



# **Review of the AIR Tropical Cyclone Model Version 12 in 2010: Proposal to the Florida Commission on Hurricane Loss Projection Methodology**

December 4, 2009



# Background

- AIR has been an active participant in the Commission's model review process since its inception
- In recent years the Commission and Professional Team have focused attention on the wind field in the AIR model
- AIR has dedicated time and resources to updating its wind field model and ensuring that it represents the latest state of the science
- These revisions were ongoing when AIR submitted its model for review in 2009 and were discussed with the Commission and Professional Team
- AIR client communications on the changes in the AIR Tropical Cyclone Model Version 12 began in April 2009
- Scheduled release of Version 12 is in Q2 of 2010



## State of the Science

- The Commission has consistently advocated the inclusion of the latest science in catastrophe models
- The importance of incorporating the state of the science has been recently emphasized in Standards M-4 and M-5
- AIR agrees with the Commission that modelers should endeavor to incorporate the latest state of the science into the models and has worked to do so for Version 12 of the AIR Tropical Cyclone Model
- Version 12 incorporates changes to several components of AIR's model, some of which have been already presented to the Commission and the Professional Team in closed session
- The commercial release of Version 12 in 2010 will result in the most scientifically advanced model being used by the industry



# Concerns

- AIR agrees in principle with the recent changes to the Acceptability Process to move to a biannual cycle
- Draft ROA language available for modelers to review and comment on prior to September meetings contained no reference to shifting the review cycle
- In practice, the transition to the biannual process raises concerns:
  - The letter from Representative Hays was not on the agenda and unavailable to modelers prior to September 16, 2009
  - Discussion was reopened on the timeline and the scheduled review of models for acceptability was shifted from May 2010 to May/June 2011
  - The option to submit in an “off” year in response to model changes was eliminated
  - This represents a major change in process and has been introduced without a transition

# AIR Proposal

- AIR will have the model ready for submission by March 1, 2010
- The ROA states that submissions will be reviewed for acceptability in May/June of 2011
- AIR proposes the Commission review the AIR model for acceptability in May of 2010



## Benefits for Florida

- This release will provide the State of Florida with the most current science implemented by AIR and available to the broader insurance community and Florida policy holders
  - e.g. The update to secondary modifiers includes an update to the vulnerability functions for metal roofs
- Avoid market disruption by synchronizing current model version with model version reviewed by Commission
- Smooth filing process by eliminating need for insurers to maintain two model versions
- Harmonize model versions used for insurance rate filing and reinsurance
- Provide new information to the market in Florida about modeled results for Commercial Residential exposures

