



October 31, 2016

Dr. Lorilee Medders  
Chair, Florida Commission on Hurricane Loss Projection Methodology  
1801 Hermitage Boulevard, Suite 100  
Tallahassee, FL 32308

Re: Notification of ARA HurLoss Version 7.0.a Error

Dear Dr. Medders:

In accordance with the procedures specified in Section V.VI.F on page 59 of the November 1, 2015 Report of Activities (ROA), Applied Research Associates, Inc. (ARA) wishes to notify the Commission of an error in HurLoss version 7.0.a, which was found acceptable by the Commission in June 2015 under the 2013 standards.

In the final stages of reviewing our new HurLoss version 8.0 for our submission under the 2015 standards, ARA discovered two errors in the aerodynamic surface roughness lengths used in version 7.0.a. The errors are related to the GIS processing of water areas adjacent to coastal counties and in the vintage of the ZIP Code polygons used to compute our ZIP Code-averaged surface roughnesses. We have determined that these errors are in HurLoss 7.0.a, but they are not in ARA's other previously accepted versions.

Correcting this issue will result in a Type III difference, as defined in Section V.VI.F of the 2013 ROA. We have identified the update from version 7.0.a to 7.0.b as the first model change in our response to Standard G-1, Disclosure 5 in our HurLoss 8.0 submission dated November 1, 2016. On a statewide basis, the update from version 7.0.a to 7.0.b increases our modeled loss for the 2012 FHCF aggregate personal and commercial residential exposure by 4.5%. A map of the changes by county is provided as Figure 3 on page 27 of our new HurLoss 8.0 submission.

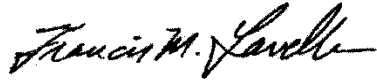
The discovery of this error has delayed the external actuarial review of our 2015 submission. We are submitting version 8.0 on November 1, as required, but without a signed Form G-5 (Actuarial Standards Expert Certification). A completed Form G-5 for version 8.0 and new Forms A-1, A-4, and A-8 and S-5 for version 7.0.b will be submitted within 14 days of this letter (November 14, 2016).

ARA has taken or will be taking the following actions:

- We have corrected the surface roughness data error.
- We are reviewing our processes for compiling and verifying our surface roughness data.
- With this letter, we are notifying the Commission of our intent to submit HurLoss 7.0.b for review as a replacement for version 7.0.a.
- Forms A-1, A-4, and A-8 and S-5 for version 7.0.b will be submitted to the Commission as soon possible, but no later than November 14, 2016.
- We will communicate this issue to our clients and provide version 7.0.b to them with the corrected surface roughness data.

If there are any questions about this issue or our proposed plan of action, please contact me by phone at (919) 582-3350 or by e-mail at flavelle@ara.com.

Sincerely,

A handwritten signature in black ink that reads "Francis M. Lavelle". The signature is written in a cursive, flowing style.

Francis M. Lavelle, Ph.D., P.E.  
Vice President and Principal Engineer