The Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Oct. 27, 2021. The following Subgroup members participated: Wanchin Chou, Chair, and Qing He (CT); Jane Nelson (FL); Laura Clements, Lynne Wehmueller, and Giovanni Muzzarelli (CA); Judy Mottar (IL); Gordon Hay (NE); Anna Krylova (NM); Halina Smosna and Gloria Huberman (NY); Tom Botsko and Dale Bruggeman (OH); Andrew Schallhorn (OK); and Miriam Fisk, Monica Avila, and Rebecca Armon (TX).

1. **Adopted its Sept. 28 Minutes**

The Subgroup met Sept. 28. During this meeting, the Subgroup took the following action: 1) discussed its 2021 working agenda; 2) heard a presentation from Karen Clark & Company (KCC) regarding the KCC U.S. wildfire model, which included the current wildfire trends and an overview of the KCC U.S. wildfire model; and 3) discussed the possibility of allowing additional third-party models or adjustments to the vendor models.

Mr. Schallhorn made a motion, seconded by Mr. Botsko, to adopt the Subgroup’s Sept. 28 minutes (Attachment Six-XX). The motion passed unanimously.

2. **Discussed the Possibility of Allowing Third-Party Models to Calculate the Catastrophe Model Losses**

Mr. Chou said during the Subgroup’s previous meeting on Sept. 28, the Subgroup agreed that the KCC models for earthquakes and hurricanes meet the similar standards as the other approved commercial models had. He said a proposal was set up to include KCC earthquake and hurricane models as one of the approved third-party commercial vendor models to calculate the catastrophe risk charge.


Mr. Chou said the purpose of the proposal is to include the KCC earthquake and hurricane models as one of the approved third-party commercial vendor models to calculate the catastrophe risk charge. He stated that the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM) reviewed and verified the KCC hurricane model on June 4, 2021. The Subgroup believes that the KCC models seem to qualify under the same standards as the other modeling firms have for earthquakes and hurricanes. Mr. Chou asked the interested parties to review the proposal and provide comments during the exposure period.

The Subgroup agreed to expose proposal 2021-15-CR (Adding KCC Models) for a 30-day public comment period ending Nov. 26.

4. **Heard an Update from its Catastrophe Model Technical Review Ad Hoc Group**

Mr. Chou said the ad hoc group met Oct. 18 to discuss additional questions with Risk Management Solutions (RMS) on its wildfire model. She said the ad hoc group gained a better understanding on: 1) the landfire database; 2) historical data; 3) model parameters; 4) demand surge; and 5) period loss tables (PLTs) versus event loss tables (ELTs). Mr. Chou stated that there were 21 technical questions discussed with RMS, and he indicated that the ad hoc group will meet next month to review and discuss the impact analysis on different third-party commercial wildfire models.

Having no further business, the Catastrophe Risk (E) Subgroup adjourned.

W:\National Meetings\2021\Fall\TF\CapAdequacy\PCRBC\Att01_10-27propertycatsg.doc