



November 14, 2011

Scott Wallace, Chair
Florida Commission on Hurricane Loss Projection Methodology
c/o Donna Sirmons
Florida State Board of Administration
1801 Hermitage Boulevard, Suite 100
Tallahassee, Florida 32308

Re: AIR Atlantic Tropical Cyclone Model v12.0.1 as Implemented in CLASIC/2 v12.5.2

Dear Mr. Wallace:

The AIR Atlantic Tropical Cyclone Model v12.0.1 as implemented in our CLASIC/2 v12.0.4 software was certified by the Florida Commission on Hurricane Loss Projection Methodology (Commission) on November 8, 2010. Our standard quality control procedure when updating minor software versions where the underlying U.S. hurricane model is not revised includes running the Output Range Report and verifying that there are no changes to losses.

We understand the Commission is changing the acceptability process in the 2011 Report of Activities and looking for additional information on any software release to be used in a Florida rate filing. On September 14, 2011 and June 15, 2011 we submitted additional documentation for software versions 12.5 and 13.0, respectively, and both were found acceptable under the 2009 Standards.

AIR released AIR Atlantic Tropical Cyclone Model v12.0.1 as implemented in CLASIC/2 v12.5.2, as an interim update to our CLASIC/2 software on January 30, 2011 to update the step function disaggregation feature in our Japan Earthquake model. This software update contains no change to the underlying Atlantic Tropical Cyclone Model v12.0.1 as submitted and accepted by the Commission and represents no change to modeled losses in Florida. It has recently come to our attention that a client has used this software version for a Florida rate filing submitted in August 2011. The Florida Office of Insurance Regulation (OIR) is saying the AIR Atlantic Tropical Cyclone Model v12.0.1 as implemented in CLASIC/2 v12.5.2 is not a certified version. We would like to ask for consideration to allow certification of our v12.5.2 software release.

Such interim software releases with zero impact to U.S. hurricane losses have traditionally been considered by the Commission and OIR as accepted under the primary software version (i.e. v11 or v12) release and required no additional action. Through our own internal testing, AIR verified there are no revisions to the AIR Atlantic Tropical Cyclone Model and the Output Range Report remained unchanged. Results of this testing are included with this letter. AIR would like to request that the Commission confirm that the AIR Atlantic Tropical Cyclone Model v12.0.1 as implemented in CLASIC/2 v12.5.2 is considered found acceptable under the 2009 Standards of the Commission.

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While AIR is not aware of clients having prepared Florida rate filings using other interim software releases, there may be clients with international portfolios who have done so, as many interim software releases reflect updates to non-U.S. perils and countries. We understand there is a new procedure in the upcoming 2011 Standards for interim software releases. In the meantime, AIR is submitting interim software version 12.5.2 for the Commission's consideration under the 2009 Standards. Additionally under separate cover, we are submitting interim software version 13.0.4 for the Commission's consideration under the 2009 Standards and seek confirmation that other subsequent such releases (representing no change to the underlying hurricane model and causing no change to Florida loss costs) may be similarly considered under the 2009 Standards during the period of time before the Commission approves AIR's next model/software version under the 2011 Standards.

Finally, as stated before, we understand the Commission is changing the acceptability process in the 2011 Report of Activities and requesting submission of Forms A-5 (Output Range), A-9 (Probable Maximum Loss for Florida) and S-5 (Average Annual Statewide Loss Costs – Historical versus Modeled). AIR believes the illustration that a software update – generally outside the scope of the U.S. hurricane peril and involving no change to the underlying model – has caused no change in Florida loss costs can be adequately accomplished in the testing of Form A-5 rather than all three forms. Form A-5 is the most detailed, and showing there are no changes at the granular level should be sufficient. We submit language in Appendix A to eliminate the requirement for submitting Forms A-9 and S-5 for the consideration of the Commission.

Thank you very much for your consideration of these issues.

Best regards,

A handwritten signature in blue ink, appearing to read "Brandie Andrews", with a long horizontal flourish extending to the right.

Brandie Andrews, CCM
Senior Risk Consultant