



April 23, 2024

Jon Phenix, Attorney  
California Department of Insurance  
300 Capitol Mall, 17th Floor  
Sacramento, CA 95814

Re: Workshop Regarding Catastrophe Modeling and Ratemaking

Dear Jon Phenix:

On behalf of the Extreme Events and Property Lines Committee (the committee) of the American Academy of Actuaries,<sup>1</sup> I appreciate the opportunity to provide comments on the [proposed catastrophe modeling regulation](#) posed by the California Department of Insurance (CDI) in advance of the April 23, 2024, hearing. The committee appreciates and supports the department's continued efforts to listen to and engage with stakeholders on how to improve risk management and make residential and commercial insurance more affordable and reliable.

The committee appreciates the attention paid towards model review and Pre-Application Required Information Determination (PRID) protection. The committee reiterates its [comments](#) from 2023 on the importance of a neutral third party such as a committee or commission to complete an in-depth model review. This third party could potentially function similarly to the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM).

The committee encourages the CDI to define the settings and assumptions used for modeling risks, as there could be impacts to the output—which could lead to an unbalanced marketplace. We encourage the CDI to prioritize defining which models are acceptable (which vendors, versions, etc.) and what modifications can be made to event rates and vulnerabilities. We further encourage defining model settings like primary peril, secondary peril, and loss amplification/demand surge for consistency. If the market is uniformly pricing with similar tools and settings established by the department, the regulation would avoid creating any unfair advantages or disadvantages.

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<sup>1</sup> The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

The committee appreciates this opportunity to provide comments on the matter. We hope these observations are helpful, and we welcome further discussion. If you have any questions about our comments, please contact Rob Fischer, the Academy's casualty policy analyst, at [fischer@actuary.org](mailto:fischer@actuary.org).

Sincerely,

Steve Kolk, MAAA, ACAS  
Chairperson  
Extreme Events and Property Lines Committee  
American Academy of Actuaries