

By Senator Geller

29-81-02

1 A bill to be entitled
2 An act relating to the Florida Commission on
3 Hurricane Loss Projection Methodology; amending
4 s. 627.0628, F.S.; limiting authority of
5 insurers to use findings of the commission in a
6 rate filing under s. 627.062, F.S.; providing
7 that such findings are not admissible and
8 relevant in consideration by the Department of
9 Insurance of a rate filing unless the
10 department has access to all factors and
11 assumptions used in developing the standards or
12 models found by the commission to be reliable
13 or accurate; repealing s. 627.062(6), F.S.,
14 which provides for arbitration of property and
15 casualty insurance rate filings; providing an
16 effective date.

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18 Be It Enacted by the Legislature of the State of Florida:

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20 Section 1. Section 627.0628, Florida Statutes, is
21 amended to read:

22 627.0628 Florida Commission on Hurricane Loss
23 Projection Methodology.--

24 (1) LEGISLATIVE FINDINGS AND INTENT.--

25 (a) Reliable projections of hurricane losses are
26 necessary in order to assure that rates for residential
27 property insurance meet the statutory requirement that rates
28 be neither excessive nor inadequate. The ability to
29 accurately project hurricane losses has been enhanced greatly
30 in recent years through the use of computer modeling. It is
31 the public policy of this state to encourage the use of the

1 most sophisticated actuarial methods to assure that consumers
2 are charged lawful rates for residential property insurance
3 coverage.

4 (b) The Legislature recognizes the need for expert
5 evaluation of computer models and other recently developed or
6 improved actuarial methodologies for projecting hurricane
7 losses, in order to resolve conflicts among actuarial
8 professionals, and in order to provide both immediate and
9 continuing improvement in the sophistication of actuarial
10 methods used to set rates charged to consumers.

11 (c) It is the intent of the Legislature to create the
12 Florida Commission on Hurricane Loss Projection Methodology as
13 a panel of experts to provide the most actuarially
14 sophisticated guidelines and standards for projection of
15 hurricane losses possible, given the current state of
16 actuarial science. It is the further intent of the
17 Legislature that such standards and guidelines must be used by
18 the State Board of Administration in developing reimbursement
19 premium rates for the Florida Hurricane Catastrophe Fund, and,
20 subject to the provisions of paragraph (3)(c), may be used by
21 insurers in rate filings under s. 627.062 unless the way in
22 which such standards and guidelines were applied by the
23 insurer was erroneous, as shown by a preponderance of the
24 evidence.

25 (d) It is the intent of the Legislature that such
26 standards and guidelines be employed as soon as possible, and
27 that they be subject to continuing review thereafter.

28 (2) COMMISSION CREATED.--

29 (a) There is created the Florida Commission on
30 Hurricane Loss Projection Methodology, which is assigned to
31 the State Board of Administration. The commission shall be

1 administratively housed within the State Board of
2 Administration, but it shall independently exercise the powers
3 and duties specified in this section.

4 (b) The commission shall consist of the following 11
5 members:

6 1. The insurance consumer advocate.

7 2. The Chief Operating Officer of the Florida
8 Hurricane Catastrophe Fund.

9 3. The Executive Director of the Residential Property
10 and Casualty Joint Underwriting Association.

11 4. The Director of the Division of Emergency
12 Management of the Department of Community Affairs.

13 5. The actuary member of the Florida Hurricane
14 Catastrophe Fund Advisory Council.

15 6. Six members appointed by the Insurance
16 Commissioner, as follows:

17 a. An employee of the Department of Insurance who is
18 an actuary responsible for property insurance rate filings.

19 b. An actuary who is employed full time by a property
20 and casualty insurer which was responsible for at least 1
21 percent of the aggregate statewide direct written premium for
22 homeowner's insurance in the calendar year preceding the
23 member's appointment to the commission.

24 c. An expert in insurance finance who is a full time
25 member of the faculty of the State University System and who
26 has a background in actuarial science.

27 d. An expert in statistics who is a full time member
28 of the faculty of the State University System and who has a
29 background in insurance.

30 e. An expert in computer system design who is a full
31 time member of the faculty of the State University System.

1 f. An expert in meteorology who is a full time member
2 of the faculty of the State University System and who
3 specializes in hurricanes.

4 (c) Members designated under subparagraphs (b)1.-5.
5 shall serve on the commission as long as they maintain the
6 respective offices designated in subparagraphs (b)1.-5.

7 Members appointed by the Insurance Commissioner under
8 subparagraph (b)6. shall serve on the commission until the end
9 of the term of office of the Insurance Commissioner who
10 appointed them, unless earlier removed by the Insurance
11 Commissioner for cause. Vacancies on the commission shall be
12 filled in the same manner as the original appointment.

13 (d) The State Board of Administration shall annually
14 appoint one of the members of the commission to serve as
15 chair.

16 (e) Members of the commission shall serve without
17 compensation, but shall be reimbursed for per diem and travel
18 expenses pursuant to s. 112.061.

19 (f) The State Board of Administration shall, as a cost
20 of administration of the Florida Hurricane Catastrophe Fund,
21 provide for travel, expenses, and staff support for the
22 commission.

23 (g) There shall be no liability on the part of, and no
24 cause of action of any nature shall arise against, any member
25 of the commission, any member of the State Board of
26 Administration, or any employee of the State Board of
27 Administration for any action taken in the performance of
28 their duties under this section. In addition, the commission
29 may, in writing, waive any potential cause of action for
30 negligence of a consultant, contractor, or contract employee
31 engaged to assist the commission.

1 (3) ADOPTION AND EFFECT OF STANDARDS AND GUIDELINES.--

2 (a) The commission shall consider any actuarial
3 methods, principles, standards, models, or output ranges that
4 have the potential for improving the accuracy of or
5 reliability of the hurricane loss projections used in
6 residential property insurance rate filings. The commission
7 shall, from time to time, adopt findings as to the accuracy or
8 reliability of particular methods, principles, standards,
9 models, or output ranges.

10 (b) In establishing reimbursement premiums for the
11 Florida Hurricane Catastrophe Fund, the State Board of
12 Administration must, to the extent feasible, employ actuarial
13 methods, principles, standards, models, or output ranges found
14 by the commission to be accurate or reliable.

15 (c) With respect to a rate filing under s. 627.062, an
16 insurer may employ actuarial methods, principles, standards,
17 models, or output ranges found by the commission to be
18 accurate or reliable to determine hurricane loss factors for
19 use in a rate filing under s. 627.062, which findings and
20 factors are admissible and relevant in consideration of a rate
21 filing by the department or in any arbitration or
22 administrative or judicial review. However, such findings and
23 factors are not admissible and relevant in consideration of a
24 rate filing unless the department has access to all factors
25 and assumptions that were used in developing the actuarial
26 methods, principles, standards, models, or output ranges found
27 by the commission to be accurate or reliable, and the
28 department is not precluded from disclosing such information
29 in a rate proceeding.

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1 (d) The commission shall adopt revisions to previously
2 adopted actuarial methods, principles, standards, models, or
3 output ranges at least annually.

4 Section 2. Subsection (6) of section 627.062, Florida
5 Statutes, is repealed.

6 Section 3. This act shall take effect October 1, 2002.

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9 SENATE SUMMARY

10 Limits the authority of insurers to use findings and
11 guidelines of the Florida Commission on Hurricane Loss
12 Methodology in a rate filing under s. 627.0628, F.S.
13 Provides that such findings are not admissible and
14 relevant in consideration by the Department of Insurance
15 of a rate filing unless the department has access to all
16 factors and assumptions used in developing the standards
17 or models found by the commission to be reliable or
18 accurate. Repeals s. 627.062(6), F.S., which provides
19 authority for arbitration of property and casualty
20 insurance rate filings.

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