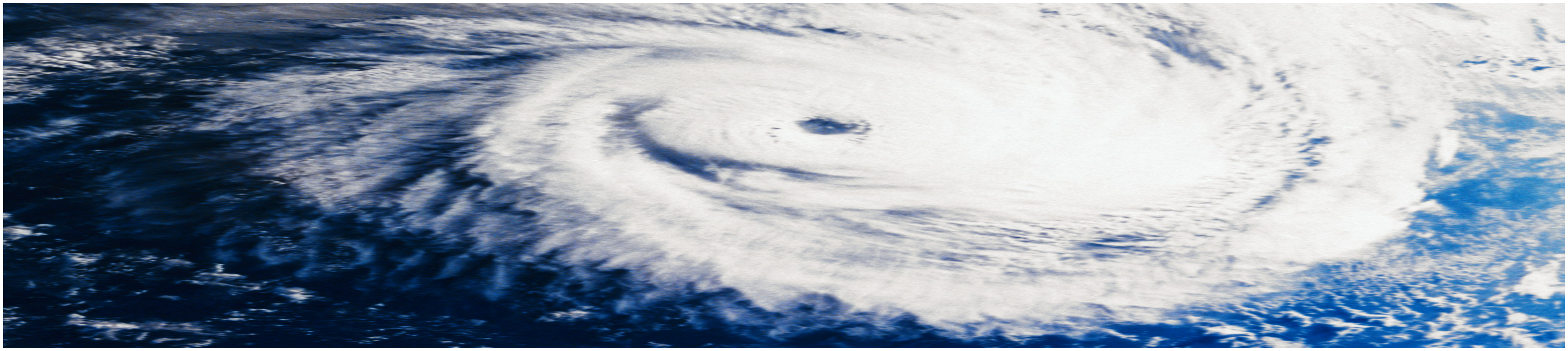
Casualty Actuarial Meeting-Orlando June 18,2007

…………FHCF-Its Ability to Meet its Obligations

The Perfect Storm

- ❑ 2004/2005 losses
- ❑ Continuous development of losses as files reopened
- ❑ Rising Capital Costs
- ❑ Assessments for 2004-Citizens
- ❑ Assessments for 2005-Citizens & FHCF
- ❑ Delayed rate relief
- ❑Systems changes to accommodate legislative requirements
- ❑ Model Changes increasing estimates of damageability
- ❑ AM Best/others expand requirements impacting both supply and demand of capital
  - -Generating less capital available by reinsurers
  - -Forcing greater demand for reinsurance by carriers
- ❑ Extraordinary increases in values of property in Florida
- ❑ Need for horizontal covers for multiple events single year
- ❑ Insurance Dept. controls
- ❑ The impact of term limits reducing experience/knowledge in Tallahassee



So What is the Company View????

Dependencies differ:

- **Large carriers** **-SF/Allstate major supporters of expansion; reinsurance costs drive down their ability to manage market share**

- **The midsized cos** **-Like the price benefit; could take advantage as majors reduce volume but pricing controls, Citizens and political risk are high; TEACO layers too expensive, private market cheaper**

- **The start ups/smaller carriers** **-Must have the support but need more underneath; need to spend more for horizontal covers for the multiple small hits**

Carrier Concerns:

- ❑Prices generated by Gov't intervention/presumed factor process
- ❑Forced Wind Mitigation Credits
- ❑Inconsistency of legislative and regulatory environment
- ❑OIR and use of models in generating adequate rates
- ❑Failure to allow rates to increase over time; continually behind in pricing the product
- ❑Delays in getting funds while bonding
- ❑Small hits below FHCF that chew up capital
- ❑Long term viability of the market with assessment load
- ❑Paying claims within 90 days

“Forgive us our Debts……

…….As we forgive our debtors”