

RE: AIR WORLDWIDE request for Commission to approve Touchstone 1.5.0  
DATE: AUGUST 5, 2013

A subset of the Professional Team has reviewed the material submitted by AIR in regard to their Touchstone Platform. The current situation was anticipated by the Professional Team at its Atlanta workshop and led to the following recommendation on an extension to the Acceptability Process:

*G. Interim Software Updates after Model has been Determined to be Acceptable by the Commission. If a modeling organization makes updates/revisions to the model software where (1) the underlying model determined acceptable by the Commission has not been updated/revise, (2) the software update scope and utility is unrelated to Florida hurricane loss costs and does not include the Florida hurricane model, and (3) there are no changes to the loss costs or probable maximum loss levels, the modeling organization shall notify the Chair of the Commission in writing. The notification shall detail the nature of the software updates/revisions, the effect to the underlying acceptable model, and the effect on the model results.*

Item (2), specifically, was added in the common case where a modeler creates an interim release that does **not** include any aspects of the Florida hurricane model (e.g., earthquakes, Pacific typhoons, terrorism, sinkholes). This clause provides flexibility for the modeler to create interim releases without the full audit process. However, Touchstone does not fall into this category because it contains a component that relates to Florida.

The successful regression tests do provide a level of comfort and partial verification, but our position is that due diligence demands a more thorough review than that afforded by these tests alone. It is possible that the new architecture could generate the results of the three forms exactly as before but could impinge on other workings of the model that could effect Florida. For example, are the actuarial inputs modified from previously? Is there a new user interface in Touchstone for other types of tropical cyclone models such as near or mid-term, and how does this interface compare with CLASIC/2? Are there potential computational issues related to parallel threads (as one example) that do not manifest problems in the three forms but could cause difficulties in other runs related to rate filing calculations? What are all of the interconnections between the new Touchstone platform and the underlying Atlantic Tropical Cyclone “engine” (Model v14.0.1) and how do these differ from interconnections of CLASIC/2 to the engine? More importantly, we do not know precisely what other questions to ask or areas to probe until the new architecture is reviewed. Therefore, the Professional Team is not comfortable accepting the results from a new platform solely on the basis of regression tests if the new platform has overlaps with, or includes, the functionality of the Florida model.