
the model with the standard. The Commission Chair may call upon the Professional Team to
comment after which the Commission Chair will ask Commission members for questions or
comments. The Commission Chair will ask for a motion as to whether the model meets the
standard under reconsideration. A motion will be made and seconded by Commission members
at this time. Prior to voting, the Commission Chair will ask if there is any further discussion. If
members have questions or comments, they will be recognized. Once the discussion is
completed, the Commission Chair will ask for a roll call vote.

The Commission Chair will then move to the next standard being reconsidered, and the review
process will follow as indicated in the paragraph above. The Commission will have completed its
reconsideration of acceptability of the model when it has completed voting on all standards being
reconsidered. This does not preclude the Commission from revisiting a previous vote on
reconsideration of a standard or revising the voting procedure as noted above. Upon conclusion
of voting on all standards being reconsidered, the Commission Chair will instruct SBA staff to
tally the votes. The SBA staff member will indicate whether the model has been found
acceptable by noting that the Commission does or does not find the model to have met all the
standards being reconsidered. If the Commission finds the model acceptable under the standards
reconsidered, the Commission Chair will indicate to the modeling organization that the modeling organization will receive a letter as provided in the Acceptability Process of the Report of Activities.

The voting and meeting procedure can be changed only if approved by the Commission members, given a quorum is present. This will require a motion, a second, and approval of a majority by roll call vote.

Planning Workshops

Planning workshops are for the purpose of discussing, studying, and educating Commission members on new scientific developments and advances in the fields of meteorology, hydrology, statistics, engineering, actuarial science, and computer science. The discussions from the planning workshops will be instrumental in planning for future standards, disclosures, and forms.

The planning workshops will be duly noticed and may require a quorum so that an official vote may be taken on actions resulting from the ideas presented and discussed at the workshop.

The Commission Chair will call the meeting to order and will introduce the ideas for discussion as indicated on the meeting agenda and will solicit any other ideas for discussion from Commission members. The ideas introduced will be discussed, prioritized, and evaluated by the Commission. Included in the discussions will be budget considerations, if any, and further study on the ideas if needed.

Executive Committee Meetings

The Executive Committee’s role will be to review any ideas, issues, and concepts presented at prior Commission meetings, Committee meetings, or workshops. The Executive Committee will discuss, prioritize, and evaluate various ideas, issues, and concepts. The Executive Committee’s goal will be to establish a priority for dealing with various ideas, issues, and concepts as well as to narrow or limit the scope of ideas, issues, and concepts for consideration by the Commission prior to commencement of Committee meetings. The work product of the Executive Committee shall serve as a recommendation to the Committee Chairs. The Committee Chairs should be guided by the Executive Committee’s recommendations, but they may decide to re-prioritize or expand or limit the scope of its recommendations depending on the nature of the circumstances. All Committee Chairs should be mindful of the time frames and focus the discussion of all Commission members and interested parties on amending the prior Report of Activities.

The work of the Executive Committee is designed to focus the Commission members on a list of changes to the prior Report of Activities that are feasible given the time constraints during each biennial cycle for reviewing the Commission standards and various procedures. The Committee Chairs shall suggest language to amend the prior Report of Activities in order to implement changes.

The Executive Committee shall first consider proposals for changing the Acceptability Process including other changes that are not directly related to standards, disclosures, forms, or audit
requirements. The changes to the standards, disclosures, forms, or audit requirements will then be taken up in whatever order determined appropriate by the Chair under the General Standards, the Meteorological Standards, the Statistical Standards, the Vulnerability Standards, the Actuarial Standards, and the Computer Standards of the various standard’s committees (including both hurricane model standards and flood model standards).

The Executive Committee shall draft a report of their recommended priorities to be distributed to Commission members. The Commission shall hold a meeting to vote on the recommendations of the Executive Committee. This will allow for Commission member discussion and debate on the recommendations so as to result in clear priorities for the Commission.

Outside Party Input Regarding Standards, Disclosures, Audit Requirements, Forms, or Other Procedures or Processes Adopted by the Commission

From time to time, parties other than Commission members, Professional Team members, and SBA staff assigned to the Commission have made recommendations for the Commission to consider. For the Commission to fully and adequately consider input from outside parties, the following process and organizational framework is established for reviewing such input.

The Commission has a clearly defined statutory responsibility to act 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.” The Commission’s role is also narrowly defined as to its scope and purpose. As such, input provided by outside parties shall be considered by the Commission at its sole discretion. Subjects that go beyond the purview of the Commission jurisdiction will be rejected without consideration based on a decision by the Commission Chair. The Commission Chair may bring the matter to a vote by the Commission.

In order to enable the Commission and the appropriate Committees to evaluate recommended changes, the Commission requires that each recommendation be in the form of an amendment to specific language in the standard, disclosure, audit requirement, form, or previously adopted process or procedure. The specific amendatory language must be accompanied by a brief statement of the problem being addressed by the amendment and an explanation of how the amendment solves the problem. The problem statement, explanation, and amendatory language must be received by the Commission at least ten business days prior to the Committee or Commission meeting at which the outside party wishes the amendment to be considered.

Consideration of any proposed amendment is at the discretion of the Committee Chair when the input is provided for Committee consideration. The proposed amendment may later be accepted or rejected for review by the Commission Chair prior to such input being brought before the Commission for a vote.

While comments and recommendations of a more general nature may be provided by outside parties, such recommendations must be in the form described above in order to be considered at a Committee or Commission meeting called for the purpose of adopting or revising standards, disclosures, audit requirements, forms, or changes to previously adopted processes or
procedures. Nothing in this paragraph prevents a Commission member from proposing alternative language to address an issue raised by an outside party.

Any topics for general discussion should be addressed to the Commission Chair who will decide, in his/her sole discretion, whether the topic merits discussion by Commission members, when and how the topic will be discussed, and whether or not to accept public comment. The Commission Chair should reject any topic for discussion that is beyond the scope of the Commission’s purview.

**Problem Statement:** A brief statement of the problem being addressed should be provided with all proposed changes as well as amendatory language.

**Explanation:** The explanation should classify the change as general, technical, or editorial and include justification for the change.

**Amendatory Language:** Proposed changes and amendatory language will assure that all recommended changes to standards, disclosures, audit requirements, forms, and previously adopted processes and procedures suggested by outside parties are in a form that allows the Commission and its Committee structure to give appropriate consideration to the substance of a particular proposal with a minimum of time spent resolving ambiguities, drafting questions, and similar issues.

This framework does not restrict the scope of proposals and allows outside parties the flexibility to present the arguments for their proposal in whatever form and at whatever length they desire.

**Budget Consideration**

All new projects that have a fiscal impact should be identified prior to January 1 of the calendar year so that appropriate funding can be obtained through the SBA’s budgetary review process.

All new projects will consist of a proposal, an estimated cost, and a time frame for completion. The Commission will vote on all new proposals for projects. The FHCF will include in its budget the funding for on-going projects and anticipate the potential for new model submissions or any fiscal impact that changes to the acceptability process or the standards might have on the Commission’s budget. The Commission’s budget is subject to approval by the SBA Trustees for the appropriate fiscal year.

**Sunshine Law**

Section 286.011, F.S., aka “The Sunshine Law” or “open meeting law” applies to the Commission.

**Scope of the Sunshine Law:** In any place where two or more members of the Commission are present, there is the potential for violating the Sunshine Law.
Any communication, whether in person, by telephone, computer, etc., concerning any information on which foreseeable action may be taken by the Commission is a “meeting” that must meet the requirements of Florida’s Sunshine Law if the communication takes place between two or more Commission members except as provided in s. 627.0628(3)(e), F.S.

Basic Requirements for Public Meetings: All meetings subject to the Sunshine Law must be –
- Open to the public;
- Noticed;
- Recorded by a court reporter and minutes preserved. The official minutes of the Commission will consist of a verbatim transcript unless special circumstances arise. In addition, SBA staff may prepare a summary of the meeting that will be added to the transcript and together will comprise the minutes of the meeting.

The SBA staff ensures that all scheduled public meetings of the Commission are filed for public notice in the Florida Administrative Register and a transcript is taken and preserved.

Trade Secret Violations: s. 688.002, F.S., defines misappropriation as “disclosure or use of a trade secret of another without express or implied consent by a person who at the time of disclosure or use, knew or had reason to know that her or his knowledge of the trade secret was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use.”

Section 688.004, F.S., provides for damages as a result of a trade secret violation, “a complainant is entitled to recover damages for misappropriation. Damages can include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss.”

If a trade secret also meets the definition of a trade secret in s. 812.081, F.S., the following penalty provided in s. 812.081, F.S., for violating the confidentiality of trade secrets could still apply:

“(2) Any person who, with intent to deprive or withhold from the owner thereof the control of a trade secret, or with an intent to appropriate a trade secret to his or her own use or to the use of another, steals or embezzles an article representing a trade secret or without authority makes or causes to be made a copy of an article representing a trade secret is guilty of a felony of the third degree, punishable as provided in s. 775.082 or s. 775.083.
(3) In a prosecution for a violation of the provisions of this section, it is no defense that the person so charged returned or intended to return the article so stolen, embezzled, or copied.”
FINDINGS OF THE COMMISSION

Concerning Model Accuracy and Reliability

Background

Section 627.0628(3)(a), (b), and (e), F.S., instructs the Commission to adopt findings from time to time as to the accuracy or reliability of standards and models, among other things. This section also states that the Commission shall adopt revisions to previously adopted actuarial methods, principles, standards, models, or output ranges every odd year. The following findings address the accuracy or reliability of the standards that the Commission has adopted since 1996 and the accuracy or reliability of the computer simulation models that the Commission has reviewed. The Commission thus far has reviewed computer simulation models exclusively because these constitute the only widely accepted approach to estimate residential loss costs and probable maximum loss levels.

The Commission finds that the computer simulation models that it has reviewed are stochastic forecasting models. This means that future hurricane events are stochastically generated and the associated loss costs are accumulated and probable maximum loss calculations can be made using the model with the consideration of an insurer’s individual or unique exposure data. By generating a sufficient body of hypothetical future events, the sampling uncertainty in the output ranges owing to the random variate generation process becomes negligible. The Commission finds that the accepted models produce accurate or reliable modeled loss costs and probable maximum loss levels for the entire state of Florida given the data and research currently available. Loss costs and probable maximum loss levels based on these models are based on actuarially sound and theoretically appropriate techniques that also incorporate scientific evidence, findings, and principles from the areas of meteorology, hydrology, engineering, statistics, and computer science.

Accurate and Reliable – Defined

The Commission finds that the computer simulation models that have been reviewed by the Commission and found acceptable include appropriate model representations to simulate hurricanes and floods and the induced damage on residential property in Florida. The basic features of the model construction are reflected in the six various sections of standards established and refined since June of 1996:

- General Standards reflecting the professional status of the model designers and testers and generic aspects of the model whether hurricane or flood;
- Meteorological Standards covering all aspects of this infrequent weather phenomenon;
- Hydrological/Meteorological Standards covering all aspects of flooding events;
- Statistical Standards addressing the statistical foundation of the model and the sensitivity and uncertainty assessment of model outputs as a function of model inputs whether hurricane or flood;
Vulnerability Standards assessing the impact of the hurricane winds on residential property;
Vulnerability Standards assessing the impact of flood losses on residential property;
Actuarial Standards assessing the hurricane damage impact in insurance terms;
Actuarial Standards assessing the flood damage impact in insurance terms;
Computer Standards providing the overall design, construction, and execution of the model whether hurricane or flood.

The Commission finds and recognizes that the scientific fields underlying loss projection models continue to evolve providing further insights into property damage and insurance implications. As a direct consequence, the Commission reviews and revises the standards comprising its Report of Activities every odd year. Every odd year is defined as every year ending in an odd number, i.e., 2009, 2011, 2013, 2015, 2017, etc. The Commission finds that the standards adopted every odd year represent the current state of actuarial science regarding computer simulation modeling for purposes of producing loss costs and probable maximum loss levels for residential property in Florida that are accurate and reliable.

The words “accurate” and “reliable” are used in s. 627.0628, F.S., but are not defined therein. In the context of computer simulation modeling, “accurate” means that the models meet the standards that have been developed to assure scientifically acceptable loss cost projections and probable maximum loss levels. However, “accurate” cannot necessarily mean that a model conforms exactly to known facts since that contradicts the nature of the modeling process. “Reliable” is defined for computer simulation models as meaning that the model will consistently produce statistically similar results upon repeated use without inherent or known bias.
FINDINGS OF THE COMMISSION

Concerning Trade Secrets

The Commission finds the following with respect to Principle #9 (The trade secret aspects of models or methods being reviewed by the Commission shall be protected):

1. the organizations that produce a computer simulation model may have trade secrets regarding the design and construction of that model;

2. the modeling organizations have been unwilling to reveal those trade secrets to the Commission in the context of the public meetings that the Commission holds because their competitors are part of the audience or can get a copy of the publicly available transcript of the meeting;

3. the modeling organizations have been willing to reveal all of their trade secrets if that information can remain confidential and within their control;

4. since that trade secret information would become publicly available in the context of a meeting in the “Sunshine,” the Commission has authorized:
   a. a Professional Team to review the models on-site on behalf of the Commission,
   b. on-site visits to the modeling organizations by Commission members,
   c. closed meetings for the purpose of discussing trade secrets;

5. the law allows an exception from the public records law for trade secrets used in the design and construction of hurricane loss models;

6. the Commission may require that the modeling organization provide certain documents for direct review by Commission members or the modeling organization may voluntarily provide documents containing trade secrets for the Commission’s review;

7. the law allows for the discussion of trade secrets to be exempt from public meeting requirements.
PROCES FOR DETERMINING THE ACCEPTABILITY OF A
COMPUTER SIMULATION MODEL

This section specifies the Commission’s process for the determination of acceptability of a
computer simulation model (model). The Commission has determined that prior to November 1
of every odd year, it will adopt new standards, revise existing standards, and if necessary, revise
this process. The effective date of new or revised standards will be November 1 unless otherwise
specified by the Commission. The standards and procedures will be published in the Report of
Activities as of November 1, 2013, and will not be scheduled for change until 2015.

The Commission has determined that “significant changes” to the standards or to the model are
those that either change or have potential to change the loss costs or probable maximum loss
levels. On the other hand, any minor revisions, changes to the standards, or any changes to the
model by the modeling organization that do not result in changes to loss costs or probable
maximum loss levels are not considered significant. The Commission may determine in its
judgment whether a change is significant.

The Commission has determined that any modeling organization that desires to have a computer
simulation model reviewed for compliance with the standards adopted by the Commission shall
notify the Commission in accordance with the requirements set out below by either March 1 or
November 1 of the even year following the adoption of each odd year’s standards.

The Commission has further determined that the period between the effective date of new and
revised standards and March 1 or November 1 of the following year (the deadline for notification
by the modeling organization) is a reasonable amount of time for any modeling organization to
comply with the standards adopted by the Commission. If the Commission determines that this
time frame is not sufficient, based on the nature of the changes to the standards or based on other
circumstances that might necessitate a longer period of time for compliance, then the
Commission will adjust this period of time accordingly. If requested by a modeling organization,
the Chair shall have the authority to grant a reasonable extension should the Chair determine that
an emergency or unusual situation exists that warrants an extension and is determined to be
beyond the control of the modeling organization.
I. Scheduling

The following is an anticipated schedule:

- **June 2013**
- **July 2015**
  - Commission workshop

- **June 2014**
- **July 2015**
  - Executive Committee meeting

- **August 2013**
- **2015**
  - Committee meetings

- **September 2013**
- **2015**
  - Adopt 2013-2015 Standards and Report of Activities

- **November 1, 2013**
- **2015**

- **March 1, 2014**
- **2016**
  - First deadline for notification by modeling organization

- **March – April 2014**
- **2016**
  - Commission meeting to review submissions

- **April – May 2014**
- **2016**
  - On-site reviews

- **May – June 2014**
- **2016**
  - Commission meetings to review models for acceptability under 2013-2015 Standards

- **November 1, 2014**
- **2016**
  - Second deadline for notification by modeling organization

- **December 2014**
- **2016**
  - Commission meeting to review submissions

- **January – April 2015**
- **2017**
  - On-site reviews

- **April – May 2015**
- **2017**
  - Additional Verification Reviews, if necessary

- **April – June 2015**
- **2017**
  - Commission meetings to review models for acceptability under 2013-2015 Standards

The Commission will endeavor to expedite the review of a model if the Professional Team is able to verify all standards during the initial on-site review.

II. Notification Requirements

An “existing” organization is defined as an organization whose model was accepted by the Commission under the previous set of standards. All other modeling organizations are considered as “new.”

A. Notification of Readiness for Review. Any modeling organization desiring to have its model ([hurricane, flood, or both](#)) reviewed for acceptability by the Commission shall notify the Chair of the Commission in writing by either March 1 or November 1, 2014, that the organization is prepared for review. Separate notifications are required for hurricane and flood models. The notification shall consist of (1) a letter to the Commission; (2) a summary statement of compliance with each individual standard; (3) all required disclosure and form information; and (4) a completed Model Submission Checklist.

Notification to the Commission shall include:
1. **For Hurricane Models:** A reference to the signed Expert Certification Forms G-1 (General Standards), G-2 (Meteorological Standards), G-3 (Statistical Standards), G-4 (Vulnerability Standards), G-5 (Actuarial Standards), G-6 (Computer Standards), and the Editorial Certification Form G-7, a statement that professionals having credentials and/or experience in the areas of meteorology, statistics, engineering, actuarial science, and computer science have reviewed the model for compliance with the standards, and that the model is ready to be reviewed by the Professional Team. Any caveats to the certifications will be noted in the letter and accompanied by a complete explanation.

For Flood Models: A reference to the signed Expert Certification Forms

2. A summary statement of compliance with each standard and the data and analyses required in the disclosures and forms. For existing modeling organizations, the material shall be updated as appropriate to reflect compliance with the new or revised standards even though the modeling organization submitted this material as part of a determination of acceptability under the previous set of standards.

3. A general description of any trade secret information that the modeling organization intends to present to the Professional Team and the Commission.

4. Seven (7) bound copies (duplexed) and a link e-mailed to SBA staff where all documentation can be downloaded. Submission documentation shall be provided in the following manner:

**Hurricane Model Submissions:**

a. Form M-1 (Annual Occurrence Rates), Form M-3 (Radius of Maximum Winds and Radii of Standard Wind Thresholds), Form V-2 (Mitigation Measures – Range of Changes in Damage), Form A-1 (Zero Deductible Personal Residential Loss Costs by ZIP Code), Form A-2 (Base Hurricane Storm Set Statewide Losses), Form A-3A (2004 Hurricane Season Losses, 2007 FHCF Exposure Data), Form A-3B (2004 Hurricane Season Losses, 2012 FHCF Exposure Data), Form A-4A (Output Ranges, 2007 FHCF Exposure Data), Form A-4B (Output Ranges, 2012 FHCF Exposure Data), Form A-5 (Percentage Change in Output Ranges, 2007 FHCF Exposure Data), Form A-7 (Percentage Change in Logical Relationship to Risk), and Form A-8 (Probable Maximum Loss for Florida) shall be provided in Excel format;

b. Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis) shall be provided in ASCII and PDF format, if required;

c. The remaining portions of the submission shall be provided in PDF format;

d. All data file names shall include the abbreviated name of the modeling organization, the standards year and type (e.g., 2015H), and the form name (when applicable);
The PDF submission files shall support highlighting and hyperlinking, and shall be bookmarked by section, standard, and form and section.

Flood Model Submissions:

- Characteristics of flood submissions would go in this list and would be further separated by coastal and inland.

5. Format of the Submission:

a. Table of Contents shall be included;

b. Materials submitted shall be consecutively numbered from the first page (including cover) using a single numbering system from the beginning to the end of the submission and shall include the date and time in the footnote;

c. All tables, graphs, and other non-text items shall be consecutively numbered using whole numbers, specifically listed in the Table of Contents, and clearly labeled with abbreviations defined;

d. State the standard, disclosure, or form in italics and give the response in non-italics. The Purpose and Audit portion should not be restated. The modeling organization response shall include a statement in support of compliance following each standard. The response to the standard shall explain how the model meets the requirements of the standard by including (1) a statement in support of compliance with the standard, and if applicable (2) a reference to a disclosure(s), and/or (3) a general description of trade secret information that will be shown to the Professional Team during the on-site review and shown to the Commission during the trade secret session and how it supports compliance with the standard.

- The Disclosure section of each standard is not designed to require trade secret information. Therefore, the response to a disclosure shall not contain a statement similar to “will be shown to the Professional Team” unless a response to the disclosure has been provided and additional test results and documentation will be available for the Professional Team during the on-site review and to the Commission during the trade secret session.

- If a standard or disclosure has multiple sections, respond to each section separately;

e. Graphs shall be accompanied by legends and labels for all elements:

1. Individual elements shall be clearly distinguishable, whether presented in original or copy form;

2. Maps will use three colors – blue, white, and red, including shades of blue and red, with dark blue and dark red designating the lowest and highest quantities,
respectively. The color legend and associated map shall use the maximum and minimum values as the range and shall be comprised of an appropriate number of intervals, with at least seven, to provide readability and no interval shall contain both negative and positive values. Relevant geographic boundaries (e.g., counties, ZIP Codes) shall be shown in black. The maximum and minimum values and their locations shall be plotted on the maps;

3. For data indexed by latitude and longitude, by county or by ZIP Code, a map with superimposed county and ZIP Code boundaries shall be produced. Additional map specifications will be indicated on individual form instructions;

f. Blank cells shall be used to signify no exposure;

g. All diagrams (e.g., flowcharts), including their internal components, shall be completely labeled and based on a diagram standard (e.g., business process model and notation, BPMN);

h. All units of measurement for model inputs and outputs shall be clearly identified;

i. All model outputs of length, windspeed, and pressure shall be in units of statute miles, statute miles per hour, and millibars, respectively; 

j. Unless otherwise specified, windfields generated by the model shall be used for completing relevant forms and tables in the submission;

k. All forms (with the exception of Forms V-3 (Mitigation Measures – Mean Damage Ratios and Loss Costs, Trade Secret item), A-6 (Logical Relationship to Risk, Trade Secret item), and S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis)) shall be included in an Appendix. A link to the location of the form shall be provided in the corresponding disclosure;

l. If used, acronyms shall be defined on their first use in the submission;

m. All column headings shall be shown and repeated at the top of each subsequent page for forms and tables.

n. [Flood model requirements and/or characteristics for the submission]

6. The modeling organization should contact SBA staff for any needed clarification of submission instructions, especially if the instructions necessitate additional assumptions.

7. All modifications, adjustments, assumptions, or other criteria that are included in producing the information required by the Commission in the submission shall be disclosed and will be reviewed.
B. **Revisions to the Standards or the Model – Not Significant.** If the Commission does not revise any standards or makes only minor revisions to some standards so that existing models would otherwise be in compliance with all the standards, and the modeling organization subsequently notifies the Commission in writing that there have been no significant changes to the model previously determined acceptable, then the Commission will meet and review the modeling organization’s letter and any other documentation provided and determine whether the model will be considered acceptable for an additional two years, whether an on-site review by the Professional Team is warranted, and whether a meeting with the Commission is warranted.

C. **Revisions to the Standards or the Model – Significant.** If the Commission makes significant changes to any existing standards and/or adopts new standards so that a model already determined to be acceptable is still in compliance with some, but not necessarily all of the standards, then the modeling organization will inform the Commission in writing as to whether it believes it is still in compliance with the standards that have been substantially revised or are new. If an existing modeling organization makes significant changes to the version of the model previously accepted by the Commission, then at the time it notifies the Commission that it is ready to have its model reviewed for acceptability, the modeling organization shall notify the Commission in writing of the change(s) and describe the magnitude of the change(s). The Commission will then meet and review the modeling organization’s notification and any other documentation provided and determine whether the model is acceptable for an additional two years or whether an on-site review by the Professional Team is warranted or whether an on-site review is not necessary but that additional documentation must be provided which will then be reviewed at a Commission meeting. The Commission will not review changes made to a previously accepted version of a model at any time other than after the next March 1 or November 1 notification date.

D. **Notification of Unusual Circumstances.** The modeling organization shall notify the Chair of the Commission in writing, as soon as possible, of any unusual situations that may impact the model submission.

III. Review of the Readiness Notification

Once modeling organization submissions are received by either the March 1 or November 1 deadline, the Commission will hold a meeting to review the submissions as discussed under the Commission Structure section of this Report of Activities.

Prior to the Professional Team’s on-site review and in accordance with the time frame specified by the Commission, the modeling organization shall submit corrections for the deficiencies identified during this meeting and Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis) if required in electronic format via e-mail correspondence to SBA staff. Only revised pages and forms should be provided with revision marks as specified under **V. Submission Revisions.** If more than ten pages are impacted by the corrections to the deficiencies, then an entire book shall be submitted (seven bound copies (duplexed) and a complete electronic version). All revised file names shall include the revision date, the
abbreviated name of the modeling organization, the standards year and type, and the form name (when applicable) in the file name.

Any flood model requirements added here

If, in addition to responding to the deficiencies specifically, the modeling organization opts to make further minor corrections elsewhere in their submission, it may do so but should provide an annotated list by model type of these additional changes along with the corrections to the deficiencies.

Failure of the modeling organization to correct any deficiencies or to submit Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis) if required within the time frame specified will result in the termination of the review process. The modeling organization will be notified in writing that the review process has been terminated. Upon termination of the review process, the modeling organization shall be required to wait until after the next revision or review of the standards before requesting the Commission to review its model.

In the event that a modeling organization realizes the initial submission has material errors and needs revision prior to the scheduled on-site review, the modeling organization shall immediately notify the Chair of the Commission in writing. The notification shall detail the nature of the errors and changes to the model, why it occurred, what is needed or has been done to correct the problem, the time frame needed for making the corrections, and any other relevant documentation necessary to describe both the errors and the corrections.

The Commission Chair shall (1) review the notification and inform the Commission members as soon as possible, and (2) assess, with at least three members of the Professional Team, the severity of the error and determine whether to postpone the on-site review pending consideration of potential deficiencies and the overall schedule of on-site reviews.

If it is determined to proceed with the originally scheduled on-site review, the modeling organization shall submit revised documentation no less than ten days prior to the scheduled on-site review of the Professional Team. If the modeling organization cannot correct the problems and submit revised documentation ten days prior to the scheduled on-site review of the Professional Team, then all associated standards will not be verified during the initial on-site review.

IV. Professional Team On-Site Review

If a determination has been made that a new modeling organization is ready for an on-site review or that an on-site review is necessary for an existing modeling organization, SBA staff will schedule the on-site review of the Professional Team as discussed under the On-Site Review section of this Report of Activities.

There are two possible outcomes of the on-site review regarding auditing for compliance with the standards, disclosures, forms, and trade secret items.
1. The Professional Team determines that, in its opinion, the model is likely to comply with the standards, disclosures, and forms, and so reports to the Commission. The trade secret items to be presented during the closed meeting portion of the Commission meeting to review models for acceptability shall be presented to the Professional Team for review.

2. The Professional Team determines that, in its opinion, the model is unlikely to comply with the requirements in the disclosures, forms, and trade secret items or with one or more standards.

   a. The Professional Team may react to possible corrections proposed by the modeling organization but will not tell the modeling organization how to correct the non-compliance. If the problems can be remedied while the Professional Team is on-site, the Professional Team will review the corrective actions taken, including revisions to the original March 1 or November 1 submission, before determining verification of a standard.

   b. If the problems cannot be corrected while the Professional Team is on-site, then the modeling organization will have seven days from the final day of the on-site review to notify the Chair in writing that it will be ready for an additional verification review within thirty days of the notification. The modeling organization shall submit all revised documentation as specified under V. Submission Revisions.

The SBA staff will assemble the Professional Team or an appropriate subset of the Professional Team for only one additional verification review to ensure that the corrections have been incorporated into the current, running version of the model.

If any problem necessitates the re-generation of the output ranges, the modeling organization shall submit revised output ranges to be received by the Commission no less than ten days prior to the initial date of the on-site review. If this is not the case, then Standard A-6 (Loss Output) will not be verified during the initial on-site review.

In the event that (1) Form A-4A (Output Ranges, 2007 FHCF Exposure Data) was modified after the initial submission and prior to the on-site review, or (2) an additional verification review is required and Form A-4A (Output Ranges, 2007 FHCF Exposure Data) must be re-generated, the modeling organization shall provide an additional version of Form A-5 (Percentage Change in Output Ranges, 2007 FHCF Exposure Data) using the initial submission of Form A-4A (Output Ranges, 2007 FHCF Exposure Data) as the baseline for computing the percentage changes.

In the event that (1) Form A-4B (Output Ranges, 2012 FHCF Exposure Data) was modified after the initial submission and prior to the on-site review, or (2) an additional verification review is required and Form A-4B (Output Ranges, 2012 FHCF Exposure Data) must be re-generated, the modeling organization shall...
provide an additional version of Form A-5 (Percentage Change in Output Ranges) using the initial submission of Form A-4B (Output Ranges, 2012 FHCF Exposure Data) as the baseline for computing the percentage changes.

In the event that (1) Form A-6 (Logical Relationship to Risk, Trade Secret item) was modified after the initial submission and prior to the on-site review, or (2) an additional verification review is required and Form A-6 (Logical Relationship to Risk, Trade Secret item) must be re-generated, the modeling organization shall provide an additional version of Form A-7 (Percentage Change in Logical Relationship to Risk) using the initial submission of Form A-6 (Logical Relationship to Risk, Trade Secret item) as the baseline for computing the percentage changes.

c. If the modeling organization disagrees with the Professional Team as to likelihood of compliance, the modeling organization has two options: (1) it can proceed to the scheduled Commission meeting to review models for acceptability under the 2013 Standards and present its arguments to the Commission to determine acceptability, or (2) it can withdraw its request for review. Such a withdrawal will result in the modeling organization waiting until after the next revision or review of the standards before requesting the Commission review its model.

V. Submission Revisions

Revised documentation shall include the revision date on the submission cover page and the Model Identification page. All revised file names submitted shall include the revision date, the abbreviated name of the modeling organization, the standards year and type, and the form name (when applicable) in the file name.

Revisions shall be noted with revision marks, i.e., words stricken are deletions (deletions) and words underlined are additions (additions). If revision marks are provided in color, material deleted and stricken shall be in red, and material added and underlined shall be in blue.

The Professional Team and the Commission Chair will review the new material upon receipt for deficiencies. The Commission Chair will notify the modeling organization of the deficiencies and the time frame for correction. An additional verification review will not be scheduled until all deficiencies have been addressed. The Professional Team may provide to SBA staff a second pre-visit letter to be sent to the modeling organization outlining specific issues to be addressed during the additional verification review.

Complete documentation, including a link where the complete documentation can be downloaded, shall be received no less than ten days prior to the Commission meeting to review the model for acceptability.

A note will be posted on the Commission website with instructions for obtaining submission documents. Final submission documents for a model that has been found acceptable by the
If an additional verification review is requested, complete documentation, including a link where the complete documentation can be downloaded, shall be received within thirty days of the request.

The modeling organization shall provide a link where all complete documentation with and without revision marks can be downloaded. If more than ten (10) pages are revised, seven (7) bound copies (duplexed) of all complete documentation with revision marks for all revisions made to the original March 1 or November 1 submission shall be provided. If ten (10) pages or fewer (exclusive of the forms in the Appendix) are revised, only seven (7) bound copies (duplexed) of the revised pages and forms (if revised) shall be submitted. The format of the revised documentation shall be as specified under II. Notification Requirements, A. Notification of Readiness for Review, 4 and 5.

A note will be posted on the Commission website with instructions for obtaining submission documents. Final submission documents for a model that has been found acceptable by the Commission will be posted on the Commission website (www.sbafla.com/methodology).

VI. Review by the Commission

A. General Review of a Modeling Organization. For any modeling organization seeking the Commission’s determination of acceptability, the Commission may request a meeting with the modeling organization prior to the Commission’s review of the modeling organization’s compliance with the standards. The meeting may provide a general discussion about the model or its readiness for review and will also give the Commission and the modeling organization an opportunity to address any other issues. This meeting may be conducted concurrently with the meeting to determine acceptability. If trade secrets used in the design and construction of the hurricane loss model or the flood loss model are anticipated to be discussed, such discussions will be in a closed meeting.

B. Meeting to Determine Acceptability. The Commission will meet at a properly noticed public meeting to determine the acceptability of a new or existing model once the modeling organization has provided all required material and the Professional Team has concluded its on-site review or any additional verification review. If the Commission Chair determines that more preparation time is needed by Commission members, he/she may reschedule the meeting date to review a model for acceptability, taking into consideration public notice requirements, the availability of a quorum of Commission members, the availability of a meeting room, and the availability of the particular modeling organization.

All materials shall be reviewed by the Professional Team prior to presentation to the Commission.

If the Commission determines that meeting one standard makes it impossible to meet a second standard, the conflict will be resolved by the Commission, and the Commission
will determine which standard will prevail. If at the meeting a unique or unusual situation arises, the Commission will determine the appropriate course of action to handle that situation, using its sound discretion and adhering to the legislative findings and intent as expressed in s. 627.0628(1), F.S.

Each organization’s model will be reviewed independently of any other organization’s model previously accepted or presently applying for review.

Trade secrets used in the design and construction of the hurricane loss model or a flood loss model shall be discussed during a closed meeting prior to the Commission voting on the acceptability of the model. No voting regarding the acceptability of a model will occur during a closed meeting.

C. Modeling Organization Presentation. All modeling organizations shall make a presentation to the Commission with respect to the model as used for residential ratemaking purposes in Florida. The modeling organization presentation is for the purpose of helping the Commission understand outstanding issues as well as how the modeling organization has resolved various issues and to explain the basis as to how the model meets the standards. Various issues may relate to:

1. Informational needs of the Commission as provided in the disclosures and forms;
2. The theoretical soundness of the model;
3. Use of reasonable assumptions;
4. Other related aspects dealing with accuracy or reliability.

A new modeling organization is expected to give a detailed overview presentation to the Commission explaining how the model is designed to be theoretically sound and meets the criteria of being accurate and reliable.

An existing modeling organization is expected to present a general overview of the model (10-15 minutes). This presentation should concentrate on the theoretical basis for the model and highlight the measures taken to ensure the model is accurate and reliable. Then the presentation should focus on changes, including output ranges, from the previously accepted model and the effect those changes have on loss costs and probable maximum loss levels.

Closed Meeting Portion

During the closed meeting where trade secrets used in the design and construction of the hurricane loss model or a flood loss model are discussed, the modeling organization shall present Form V-3 (Mitigation Measurers – Mean Damage Ratios and Loss Costs, Trade Secret item) and Form A-6 (Logical Relationship to Risk, Trade Secret item) as well as trade secret items identified by the Professional Team during the on-site and additional verification reviews to be shown to the Commission. The trade secret items identified will be documented in the Professional Team report to the Commission.
All material presented shall be complete, e.g., all axes on graphs labeled. The presentation shall use a medium that is readable by all members of the Commission.

Proprietary comments initially redacted from the Professional Team report shall be made available by the modeling organization to the Commission.

Items that the modeling organization is precluded from releasing due to third party contracts may be excluded.

In order to meet the public meeting notice requirements for the public meeting portion, one and a half hours shall be scheduled for the closed meeting.

A hard copy of the modeling organization’s prepared presentation, Form V-3 (Mitigation Measures – Mean Damage Ratios and Loss Costs, Trade Secret item), and Form A-6 (Logical Relationship to Risk, Trade Secret item) shall be provided to the Commission and the Professional Team members (17 copies) at the start of the closed meeting. The hard copies will be returned to the modeling organization at the conclusion of the closed meeting and prior to anyone leaving the meeting room.

Public Meeting Portion

The modeling organization presentation shall include an explanation of corrections made for deficiencies noted by the Commission. The presentation shall be made using a medium that is readable by all members of the Commission and shall include the following:

1. Each standard number and title shall be stated;
2. An explanation of how each standard was met, with reference to any appropriate disclosures or forms that support compliance;
3. If relevant, a description of the material presented to the Professional Team for verification;
4. Any non-trade secret information that can be provided in order to facilitate a general understanding of the trade secret information presented to the Commission during the closed meeting.

Three to five hours shall be scheduled for review of a model not previously submitted and two and a half hours shall be scheduled for review of an existing model during a public meeting.

A hard copy of the modeling organization’s prepared presentation shall be provided to the Commission and the Professional Team members (17 copies) at the start of the public meeting.

All materials presented to the Commission during the public portion of the meeting to determine acceptability shall be provided to SBA staff in electronic format.
D. **Acceptability and Notification.** To be determined acceptable, the model shall have been found acceptable for all standards relevant to the type of model submitted. If the model fails to be found acceptable by a majority vote for any one standard, the model will not be found to be acceptable. The modeling organization shall have an opportunity to appeal the Commission’s decision as specified under VI. Review by the Commission, E. **Appeal Process to be Used by a Modeling Organization if a Model is Not Found to be Acceptable by the Commission.**

Once the Commission has determined that a model is acceptable in accordance with the procedures in this process and that all required documentation as specified in the acceptability process has been provided to the Commission, the Chair of the Commission will provide the modeling organization with a letter confirming the Commission’s action. The letter shall be in the following format.

**Hurricane Model Acceptability Letter**

Date

(Name and Address of Modeling Organization)

Dear _____:

This will confirm the finding of the Florida Commission on Hurricane Loss Projection Methodology on (date), that the (name of modeling organization) computer model has been determined acceptable for projecting hurricane loss costs and probable maximum loss levels for residential rate filings. The determination of acceptability expires on November 1, 2017.

The Commission has determined that the (name and version identification of the model) limited to the options selected in the input form provided in Standard A-1 (Modeling Input Data) Disclosure 5 complies with the standards adopted by the Commission on (date of adoption), and concludes that the (name and version identification of the model) limited to the Florida hurricane model options selected (Standard A-1 (Modeling Input Data) Disclosure 5) is sufficiently accurate and reliable for projecting hurricane loss costs and probable maximum loss levels for residential property in Florida.

On behalf of the Commission, I congratulate you and your colleagues. We appreciate your participation and input in this process.

Sincerely,

(Name), Chair
Flood Model Acceptability Letter

Date

(Name and Address of Modeling Organization)

Dear _____:

This will confirm the finding of the Florida Commission on Hurricane Loss Projection Methodology on (date), that the (name of modeling organization) computer model has been determined acceptable for projecting flood loss costs and probable maximum loss levels for personal residential rate filings. The determination of acceptability expires on November 1, 20xx.

The Commission has determined that the (name and version identification of the model) limited to the options selected in the input form provided in Standard A -1 (Modeling Input Data) Disclosure 5 complies with the standards adopted by the Commission on (date of adoption), and concludes that the (name and version identification of the model) limited to the Florida hurricane model options selected (Standard A -1 (Modeling Input Data Disclosure 5) is sufficiently accurate and reliable for projecting hurricane loss costs and probable maximum loss levels for residential property in Florida.

On behalf of the Commission, I congratulate you and your colleagues. We appreciate your participation and input in this process.

Sincerely,

(Name), Chair

A copy of the all appropriate letters will be provided to the Commissioner of the Office of Insurance Regulation.

E. Appeal Process to Be Used by a Modeling Organization if a Model is Not Found to be Acceptable by the Commission. If a model is not found to be acceptable by the Commission, the modeling organization shall have up to thirty days to file a written appeal of the Commission’s finding. The appeal shall specify the reasons for the appeal, identify the specific standard or standards in question, provide appropriate data and information to justify its position, and may request a follow up reconsideration meeting with the Commission to present any relevant or new information and data to the Commission in either a public or closed meeting format.

Within sixty days of receiving the appeal, the Commission shall hold a public meeting for the purpose of reviewing the appeal documentation and formulate additional questions to be responded to by the modeling organization and potentially request additional data and information. If the Commission determines additional data and information is necessary for reconsideration of the model, the Commission’s questions, data, and information request shall be provided to the modeling organization in a letter from the Chair no later than ten days after the meeting to consider the appeal request. The modeling organization
shall respond to the Commission within ten days of receiving the Commission Chair’s letter. Any proprietary responses, data, or information shall be noted by the modeling organization indicating the response will be discussed in a closed session with the Commission.

The Commission will meet at a properly noticed public meeting to determine the acceptability of the model under the standards established by the Commission for reconsideration. If the Commission Chair determines that more preparation time is needed by Commission members, he/she may reschedule the meeting date to reconsider the model for acceptability, taking into consideration public notice requirements, the availability of a quorum of Commission members, the availability of a meeting room, and the availability of the particular modeling organization.

Once the Commission has completed its reconsideration of acceptability and determined that a model has met all the standards being reconsidered and that all required documentation as specified in the acceptability process has been provided to the Commission, the Chair of the Commission will provide the modeling organization with a letter confirming the Commission’s action as specified under VI. Review by the Commission, D. Acceptability and Notification.

If the model fails to be found acceptable by a majority vote for any one standard, the model will not be found to be acceptable and the appeal of the modeling organization shall have failed. In this regard, the findings of the Commission shall be final. The modeling organization will be required to wait until after the next revision or review of the standards before requesting the Commission to review its model.

F. Discovery of Differences in a Model after a Model has been Determined to be Acceptable by the Commission. If the modeling organization becomes aware of any differences between the model as found acceptable by the Commission and the model as provided to and used by its clients, the modeling organization shall without delay notify the Commission in writing describing the differences and the potential impact on loss costs and probable maximum loss levels. The notification shall be accompanied by Forms A-1 (Zero Deductible Personal Residential Loss Costs by ZIP Code), A-4B (Output Ranges, 2012 FHCF Exposure Data), A-8 (Probable Maximum Loss for Florida), and S-5 (Average Annual Zero Deductible Statewide Loss Costs – Historical versus Modeled). Additionally, the modeling organization shall state the level of the differences based on the classification scheme below (Type I, Type II, or Type III differences).

For purposes of complying with this requirement, a “difference” is anything that results in a model not being exactly the same as the model found acceptable by the Commission under the standards as adopted in this Report of Activities, but does not include interim software updates as addressed in VI. Review by the Commission, G. Interim Software Updates after a Model has been Determined to be Acceptable by the Commission, updates to geographical data or other interim data updates as addressed in VI. Review by the Commission, H. Interim Updates to Geographical or Other Data after a Model has been Determined to be Acceptable by the Commission, or other developmental changes to the model that are of the nature that would be appropriately reviewed.
according to the standards and procedures in the next Report of Activities scheduled for publication in 2015.

Upon receipt of the modeling organization’s notification and documentation as specified above, the Chair shall consult with at least three members of the Professional Team in order to investigate, determine, and verify the impact of the differences as reported by the modeling organization.

The type of differences noted will be classified as falling into one of three of the following categories:

Type I: The model is not the exact same model as found acceptable or the submission needs to be revised due to the discovery of inaccuracies, but there are no differences in loss costs for any five digit ZIP Code area and there are no differences in probable maximum loss levels for any return period.

Type II: There are differences in one or more loss costs for a five digit ZIP Code area, but such differences do not exceed ±1% and there are changes in probable maximum loss levels for one or more return periods, but such differences do not occur at the rounded third significant digit of the probable maximum loss number.

Type III: There are differences in one or more loss costs for a five digit ZIP Code area that exceed ±1% or there are changes in probable maximum loss levels for one or more return periods that result in changes at the rounded third significant digit of the probable maximum loss number.

In the case of Type I differences:

1. The Chair, in consultation with at least three members of the Professional Team, shall verify the impact of the differences as reported by the modeling organization, and identify any additional documentation needed by the Commission. In its investigation and review of the issue, the Commission shall focus solely on the need for documentation explaining and describing the differences and ensuring that there is no impact on loss costs and probable maximum loss levels. The modeling organization’s response related to differences noted at the Type I level shall only involve providing adequate documentation and shall not involve any further changes to the model. The modeling organization shall submit an addendum to the submission for the model previously found acceptable by the Commission thereby documenting the reasons, causes, and explanations for the differences. The addendum shall also encompass a discussion of why loss costs and probable maximum loss levels remain valid and have not changed from the previous model which the Commission found acceptable.

2. If the Chair determines that the documentation and explanations provided by the modeling organization are sufficient, no further action will be necessary by the Commission. The Chair shall provide a letter to the modeling organization acknowledging the notification of differences and noting that the Commission accepts the modeling organization’s addendum to its previous submission. The letter shall
note that a change in the model version identification is not required and that the model’s acceptability shall expire as originally provided for in VI. Review by the Commission, 4. Expiration of a Model Found Acceptable unless additional differences are discovered prior to expiration.

3. If the Chair determines that a new model version identification may be needed or that complexity of the reported differences needs to be addressed by the Commission at a special or regularly scheduled meeting, the Chair shall provide the Commission with detailed recommendations, such as the need for additional documentation or the need for further investigations, the potential need for a revised model version identification, or other appropriate recommendations given the circumstances. Additionally, the Chair shall propose what would constitute adequate documentation and when such documentation should be provided to the Commission.

At the Commission meeting, the Vice Chair or, if not available to chair the meeting, a Committee Chair appointed by the Chair, shall preside at the meeting. The Chair shall make a motion for approval of the recommendations which shall require a second. The Commission shall then vote on the recommendations of the Chair, and any other alternative recommendations or amendments that are raised in the form of a motion that has been duly made and seconded by any other Commission member.

If backup documentation required is of a proprietary nature involving trade secrets, the Commission shall discuss only such items in a closed session. All votes shall be taken in a public meeting.

4. The acceptability of the model shall not be suspended on the basis of Type I differences as long as appropriate documentation is provided to the Commission in a timely fashion. No additional actions or changes to the model shall be required by the modeling organization with respect to Type I differences.

5. If the modeling organization fails to provide documentation that the Commission deems satisfactory within a timeframe specified by the Commission, the acceptability of the model shall be suspended pending submission of the necessary documentation. The Chair shall notify the modeling organization by letter of such suspension. Once the documentation is provided by the modeling organization, the Chair shall review the documentation with at least three members of the Professional Team, and if the Chair determines that the documentation is appropriate, shall send a letter to the modeling organization indicating that the documentation is acceptable and the suspension is lifted.

In the case of Type II differences:

1. The Chair, in consultation with at least three members of the Professional Team, shall determine whether the modeling organization has already revised the model to address the differences to conform to the Commission standards or is capable of addressing the differences within 14 days after notifying the Commission of the discovery of Type II differences. If the model has been revised or can be revised within the 14 day time frame, the modeling organization shall submit an addendum to
the submission for the model previously found acceptable thereby documenting the revisions, explaining the reasons for the differences, and providing any necessary backup documentation. If trade secret information is involved, the modeling organization shall include this fact in its notification to the Commission.

2. The Chair shall place the modeling organization’s notification on the agenda for a special or regularly scheduled meeting of the Commission. The scheduling of the Commission meeting shall depend on the nature of the differences and the time frame for appropriate revisions to be made. The Chair shall provide Commission members with a copy of the modeling organization’s notification and report the status related to the modeling organization’s revision plan if on-going actions are required.

3. If the modeling organization has not made the necessary revisions to the model to conform to the Commission standards, the Chair shall provide in advance of the meeting a proposed plan of action for the Commission’s consideration. The Vice Chair or, if not available to chair the meeting, a Committee Chair appointed by the Chair, shall preside at the meeting. The Commission shall consider the Chair’s proposal and, upon the proposal being moved and seconded, vote on the plan of action of the Chair, and any other alternative recommendations or amendments that are raised in the form of a motion that has been duly made and seconded by any other Commission member. All plans of action shall include specific time frames including deadlines and the required documentation regarding the necessary revisions to conform to the Commission standards.

4. Once the modeling organization has made the appropriate revisions within the Commission’s specified time frames, as verified by the Chair in consultation with at least three members of the Professional Team, the Chair shall call a special meeting or include an agenda item on the Commission’s next regularly scheduled meeting for the purpose of reviewing the revisions to the model needed in order for the model to comply with the Commission standards. The Commission shall review the model as it deems necessary and may go into a closed session for discussion of trade secrets. The Commission shall conduct a minimum of six votes (one for each grouping of standards) with the option of any member being allowed to request a carve out of a specific standard or standards (without the requirement for a second to such motion). The basic process adopted in this Report of Activities regarding the “Process for Determining the Acceptability of a Computer Simulation Model” in VI. Review by the Commission, A. General Review of a Modeling Organization, B. Meeting to Determine Acceptability, C. Modeling Organization Presentation, and D. Acceptability and Notification will be followed. The notification letter regarding the acceptability of the model will be revised to acknowledge the type of differences discovered and the revisions from the original submission related to the previously acceptable model version. The new model version identification as assigned by the modeling organization shall be noted, and the revised model shall supersede the previously acceptable model. The acceptability of the revised model shall expire at the end of the current cycle as provided for in VI. Review by the Commission, J. Expiration of a Model Found Acceptable unless additional differences are discovered prior to expiration.
5. If the modeling organization fails to make the appropriate changes within the Commission’s specified time frame, the model shall be suspended until the appropriate revisions are made to conform the model such that it meets the Commission standards. The Chair shall send a letter to the modeling organization indicating that the acceptability of the model has been suspended until the Commission votes on the acceptability of the revised model and a new model version identification has been assigned by the modeling organization. Once the Commission has determined acceptability of the revised model, the revised model shall supersede the previously acceptable model. The acceptability of the revised model shall expire at the end of the current cycle as provided for in VI. Review by the Commission, J. Expiration of a Model Found Acceptable unless additional differences are discovered prior to expiration.

In the case of Type III differences:

1. The acceptability of the model is suspended upon receipt of the notification of Type III differences or at any time during a Commission review where the magnitude of such differences are discovered and can be documented. The Chair shall send the modeling organization a letter indicating that the acceptability of the model by the Commission has been suspended immediately upon such notification or discovery and will remain suspended until the Commission investigates and takes action regarding the modeling organization’s steps necessary to address the differences in order to bring the model in compliance with the Commission standards as adopted in this Report of Activities.

2. The Chair, in consultation with at least three members of the Professional Team, shall determine whether the modeling organization has already revised the model to address the differences necessary to conform the model to the Commission standards or is capable of addressing the differences within 14 days of notifying the Commission or discovery of the Type III differences by the Professional Team or Commission. If the model has been revised or can be revised within the 14 day time frame, the modeling organization shall submit an addendum to the submission for the model previously found acceptable thereby documenting the revisions, explaining the reasons for the differences, and providing any necessary backup documentation. If trade secret information is involved, the modeling organization shall so indicate in its notification to the Commission.

3. The Chair shall place the modeling organization’s notification or discovery by the Professional Team or Commission on the agenda for a special or regularly scheduled meeting of the Commission. The scheduling of the Commission meeting will depend on the nature of the differences and the time frame for appropriate revisions to be made. The Chair shall provide Commission members with a copy of the modeling organization’s notification and report the status related to the modeling organization’s revision plan if on-going actions are required.

4. If the modeling organization has not made any revisions to the model to conform to the Commission standards, the Chair shall provide in advance of the meeting a proposed plan of action for the Commission’s consideration. The Vice Chair or, if not
available to chair the meeting, a Committee Chair appointed by the Chair, shall preside at the meeting. The Commission shall consider the Chair’s proposal and, upon the proposal being moved and seconded, vote on the Chair’s proposed plan of action, and any other alternative recommendations or amendments that are raised in the form of a motion that has been duly made and seconded by any other Commission member. All plans of action shall include specific time frames including deadlines and documentation regarding the needed revisions for the modeling organization in order for the model to conform to the Commission standards.

5. If the modeling organization has already revised the model or once the modeling organization has made the appropriate revisions within the Commission’s specified time frames, as verified by the Chair in consultation with at least three members of the Professional Team, the Chair shall call a special meeting or include an agenda item on the Commission’s next regularly scheduled meeting for the purpose of reviewing the revisions to the model needed in order for the model to comply with the Commission standards. The Commission shall review the model as it deems necessary and may go into a closed session for a discussion of trade secrets. The Commission shall conduct a minimum of six votes (one for each grouping of standards) with the option of any member being allowed to request a carve out of a specific standard or standards (without the requirement for a second to such motion). The basic process adopted in this Report of Activities regarding the “Process for Determining the Acceptability of a Computer Simulation Model” in VI. Review by the Commission, A. General Review of a Modeling Organization, B. Meeting to Determine Acceptability, C. Modeling Organization Presentation, and D. Acceptability and Notification will be followed. The notification letter regarding the acceptability of the model will be revised to acknowledge the type of differences discovered and the revisions from the original submission related to the previously acceptable model version. The new model version identification as assigned by the modeling organization shall be noted, and the revised model shall supersede the previously acceptable model. The acceptability of the revised model shall expire at the end of the current cycle as provided for in VI. Review by the Commission, J. Expiration of a Model Found Acceptable unless additional differences are discovered prior to expiration.

6. If the modeling organization fails to make the appropriate revisions within 60 days of the Commission being notified or the date where the Commission discovered the Type III differences, the acceptability of the model will be withdrawn subject to the appeal process as specified in VI. Review by the Commission, E. Appeal Process to be Used by a Modeling Organization if a Model is Not Found to be Acceptable by the Commission. If there is no appeal or the appeal is unsuccessful, this will require the modeling organization to wait until the next review cycle as determined by time frames established in the next Report of Activities scheduled for publication in 2015.

G. Interim Software Updates after a Model has been Determined to be Acceptable by the Commission. If a modeling organization makes updates/revisions to the model software where (1) the underlying model determined acceptable by the Commission has not been updated/revised, (2) the software update scope and utility is unrelated to Florida
hurricane loss costs, flood loss costs, or probable maximum loss levels and does not include the Florida hurricane or flood model, and (3) there are no changes to the loss costs or probable maximum loss levels, the modeling organization shall notify the Chair of the Commission in writing. The notification shall detail the nature of the software updates/revisions, the effect on the underlying acceptable model(s), and the effect on the model results.

The notification shall also include Form A-1 (Zero Deductible Personal Residential Loss Costs by ZIP Code), Form A-4B (Output Ranges, 2012 FHCF Exposure Data), Form A-8 (Probable Maximum Loss for Florida), and Form S-5 (Average Annual Statewide Loss Costs – Historical versus Modeled) completed for the current accepted model and the proposed updated/revised version of the model software, and a percentage change comparison between the two versions to demonstrate no change. The proposed updated/revised model software shall be clearly identified with a new/unique software version identification under the modeling organization’s model revision policy. The underlying model version identification shall remain the same.

Depending on the nature of the interim software updates, the Chair in consultation with the Professional Team may recommend the Professional Team conduct a review which may involve a virtual review provided the modeling organization is in agreement and can provide access to full modeling material.

The Chair shall review the notification and inform the Commission members as soon as possible, and assess, with at least three members of the Professional Team, the regression test results. If there is no change in the underlying acceptable model(s) and no change in the model results, the Chair shall send an appropriate updated acceptability notification letters to the modeling organization denoting that the interim software updates do not produce significant differences in loss costs and probable maximum loss levels from the currently accepted model(s) and the same expiration date shall apply as for the currently accepted model(s). The same model version identification and the new software version identification as assigned by the modeling organization shall be noted.

If the Chair, in consultation with at least three members of the Professional Team, determines there is a change in the underlying acceptable model or a change in the model results, then the Chair shall send a letter to the modeling organization as soon as practical notifying the organization of a pending review by the Commission. The Chair will determine the need for a special meeting or whether the issue can be addressed at the next regularly scheduled meeting of the Commission. The purpose of the Commission meeting will be to review the interim software updates and any other aspect of the model which might have changed in order to ensure that the model continues to comply with the Commission standards. The Commission shall conduct a minimum of six votes (one for each grouping of standards) with the option of any member being allowed to request a carve out of a specific standard or standards (without the requirement for a second to such motion). The basic process adopted in this Report of Activities regarding the “Process for Determining the Acceptability of a Computer Simulation Model” in VI. Review by the Commission, A. General Review of a Modeling Organization, B. Meeting to Determine Acceptability, C. Modeling Organization Presentation, and D.
Acceptability and Notification will be followed. The notification letter regarding the acceptability of the model will be revised to acknowledge the interim software updates to the previously acceptable model(s) and software version. The new model and software version identifications as assigned by the modeling organization shall be noted. Once the Commission has determined acceptability of the revised model(s), the revised model(s) shall supersede the previously acceptable model(s). The acceptability of the revised model shall expire at the end of the current cycle as provided for in VI. Review by the Commission, J. Expiration of a Model Found Acceptable.

If the revised model’s proposed interim software changes are not found to be acceptable by the Commission, the Chair shall send a letter to the modeling organization noting such and that the model(s) previously found to be acceptable by the Commission shall continue to be acceptable and expire as originally provided for in VI. Review by the Commission, J. Expiration of a Model Found Acceptable.

The appeal process as specified in VI. Review by the Commission, E. Appeal Process to be Used by a Modeling Organization if a Model is Not Found to be Acceptable by the Commission shall not be applicable. This will require the modeling organization to make any contemplated software update changes for the Commission’s consideration in the next review cycle as determined by time frames established in the next Report of Activities scheduled for publication in 2015-2017.

H. Interim Updates to Geographical or Other Data after a Model has been Determined to be Acceptable by the Commission. If a modeling organization updates geographic location data within the model software or makes other updates to data where the underlying model determined acceptable by the Commission has not been updated or revised, the modeling organization shall notify the Chair of the Commission in writing. The notification shall detail the nature of the updates and the effect on the model results.

The notification shall include Form A-1 (Zero Deductible Personal Residential Loss Costs by ZIP Code), Form A-4B (Output Ranges, 2012 FHCF Exposure Data), Form A-8 (Probable Maximum Loss for Florida), and Form S-5 (Average Annual Statewide Loss Costs – Historical versus Modeled) completed for the current accepted model and the proposed updated/revised version of the model, and a percentage change comparison between the two versions. The proposed interim data update designation as assigned by the modeling organization shall be clearly identified.

If a modeling organization updates geographic location data within the model software, the modeling organization shall also provide maps showing ZIP Code centroids (previous and updated) for the entire state of Florida. The modeling organization shall provide a sorted list of all ZIP Code centroid movements of one mile or more, the top ten movements (if fewer than ten move at least one mile), and a list of new and retired ZIP Codes. The corresponding primary county for each ZIP Code listed shall be provided. The modeling organization shall provide a list of all ZIP Code related databases used by the model and describe the impact to these databases due to the updated ZIP Codes (including roughness factors, building construction, and ZIP Code specific vulnerability functions).
If backup documentation required is of a proprietary nature involving trade secrets, the Commission shall discuss only such items in a closed session. If trade secret information is involved, the modeling organization shall include this fact in its notification to the Commission.

In situations involving other data updates as indicated in the modeling organization submission in response to Standard G-1 (Scope of the Computer Model and Its Implementation) Disclosure 6, the modeling organization shall describe the impact of the data updates on loss costs and probable maximum loss levels and indicate why such interim data updates are considered necessary. The modeling organization shall provide a list of all databases used by the model related to the data updates and describe the impact to these databases due to the updates. The Commission will not consider other interim data updates unless such possible updates have been disclosed by the modeling organization in the submission response to Standard G-1 (Scope of the Computer Model and Its Implementation) Disclosure 6.

The Chair shall review the notification and inform the Commission members as soon as possible, and assess, with at least three members of the Professional Team, the regression test results. If the regression test results confirm that the model has not changed with regard to loss costs and probable maximum loss levels, the Chair shall send an updated acceptability notification letter to the modeling organization denoting that the interim data updates do not produce significant differences in loss costs and probable maximum loss levels from the currently accepted model. The same model version identification and a distinction made for the interim data update(s) as assigned by the modeling organization shall be noted. The acceptability of the model with the interim data update(s) shall expire at the end of the current cycle as provided for in VI. Review by the Commission, J. Expiration of a Model Found Acceptable.

If the Chair, in consultation with at least three members of the Professional Team, determines that there are changes due to the geographical data updates reported or other interim data updates as provided for in Standard G-1 (Scope of the Computer Model and Its Implementation) Disclosure 6, then the Chair shall send a letter to the modeling organization as soon as practical notifying the modeling organization of a pending review by the Commission. The Chair will determine the need for a special meeting or whether the issue can be addressed at the next regularly scheduled meeting of the Commission. The purpose of the Commission meeting will be to review the data updates and any other aspect of the model which might have changed in order to ensure that the model continues to comply with the Commission standards. The Commission shall conduct a minimum of six votes (one for each grouping of standards) with the option of any member being allowed to request a carve out of a specific standard or standards (without the requirement for a second to such motion). The basic process adopted in this Report of Activities regarding the “Process for Determining the Acceptability of a Computer Simulation Model” in VI. Review by the Commission A. General Review of a Modeling Organization, B. Meeting to Determine Acceptability, C. Modeling Organization Presentation, and D. Acceptability and Notification will be followed. The notification letter regarding the acceptability of the model will be revised to acknowledge the nature of the data updates to the previously acceptable model version. The new model version identification and a distinction made for the interim data updates
as assigned by the modeling organization shall be noted. Once the Commission has
determined acceptability of the revised model, the revised model shall supersede the
previously acceptable model. The acceptability of the revised model shall expire at the
end of the current cycle as provided for in VI. Review by the Commission, J.
Expiration of a Model Found Acceptable.

If the revised model’s proposed data updates are not found to be acceptable by the
Commission, the Chair shall send a letter to the modeling organization noting such and
that the model previously found to be acceptable by the Commission shall continue to be
acceptable and will expire as originally provided for in VI. Review by the Commission,
J. Expiration of a Model Found Acceptable.

The appeal process as specified in VI. Review by the Commission, E. Appeal Process
to be Used by a Modeling Organization if a Model is Not Found to be Acceptable by
the Commission shall not be applicable. This will require the modeling organization to
make the contemplated data updates for consideration by the Commission in the next
review cycle as determined by time frames established in the next Report of Activities
scheduled for publication in 20152017.

I. Review and Acceptance Criteria for Functionally Equivalent Model Software
Platforms. If a modeling organization has designed its model to operate on two or more
software platforms, the Commission may find the model as run on the various software
platforms acceptable under the following circumstances and procedures.

1. The various model platforms shall be submitted for review at one time by the
designated submission deadline and shall be capable of being reviewed concurrently
by the Commission, including the Professional Team’s on-site review, such that all
platforms can be reviewed as to their functional equivalence.

2. Functional equivalence will be recognized as long as no lost costs differ with regard
to any platform at the rounded third decimal place (thus there should be no changes in
the published Form A-1 (Zero Deductible Personal Residential Loss Costs by ZIP
Code) and Form A-4B (Output Ranges, 2012 FHCF Exposure Data)), and probable
maximum loss does not differ by more than ±0.5% for any probable maximum loss
level (Form A-8, Probable Maximum Loss for Florida). [Add relevant flood forms]

3. The model as implemented on the various platforms shall have the same model
version identification with a notation to designate the specific model platform(s). The
modeling organization shall specify which software platform is the primary software
platform and which software platform(s) are the functionally equivalent software
platform(s). This information shall be disclosed in the modeling organization
submission in response to Standard G-1 (Scope of the Computer Model and Its
Implementation) Disclosure 1. [Add relevant flood standards and disclosures]

4. The modeling organization will not be allowed to make separate submissions during a
review cycle and any difference between model platforms will be required to be fully
described in the modeling organization’s original submission.
5. The only differences in model results shall be demonstrated to be solely due to the nature of the model platform(s) or any other technological constraint that would account for no more than the designated variations noted above.

Once the Commission has determined functional equivalence of the model software platform(s), the Chair shall send an acceptability notification letter to the modeling organization designating specifically which model software platform(s) were found to be functionally equivalent and acceptable by the Commission.

J. **Expiration of a Model Found Acceptable.** The determination of acceptability of a model found acceptable under the standards contained in the *Report of Activities as of November 1, 2015* expires on November 1, 2019.
# Model Submission Checklist

**Prewrite and Revise for Flood Models**

1. Please indicate by checking below that the following has been included in your submission documentation to the Florida Commission on Hurricane Loss Projection Methodology.

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Item</th>
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<tr>
<td></td>
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<td>1. Letter to the Commission</td>
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<td>a. Refers to the certification forms and states that professionals having credentials and/or experience in the areas of meteorology, statistics, engineering, actuarial science, and computer science have reviewed the model for compliance with the standards</td>
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<td>b. States model is ready to be reviewed by the Professional Team</td>
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<td>c. Any caveats to the above statements noted with a complete explanation</td>
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<td>2. Summary statement of compliance with each individual standard and the data and analyses required in the disclosures and forms</td>
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<td>3. General description of any trade secret information the modeling organization intends to present to the Professional Team</td>
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<td>4. Model Identification</td>
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<td>5. Seven (7) Bound Copies (duplexed)</td>
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<td>6. Link containing:</td>
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<td></td>
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<td>a. Submission text in PDF format</td>
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<td>b. PDF file supports highlighting and hyperlinking, and is bookmarked by standard, form, and section</td>
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<td>c. Data file names include abbreviated name of modeling organization, standards year, and form name (when applicable)</td>
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<td>d. Form S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis), if required, in ASCII and PDF format</td>
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<td>7. All hyperlinks to the locations of forms are functional</td>
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<td>8. Table of Contents</td>
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<td>9. Materials consecutively numbered from beginning to end starting with the first page (including cover) using a single numbering system, including date and time</td>
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<td>10. All tables, graphs, and other non-text items consecutively numbered using whole numbers</td>
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<td>11. All tables, graphs, and other non-text items specifically listed in Table of Contents</td>
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<td></td>
<td>12. All tables, graphs, and other non-text items clearly labeled with abbreviations defined</td>
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<td>13. All column headings shown and repeated at the top of every subsequent page for forms and tables</td>
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<td>14. Standards, disclosures, and forms in italics, modeling organization responses in non-italics</td>
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<tr>
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<td>15. All graphs and maps conform to guidelines in II. Notification Requirements A.5.e.</td>
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<td>16. All units of measurement clearly identified with appropriate units used</td>
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<td>17. All forms included in submission document as Appendices except Forms V-3 (Mitigation Measures – Mean Damage Ratios and Loss Costs, Trade Secret item), A-6 (Logical Relationship to Risk, Trade Secret item), and S-6 (Hypothetical Events for Sensitivity and Uncertainty Analysis)</td>
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<td>18. Hard copy documentation identical to electronic version</td>
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<td>19. Signed Expert Certification Forms G-1 to G-7</td>
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2. Explanation of “No” responses indicated above. (Attach additional pages if needed.)

Model Name and Identification    Modeler Signature    Date
ON-SITE REVIEW BY PROFESSIONAL TEAM

General Purpose

The purpose of the on-site review is to evaluate the compliance of the model(s) with the standards, disclosures, forms, and trade secret items. The on-site review is conducted in conjunction with the Process for Determining the Acceptability of a Computer Simulation Model. It is not intended to provide a preliminary peer review of the model(s). The goal of the Professional Team’s efforts is to provide the Commission with a clear and thorough report of the model(s) as required in the acceptability process, subject to non-disclosure conditions. All modifications, adjustments, assumptions, or other criteria that were included in producing the information required by the Commission in the submission(s) shall be disclosed and will be reviewed.

The Professional Team will begin the review with a briefing to modeling organization personnel to discuss the review schedule and to describe the subsequent review process.

The on-site review by the Professional Team will involve the following:

1. Due diligence review of information submitted by the modeling organization. For existing modeling organizations, the due diligence review will concentrate on any changes in the disclosures and forms as noted in the Notification of Readiness letter.
2. On-site tests of the model(s) under the control and supervision of the Professional Team. The object is to observe the model(s) in operation and the results produced during a “real time” run. This is necessary in order to avoid the possibility that the modeling organization could recalibrate the model(s) solely for producing desirable results.
3. Verification that information provided by the modeling organization in the disclosures and forms is valid and is an accurate and fairly complete description of the model(s).
4. Review for compliance with the standards. The Professional Team will attempt to consider each grouping of standards as a unit.
5. Review of trade secret items.

Feedback regarding compliance of the model(s) with the standards, disclosures, forms, and trade secret items will be provided to the modeling organization throughout the review process.

Preparation for On-Site Review

The Professional Team will assist the Commission and the SBA staff in determining if a modeling organization is ready for an on-site review.
The Professional Team will assist the modeling organization in preparing for the on-site review, by providing to SBA staff a detailed pre-visit letter (to be sent to the modeling organization) outlining specific issues to be addressed by each modeling organization unique to their model submission(s). The Professional Team makes every effort to identify substantial issues with the model(s) or submission(s) to allow the modeling organization adequate time to prepare for the on-site review. As the Professional Team continues to prepare for the review, it may discover issues not originally covered in the pre-visit letter prior to the on-site review. Such issues will be introduced at the opening briefing of the on-site review. The discovery of errors in the model by the Professional Team is a possible outcome of the review. It is the responsibility of the modeling organization to assure the validity and correctness of its model(s).

**Telephone Conference Call:** After the Commission has determined the modeling organization is ready to continue in the review process and prior to the on-site review, at the request of the Commission or the modeling organization, the SBA staff will arrange a telephone conference call between the modeling organization and the Professional Team or a subset of the Professional Team. The purpose of the call is to review the pre-visit letter, material, data files, and personnel that will need to be on-site during the review. This does not preclude the Professional Team from asking for additional information during the on-site review that was not discussed during the conference call or included in the pre-visit letter. The call will allow the modeling organization and the Professional Team the opportunity to clarify any concerns or ask any questions regarding the upcoming on-site review. This call will be the only scheduled opportunity for the modeling organization to clarify any questions directly with the Professional Team prior to their on-site review.

**Scheduling:** The SBA staff is responsible for scheduling on-site review dates. Each modeling organization will be notified at least two weeks prior to the scheduled review. The actual length of the review may vary depending on the preparedness of the modeling organization and the depth of the inquiry needed for the Professional Team to obtain an understanding of the model(s). The Commission expects new models under consideration to be well-prepared for a review by the Professional Team. In particular, it is suggested that a modeling organization conduct a detailed self-audit to assure that it is ready for the Professional Team review.

**Presentation of Materials:** The modeling organization shall have all necessary materials and data on-site for review. All material referenced in the submission as “will be shown to the Professional Team” and all material that the modeling organization intends to present to the Commission, including trade secret items, shall be presented to the Professional Team during the on-site review. All materials, charts, graphs, and maps used in support of the model and the computer code shall be presented in a manner that is readable by all members of the Professional Team simultaneously.

**Professional Team Report**

After completing its review of the standards, disclosures, forms, and trade secret items, the Professional Team will conduct an exit briefing with the modeling organization. During this briefing, the Professional Team will provide a preliminary draft of the Professional Team report.
This offers the modeling organization an opportunity to check for any factual errors and to expunge any trade secret information. The Professional Team will accede to modeling organization suggestions for changes in its draft only to correct factual errors and to remove any trade secret information. If the modeling organization and the Professional Team dispute a particular item as a factual error, then the report will adopt the phrasing, “In the opinion of the Professional Team, …”

The pre-edited, preliminary draft of the Professional Team report shall be made available to the Commission at the closed meeting where trade secrets used in the design and construction of a hurricane loss model, a flood loss model, or both loss models are discussed. Any material deemed proprietary will be designated as trade secret. The pre-edited, preliminary draft will be placed in a sealed envelope marked “Confidential” with the date, time, and Professional Team leader’s signature across the seal. The draft will be kept by the modeling organization and returned to the Professional Team leader during the closed meeting to discuss trade secrets. At the conclusion of the closed meeting, the draft will be returned to the modeling organization.

A separate report will be prepared for each type of model reviewed (hurricane or flood). The Each report will include:

- A list of participants;
- A summary of significant changes to the model from the previous year;
- Any corrections made to the submission that were reviewed by the Professional Team and will be provided to the Commission in the revised submission at least ten days prior to the Commission meeting to review the model for acceptability;
- A verification that any deficiencies noted by the Commission have been resolved;
- A copy of the pre-visit letter;
- A verification of compliance with the standards, disclosures, and forms;
- A description of material reviewed in support of compliance with the standards, disclosures, and forms;
- A list of materials needed in preparation for an additional verification review, if applicable;
- A list of trade secret items the modeling organization shall present to the Commission during the closed meeting portion of the Commission meeting to review models for acceptability; and
- A statement indicating where proprietary information has been removed.

After leaving the modeling organization’s premises, the Professional Team, in coordination with SBA staff, will finalize its report[s] and provide it to Commission members in advance of the meeting to review the models for acceptability. Any disparate opinions among Professional Team members concerning compliance with the standards, disclosures, forms, and trade secret items will be noted and explained.

Additional Verification Review

It is possible that a subset of the standards or changes made to the disclosures, forms, and trade secret items may require further review by the Professional Team or a subset of the Professional Team. In such cases, the SBA staff will arrange an additional verification review, in accordance
with the acceptability process, to verify those standards, disclosures, forms, and trade secret items.

In preparation for an additional verification review, the Professional Team will list in their report an initial set of materials needed for preparation prior to the re-visit. Non-trade secret materials are to be received by SBA staff no later than seven days prior to the additional verification review. Trade secret materials requested are to be provided at the onset of the additional verification review. Additional materials may be requested on-site by the Professional Team in order to verify the standards.

**Trade Secret Information**

While on-site, the Professional Team members are expected to have access to trade secret data and information. It is the responsibility of the modeling organization to identify to all Professional Team members what is a trade secret and is not to be made public.

All written documentation provided by the modeling organization to the Commission will be considered a public document with the exception of documents provided during the closed meeting where trade secrets used in the design and construction of a hurricane loss model, a flood loss model, or both loss models are discussed.

The modeling organization shall provide any additional information directly to the Commission rather than give it to Professional Team members to be brought back with them. Documents that the modeling organization indicates are trade secret that are viewed by Professional Team members will not be considered public documents and are to be left on-site.

Any notes made by Professional Team members containing trade secrets will be expunged by the modeling organization and placed in a sealed envelope marked “Confidential” with the date, time, and Professional Team member’s signature across the seal. The notes will be kept by the modeling organization and returned to the Professional Team member during the closed meeting to discuss trade secrets. At the conclusion of the closed meeting, all notes will be returned to the modeling organization.

Trade secrets of the modeling organization learned by a Professional Team member will not be discussed with Commission members.

Professional Team members will agree to respect the trade secret nature of the model and not use trade secret information in any way detrimental to the interest of the modeling organization.

Care will be taken by the Professional Team members not to discuss other models being evaluated while they are on-site reviewing a particular model.

**On-Site Review Results**

The Professional Team will present the results of the on-site review to the Commission and answer questions related to their review.
The job of the Professional Team is to verify information and make observations. It is not part of the Professional Team’s responsibilities to opine or draw conclusions about the appropriateness of a particular model or a component part of a model.

Refer to the Process for Determining the Acceptability of a Computer Simulation Model for additional information regarding the on-site review.
PROFESSIONAL TEAM

Composition and Selection of the Professional Team

A team of professional individuals, known as the Professional Team, will conduct on-site reviews of modeling organizations seeking a determination of acceptability by the Commission. The Professional Team will consist of individuals having professional credentials in the following disciplines (each area will be represented by one or more individuals): Actuarial Science, Statistics, Meteorology, Hydrology, Computer Science, Structural Engineering, and Coastal Engineering.

The SBA staff will select the Professional Team members, and the SBA will enter into contracts with each individual selected.

Selection of the Professional Team members will be an aggressive recruiting process to seek out qualified individuals who are capable of working closely with the Commission and who are available during specified time frames in order that the Commission can meet its deadline(s). Consideration will be given to the following factors:

- Professional credentials, qualifications, and specialized experience
- Reasonableness of fees
- Availability, commitment to the Commission, and Commission experience
- References
- Lack of conflicts of interest

Responsibilities of the Professional Team

Team Leader: The SBA staff will designate one member of the Professional Team as the team leader. The team leader will be responsible for coordinating the activities of the Professional Team and overseeing the development of reports to the Commission.

Team Members:

1. Participate in preparations and discussions with the Commission and SBA staff prior to the on-site review.
2. Study, review, and develop an understanding of responses and materials provided to the Commission by the modeling organizations.
3. Participate with the Commission and SBA staff in developing, reviewing, and revising model tests and evaluations.
4. While on-site, verify, evaluate, and observe the techniques and assumptions used in the model for each member’s area of expertise.
5. Identify and observe how various assumptions affect the model so as to identify to the Commission various sensitive components/aspects of the model.

6. Discuss the model with the modeling organization’s professional staff to gain a clear understanding and confidence in the operation of the model and its description as provided to the Commission.

7. Participate in the administration of on-site tests.

8. Participate in the preparation of written reports and presentations to the Commission.

Responsibilities of SBA Staff

The Professional Team will report to designated SBA staff. SBA staff will supervise the Professional Team and coordinate their pre-on-site planning activities, on-site reviews and activities, and post-on-site activities.

These responsibilities include:

1. Setting up meetings with Professional Team members individually and as a group. These meetings will include conference calls and other meetings depending on circumstances and needs of the Commission.

2. Coordinating and scheduling on-site reviews.

3. Working with the Commission and Professional Team members in developing, reviewing, and revising model tests and evaluations.

4. Overseeing the supervision and administration of specified on-site tests and evaluations.

5. Working with the modeling organization to determine which professionals at the modeling organization will work with corresponding Professional Team members while on-site.

6. Briefing and de-briefing the Professional Team members prior to, during, and after the on-site review.

7. Coordinating the preparation of written reports and presentations to the Commission.

8. Coordinating the reimbursement of expenses per s. 112.061, F.S., for Professional Team members, Commission members, and SBA staff.
SECTION I

VII. 2013-2015 HURRICANE MODEL STANDARDS, DISCLOSURES, AND FORMS
Florida Commission on
Hurricane Loss Projection Methodology

**Hurricane Model Identification**

Name of Model: ________________________________

Model Version Identification: __________________________

Software Program Version Identification: __________________________

Interim Software Program Version Update Identification: ____________

________________________

Software Platform Name and Identifications: __________________________

________________________

Interim Data Update Designation: __________________________

Name of Modeling Organization: __________________________

Street Address: __________________________

City, State, ZIP Code: __________________________

Mailing Address, if different from above: __________________________

________________________

Contact Person: __________________________

Phone Number: ____________  Fax Number: ____________

E-mail Address: __________________________

Date: _______________
SECTION II

VIII. 2015 FLOOD MODEL STANDARDS, DISCLOSURES, AND FORMS
Florida Commission on
Hurricane Loss Projection Methodology

Flood Model Identification [Revised for Flood]

Name of Model: ________________________________

Model Version Identification: ____________________

Software Program Version Identification: ____________

Interim Software Program Version Update Identification: ____________________

Software Platform Name and Identifications: ____________________

Interim Data Update Designation: ____________________

Name of Modeling Organization: ____________________

Street Address: ____________________

City, State, ZIP Code: ____________________

Mailing Address, if different from above: ____________________

Contact Person: ____________________

Phone Number: ____________________ Fax Number: ____________________

E-mail Address: ____________________

Date: ____________________
A. 2015 Coastal Flood Model Standards, Disclosures, and Forms

1. General Coastal Flood Standards
   a. GCF – 1
   b. GCF – 2
   c. GCF – X

2. Hydrological/Meteorological Coastal Flood Standards
   a. HMCF – 1
   b. HMCF – 2
   c. HMCF – X

3. Statistical Coastal Flood Standards
   a. SCF – 1
   b. SCF – 2
   c. SCF – X

4. Vulnerability Coastal Flood Standards
   a. VCF – 1
   b. VCF – 2
   c. VCF – X

5. Actuarial Coastal Flood Standards
   a. ACF – 1
   b. ACF – 2
   c. ACF – X

6. Computer Coastal Flood Standards
   a. CCF – 1
   b. CCF – 2
   c. CCF – X
B. 2015 Inland Flood Model Standards, Disclosures, and Forms

1. General Inland Flood Standards
   a. GIF – 1
   b. GIF – 2
   c. GIF – X

2. Hydrological/Meteorological Coastal Flood Standards
   a. HMIF – 1
   b. HMIF – 2
   c. HMIF – X

3. Statistical Inland Flood Standards
   a. SIF – 1
   b. SIF – 2
   c. SIF – X

4. Vulnerability Inland Flood Standards
   a. VIF – 1
   b. VIF – 2
   c. VIF – X

5. Actuarial Inland Flood Standards
   a. AIF – 1
   b. AIF – 2
   c. AIF – X

6. Computer Inland Flood Standards
   a. CIF – 1
   b. CIF – 2
   c. CIF – X
IX. APPENDIX A
Working Definitions of Terms Used in the *Report of Activities*  
(These terms are meant to be specific to the *Report of Activities*)

Add relevant flood definitions in alpha order

**Actual Cash Value (ACV):**  
Cost of replacing damaged or destroyed property with comparable new property minus depreciation.

**Actuary:**  
A highly specialized professional with mathematical and statistical sophistication trained in the risk aspects of insurance, whose functions include the calculations involved in determining proper insurance rates, evaluating reserves, and various aspects of insurance research; a member of the Casualty Actuarial Society.

**Acyclic Graph:**  
A graph containing no cycles.

**Additional Living Expense (ALE):**  
If a home becomes uninhabitable due to a covered loss, ALE coverage pays for the extra costs of housing, dining expenses, etc. up to the limits for ALE in the policy.

**Aggregated Data:**  
Summarized data sets or data summarized by using different variables. For example, data summarizing the exposure amounts by line of business by ZIP Code is one set of aggregated data.

**Aggregation Test:**  
A test to ensure the correctness of all components when operating as a whole.

**Annual Aggregate Loss Distributions:**  
For the Commission’s purposes, the aggregate losses which are expected to occur for all hurricane events in any one year. Another way to state it is the aggregate probable maximum loss. See below for Probable Maximum Loss (PML).

**Appurtenant Structures:**  
Coverage for detached buildings and other structures located on the same property as the principal insured building, e.g., detached garage, fences, swimming pools, patios, etc.

**Assertion:**  
A logical expression specifying a program state that must exist or a set of conditions that program variables must satisfy at a particular point during program execution. Types include input assertion, loop assertion, output assertion. Assertions may be handled specifically by the programming language (i.e., with an “assert” statement) or through a condition (i.e., “if”) statement.
For the purposes of the standards, disclosures, and forms for model specification adopted in this document, the following references or published data sets are listed. Subsequent revisions to these documents and data sets shall supersede the versions listed below.

1. **1994 South Florida Building Code**


4. **Florida Statutes** (available at www.flsenate.gov/statutes/).


6. **Hurricane Best Track Files (HURDAT2), Atlantic Tracks File** (available at www.nhc.noaa.gov/data/#hurdat).


VIII. INQUIRIES OR INVESTIGATIONS
The Commission finds that since its activities are ongoing, it is appropriate to set out, as it did at the end of its previous year of inquiry and investigation, a list of matters which the Commission determines are subjects for further inquiry and investigation. This list is not intended to be all-inclusive. The Commission anticipates that other matters will be added as they are identified. The Commission also notes that these matters as set out below imply no particular order of importance and no particular order regarding timing.

Inquiries or investigations will be reported on by the Professional Team prior to the Committee meetings.

**Mitigation Impact**
(Note: Report was provided to the Commission July 2013, and is available at [www.sbafla.com/method/portals/methodology/CommissionInquiries/20130710_InquiriesReport.pdf](http://www.sbafla.com/method/portals/methodology/CommissionInquiries/20130710_InquiriesReport.pdf).)

- Development of new forms to examine the impact of mitigation schemes, individually and in combination, on the mean damage ratio for a portfolio similar to the one used in Form V-1 (One Hypothetical Event) for frame and masonry constructions.
- Development of actuarial form similar to Form V-3 (Mitigation Measures – Mean Damage Ratios and Loss Costs, Trade Secret item) providing loss costs rather than mean damage ratio.

**Software Engineering**

- Determine the software engineering techniques, such as code refactoring, used by the modeling organizations to improve the readability, efficiency, maintainability, and structure of software without changing its functionality.

**Specific or Unique Modeling Issues**

- Anomalies related to specific counties or unique circumstances that may impact modeling results shall be identified, and these issues shall be evaluated and discussed by the Commission.

**Storm Surge**

- How are modeling organizations modeling storm surge?
The Professional Team is requested to explore with each modeling organization the following during the on-site reviews under the 2013 standards:

- Storm surge calculation
- Underlying formulation of the storm surge calculation (e.g., dynamical or statistical, underlying equations or functional/distributional form), including whether it includes wave action
- Source and resolution of the bathymetry and coastal topography used in the storm surge calculation at the risk location level
- Hurricane parameters and characteristics used in the storm surge calculation
- Inputs used in the storm surge calculation that have not already been described
- Storm surge initialization in an individual storm surge calculation
- Storm surge development related to storm track out to sea
- Comparison of the storm surge calculated in the model with historical storm surge (e.g., five locations from a different coastal county)
- Comparison of storm surge calculated in the model worst case for the same five locations compared with other data sets or models
- Model capability to determine losses due to storm surge explicitly
- Development of the building vulnerability functions for storm surge.

Vulnerability Model Development for Mitigation Features
(Note: Report was provided to the Commission July 2013, and is available at www.sbafla.com/method/portals/methodology/CommissionInquiries/20130710_InquiriesReport.pdf.)

Explore the use of a physical/engineering based approach to vulnerability model development for application of mitigation features.

Previous Inquiries or Investigations

Acceptability Process and Standards for Future Consideration
(Note: Report was provided to the Commission July 2009, and is available at www.sbafla.com/method/portals/methodology/CommissionInquiries/200907_InquiriesReportJuly2009.pdf.)

The Commission incorporated in the Report of Activities as of November 1, 2008, a section entitled "Acceptability Process and Standards for Future Consideration." The section contained potential new standards, public disclosures, audit requirements, and procedures that were discussed during the Committee meetings on August 12 & 13, 2008. The Commission sought public comments on the contents of the section in order to fully understand the implications of the various proposed changes.

The Commission incorporated the potential new standards, public disclosures, audit requirements, and procedures deemed appropriate in the Report of Activities as of November 1, 2009.
IX. APPENDICES

APPENDIX B
Florida Statutes, 20132015

627.062(1), (2)(a),(b),(j) Rate Standards. –

(1) The rates for all classes of insurance to which the provisions of this part are applicable may not be excessive, inadequate, or unfairly discriminatory.

(2) As to all such classes of insurance:

(a) Insurers or rating organizations shall establish and use rates, rating schedules, or rating manuals that allow the insurer a reasonable rate of return on the classes of insurance written in this state. A copy of rates, rating schedules, rating manuals, premium credits or discount schedules, and surcharge schedules, and changes thereto, must be filed with the office under one of the following procedures:

1. If the filing is made at least 90 days before the proposed effective date and is not implemented during the office’s review of the filing and any proceeding and judicial review, such filing is considered a “file and use” filing. In such case, the office shall finalize its review by issuance of a notice of intent to approve or a notice of intent to disapprove within 90 days after receipt of the filing. The notice of intent to approve and the notice of intent to disapprove constitute agency action for purposes of the Administrative Procedure Act. Requests for supporting information, requests for mathematical or mechanical corrections, or notification to the insurer by the office of its preliminary findings does not toll the 90-day period during any such proceedings and subsequent judicial review. The rate shall be deemed approved if the office does not issue a notice of intent to approve or a notice of intent to disapprove within 90 days after receipt of the filing.

2. If the filing is not made in accordance with subparagraph 1., such filing must be made as soon as practicable, but within 30 days after the effective date, and is considered a “use and file” filing. An insurer making a “use and file” filing is potentially subject to an order by the office to return to policyholders those portions of rates found to be excessive, as provided in paragraph (h).

3. For all property insurance filings made or submitted after January 25, 2007, but before May 1, 2012, an insurer seeking a rate that is greater than the rate most recently approved by the office shall make a “file and use” filing. For purposes of this subparagraph, motor vehicle collision and comprehensive coverages are not considered property coverages.

(b) Upon receiving a rate filing, the office shall review the filing to determine if a rate is excessive, inadequate, or unfairly discriminatory. In making that determination, the office shall, in accordance with generally accepted and reasonable actuarial techniques, consider the following factors:

1. Past and prospective loss experience within and without this state.

2. Past and prospective expenses.

3. The degree of competition among insurers for the risk insured.
4. Investment income reasonably expected by the insurer, consistent with the insurer’s investment practices, from investable premiums anticipated in the filing, plus any other expected income from currently invested assets representing the amount expected on unearned premium reserves and loss reserves. The commission may adopt rules using reasonable techniques of actuarial science and economics to specify the manner in which insurers calculate investment income attributable to classes of insurance written in this state and the manner in which investment income is used to calculate insurance rates. Such manner must contemplate allowances for an underwriting profit factor and full consideration of investment income that produces a reasonable rate of return; however, investment income from invested surplus may not be considered.

5. The reasonableness of the judgment reflected in the filing.

6. Dividends, savings, or unabsorbed premium deposits allowed or returned to policyholders, members, or subscribers in this state.

7. The adequacy of loss reserves.

8. The cost of reinsurance. The office may not disapprove a rate as excessive solely due to the insurer having obtained catastrophic reinsurance to cover the insurer’s estimated 250-year probable maximum loss or any lower level of loss.

9. Trend factors, including trends in actual losses per insured unit for the insurer making the filing.

10. Conflagration and catastrophe hazards, if applicable.

11. Projected hurricane losses, if applicable, which must be estimated using a model or method found to be acceptable or reliable by the Florida Commission on Hurricane Loss Projection Methodology, and as further provided in s. 627.0628.

12. Projected flood losses for personal residential property insurance, if applicable, which may be estimated using a model or method, or a straight average of model results or output ranges, independently found to be acceptable or reliable by the Florida Commission on Hurricane Loss Projection Methodology and as further provided in s. 627.0628.

13. A reasonable margin for underwriting profit and contingencies.

14. The cost of medical services, if applicable.

15. Other relevant factors that affect the frequency or severity of claims or expenses.

(j) With respect to residential property insurance rate filings, the rate filing must account for mitigation measures undertaken by policyholders to reduce hurricane losses.

History.—s. 3, ch. 67-9; s. 3, ch. 71-3(B); s. 3, ch. 76-168; s. 21, ch. 77-468; s. 1, ch. 77-457; s. 93, ch. 79-40; ss. 2, 3, ch. 81-318; ss. 341, 357, 809(2nd), ch. 82-243; ss. 45, 49, 79, ch. 82-386; s. 93, ch. 83-216; s. 9, ch. 86-160; ss. 19, 114, ch. 92-318; s. 8, ch. 92-328; s. 5, ch. 95-276; s. 4, ch. 96-194; s. 7, ch. 96-377; s. 8, ch. 2000-370; s. 55, ch. 2001-63; s. 1064, ch. 2003-261; ss. 40, 84, ch. 2003-416; s. 3, ch. 2005-111; s. 11, ch. 2006-12; s. 18, ch. 2007-1; s. 9, ch. 2007-90; s. 10, ch. 2008-66; s. 7, ch. 2009-87; s. 120, ch. 2010-5; s. 4, ch. 2010-175; s. 12, ch. 2011-39; s. 1, ch. 2011-160; s. 2, ch. 2013-66; s. 1, ch. 2014-80.
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’s 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 for use in a rate filing under s. 627.062. An insurer shall employ and may not modify or adjust models found by the commission to be accurate or reliable in determining probable maximum loss levels pursuant to paragraph (b) with respect to a rate filing under s. 627.062 made more than 60 days after the commission has made such findings. This paragraph does not prohibit an insurer for 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, 2007.

(f) The commission shall adopt revisions to revise previously adopted actuarial methods, principles, standards, models, or output ranges every odd-numbered year.
1. A trade secret, as defined in s. 688.002, that is used in designing and constructing a hurricane loss model and that 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, 2015, unless reviewed and saved from repeal through reenactment by the Legislature.

627.701(5)-(9) Liability of insureds; coinsurance; deductibles.

(5)(a) The hurricane deductible of any personal lines residential property insurance policy issued or renewed on or after May 1, 2005, shall be applied as follows:

1. The hurricane deductible shall apply on an annual basis to all covered hurricane losses that occur during the calendar year for losses that are covered under one or more policies issued by the same insurer or an insurer in the same insurer group.
2. If a hurricane deductible applies separately to each of one or more structures insured under a single policy, the requirements of this paragraph apply with respect to the deductible for each structure.
3. If there was a hurricane loss for a prior hurricane or hurricanes during the calendar year, the insurer may apply a deductible to a subsequent hurricane which is the greater of the remaining amount of the hurricane deductible or the amount of the deductible that applies to perils other than a hurricane. Insurers may require policyholders to report hurricane losses that are below the hurricane deductible or to maintain receipts or other records of such hurricane losses in order to apply such losses to subsequent hurricane claims.
4. If there are hurricane losses in a calendar year on more than one policy issued by the same insurer or an insurer in the same insurer group, the hurricane deductible shall be the highest amount stated in any one of the policies. If a policyholder who had a hurricane loss under the prior policy is provided or offered a lower hurricane deductible under the new or renewal policy, the insurer must notify the policyholder, in writing, at the time the lower hurricane deductible is provided or offered, that the lower hurricane deductible will not apply until January 1 of the following calendar year.

(b) For commercial residential property insurance policies issued or renewed on or after January 1, 2006, the insurer must offer the policyholder the following alternative hurricane deductibles:

1. A hurricane deductible that applies on an annual basis as provided in paragraph (a); and
2. A hurricane deductible that applies to each hurricane.

(6) (a) It is the intent of the Legislature to encourage the use of higher hurricane deductibles as a means of increasing the effective capacity of the hurricane insurance market in this state and as a means of limiting the impact of rapidly changing hurricane insurance premiums. The Legislature finds that the hurricane deductibles specified in this subsection are reasonable when a property owner has made adequate provision for restoration of the property to its full value after a catastrophic loss.

(b) A personal lines residential insurance policy providing hurricane coverage may, at the mutual option of the insured and insurer, include a secured hurricane deductible as described in paragraph (c) if the applicant presents the insurer a certificate of security as described in paragraph (d). An insurer may not directly or indirectly require a secured deductible under this subsection as a condition of issuing or renewing a policy. A certificate of security is not required with respect to an applicant who owns a 100 percent equity interest in the property.
(c) A secured hurricane deductible must include the substance of the following:
   1. The first $500 of any claim, regardless of the peril causing the loss, is fully deductible.
   2. With respect to hurricane losses only, the next $5,000 in losses are fully insured, subject only to a copayment requirement of 10 percent.
   3. With respect to hurricane losses only, the remainder of the claim is subject to a deductible equal to a specified percentage of the policy dwelling limits in excess of the deductible allowed under former paragraph (3)(a) but no higher than 10 percent of the policy dwelling limits.
   4. The insurer agrees to renew the coverage on a guaranteed basis for a period of years after initial issuance of the secured deductible equal to at least 1 year for each 2 percentage points of deductible specified in subparagraph 3, unless the policy is canceled for nonpayment of premium or the insured fails to maintain the certificate of security. Such renewal shall be at the same premium as the initial policy except for premium changes attributable to changes in the value of the property.

(d) The office shall draft and formally propose as a rule the form for the certificate of security. The certificate of security may be issued in any of the following circumstances:
   1. A mortgage lender or other financial institution may issue a certificate of security after granting the applicant a line of credit, secured by equity in real property or other reasonable security, which line of credit may be drawn on only to pay for the deductible portion of insured construction or reconstruction after a hurricane loss. In the sole discretion of the mortgage lender or other financial institution, the line of credit may be issued to an applicant on an unsecured basis.
   2. A licensed insurance agent may issue a certificate of security after obtaining for an applicant a line of credit, secured by equity in real property or other reasonable security, which line of credit may be drawn on only to pay for the deductible portion of insured construction or reconstruction after a hurricane loss. The Florida Hurricane Catastrophe Fund shall negotiate agreements creating a financing consortium to serve as an additional source of lines of credit to secure deductibles. Any licensed insurance agent may act as the agent of such consortium.
   3. Any person qualified to act as a trustee for any purpose may issue a certificate of security secured by a pledge of assets, with the restriction that the assets may be drawn on only to pay for the deductible portion of insured construction or reconstruction after a hurricane loss.
   4. Any insurer, including any admitted insurer or any surplus lines insurer, may issue a certificate of security after issuing the applicant a policy of supplemental insurance that will pay for 100 percent of the deductible portion of insured construction or reconstruction after a hurricane loss.
   5. Any other method approved by the office upon finding that such other method provides a similar level of security as the methods specified in this paragraph and that such other method has no negative impact on residential property insurance catastrophic capacity. The legislative intent of this subparagraph is to provide the flexibility needed to achieve the public policy of expanding property insurance capacity while improving the affordability of property insurance.

(e) An issuer of a certificate of security may terminate the certificate for failure to honor any of the terms of the underlying financial arrangement. The issuer must provide notice of
termination to the insurer within 10 working days after termination. Unless the policyholder obtains a replacement certificate of security within an additional 20 working days after such notice, the deductible provision in the policy must revert to a lower deductible otherwise offered by the insurer and the policyholder is responsible for any additional premium required for a policy with such deductible.

(7) Prior to issuing a personal lines residential property insurance policy on or after April 1, 1997, or prior to the first renewal of a residential property insurance policy on or after April 1, 1997, the insurer must offer a deductible equal to $500 applicable to losses from perils other than hurricane. The insurer must provide the policyholder with notice of the availability of the deductible specified in this subsection in a form approved by the office at least once every 3 years. The failure to provide such notice constitutes a violation of this code but does not affect the coverage provided under the policy. An insurer may require a higher deductible only as part of a deductible program lawfully in effect on June 1, 1996, or as part of a similar deductible program.

(8) Notwithstanding the other provisions of this section or of other law, but only as to hurricane coverage as defined in s. 627.4025 for commercial lines residential coverages, an insurer may offer a deductible in an amount not exceeding 10 percent of the insured value if, at the time of such offer and at each renewal, the insurer also offers to the policyholder a deductible in the amount of 3 percent of the insured value. Nothing in this subsection prohibits any deductible otherwise authorized by this section. All forms by which the offers authorized in this subsection are made or required to be made shall be on forms that are adopted or approved by the commission or office.

(9) With respect to hurricane coverage provided in a policy of residential coverage, when the policyholder has taken appropriate hurricane mitigation measures regarding the residence covered under the policy, the insurer shall provide the insured the option of selecting an appropriate reduction in the policy's hurricane deductible or selecting the appropriate discount credit or other rate differential as provided in s. 627.0629. The insurer must provide the policyholder with notice of the options available under this subsection on a form approved by the office.

History.—s. 605, ch. 59-205; s. 3, ch. 76-168; s. 1, ch. 77-457; ss. 2, 3, ch. 81-318; ss. 538, 541, 809(2nd), ch. 82-243; s. 79, ch. 82-386; s. 114, ch. 92-318; s. 16, ch. 93-410; s. 13, ch. 95-276; s. 12, ch. 96-194; s. 11, ch. 97-55; s. 26, ch. 97-93; s. 1736, ch. 97-102; s. 1183, ch. 2003-261; s. 4, ch. 2004-480; ss. 12, 13, ch. 2005-111; s. 45, ch. 2006-12; s. 28, ch. 2007-1; s. 17, ch. 2007-90; s. 151, ch. 2008-4.
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:
   a. 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).
   b. Include coverage for additional living expenses.
   c. 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. 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. Supplemental flood insurance does not include coverage for the peril of flood that is excess coverage over any other insurance covering the peril of flood.

(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) Any limitations on flood coverage or policy limits pursuant to this section, including, but not limited to, deductibles, 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.

(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 obtaining an application for flood coverage from an authorized or surplus lines insurer for a property receiving flood insurance under the National Flood Insurance Program must 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 the full risk rate for flood insurance may apply to the property if such insurance is later obtained under the National Flood Insurance 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.

Meeting Schedule and Topics of Discussion

1995

July 14    Organizational Meeting
August 10  Discussion of the Problem
August 24  Discussion on Mission, Goals, and Objectives
September 7  Meeting with Modeling Organizations
September 21  Development of Work Plan
October 5    Canceled Due to Hurricane Opal
October 19  Development of Descriptive Criteria and Tests of the Model
November 2  The Evaluation Process
November 16  Meeting with Modeling Organizations to provide input for the Evaluation Process
November 30  Adoption of Initial Standards and Guidelines

1996

January 8  Review of Modeling Organization Responses for Modules 1 and 2
January 29  Comparison of Models
February 12  Tests and Evaluations
February 26  Tests and Evaluations
April 1    Professional Team Report
April 15  Module 3 Phase 2 Test Results
April 19  AIR Presentation
April 20  EQE Presentation
April 26  Tillinghast Presentation
April 27  RMS Presentation
May 6  Committee Meetings B Session 1 Adopting Standards
May 20  Committee Meetings B Session 2 Adopting Standards
June 3  Adopting a Specification of Acceptable Computer Models or Output Ranges
August 26  Planning and Update as to Modeling Organization Progress
November 13  Vulnerability Standards Committee Meeting
December 11  Actuarial Standards Committee Meeting

1997

February 7  Review of Standards and Procedures;
            Vulnerability Standards Committee Meeting
April 11  Review of AIR Model
May 6  Meteorology Standards Committee Meeting
May 7  General Standards Committee Meeting
May 16  Review of AIR Model (Continued); Computer Standards Committee Meeting
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.

July 14, 1995        Amy Gonter, Habershaw Reporting Service, 850-385-9426
August 10, 1995      Amy Gonter, Habershaw Reporting Service, 850-385-9426
August 24, 1995      Sue Habershaw, Habershaw Reporting Service, 850-385-9426
September 7, 1995    Sue Habershaw, Habershaw Reporting Service, 850-385-9426
September 21, 1995   Nancy Vetterick, Accurate Stenotype Reporters, Inc., 850-878-2221
October 19, 1995     Christine Wheeler, Habershaw Reporting Service, 850-385-9426
November 2, 1995     Cathy Webster, C & N Reporters, 850-926-2020
November 16, 1995    Cathy Webster, C & N Reporters, 850-926-2020
November 30, 1995    Lori Dezell, Kirkland & Associates, 850-222-8390
January 8, 1996      Cathy Webster, C & N Reporters, 850-926-2020
January 29, 1996     Cathy Webster, C & N Reporters, 850-926-2020
February 12, 1996    Cathy Webster, C & N Reporters, 850-926-2020
February 26, 1996    Cathy Webster, C & N Reporters, 850-926-2020
April 1, 1996        Cathy Webster, C & N Reporters, 850-926-2020
April 15, 1996       Cathy Webster, C & N Reporters, 850-926-2020
April 19 & 20, 1996  Cathy Webster, C & N Reporters, 850-926-2020
April 26 & 27, 1996  Cathy Webster, C & N Reporters, 850-926-2020
May 6, 1996          Cathy Webster, C & N Reporters, 850-926-2020
May 20, 1996         Cathy Webster, C & N Reporters, 850-926-2020
June 3, 1996         Nancy Metzke, C & N Reporters, 850-926-2020
August 26, 1996      Cathy Webster, C & N Reporters, 850-926-2020
November 13, 1996    Cathy Webster, C & N Reporters, 850-926-2020
December 11, 1996    Cathy Webster, C & N Reporters, 850-926-2020
February 7, 1997     Cathy Webster, C & N Reporters, 850-926-2020
April 11, 1997       Cathy Webster, C & N Reporters, 850-926-2020
May 6, 1997          Nancy Metzke, C & N Reporters, 850-926-2020
May 7, 1997          Lisa G. Eslinger, C & N Reporters, 850-926-2020
May 16, 1997         Cathy Webster, C & N Reporters, 850-926-2020
May 22, 1997         Cathy Webster, C & N Reporters, 850-926-2020
May 29, 1997         Nancy Metzke, C & N Reporters, 850-926-2020

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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:

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Florida Commission on Hurricane Loss Projection Methodology
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or by e-mailing to 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 $11.12xx.xx.

Documentation is also available on the Commission website at www.sbafla.com/methodology.