

**Professional Team Report to the
Florida Commission on Hurricane Loss Projection Methodology**

**AIR Worldwide Corporation
Review of Atlantic Tropical Cyclone Model v14.0.1
as Implemented in Touchstone 1.5.0
September 6, 2013**

On July 31, 2013, AIR Worldwide (AIR) submitted a letter to the Florida Commission on Hurricane Loss Projection Methodology (Commission) requesting that the Commission consider acceptability for their Atlantic Tropical Cyclone Model Version 14.0.1 as implemented in Touchstone Version 1.5.0. During the Commission meeting on August 13, 2013, Commission discussion, in conjunction with the Professional Team and Modelers, resulted in a vote for the Professional Team to go on-site for a streamlined audit of this new model. The current Acceptability Process in the 2011 *Report of Activities* indicates that interim software releases with no change in loss costs and probable maximum loss levels will require new regression tests for Forms A-4, A-8, and S-5 to demonstrate no change. However, with AIR's request of Touchstone, the Professional Team's view was that this model change was a significant architectural change and required more detailed analysis than afforded by regression tests alone.

Verbal discussions during the Commission meetings of August 13-15, 2013, resulted in the suggestion that the Professional Team with SBA staff conduct a web-based seminar (webinar) with AIR in advance of the streamlined audit. The rationale for this action was that this would permit the Professional Team to 1) learn more about the new Touchstone platform to help determine the number of Professional Team members necessary for the on-site streamlined audit, and 2) conduct an online, remote, audit with minimal expense to the SBA and to AIR. The seminar was conducted from 9:00 a.m. to 1:00 p.m. EST on Friday, September 6, 2013.

After concluding this web-based seminar, the Professional Team and SBA staff conducted a conference call to discuss what AIR had presented, along with Professional Team inquiries during the seminar. The Professional Team is of the opinion that AIR has demonstrated that Touchstone's enhanced operation maintains a clear separation between its function and the functions of calculating loss costs and probable maximum loss levels. The Professional Team also verified that all assumptions and input changes are reflected in the Output Form for the new software platform in a manner consistent with previously accepted versions. Based on this seminar event, the Professional Team determined it was not necessary for the Professional Team to go on-site and recommends that the Commission accept AIR Atlantic Tropical Cyclone Model Version 14.0.1 as implemented in Touchstone 1.5.0. The Professional Team also recommends that this online process, at a reduced expense to the SBA and to the Modeler may be appropriate for other submitted models where there are significant structural changes to software.