

Insight was created to help solve several property insurance challenges

- Insight Catastrophe Group formed in 2005
- Assist our clients in achieving:
 - Superior risk-adjusted returns
 - Better execution on insurance operations
- Three distinct areas of business focus:
 - Decision Support Services
 - Program Management
 - Insight Specialty Programs - Ancillary insurance products (ID Theft, Mechanical Breakdown, Home Warranty)
- Office locations – New York, New Jersey and Florida
- Staff – 50 Employees focused on Underwriting, Pricing and Modeling*
 - (Headcount includes 16 full time software developers)

No Hurricanes Yet Florida Carriers Are Losing Money

Florida Homeowner Issue	Step taken to address issue
Mitigation Credits	Re-Inspecting/Fraud Detection/Legislation
Sinkholes Spike in Frequency/Represented Claimants/Re-open claims	Sinkhole Databases/Fraud detection Review of Policy Language/Claims and Underwriting Procedures
Reinsurance Costs	<ol style="list-style-type: none"> 1. Identify and non-renew unprofitable policies 2. Rate action to offset impact of mitigation credits and higher reinsurance costs 3. Capital contributions and purchase of additional reinsurance
Rating Agency Issues	

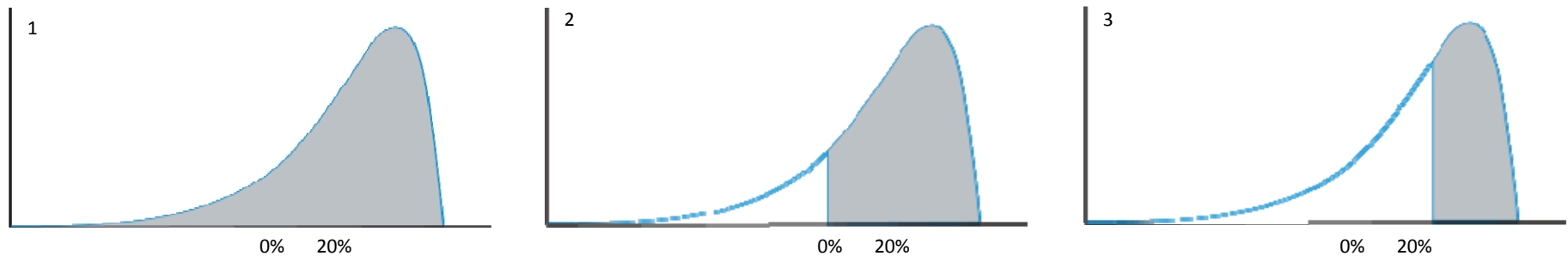
“Scoring”: Determining a policies profitability and impact on a portfolio

- Scoring measures an **existing** or a **potential** new risk against either an **existing** or **projected** portfolio of risks based on a comprehensive assessment of the expected impact on **profitability** and **return on capital**



- Any given portfolio has a broad selection of risks. Scoring enables carriers to identify and eliminate all risks below a target hurdle rate.

Distribution of Risks by Marginal Return



	Gross Premium	Profit	CR	Capital	ROC
No scoring	\$100.0	10.0 MM	90.0%	\$66.7	15.0%
Eliminate unprofitable risks	\$80.0	14.0 MM	82.5%	\$53.3	26.3%
Eliminate all below 20% ROC	\$60.0	12.0 MM	80.0%	\$40.0	30.0%
Add Policies w/ above 20% ROC	\$100.0	20.0 MM	80.0%	\$66.7	30.0%

Scoring uses the entire model event catalog to generate a policy level marginal income statement

Policy-Level Marginal Income Statement

Premium

AAL

Marginal PML

Private Reinsurance Cost

FHCF & TICL Cost

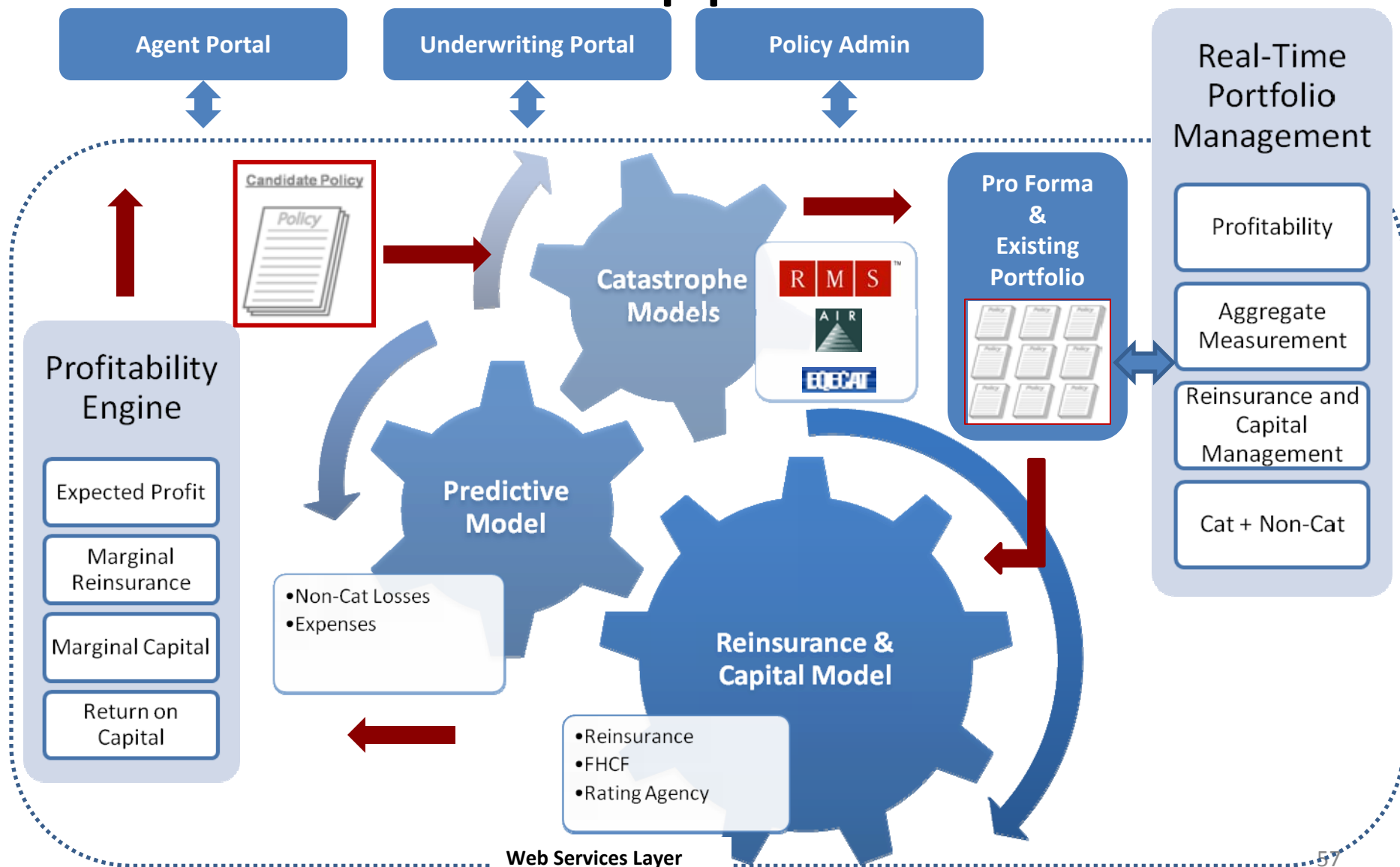
Estimated Non-Cat Losses

Expenses

Expected Net Cat Losses

Expected Profit

Decision Support Services



AAL and PML / Premium does not correlate well with Expected Profitability



Measures Based on RMS 9.0 Historical model w/o LA, w/o SS. Non-Cat model predictive model based on analysis of 9 non-cat factors. For illustrative purposes only.

**Single Family Home
1-Story
Built in 2007
Florida City, FL**

**Single Family Home
1-Story
Built in 1994
Florida City, FL**

**Single Family Home
1-Story
Built in 1990
Florida City, FL**

TIV	\$293,400	\$270,000	\$306,000
Premium	\$917	\$2,507	\$2,071
AAL	\$93	\$577	\$1,033
AAL / Premium	10.1%	23.0%	49.9%
Marginal 100-year PML	\$1,463	\$5,856	\$7,236
Marginal PML / Premium	1.60x	2.34x	3.49x
Private Reinsurance Cost	\$275	\$876	\$1,091
FHCF & TICL	\$313	\$360	\$244
Estimated Non-Cat Losses	\$425	\$601	\$682
Expenses	\$188	\$513	\$424
Expected Net Cat Losses	\$2	\$40	\$73
Expected Profit	\$(286)	\$117	\$(443)

Decision Support Services

Why scoring is good for the carrier....

Reinsurance

- Quantitative impacts on reinsurance pricing:
 - Transparency of expected costs
 - Efficient Use
 - Reduction in overall reinsurance costs
- Qualitative impacts on reinsurance pricing:
 - A disciplined approach to building a profitable property portfolio

Ratings and Capital Management

- Quantitative impacts on ratings and capital management:
 - Transparency of expected underwriting profit and use of capital
 - Improved combined ratio
 - Improved return on capital
- Qualitative impacts on ratings and capital management
 - Fosters a disciplined and transparent discussion with rating agencies and investors

Why scoring is good for Florida homeowners.....

- Florida domestic carriers on track to be more financially stable
- Florida carriers figuring out a way to stay in business and to continue writing business in the Florida market
- Reduction of reinsurance costs → Less pressure on premiums
- Ability for carriers to identify more Citizens take-out opportunities