

# Risk and Rate Reduction Authority

There would appear to be many provisions in Florida law regarding the approvals of reasonable insurance rates given the risks involved. While improvements can certainly be made to assure rates are approved in amounts no higher than absolutely necessary, the purpose of this analysis is to determine what can be done to reduce the actual hurricane losses so whatever proper insurance rates are approved, they will be lower than currently possible given the current risks.

Four possible alternative strategies should immediately come to mind:

- Do not build any more public or private structures (including hurricane vulnerable infrastructure) in the Florida absent compliance with structural standards that are engineered to survive with minimal damages any forces that have been experienced in that region (defined by occurrences within a 100 mile or so radius) within the last 100 years and as can be currently expected in the future. Major repairs (defined to include all structural repairs) must be undertaken to similar standards.
- Build perimeter structures that act as wind, storm surge, or flood protection for those buildings not expected to survive past hurricane experiences (100 year storms) or those projected to occur in the future.
- Improve hurricane intensity forecasting and impact projections through a program as specifically defined in the [HiFi Science Strategy](http://www.nova.edu/ocean/hifi/hifi_science_strategy.pdf) dated November 1, 2006 (see: [http://www.nova.edu/ocean/hifi/hifi\\_science\\_strategy.pdf](http://www.nova.edu/ocean/hifi/hifi_science_strategy.pdf)) and as more generally referenced in the National Science Board Report dated December 1, 2006 and entitled Hurricane Warning: The Critical Need for a National Hurricane Research Initiative at: [http://www.nsf.gov/nsb/committees/hurricane/pre\\_publication.pdf](http://www.nsf.gov/nsb/committees/hurricane/pre_publication.pdf) and as referenced in the National Hurricane Research Initiative (filed as [S.5004](#) during the 109th Congress).
- Develop more extensive hurricane preparedness strategies with the additional time provided through earlier and more accurate hurricane warnings provided through HiFi or similar programs.

The creation of a Risk and Rate Reduction Authority within the Executive Office of the Governor could be authorized under the broad powers of the Governor (see FS 14.01 at [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0014/SEC01.HTM&Title=->2006->Ch0014->Section%2001#0014.01](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0014/SEC01.HTM&Title=->2006->Ch0014->Section%2001#0014.01)):

- to develop and implement such strategies that would minimize Florida hurricane losses; and,
- to recommend to the Governor such courses of action that would require a grant additional powers and the proposed legislation in support thereof.

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The Risk and Rate Reduction Authority would also be authorized to evaluate risk and rate reduction strategies and programs and report upon what has been effective and what has not. The following are some areas for review.

- 1) Florida Comprehensive Hurricane Damage Mitigation Program authorized by FS 215.5586 at:  
[http://www.leg.state.fl.us/Statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App\\_mode=Display\\_Statute&Search\\_String=hurricane&URL=CH0215/Sec5586.HTM](http://www.leg.state.fl.us/Statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App_mode=Display_Statute&Search_String=hurricane&URL=CH0215/Sec5586.HTM).
- 2) Other hurricane mitigation loss projects authorized by FS 627.7017 at:  
[http://www.leg.state.fl.us/Statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App\\_mode=Display\\_Statute&Search\\_String=hurricane&URL=CH0627/Sec7017.HTM](http://www.leg.state.fl.us/Statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App_mode=Display_Statute&Search_String=hurricane&URL=CH0627/Sec7017.HTM).
- 3) Marina evacuations authorized by FS 327.59 at:  
[http://www.leg.state.fl.us/Statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App\\_mode=Display\\_Statute&Search\\_String=hurricane&URL=CH0327/Sec59.HTM](http://www.leg.state.fl.us/Statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App_mode=Display_Statute&Search_String=hurricane&URL=CH0327/Sec59.HTM).
- 4) Beach and shore preservation strategies authorized by Chapter 161 of Florida Statutes at:  
[http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&URL=Ch0161/ch0161.htm](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=Ch0161/ch0161.htm).
- 5) The aggregate net probable maximum losses, financial options, and potential assessments of the Florida Hurricane Catastrophic Fund and Citizens Property Insurance Corporation reports as authorized by FS 627.3519 at:  
[http://www.leg.state.fl.us/Statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App\\_mode=Display\\_Statute&Search\\_String=hurricane&URL=CH0627/Sec3519.HTM](http://www.leg.state.fl.us/Statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App_mode=Display_Statute&Search_String=hurricane&URL=CH0627/Sec3519.HTM).
- 6) The emergency management activities of the Division of Emergency Management as authorized by Chapter 252 of Florida Statutes at:  
[http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&URL=Ch0252/ch0252.htm](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=Ch0252/ch0252.htm).
- 7) The integration of lesson learned into the State and Regional Planning process as authorized by Chapter 186 of Florida Statutes at:  
[http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&URL=Ch0186/ch0186.htm](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=Ch0186/ch0186.htm); the State Comprehensive Plan as presented in chapter 187 of Florida Statutes at:  
[http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&URL=Ch0187/ch0187.htm](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=Ch0187/ch0187.htm); and local governmental comprehensive plans as authorized by Chapter 163 of Florida Statutes at  
[http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&URL=Ch0163/ch0163.htm](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=Ch0163/ch0163.htm)).

Appointments to the Risk and Rate Reduction Authority Board could be made by the Florida Cabinet members from the science, engineering, and emergency management community. An Executive Director should be selected by the Governor.

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The Risk and Rate Reduction Authority through its Executive Director would be invited to comment at all public rate hearings of the Office of Insurance Regulation (see: <http://www.floir.com/pcfr/RateHearingsIndex.htm>) and he or she would coordinate the efforts of the Risk and Rate Reduction Authority with the:

- Consumer Advocate appointed by Chief Financial Officer for the State of Florida (see FS 627.0613 at [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0627/SEC0613.HTM&Title=->2006->Ch0627->Section%200613#0627.0613](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0627/SEC0613.HTM&Title=->2006->Ch0627->Section%200613#0627.0613));
- Florida Commission on Hurricane Loss Projection Methodology (see FS 627.0628 at [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0627/SEC0628.HTM&Title=->2006->Ch0627->Section%200628#0627.0628](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0627/SEC0628.HTM&Title=->2006->Ch0627->Section%200628#0627.0628));
- Ongoing work relating to the public hurricane loss projection model ( see FS 627.06281 at: [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0627/SEC06281.HTM&Title=->2006->Ch0627->Section%2006281#0627.06281](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0627/SEC06281.HTM&Title=->2006->Ch0627->Section%2006281#0627.06281)): and,
- Reports of hurricane loss data and associated exposure data (see FS 627.06292 at: [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0627/SEC06292.HTM&Title=->2006->Ch0627->Section%2006292#0627.06292](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0627/SEC06292.HTM&Title=->2006->Ch0627->Section%2006292#0627.06292)).

Such an authority structure needs to be reviewed for compliance with those Florida Statutes that describe executive branch organizational structure (see: [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&URL=Ch0020/ch0020.htm](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=Ch0020/ch0020.htm)) and its structure should be compared with that of the Florida Motor Vehicle Theft Prevention Authority (see FS 860.154 at: [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&URL=Ch0860/ch0860.htm](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=Ch0860/ch0860.htm)).

In the alternative, a Risk and Rate Reduction Authority structure could be established consistent with the structure of the Office of Tourism, Trade, and Economic Development (see FS 14.2015 at [http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0014/SEC2015.HTM&Title=->2006->Ch0014->Section%202015#0014.2015](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0014/SEC2015.HTM&Title=->2006->Ch0014->Section%202015#0014.2015)).