



South Carolina Department of Insurance

300 Arbor Lake Drive, Suite 1200
Columbia, South Carolina 29223

Mailing Address:
P.O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803) 737-6160

MARK SANFORD
Governor

ELEANOR KITZMAN
Director of Insurance

BULLETIN 2005-02

TO: All Insurers Transacting Homeowners Property and Casualty Insurance Business within the State of South Carolina

FROM: Eleanor Kitzman, Director of Insurance *Eleanor Kitzman*

RE: USE OF CATASTROPHE MODELS IN RATEMAKING

DATE: June 22, 2005

This bulletin is issued as a follow up to Bulletin 2005-01 concerning the review of homeowners rate filings based on catastrophe models and is intended to clarify the Department's position with respect to homeowners rate filings that rely on catastrophe models prior to approval of those models by the Department.

Section 38-75-1140(A) provides that the Department "may" evaluate catastrophe models. Bulletin 2005-01 set forth the filing requirements for catastrophe model developers. Nothing in Bulletin 2005-01 is intended, however, to preclude insurers that rely on catastrophe modeling in their ratemaking from making homeowners rate filings prior to approval of the particular catastrophe model by the Department. The Department will not reject such filings pending approval of catastrophe models. Any such filings should include appropriate data, including models, to support the rate filing. The Department will evaluate the filing and, if necessary, engage experts to assist with that evaluation. Additional information may be requested from insurers to assist us in that evaluation. Such additional information may include (1) indicated catastrophe provision based on actual historical experience data using traditional methodologies and a comparison with the catastrophe modeled provision, (2) an explanation of the reasons for any differences, and (3) information on the model simulations, including, for example, the number of simulated storms by intensity and a description of the company-supplied inputs to the model. Because of the thirty (30) day deemer language of §38-73-220, insurers are encouraged to provide as much of this information as possible with the initial filing.

In the event that a catastrophe model is submitted for approval and is disapproved or the model developer is required to make changes to the version relied upon in an insurer's filing, the Department will give ample notice to all parties that the model may no longer be utilized by the insurer or that the insurer must amend its filing to incorporate changes to the model.

Questions about this Bulletin should be directed to the attention of Dean Kruger, Manager, Property and Casualty Section at (803) 737-6230.