

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 Merlinos 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 a discussion of the history of models by Mr. Brannon, Mr. Simons presented a report of the findings of the review panel. The findings included the following general recommendations: to accept historical claim data, to not accept the tropical storm data, to not accept short term models, to receive more specific information from the output reports, to not include storm surge data and to not use future models. Mr. Davis responded to the recommendations submitted in the report and his presentation along with other information submitted today is available on the South Carolina Department of Insurance's website, on the coastal insurance page.



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.