March 28, 2014

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 Atlantic Tropical Cyclone Model Version 14.0.1 as Implemented in Touchstone Version 1.5.3 and CLASIC/2 Version 15.0.5

Dear Dr. Medders:

The AIR Atlantic Tropical Cyclone Model v14.0.1 as implemented in our CLASIC/2 v14.1.0 software was certified by the Florida Commission on Hurricane Loss Projection Methodology (Commission) on June 19, 2013. AIR would like to request that the Commission consider reviewing the acceptability of the AIR Atlantic Tropical Cyclone Model v14.0.1 as implemented in Touchstone v1.5.3 and CLASIC/2 v15.0.5 under the 2011 Report of Activities, Section VI.G.

The interim software releases of Touchstone v1.5.3 on February 3, 2014 and CLASIC/2 v15.0.5 on January 28, 2014 did not include any enhancements that would impact residential losses in Florida. Specifically, the following items were addressed in the interim software releases:

- An update has been made to the Disaggregation option supported for non-US countries. Disaggregation is a process that takes place in the software when aggregate, non-US exposure data are imported. This process entails distributing low geographic resolution (aggregate) exposure data to a higher resolution using industry weights by line of business.

- Updates have been made to the AIR earthquake models for the following countries: Australia, Canada, Central America, China, Europe, Mexico, South America, New Zealand, Southeast Asia and Japan.

- The software was enhanced to allow analysis of multiple perils concurrently (e.g. earthquake and severe thunderstorm) for a specific exposure structure configuration, where a policy has both sublimits and multiple peril specific location terms (e.g. deductibles). For example, a policy with a $500 earthquake deductible and a $250 severe thunderstorm deductible for the same location, as well as a $10,000 sublimit on California earthquake losses, can now be analyzed for both perils concurrently.

- The software was enhanced to better handle a specific commercial policy deductible type known as the minimum, maximum, or minimum/maximum deductible.

- Enhancements have been made to the Touchstone Import and Export features

In accordance with the Report of Activities, Section VI.G., we have prepared the following forms using Touchstone v1.5.3 and CLASIC/2 v15.0.5 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 Statewide Loss Costs – Historical versus Model)

The forms have been provided for the current model and the updated/revised version of the model, and a percentage change comparison demonstrates no change.

AIR would like to request that the same consideration be given to Touchstone v1.5.3 and CLASIC/2 v15.0.5 as has been given to other past interim software releases. We ask that the Commission confirm that the Atlantic Tropical Cyclone model v14.0.1 as implemented in Touchstone v1.5.3 and CLASIC/2 v15.0.5 is considered as accepted under the 2011 Standards and functionally equivalent to the Atlantic Tropical Cyclone model v14.0.1 as implemented in CLASIC/2 v14.1.0.

Best regards,

Brandie Andrews, CCM
Assistant Vice President