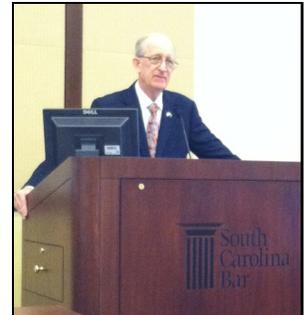


October 2013

Department Holds Public Hearing for Use of Catastrophe Models in Property Insurance Ratemaking in South Carolina

The SC Department of Insurance held a public hearing regarding the use of catastrophe models in property insurance ratemaking in South Carolina today, Wednesday, October 9, 2013 from 10:00 a.m. - 1:45 p.m. at the South Carolina Bar Center in Columbia, SC. The hearing was opened by Ray Farmer, Director of the South Carolina Department of Insurance. At this time, Director Farmer outlined the proceedings for the hearing and announced that a review of the report received by the Department would be discussed. This discussion would be followed by a response from Department of Insurance staff and following that a public comment period would take place.

In 2012, the Department solicited a Request for Proposals for a review and study of the computer simulation models that are designed to produce hurricane insurance loss costs for insuring properties in South Carolina. A proposal submitted by a group of renowned experts, which included Mr. Martin M. Simons, Dr. Jenni L. Evans and Dr. Masoud Zadeh was selected and this review panel began their study.



The hearing today focused on the findings of the review panel and their recommendations for the Department staff to use when reviewing ratemaking filings going forward. Several speakers presented information including Mr. Mark Brannon, an actuary with Merlino and Associates, Mr. Martin M. Simons, chair of the review panel and Mr. Will Davis, property and casualty actuary with the SC Department of Insurance.

Following Mr. Brannon's summary of the development and use of catastrophe models, Mr. Simons provided an overview of the review panelists' credentials, including their work with the Florida Commission on Hurricane Loss Projection Methodology, and their approach to this review. Mr. Simons also identified the modeling companies reviewed as AIR Worldwide Corporation (AIR), Applied Research Associates (ARA), EQECAT, and Risk Management Solutions (RMS). Finally, Mr. Simons discussed the expert panel's approach to reviewing the three components included in a catastrophe model: the meteorology, vulnerability, and actuarial modules. Mr. Davis then provided an overview of the expert panel's general and model-specific recommendations and the Department's understanding of these recommendations. After summarizing each recommendation, Mr. Davis noted those recommendations that are already covered by the Department's existing practices and discussed follow up plans for those that could result in a change or enhancement to current practices.



Today's hearing was informative and well received by more than 50 attendees. Director Farmer closed the hearing by stating that the Department would take the recommendations under advisement and provide guidance to the insurance industry after the record closes on October 31, 2013.

The expert panel's report, Mr. Davis' summary of the recommendations, and all related material from both the public hearing and the expert panel's review that is releasable to the public is available on the Department's website under the coastal insurance page (accessible by clicking [here](#)).