



June 29, 2017

Lori Medders, 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 Hurricane Model for the United States Version 16.0.0 as Implemented in Touchstone Version 5.0.0

Dear Dr. Medders:

AIR has recently released an updated software platform, Touchstone Version 5.0.0, that contains the same AIR Hurricane Model for the United States (the U.S. Hurricane Model) Version 16.0.0 as implemented in Touchstone Version 4.1.0. The updates included in Touchstone Version 5.0.0 do not result in any changes to Florida wind loss costs or probable maximum loss (PML) levels. AIR would like to submit the AIR Hurricane Model for the United States Version 16.0.0 as Implemented in Touchstone Version 5.0.0 under Report of Activities, Section VI.G. as an interim software update.

Touchstone Version 5.0.0 contains updates to some U.S. models, non-U.S. models and to the software platform. There are two minor updates to the U.S. Hurricane Model outside of Florida, and a comprehensively updated U.S. Earthquake Model. For your convenience, we have included a short list of updates pertinent to the U.S. models below:

- An update to the storm surge component of the U.S. Hurricane Model to correctly reflect surge losses in Louisiana when the ZIP centroid falls in the water. Impacts losses only in a subset of coastal ZIPs in the state of Louisiana
- Update to U.S. Hurricane marine exposure geocoding to properly remap one Virginia ZIP code. Impacts marine craft losses only in one ZIP in Virginia
- A comprehensive update to the U.S. Earthquake Model including an update to the wage rates used for the workers' compensation analysis
- An update to the AIR U.S. Hurricane Model for Offshore Assets that is used for assessing risk associated with offshore structures such as the oil platforms and drilling equipment

Updates to models outside of the U.S. are listed below. There is no impact to Florida hurricane modeled loss costs or PMLs.

- Updates to the AIR Earthquake Model for Canada
- Introduction of the AIR Severe Thunderstorm Model for Australia
- Updates to the AIR Earthquake, Tropical Cyclone, and Brushfire models for Australia
- Updates to the AIR Earthquake Model for Southeast Asia
- Updates to damage functions for Industrial Facilities such as automobiles or textile manufacturing factories for seven non-U.S. models

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- Geography updates to recognize new postal and area codes for Australia and Southeast Asia
- Further expanding Touchstone's open platform capabilities, integration of six external models from Risk Frontiers for Australia and New Zealand
- Updates to the Industry Exposure Databases for Australia and European countries

Updates to software features are listed below. There is no impact to Florida hurricane modeled loss costs or PMLs.

- Update analysis behavior, to allow the multi-peril analysis to complete when the exposure includes infrastructure construction/occupancy codes that are unsupported for one of the perils. Thus, this improvement allows users to obtain losses for multiple perils from one loss analysis for the entire portfolio even if there are infrastructure risks with construction/occupancy that are only supported for a subset of the selected perils.
- Improvements to the speed and performance of Touchstone functions. For example, instead of Touchstone calculating a risk's physical parameters on import, this calculation is now being done in conjunction with the loss analysis
- User interface and workflow improvements. For example, an improvement to the Touchstone's User Interface (UI) that allows multi-screen viewing capabilities

In accordance with the Report of Activities, Section VI.G., we have prepared the following forms with results from the currently acceptable version, 4.1.0, and the updated version, 5.0.0, as well as a percentage change that demonstrates no change for the Commission's review:

- Form A-1 (Zero Deductible Personal Residential Loss Costs by ZIP Code)
- Form A-4 (Output Ranges)
- Form A-8 (Probable Maximum Loss for Florida)
- Form S-5 (Average Annual Zero Deductible Statewide Loss Costs – Historical versus Modeled)

AIR would like to request that the same consideration be given to Touchstone 5.0.0 as has been given to other past interim software releases. We ask that the Commission confirm that the AIR Hurricane Model for the United States v16.0.0 as implemented in Touchstone 5.0.0 is considered as equivalent to the AIR Hurricane Model for the United States v16.0.0 as implemented in Touchstone 4.1.0 and accepted under the 2015 Standards.

Best regards,

A handwritten signature in blue ink that reads "Brandie Andrews". The signature is fluid and cursive, with a long horizontal line extending to the right.

Brandie Andrews, CCM
Vice President, Regulation and Rating Agency