HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB GAP 10-15 OGSR Hurricane Loss and Exposure Data
SPONSOR(S): Governmental Affairs Policy Committee
TIED BILLS: **IDEN./SIM. BILLS:** SB 1664

	REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.:	Governmental Affairs Policy Committee	14 Y, 0 N	Williamson	Williamson
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SUMMARY ANALYSIS

The Open Government Sunset Review Act requires the Legislature to review each public record and each public meeting exemption five years after enactment. If the Legislature does not reenact the exemption, it automatically repeals on October 2nd of the fifth year after enactment.

Current law provides a public record exemption for reports of hurricane loss data and associated exposure data that are specific to a particular insurance company, as reported by an insurer or a licensed rating organization to the Office of Insurance Regulation or a center at a state university (currently Florida International University). Hurricane loss data and associated exposure data means the type, age, wind mitigation features, and location of each property insured; the amount and type of coverage written on each of those properties; the amount, date, and type of damage paid for by the insurer on each property; and the amount of any reserves held by an insurer for future payments or expenses on damages associated with the date or dates of occurrence of hurricanes.

The bill removes the repeal date, thereby reenacting the public record exemption. Beginning October 1, 2011, and each subsequent October 1, the bill requires the Florida International University center that develops, maintains, and updates the public model for hurricane loss projections to publish a report summarizing loss data and associated exposure data. The report must be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives. It will serve as a tool for the public and policymakers in understanding the types of structures, mitigation features, insurance coverage, and hurricane-related damages in each of Florida's 67 counties.

Florida International University could incur costs associated with the annual reporting requirements; however, those costs should be minimal.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

BACKGROUND

Open Government Sunset Review Act
The Open Government Sunset Review Act[1] sets forth a legislative review process for newly created or substantially amended public record or public meeting exemptions. It requires an automatic repeal of the exemption on October 2nd of the fifth year after creation or substantial amendment, unless the Legislature reenacts the exemption.

The Act provides that a public record or public meeting exemption may be created or maintained only if it serves an identifiable public purpose. In addition, it may be no broader than is necessary to meet one of the following purposes:

- Allows the state or its political subdivisions to effectively and efficiently administer a governmental program, which administration would be significantly impaired without the exemption.
- Protects sensitive personal information that, if released, would be defamatory or would jeopardize an individual's safety; however, only the identity of an individual may be exempted under this provision.
- Protects trade or business secrets.

If, and only if, in reenacting an exemption that will repeal, the exemption is expanded (essentially creating a new exemption), then a public necessity statement and a two-thirds vote for passage are required.[2] If the exemption is reenacted with grammatical or stylistic changes that do not expand the exemption, if the exemption is narrowed, or if an exception to the exemption is created[3] then a public necessity statement and a two-thirds vote for passage are not required.

Florida Public Hurricane Loss Projection Model
The Florida Legislature authorized and funded the development of the public hurricane loss projection model pursuant to the 2000 General Appropriations Act.[4] The model was required to be designed in

[1] Section 119.15, F.S.
[2] Section 24(c), Art. I of the State Constitution.
[3] An example of an exception to a public record exemption would be allowing another agency access to confidential or exempt records.
[4] Section 6 (2226) of chapter 2000-166, L.O.F.

accordance with the standards set by the Florida Commission on Hurricane Loss Projection Methodology (commission).[5] The Department of Insurance[6] initially was appropriated $2.5 million to contract with the State University System. International Hurricane Research Center at Florida International University (FIU) entered into the contract.[7] Subsequent appropriations of approximately $600,000 per year have been made to further the development of the public model at a total cost of $7.5 million over the nine year period. The public model was certified by the commission as acceptable in 2007 and has been certified each year thereafter.[8]

The primary purposes in developing the public model were to assess hurricane risks, to project annual expected insured losses for personal residential properties, and to allow the Office of Insurance Regulation (OIR) to use it as a baseline for comparison to the private hurricane loss projection models utilized by insurers when the OIR reviews insurer rate filings.[9] The public model can provide a check on the assumptions, analyses, and results generated by the private models. The public model, as opposed to private models, is transparent in that its assumptions, methodologies, designs, and theories are open to the public. It must be updated periodically as new meteorological and insurance claims data become available and as new scientific methodologies are available, otherwise the model will become obsolete.

In general, all hurricane loss projection models consist of a very complex set of computer programs that estimate loss costs and probable maximum loss levels from hurricane events for residential properties. These programs simulate and predict how, where, and when hurricanes form; the wind speeds, intensities, and sizes; how the hurricanes are affected by the terrain; how much structural damage can result; how much it will cost to rebuild such structures; and how much of the loss will be paid by insurers. Such models can then generate, for a given policy or portfolio of residential policies, the annual average losses and the probable maximum losses.

Exemption under Review

In 2005, the Legislature required insurance companies to provide reports of “hurricane loss data and associated exposure data” to OIR or to a center at a state university (FIU) for developing, maintaining, and updating the public model for hurricane loss projections.[10] Such data is critical for the development, accuracy, and validation of the model.

That same year, the Legislature created a public record exemption for reports of hurricane loss data and associated exposure data[11] that are specific to a particular insurance company, as reported by an insurer or a licensed rating organization to OIR or a center at a state university (FIU). Pursuant to the Open Government Sunset Review Act, the exemption will repeal on October 2, 2010, unless reenacted by the Legislature.[12]

Effect of Bill

The bill removes the repeal date, thereby reenacting the public record exemption. Beginning October 1, 2011, and each subsequent October 1, the bill requires the FIU center that develops, maintains, and

[5] Section 627.0628, F.S.
[6] Now referred to as the Office of Insurance Regulation.
[7] FIU has utilized experts in various fields from other universities and multiple organizations in the research and development of the public model.
[8] The commission found the public hurricane loss model in compliance with its standards on August 17, 2007.
[9] Insurers are required to use a model (for the purposes of a rate filing) found to be accurate or reliable by the commission. Property insurers may use the public model for the purpose of calculating rate indications in a rate filing and for analytical purposes, but must pay for the use of such model. Citizens Property Insurance Corporation must use the public model which serves as a minimum benchmark for determining the windstorm portion of its rates.
[10] Chapter 2005-111, L.O.F., codified at s. 627.06281, F.S.
[11] Section 627.06292(2), F.S., defines “loss data and associated exposure data” to mean the type, age, wind mitigation features, and location of each property insured; the amount and type of coverage written on each of those properties; the amount, date, and type of damage paid for by the insurer on each property; and the amount of any reserves held by an insurer for future payments or expenses on damages associated with the date or dates of occurrence of hurricanes.
[12] Section 627.06292(3), F.S.

updates the public model for hurricane loss projections to publish a report summarizing loss data and associated exposure data. The report must be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives. It will serve as a tool for the public and policymakers in understanding the types of structures, mitigation features, insurance coverage, and hurricane-related damages in each of Florida's 67 counties.

The report must include a summary of the data supplied by residential property insurers and licensed rating and advisory organizations, including:

- The total amount of insurance written by county.
- The number of property insurance policies by county.
- The number of property insurance policies by county and by construction type.
- The number of property insurance policies by county and by decade of construction.
- The number of property insurance policies by county and by deductible amount.
- The number of property insurance policies by county and by wind mitigation features when the information is supplied by the residential property insurer or licensed rating and advisory organization.
- The total amount of hurricane losses by county and by decade of construction.
- The total amount of hurricane losses by county and by deductible amount.
- The total amount of hurricane losses by county and by wind mitigation features when the information is supplied by the residential property insurer or licensed rating and advisory organization.

The report cannot contain any information that identifies a specific insurer or policyholder.

B. SECTION DIRECTORY:

Section 1 amends s. 627.06292, F.S., to reenact the public record exemption for reports of hurricane loss data and associated exposure data.

Section 2 provides an effective date of October 1, 2010.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

FIU could incur costs associated with the annual reporting requirements; however, those costs should be minimal.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES

None.