



March 1, 2013

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Chair, Florida Commission on Hurricane Loss Projection Methodology
State Board of Administration
1801 Hermitage Boulevard, Suite 100
Tallahassee, FL 32308

Re: Notification of RMS RiskLink 11.0.SP2 Submission Revisions

Dear Chair:

In October 2012, RMS informed the commission about an error in the submission of RiskLink 11.0.SP2. That letter offered to update submission documentation as deemed appropriate by the commission. As recommended at the December 17, 2012 FCHLPM meeting, RMS reviewed this issue with the professional team in early February this year. As a result of that review, RMS wishes to submit new submission material for review by the commission to support replacing RiskLink 11.0.SP2 with a new version identified as RiskLink 11.0.SP2c as recommended by the professional team.

The original issue was that there were errors in a table RMS users use to adjust output based on occurrence deductibles to annualized deductibles as mandated by Florida statute. This issue was discussed and reviewed with the professional team, and the following recommendations were made:

1. Because these adjustment tables affect loss results, by FCHLPM standards, the model version must be updated to reflect a change in the process. RMS has agreed to update the version of the software to be 11.0.SP2c accordingly.
2. The current output forms provided in Appendix D did not allow the user to document that the adjustment factors are applied properly post-analysis. RMS has agreed to add an additional output report to Appendix D to reflect this step.
3. The RMS derivation of the annual deductible factor tables has not explicitly allowed for an optional provision under Florida Statute 627.701 section (5)(a)3 where insurers *may* apply the 'all other peril' deductibles to subsequent hurricanes in an annual cycle instead of the remaining hurricane deductible. As such, RMS is introducing an alternate set of tables to allow users the option to exercise the AOP provision depending on their policy language. The current RMS tables and the submission document assume that insurers will not apply the AOP deductible, also a valid interpretation of the statute. This change does not affect the results of Form A1 and Form A6 provided in October.

The table below summarizes material provided to support these three additional changes to the model and submission. The following table describes the set of exhibits and change pages provided, the description of the change and what each item allows a reviewer to verify. The following material has been posted via ftp site, with access information sent to the FCHLPM administrators by email.

File	Description	Purpose
RMS09FormA1_20130301.xlsx	Updated Form A1 data - same information as submitted in October, but with new date to match the date of the 11.0.SP2c version.	Required submission file
RMS09FormA1_20130301.pdf	PDF version of spreadsheet above.	Required submission file
FormA1_Delta_20130301.xlsx	Spreadsheet showing changes in Form A1 between original 11.0.SP2 version, October version, and 11.0.SP2c version.	Verifies that the Form A1 data submitted in October has not changed.
RMS09FormA6_20130301.xlsx	Updated Form A6 data - same information as submitted in October, but with new date to match the date of the 11.0.SP2c version.	Required submission file
FormA6_Delta_20130301.xlsx	Spreadsheet showing changes in Form A6 between original 11.0.SP2 version, October version, and 11.0.SP2c version	Verifies that the Form A6 data submitted in October has not changed.
RMS09 Submission Change Page List for SP2c.pdf	List of pages changed in submission and rationale	
RMS09Standards&Disclosures_FormA6_20130301.pdf RMS09Standards&Disclosures_FormA1_20130301.pdf RMS09Standards&Disclosures_ChangePages_20130301.pdf	Three files with changed pages to replace in submission; one for Form A6, Form A1, and all other pages with updates described in list above.	This list will allow reviewers to verify that changes are related to model version/date, additional output form, <u>or</u> revised data associated with original error.
Florida Deductible Conversion Tool - RL11.0.SP2c.xlsx	New Annual Deductible Factor table with AOP and non-AOP factors	Verifies that RMS has produced an alternate set of adjustment factors for the AOP provision.
RMS09Standards&Disclosures_20130301.pdf	New submission PDF document for version 11.0.SP2c with all track changes accepted	Revised submission ready for posting.

RMS hopes that the professional team will be able to review the material and verify that RMS has complied with the recommendations discussed at our on-site review in early February, and that the commission will consider version 11.0.SP2c an immediate replacement for version 11.0.SP2 at the meeting on March 7, 2013.

Please contact us with any questions

Sincerely,



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