



# House Keys

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## Lawmakers debate cutting a key tool for insurance regulators

By Julie Patel February 17, 2011 10:40 AM

Legislators on a House budget committee debated an idea Wednesday to eliminate the state's public model to predict hurricanes that regulators use to check how insurers calculate premiums.

Some asked why the state should pay for it when there are private companies that do the same thing. Others defended it, saying it's a check on the private companies insurers hire to predict risk – information used to calculate premiums.

A recent report by the woman who developed the first hurricane model showed that the models inflated projected damages from hurricanes by \$35 to \$53 billion in recent years.

Separately, a Senate budget committee is meeting this morning to discuss possible cuts for the Department of Financial Services, the Office of Insurance Regulation, the Office of Financial Regulation, the Division of Administrative Hearings and the Department of Business & Professional Regulation - each of which play some role in protecting Florida's insurance consumers.

Rep. Bryan Nelson, R-Apopka, an insurance agent who chairs the insurance committee, said at the House's Government Operations Appropriations Subcommittee meeting Wednesday that he doesn't like that the state's hurricane model competes with private models: "I think we need to quit funding it."

Shahid Hamid, a Florida International University business professor who runs the program, said most insurers typically use multiple models to predict risk so "other models don't feel threatened by us." He added that the public model is transparent about how it predicts risk. "Other models are black boxes," he said. "We are, in some cases, a check on the other models."

Nelson said insurers trust the private models: "If insurance companies didn't think they were a good model, why would they use them? You're acting like they're the bad guys."

Audrey Brown, chief of staff of the Office of Insurance Regulation, said regulators use the public model frequently to review property insurance rates and since it's about a third of the cost of private models, it provides "huge savings." "If we needed to use private models, the cost would be enormous and we probably could not," she said, adding that some of the state's smaller domestic insurers rely on the tool as well because it's cheaper.

Rep. Matt Gaetz, R-Fort Walton Beach, suggested another approach to create a check on private models: requiring the private companies to "open the kimono."

As lawmakers continue reviewing the state's budget, Rep. Jim Waldman, D-Coconut Creek pushed to have legislators include their names on their personal recommendations for what to cut. Rep. John Julien, D-North Miami Beach agreed, saying it would allow constituents to hold their elected officials accountable: "I want people to ask, 'Why did you do this?'"

But others, including Rep. Joe Gibbons, D-Hallandale Beach, argued against it, saying the information could be used against lawmakers when the cut might not even be accepted: It would allow people "to say, 'You said in this committee you were willing to cut this thing.'"

The idea was tabled until today.