

Experts approve hurricane model

BY BEATRICE E. GARCIA

Florida's public hurricane model has cleared the most difficult hurdle on its way to gaining approval from state regulators: passing muster from a team of scientists, hurricane experts and actuaries.

This professional team, working for Florida Commission on Hurricane Loss Projection Methodology, found the public model met 35 rigorous standards set the by state, said Shahid Hamid, director of financial research at Florida International University's International Hurricane Research Center.

He said the model has been modified slightly in the past year to take into account the rise in construction material and labor costs that takes place after a hurricane.

The full commission will consider the public model for approval at its meetings in mid-August.

Meanwhile, a controversial private model, one which initially had taken a narrower five-year perspective on expected hurricane activity, was approved by the commission only after it was modified.

Rather than base estimates for future hurricane activity over the next five years on historical number of hurricanes since 1995, Risk Management Solutions, a Newark, Calif.-based company, returned to use a long-term set of data, looking at hurricane activity since 1900.

But the Newark, Calif.-based company still believes that scientific and meteorological data now indicates a period of increased hurricane activity in coming years, said Mitch Sattler, RMS' vice president for public policy.

Sattler said the RMS model initially didn't meet all the standards set by the commission's professional team. Rather than risk having the model rejected by the commission, RMS decided to modify and then submit it for approval.

A hurricane model, like the one built by the state of Florida or those developed by private firms like RMS, is a series of assumptions based on a variety of data including wind speeds, housing stock, terrain, tree cover, value of insured property, storm-mitigation efforts, building codes and population density. Then, powerful computers crunch the data into plausible scenarios regarding the probability of future storms.

Insurers, reinsurers, bankers and investors use these computer models to estimate losses from potential future storms, and insurers use them to help set rates.

Florida is the first state to build a public model, completing it in 2005.

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