



THE FLORIDA SENATE
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Bill Enhancing Insurance Research and Storm Risk Modeling Passes First Committee
Legislation supports expanded insurance research to provide evidence-based information to policymakers and insight regarding accessibility and affordability of insurance products

Tallahassee—The Florida Senate Appropriations Committee on Higher Education, chaired by Senator Gayle Harrell (R-Stuart) today passed Senate Bill (SB) 114, Insurance Research, sponsored by Senator Jay Trumbull (R-Panama City). The bill creates the Florida Center for Excellence in Insurance and Risk Management to provide research and information for the benefit of policymakers, consumers, and the insurance industry for all lines of insurance and to examine the accessibility and affordability of insurance products in Florida.

“The high cost of homeowners insurance is top of mind for Florida families. Reforms passed by the Legislature have helped stabilize the property insurance market, and we are finally starting to see some companies lower rates. This bill will keep up the positive momentum, creating the premier academic insurance research center in the nation to identify mitigation and resiliency steps Floridians can take to fortify their homes. It also ensures state regulators have the most up-to-date information available to set rates and affirm the financial health of insurance companies,” said Senator Trumbull.

“If you don’t measure it, you can’t manage it. Data and research must be at the core of decisions we make as a Legislature,” said Senate President Ben Albritton (R-Wauchula). “Insurance is a complex issue with wide-ranging quality of life and financial implications for families and businesses. We want to make sure Floridians have options to shop around for insurance that meets their needs; pay a fair rate for coverage; and, in the event of a disaster, be compensated appropriately and quickly. I believe in continuous improvement. Better research on mitigation and resiliency and continual updating of methodologies and tools for risk modeling play a key role in the health of our insurance market and rate transparency for consumers.”

The bill expands the scope of the former Florida Catastrophic Storm Risk Management Center at Florida State University (FSU), creating the Florida Center for Excellence in Insurance and Risk Management. The Center will conduct academic research with real world applications used to evaluate risks of storm damage to property. The bill enhances coordination between the Legislature and subject matter experts on insurance policy, ensuring policymakers and regulators have accurate, timely information about Florida’s insurance market.

The Florida Center for Excellence in Insurance and Risk Management

The bill creates a premier academic insurance research center, which will conduct practical academic research with real world applications. The Center will do the following:

- Develop, conduct, evaluate, promote, and disseminate accurate and timely research on issues related to the state's insurance market and risk management. This includes resiliency and mitigation steps homeowners can take to fortify their homes against damage, which often lowers insurance rates.
- Assist the Legislature in developing and evaluating evidence-based policy options and making recommendations related to insurance and risk management in this state.
- Identify emerging issues in the insurance market.
- Provide insight regarding the accessibility and affordability of insurance products.
- Conduct research responsive to joint or individual inquiries from the President of the Senate and the Speaker of the House of Representatives, providing policymakers access to data-driven, rigorous academic research and insights that are relevant to public policy proposals.
- Work with the Office of Insurance Regulation (OIR) in conducting research and conduct research responsive to requests made by OIR.
- Provide a report analyzing the Florida property insurance marketplace that contains recommendations to improve the availability and affordability of property insurance.

The bill appropriates \$5 million in recurring funds and \$1.5 million in nonrecurring funds from the General Revenue Fund to FSU for the purpose of establishing and maintaining the Center.

Public Hurricane Loss Projection Model

To take full advantage of the Center being the premier insurance research center, the bill transfers the Public Hurricane Loss Projection Model (Public Model), owned by OIR, from Florida International University (FIU) to FSU. The Center will manage the model moving forward, but will cooperate with other universities, including FIU, and private entities to further develop and maintain the model. The bill directs the Center to constantly evaluate and update the model so it will have the same functionalities as models developed by the private sector.

Background:

Prior to Hurricane Andrew, property insurers measured the risk of catastrophic hurricane losses primarily through five to 25 years of historic loss data. The inadequacy of this ratemaking approach was demonstrated in the aftermath of Hurricane Andrew, which made landfall in south Florida on August 24, 1992. The storm caused \$20 billion in insured losses, which was the largest loss event at the time. Eleven property insurers became insolvent as a direct result of Hurricane Andrew, which led the insurance industry to adopt catastrophe modeling to better estimate the risk of hurricane losses.

In 2000, the Legislature authorized the Public Hurricane Loss Projection Model (Public Model). The Public Model estimates loss costs and probable maximum loss levels caused by hurricanes for residential property. The Public Model is more transparent than private models because its assumptions and methodologies are open to public review and inspection.

The OIR uses the Public Model to evaluate the hurricane components of property insurance rate filings and to conduct “catastrophe stress tests” to evaluate the ability of property insurers operating to remain solvent in the aftermath of a hurricane. The State Board of Administration uses the Public Model, along with other private sector models, to develop the reimbursement premiums charged to insurance companies for access to the Florida Hurricane Catastrophe Fund. Citizens Property Insurance Corporation uses the Public Model and other private sector models in ratemaking.

Ongoing development and maintenance of the Public Model is funded through legislative appropriations. For the 2023-2024 fiscal year, the Legislature appropriated \$1.273 million to OIR to enhance the Public Model. For the 2024-2025 fiscal year, the Legislature appropriated \$2.273 million to enhance the Public Model.

Risk Management and Insurance Program at Florida State University

The Risk Management and Insurance (RMI) program at FSU is a nationally recognized program and is trusted as a key advisor in the field.

- Top ranked program in the state of Florida.
- Ranked within the top ten nationally for both graduate and undergraduate programs.
- Ranked 6th globally for RMI research by faculty.
- Previously collaborated with the OIR on several projects.

For more information, please visit www.FLSenate.gov.

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