



December 2011

Report No. 11-25

Steps Could Be Taken to Reduce the Public Hurricane Loss Projection Model's Reliance on State Funding

at a glance

The Office of Insurance Regulation is the public hurricane loss projection model's primary user. The model, which was developed by Florida International University and its partners, provides the office an independent benchmark tool for reviewing the reasonableness of rates proposed in insurer filings.

The public model's operation and maintenance is supported primarily by state funds. In Fiscal Year 2010-11, Florida International University received \$588,409 from the Office of Insurance Regulation, most of which is used to support the model's routine operation and maintenance. During the same period, 12 private insurers paid the university a total of \$129,338 to use the model; these fees only covered the cost associated with providing requested services. The direct expenditures for operating, maintaining, and updating the public model were \$723,937 in Fiscal Year 2010-11.

To further increase private funding for the model, the university could market the model or enhance the model to make it more useful to private insurers. The Legislature could also consider several options for the public model: discontinue state funding, reduce state funding as it is offset by increasing fees paid by insurers, or continue the current funding arrangement.

Scope

As directed by the Legislature, OPPAGA reviewed Florida's Public Hurricane Loss Projection Model to determine its benefits, costs, funding sources,

and potential for achieving self-sufficiency. This report answers five questions.

1. What are the benefits of having a public model?
2. How is the public model funded?
3. How much does the public model cost?
4. What additional steps could be taken to increase private funding for the public model?
5. What options could the Legislature consider regarding the public model?

Background

Due to high losses from Hurricane Andrew in 1992, insurance companies recognized that their traditional methods for projecting losses from hurricanes were inadequate. These methods generally were based on short-term loss data and did not account for factors such as changes in risk exposure due to population increases in coastal areas and buildings' structural vulnerabilities to storms.

To address these concerns, insurers began to use privately developed catastrophe loss models to estimate expected losses. Catastrophe models are complex computer simulations that property insurers worldwide use to project potential losses from natural catastrophes, such as hurricanes, earthquakes, and tornadoes. Insurers use the results of catastrophe models to help manage their portfolios and to make decisions, such as product pricing and risk selection.

Four private companies currently offer hurricane loss projection models approved for use in Florida: AIR Worldwide, Applied Research

Associates, EQECAT, and Risk Management Solutions.¹ Most of these companies offer models that can be used to analyze insurance risk throughout the United States and software that provides insurers the ability to simulate hurricanes and estimate how much of the loss they would be required to cover.

Florida created the Public Hurricane Loss Projection Model to enhance insurance regulation

The Florida Office of Insurance Regulation (OIR) regulates insurance companies to ensure that they offer insurance products at fair and adequate rates. OIR reviews and approves form and rate filings submitted by insurers. Rate filings are requests to increase, decrease, or maintain the current rates of certain products. Office staff reviews the filings to determine compliance with state law and ensure that the products are offered at a fair and adequate price and do not unfairly discriminate against the public.

Florida law provides that in reviewing rate filings, OIR must consider various factors, including projected hurricane losses, which must be estimated using a model accepted by the Florida Commission on Hurricane Loss Projection Methodology.² However, private modeling firms only provide insurers with the loss estimates generated by the models and generally do not provide comprehensive information regarding

underlying assumptions and methodologies. This made it difficult for the office to evaluate the adequacy and fairness of an insurer's proposed rates.

The 2000 Legislature authorized the creation of a public hurricane loss projection model to provide OIR with an additional tool for reviewing insurer rate filings supported by the results of private models. The public model was intended to be more transparent than the private models in that its assumptions and methodologies would be open to public review and inspection. The model is Florida-specific and designed to analyze in-state insurance risk factors. Florida is the only state with a public hurricane loss projection model, and no other state has developed a public model for other catastrophes (e.g., earthquakes and tornadoes).³

In 2001, OIR contracted with Florida International University (FIU) to develop a public hurricane loss projection model for personal residential properties. The model was activated in March 2006 and found acceptable by the Florida Commission on Hurricane Loss Projection Methodology in August 2007. In 2010, the university enhanced the model to include high-rise commercial residential properties, estimate risk at the street level, and incorporate additional mitigation features; the commission found this updated version acceptable in August 2011. OIR holds the copyright for the model, which means that it has exclusive rights to the model but can authorize others to use it.

While FIU is the lead institution for developing and operating the public model, it collaborates with several other public and private Florida universities (including Florida State University, the Florida Institute of Technology, the University of Florida, and the University of Miami) and the U.S. National Oceanic and Atmospheric Administration. A team of faculty, staff, and students from the universities conduct various

¹ AIR Worldwide Corporation, headquartered in Boston, Massachusetts, introduced the first probabilistic catastrophe model in 1987. Applied Research Associates, Inc., located in Albuquerque, New Mexico, was founded in 1979 and provides technical services in areas such as civil engineering, systems analysis, and computer software and simulation. EQECAT, Inc., of Oakland, California, was founded in 1994 and provides various products and services to the property and casualty insurance, reinsurance, and financial markets. Risk Management Solutions, Inc., of Newark, California, released its first catastrophe model in 1989 to estimate losses from major California earthquakes.

² The Florida Commission on Hurricane Loss Projection Methodology finds hurricane loss models acceptable for use by insurers in Florida. The 1995 Legislature created the commission to serve as an independent body to adopt findings relating to the accuracy or reliability of the methods, principles, standards, models, and other means used to project hurricane losses and probable maximum loss levels. The commission examines the methods employed by hurricane loss models to determine whether they meet its standards. The commission's activities are supported by funds from the Florida Hurricane Catastrophe Fund.

³ We interviewed officials in several other catastrophe-prone states (e.g., California, Louisiana, South Carolina, and Texas). Some states reported that in lieu of a public catastrophe model, they rely upon other procedures when reviewing insurer rate filings, including requiring the submission of additional information from insurers and private modeling companies.

activities associated with the model, including updating the model's software and hardware, and maintaining the model's certification with the Florida Commission on Hurricane Loss Projection Methodology.

Since 2000, the Legislature has provided approximately \$11 million to OIR for the creation, operation, and maintenance of the public model.⁴ The office has provided FIU \$8.1 million through its annual contracts with the university. Approximately \$2.7 million of this amount was used to develop the personal residential component of the model, and \$1.1 million was used to expand the model to incorporate commercial residential structures (e.g., condominiums). The remaining funds were primarily used for the model's operation and maintenance.

Several state and private entities use the public hurricane loss model

Various public and private entities use the public hurricane loss model.

- The ***Office of Insurance Regulation*** is the primary user of the public model. The office has Florida International University run policy data for all insurers submitting rate filings through the public model to generate annual average loss cost estimates; the university examines the reasonableness of insurer's policy data input into the model and identifies anomalies in the model's output.⁵ Office staff compares the public model's loss projections to private model projections used by insurers in rate filings.^{6,7} OIR also uses the public model's projections to help evaluate the level of reinsurance coverage insurers need and assess company solvency.⁸ As such, the public model serves as a check on the private models'

assumptions and results. The office requested that the university use the model to analyze private insurer data 52 times in Fiscal Year 2009-10 and 62 times in Fiscal Year 2010-11.

- ***Citizens Property Insurance Corporation***, which the Legislature established to serve the needs of homeowners who would otherwise be unable to obtain affordable property insurance in the open market, also uses the public model. The corporation is statutorily required to use the model to establish the minimum benchmark for determining the windstorm portion of its rates for personal residential properties. However, the corporation primarily relies on a private model to develop the rates for personal and commercial residential properties.
- The ***Florida Hurricane Catastrophe Fund***, which reimburses insurers a portion of their catastrophic hurricane losses, weighs the results of the public model and four private models to annually develop an estimate of overall expected losses for residential properties, condominium units, and mobile homes.⁹
- Some ***private insurers*** use the public model to project loss estimates for use in rate filings and for analytical purposes.¹⁰ Property insurers contract with FIU to use the model and pay the university for these services. Between Fiscal Years 2009-10 and 2010-11, 23 different insurers used the public model. Twenty-one private insurers used the model in Fiscal Year 2009-10, and 12 used it in Fiscal Year 2010-11.¹¹

⁴ For Fiscal Year 2011-12, the Legislature appropriated \$588,639 to the office for the model.

⁵ If OIR staff notice anomalies in the data, they may request FIU's assistance in investigating the problem in more depth.

⁶ Section [627.062\(2\)\(b\)11](#), *F.S.*, requires insurers projecting hurricane losses to use a model accepted by the Florida Commission on Hurricane Loss Projection Methodology.

⁷ OIR is not statutorily required to use the public model.

⁸ Reinsurance is insurance purchased to cover catastrophic losses that may exceed the amount of loss an insurer can cover on its own.

⁹ The Florida Hurricane Catastrophe Fund uses the public model annually, but is not statutorily required to do so.

¹⁰ In 2008, the Legislature amended the *Florida Statutes* to allow property insurers to use the public model.

¹¹ Private insurers requested to use the public model 26 times in Fiscal Year 2009-10 and 17 times in Fiscal Year 2010-11.

Questions and Answers —

What are the benefits of having a public model?

Public model users reported that it provides several major benefits. First, the public model provides the Office of Insurance Regulation an independent tool to facilitate its review of the reasonableness of the rates proposed in company filings. Because a collaboration of university faculty and students developed the public model, it has no direct relationship with the industry the office regulates. Without the public model, OIR's basis for rate determinations would be each insurer's own selected private model and corresponding loss data.

Second, the model is more transparent than private models in that its assumptions, methods, theories, and component designs are described in technical reports and other peer-reviewed publications. This provides the industry, the public, and OIR with information that can be used to assess the model's validity.

Third, the public model provides an additional source of information for insurers to consider when evaluating the risk exposure associated with their portfolio of policies. Various stakeholders, including insurer rating firms, recommend that insurers use multiple catastrophic risk models in evaluating their risk exposure.

How is the public model funded?

The public model's operations and maintenance are supported primarily by state funds. Florida International University receives nearly \$600,000 annually from the Office of Insurance Regulation, most of which is used to support the model's routine operation and maintenance. The office provided the university \$588,409 in Fiscal Year 2010-11. In addition, FIU receives fees for providing modeling services to other state entities (Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund) and to private insurers. In Fiscal Year 2010-11, the university charged Citizens Property Insurance Corporation \$28,122, the Florida Hurricane Catastrophe Fund \$32,700, and private insurers

\$129,338 for such services; total fees amounted to \$190,160. University representatives reported that these fees only cover the cost associated with providing modeling services, not the costs of operating and maintaining the model.¹²

How much does the public model cost?

Florida International University representatives reported that the direct expenditures for operating, maintaining, and updating the public hurricane loss projection model were \$466,592 in Fiscal Year 2009-10 and \$723,937 in Fiscal Year 2010-11.¹³ According to university officials, expenditures were higher in Fiscal Year 2010-11 because of model enhancements required for recertification by the Commission on Hurricane Loss Projection Methodology and additional costs incurred during the recertification process.¹⁴

Representatives of FIU and its partner universities reported that they take several steps to minimize the model's operational and maintenance costs. They use graduate students to process insurer data, receive discounted computer processing services, and do not charge for all the time faculty and staff spend working on the model. FIU estimated the value of its faculty and graduate student time and discounts for computing center services at approximately \$568,000 over the past three years (an average of \$189,333 per year). In addition, university representatives reported that over the last 10 years, the National Oceanic and Atmospheric Administration's Hurricane Research Division, a primary partner in developing the public model's meteorological component, has provided an annual in-kind contribution of approximately \$150,000.

Moreover, university officials reported using the work of other state and federally funded projects to support the model. For example, they reported using Center of Excellence for Hurricane Damage

¹² The 2008 Legislature amended the *Florida Statutes* to allow private insurers to use the public model. At that time, the statutes provided that user fees could only cover the costs of accessing and using the model.

¹³ These expenditures do not include the costs to provide modeling services for private insurers, Citizens Property Insurance Corporation, or the Florida Hurricane Catastrophe Fund.

¹⁴ OIR requires that the model comply with the standards of the Florida Commission on Hurricane Loss Projection Methodology.

Mitigation and Product Development research to help develop and validate model components and evaluate the costs and benefits of hurricane-mitigated structures.¹⁵

What additional steps could be taken to increase private funding for the public model?

The Legislature has taken steps to encourage Florida International University to increase private funding for the public model. The 2011 Legislature amended state law to allow the university to charge user fees based on the reasonable cost associated with the public model's operation and maintenance.¹⁶ Previously, Florida statutes provided that the fees charged to private companies be based on the cost of actually accessing and using the model, and therefore could not include any fixed costs related to model maintenance or enhancement. The initial fee schedule authorized the university to charge private users a base fee of \$2,400 plus three cents per policy up to 200,000 policies; \$2,400 plus one and a half cents per policy up to 400,000 policies; and \$2,400 plus one-half cent per policy after 400,000 policies.

In November 2011, university representatives reported that they established higher fees for private insurers using the public model (a fee of \$3,600 plus four cents per policy). Under this new fee structure, an insurer that paid \$4,253 in Fiscal Year 2010-11 for modeling services would pay \$6,071 for the same services in Fiscal Year 2011-12, a 43% increase. University representatives also reported that they are considering further increasing the fees for using the model, but this would depend on insurer demand for services.

FIU could take additional steps to increase private funding for the model.

- The university could ***market the model*** to insurers to increase private funding. University representatives reported that they have not previously marketed the model because it was initially developed for the sole use of the Office of Insurance Regulation and

not for use by private insurers.¹⁷ University representatives reported that they would attempt to market the model using existing resources, but if they were to hire a staff person to conduct marketing and other business activities it would increase the model's operational costs. They estimated that the salary and benefits for such a position would be approximately \$100,000 per year.

- To increase private funding, the university also could ***enhance the public model*** to make it more useful to private insurers. For example, university representatives reported that the addition of a storm surge model might help make the model more attractive to insurers. They estimated that it would take approximately one year and at least \$250,000 to modify an existing university storm surge model to make it compatible with the public model.

However, these modifications would increase the model's operational and maintenance costs and may require higher fees from users. Potential users may be unwilling to pay higher fees. Consequently, it is uncertain whether marketing the model and adding a storm surge component would result in more insurance companies using the public model in the future. Furthermore, as noted previously, the number of private users has declined from 21 insurers in Fiscal Year 2009-10 to 12 in Fiscal Year 2010-11.¹⁸ If the model's use does not increase significantly, FIU and its partner universities would have to continue to rely heavily on state funds to support the model.

What options could the Legislature consider regarding the public model?

The Legislature may wish to consider several options for the public model. These include discontinuing state funding; reducing state funding as it is offset by increasing fees paid by insurers; and continuing the current funding mechanism. (See Exhibit 1 for a description of each option and its advantages and disadvantages.)

¹⁵ The Legislature created the center at FIU in 2008 to conduct testing to identify structural weaknesses under hurricane-force winds and rain.

¹⁶ [Chapter 2011-39](#), *Laws of Florida*.

¹⁷ The 2008 Legislature amended the statutes to allow insurers to use the public model.

¹⁸ As of December 2011, FIU reported that it has contracted with two private insurers and is in negotiations with a third for modeling services in Fiscal Year 2011-12.

Option 1: Discontinue funding the public model. The Legislature could eliminate the Office of Insurance Regulation’s appropriation for the public model. To implement this option, the Legislature would need to amend s. 627.351(6)(n)3, *Florida Statutes*, and eliminate the requirement that Citizens Property Insurance Corporation use the public model for determining the windstorm portion of the corporation’s rates.

This option’s primary advantage is that it would save nearly \$600,000 per year in legislative appropriations. In addition, if the public model ceased its operations, the Florida Commission on Hurricane Loss Projection Methodology would no longer need to review it, which would reduce the commission’s costs. For example, the commission’s professional team incurred \$83,513 for work and travel expenses associated with reviewing the public model in Fiscal Year 2010-11.^{19, 20}

However, Florida International University representatives reported that they may be unable to continue operating and maintaining the model without this funding. Consequently, discontinuing the funding would eliminate one of the tools that OIR uses in performing its regulatory functions. In lieu of using the public model, the office would have to rely more on past performance information or the results of the private models reported by insurance companies.²¹ According to OIR officials, no additional staff would be needed to review this information. However, they indicated that the office might need to update its electronic insurer filing system.

Option 2: Reduce state funding for the public model. The Legislature could reduce state funding for the public model as it is offset by increasing user fees paid by private insurers. Reductions in state funding may need to be phased in over a period of several years to allow FIU to develop a reserve to help pay for the model during the time it is implementing a marketing program.

This option would reduce state costs and allow OIR to continue to use the public model in performing its regulatory functions, such as reviewing rate filings and insurer solvency.

However, to successfully implement this option, FIU would need to market the model to increase its use by insurers and generate more fees. Further, as previously discussed, it may be necessary for the university to enhance the model to better meet the needs of property insurers and other potential users. Implementing a marketing program and enhancing the model by incorporating a storm surge component would increase its costs by at least \$250,000. In addition, as noted previously, it is uncertain that these changes will result in increased use of the model. Private insurers may be unwilling to pay the higher fees necessary to support an enhanced model. Moreover, the number of private insurers requesting services has declined.

Option 3: Continue the current funding mechanism for the public model. The Legislature could continue appropriating OIR approximately \$600,000 per year for the public model. This would allow the office to continue using the public model as a tool to assist it in performing its regulatory functions. If private funding increased, the university could refund a portion of the funds to the office, thereby reducing some of the state’s cost. The major disadvantage of this option is that it requires the ongoing use of state funds that could be used to support other essential state functions.

¹⁹ The professional team is a group of experts having professional credentials in the following disciplines: actuarial science, computer science, engineering, meteorology, and statistics.

²⁰ The amount does not include certain costs, such as commission meetings, that were not directly allocated to reviewing the public model.

²¹ Other states rely on supplemental information to evaluate insurer rate filings. For example, Louisiana requires companies that use hurricane loss projection methodologies to complete a set of interrogatories in a form that provides information about the model they used and the results of the model’s analysis. In addition, the state requires private modelers to complete a form that provides information about the current versions of their models.

Exhibit 1

The Legislature Could Consider Various Options Regarding the Public Hurricane Loss Projection Model

Discontinue funding the public model		
Action	Advantages	Disadvantages
<p>Eliminate the Office of Insurance Regulation's (OIR) appropriation for the public model. This option would require the Legislature to amend s. 627.351(6)(n)3, <i>Florida Statutes</i>, requiring Citizens Property Insurance Corporation to use the public model for determining the windstorm portion of the corporation's rates.</p>	<ul style="list-style-type: none"> ▪ Would save approximately \$600,000 per year. ▪ Savings could be used to support other essential state functions/programs. ▪ If the model ceased to exist, it would reduce the Commission on Hurricane Loss Projection Methodology's costs associated with reviewing the model. The commission reported that its professional team incurred \$83,513 for work associated with reviewing the public model during Fiscal Year 2010-11. 	<ul style="list-style-type: none"> ▪ Florida International University (FIU) may be unable to continue operating and maintaining the model without legislative appropriations. ▪ If the model ceased to exist, it would eliminate a transparent tool the OIR uses in performing its regulatory functions; the office would have to increase its reliance on past performance information or the results of private models reported by insurance companies.
Reduce state funding for the public model		
Action	Advantages	Disadvantages
<p>Reduce state funding for the public model as it is offset by increasing fees paid by insurers for using the model.</p>	<ul style="list-style-type: none"> ▪ Would gradually reduce state costs. ▪ Would allow OIR to continue to use the public model in performing its regulatory functions, such as reviewing rate filings and insurer solvency. 	<ul style="list-style-type: none"> ▪ Marketing the model to insurers could increase the model's annual operational costs; FIU estimated that hiring a marketing professional would cost approximately \$100,000. ▪ Enhancing the model by incorporating a storm surge component would increase its costs by at least \$250,000. ▪ Would require the Commission on Hurricane Loss Projection Methodology to continue incurring costs associated with biennially re-certifying the model. The commission reported that its professional team incurred \$83,513 for work associated with reviewing the public model during Fiscal Year 2010-11. ▪ If the model's use does not increase significantly, FIU and its partner universities would have to continue to rely heavily on state funds to support the model.
Continue the current funding mechanism for the public model		
Action	Advantages	Disadvantages
<p>Continue OIR's appropriation for the public model.</p>	<ul style="list-style-type: none"> ▪ Would allow the office to continue to use the public model as a benchmark tool to assist it in performing its regulatory functions, such as reviewing rate filings and insurer solvency. 	<ul style="list-style-type: none"> ▪ Would require ongoing use of approximately \$600,000 per year in state funds. ▪ FIU would continue to heavily rely on state appropriations to support the public model. ▪ Would require the Commission on Hurricane Loss Projection Methodology to continue incurring costs associated with biennially re-certifying the model. The commission reported that its professional team incurred \$83,513 for work associated with reviewing the public model during Fiscal Year 2010-11.

Source: OPPAGA analysis.

Agency Response————

In accordance with the provisions of s. 11.51(5), *Florida Statutes*, a draft of our report was submitted to Florida International University and to the Office of Insurance Regulation for review and response. The written responses have been reproduced in Appendix A and B.

Appendix A



Dr. R. Philip Twogood
Coordinator, OPPAGA
111 W. Madison Street, Suite 312
Tallahassee, Florida 32399-1475

December 19, 2011

Thank you for forwarding the OPPAGA report of December 16, 2011. The FPHLM team members have the following comments in response to the report:

1. We have confirmed the net amount of funding Florida International University has received since 2000 is about \$7.6 million.
2. Some initial marketing can take place without hiring a full time business manager. We will hire the marketing and business manager only if we reach some critical level of business. The \$100,000 salary and benefit is for a business manager who will also conduct the marketing campaign.
3. The report mentions a potential savings of \$83,000 in consulting fees paid by the Commission to review the FPHLM if the model ceases operation due to lack of state funding. However, it should be noted that the Commission will incur this expenditure if the FPHLM undergoes review for certification in the event that it continues to be funded by any other source (including the private industry). The Commission is obligated to review any model that is submitted in accordance with its acceptability process, and all modelers saddle the Commission with similar expenses.
4. We are confident the current version of the FPHLM is competitive with in the context of producing insured hurricane losses in Florida. The enhancement of the model to include a storm surge model is not needed to be competitive and viable. What a model must do is produce AAL and PML for a variety of portfolio of policies which our model is fully capable of generating.
5. It is our goal to become self sustaining as an operating business after a transition period. We have a competitive cost advantage relative to other certified models. Our model is certified by the FCHLM like the four private models and is cheaper to operate. The fee we expect to charge after the increase will still be competitive and lower than other models.
6. It should be noted that we have done no marketing so far and have not solicited any business. With some basic low cost marketing to the companies we expect to increase the number of clients. We think with adequate marketing we can generate sustainable operating business after a transition period. However, the cost of upgrading the model to meet major changes in standards and to get certification may take longer to cover. We will go through the next cycle of upgrades and certification in 2012-13.

7. We are also investigating the possibility of partnering with outside vendors and platforms in order to attract new business and to provide enhanced services to the insurance companies.
8. The state risks losing a valuable asset/investment by completely eliminating funding in the immediate future. Many millions of dollars have been spent to develop the model and go through the requisite certification process. In the absence of any interim funding, key personnel will have to divert their efforts to other projects. The model will not survive without such key personnel (experts) since the model must undergo continual enhancement to remain state-of-the-art and to meet changing standards set by the FCHLPM. The exceptionally long learning curve required to develop the model and get it through the certification process means that it may not be possible to temporarily suspend or freeze the model and bring it back to life when adequate alternative sources of funding do materialize.
9. We believe we have a top notch scientific team from within the state university system with leading experts that specialize in Florida specific issues. They are contributing to the modeling related science and constitute a valuable resource for the State of Florida.

Thank you for the opportunity to provide this response.
Sincerely,



Dr. Shahid Hamid
Professor of Finance, College of Business
Director, Laboratory for Insurance, Economic and Financial Research at
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Appendix B



OFFICE OF INSURANCE REGULATION

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COMMISSIONER

FINANCIAL SERVICES
COMMISSION

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF
AGRICULTURE

December 20, 2011

R. Philip Twogood, Ph.D.
Coordinator, Office of Program Policy Analysis &
Government Accountability (OPPAGA)
111 W. Madison Street, Suite 312
Tallahassee, Florida 32399-1475

Dear Dr. Twogood:

The Office of Insurance Regulation (OIR) is in receipt of the amended hurricane loss projection model report received Friday, December 16, 2011. The OIR reviewed the amended report and offers the following comments for consideration:

1. On page 6 under Option 1, the report discusses discontinuing funding of the public model which would require OIR to rely more on past performance or the results of private models used by insurance companies to perform its regulatory function. The report states, "According to OIR officials, no additional staff would be needed to review this information. However, they indicated that the office might need to update its electronic insurer filing system." Please note that the OIR may have to request additional information or more detailed information relative to the private models including trade secret meteorology and engineering assumptions not currently provided in filings.
2. As implied by penultimate sentence on page 7 under Option 3, this option could be recast or offered as a fourth option requiring an offsetting decrease to the legislative funding equal to the private funding achieved in the preceding fiscal year. This would allow Florida International University (FIU) to continue the Public Model without making investments in enhanced marketing or a surge component. If this process was approved and implemented prior to the beginning of the fiscal year, FIU could sequester the private contributions to form a buffer for the reduced legislative funding anticipated the following year. Such an option is a compromise between Option 2 and Option 3 as explained in the report; it saves more state funds than Option 3, but preserves the funding necessary for FIU to continue to service the Public Model.

Please feel free to contact me at (850) 413-5100 should you have questions.

Sincerely,

Audrey S. Brown
Chief of Staff

cc: Kevin McCarty
Bonnie Deering

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OPPAGA website: www.oppaga.state.fl.us

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