

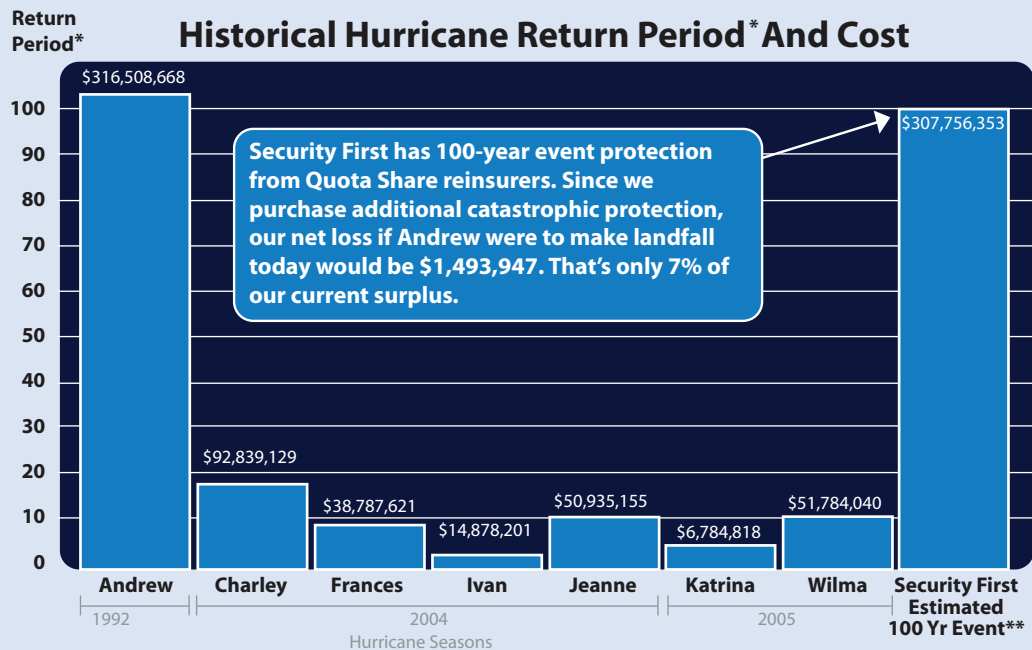
# Security First Insurance

Insuring Florida Homes

## PROTECTION

As Floridians ourselves, Security First Insurance knows what it's like to live through yearly hurricane seasons and we understand the importance of making sure your home is insured by a company that will be there for you after the storm. The chart below shows the magnitude of the reinsurance protection we provide our customers and compares recent hurricanes to the cost Security First would incur if those storms were to hit Florida today. Think of reinsurance as insurance for insurance companies.

Florida regulators suggest insurance companies purchase reinsurance for one 100-year event and two 20-year events. A 100-year event is a catastrophic event so big that it has only a 1% (1/100) chance of occurring in a single year. A 20-year event has a 5% (1/20) chance of occurring and so on. Many private insurers purchase only the minimum amount suggested. Security First Insurance purchases reinsurance up to the 100-year event\*\* and for **four** 20-year events. **We go above and beyond to provide you with the "peace of mind" you deserve.**



\*Return period is the probability that the hurricane will occur and/or be exceeded within a single year. \*\*RMS v9 modeled losses based on portfolio as of 6/30/10 with loss amplification.

## STRENGTH

Security First Insurance Company values each and every customer and wants to make sure that your home is properly protected. How do we do this? With extensive reinsurance protection. **This is what it means to have SECURITY, FIRST.**

If we were to experience another 2004 hurricane season, Security First Insurance would incur a pre-tax net loss of \$2,317,349. That's only 10% of our current surplus (net worth). What does this mean? Security First Insurance will be here to pay your claims and continue to offer policies to Floridians after a series of hurricanes. The chart below shows the effect major, well-known hurricane seasons would have on our current surplus levels if these events were to occur today and the amount of surplus we'll have available to pay claims after the storm.

**As you can see, we'll be here for a very long time.**

### Hurricane Season Loss Scenarios

	1992	2004	2005
Security First Insurance Impact to Surplus	-7%	-10%	-7%

	Security First Pre-tax Loss	Total Remaining Reinsurance* Available for Future Claims
<b>1992 Hurricane Season</b>		
Hurricane Andrew	\$1,493,947	\$182,462,680
<b>2004 Hurricane Season</b>		
Hurricane Charley	\$750,000	\$348,957,067
Hurricane Frances	\$750,000	\$310,919,446
Hurricane Ivan	\$375,000	\$296,416,245
Hurricane Jeanne	\$375,000	\$245,856,090
Total Retention	\$2,250,000	\$245,856,090
Reinstatement Premium	\$67,349	
<b>2005 Hurricane Season</b>		
Hurricane Katrina	\$750,000	\$435,011,378
Hurricane Wilma	\$750,000	\$383,977,338
Total Retention	\$1,500,000	\$383,977,338

\*Remaining reinsurance is for a single period.

**To learn more, see other side.**

# STABILITY

What are the chances your insurance company will be around to pay claims after a major catastrophic storm? Security First's Risk of Ruin is less than 1%. Risk of ruin is the probability of a company losing capital to the point at which continuing business is no longer an option. Industry average risk of ruin is greater than 1%. **Better than average is what we do. Much better.**

## Security First Insurance Risk of Ruin

Level of Reinsurance Purchased	Risk of Ruin
100yr	0.85%



# REINSURERS

## Quota Share Reinsurers

	A.M. Best Rating	S&P Rating
Everest Reinsurance Company	A+	A+
Flagstone Reinsurance Holdings Ltd.	A-	N/A

## Catastrophe Reinsurers

	A.M. Best Rating	S&P Rating
Allianz Risk Transfer (Bermuda) Ltd.	N/A	AA
Allied World Assurance Company Ltd.	A	A-
Amlin (Bermuda) Ltd.	A	A
Arch Reinsurance Ltd.	A	A
Ariel Reinsurance Ltd.	A-	N/A
Catlin Insurance Company Ltd.	A	A
Endurance Specialty	A	A
Glacier Reinsurance AG	A-	N/A
Lloyds of London	A	A+
Alterra Insurance Ltd.	A	A-
Montpelier Reinsurance Ltd.	A-	A-
Renaissance Reinsurance Ltd.	A+	AA-
DaVinci	A	A+
Tokio Millenium	A+	AA
Torus Insurance (Bermuda) Ltd.	A-	N/A

## Per Risk Reinsurers

	A.M. Best Rating	S&P Rating
Lloyds of London	A	A+

# REINSURANCE TREATIES

*A description of the reinsurance purchased by Security First Insurance  
Effective: June 30, 2010 - May 31, 2011*

Treaty reinsurance is reinsurance for an insurance company's entire portfolio and is used in various arrangements. Security First Insurance Company has one of the most comprehensive and robust reinsurance programs in the state of Florida supported by billions of dollars in surplus. We want to be sure that after a series of catastrophic events, we're able to take care of our customers. **Our top priority—the protection, strength and stability we offer Florida families.**

## 85% Quota Share Reinsurance

Quota share is the simplest type of reinsurance. A reinsurer agrees to reinsure a fixed proportion of every policy accepted by Security First Insurance, sharing in all losses. Security First Insurance obtains 85% Quota Share Reinsurance. This means that 85% of each dollar we receive in premiums is shared with quota share reinsurers who in turn cover 85% of claims and losses.

## Security First Insurance Net Catastrophe Excess of Loss (XOL) - Single event protection

This type of reinsurance protects Security First Insurance against losses arising from **a large catastrophe event** where claims liability exceeds retention. Retention is the amount Security First Insurance needs to pay from its own funds in order to obtain reinsurance recoveries to pay claims. Think of retention as an insurance company's deductible. Security First Insurance's single event protection consists of \$95M of catastrophe protection in excess of \$5M retention applied to the 85% quota share. This means that if a catastrophic event occurs, Security First Insurance will need to pay only 15% of \$5M to meet the retention needed to receive reinsurance recoveries of up to 15% of \$95M. Quota share reinsurers will cover the other 85%. Additional protection in excess of \$5.4M is provided by the Limited Apportionment Buydown Layer of the FHCF in the amount of \$10M.

## FHCF Layer

The Florida Hurricane Catastrophe Fund (FHCF) is a tax-exempt state trust fund that reimburses insurers for a portion of their hurricane losses. The FHCF Layer is mandatory coverage. FHCF provides 90% of \$184.2M of loss coverage in excess of \$69.6M retention. This means that a loss must reach \$69.6M or higher before FHCF begins paying Security First Insurance for their losses. The additional layers of reinsurance purchased by Security First Insurance provide protection on the portion not covered by FHCF.

## Temporary Increases in Coverage Limit (TICL) - Protection beyond FHCF

This coverage replaces the Temporary Increase in Coverage Limit (TICL) layer offered by the FHCF which serves to extend the FHCF coverage described above. Security First now purchases this coverage from the private reinsurance market. This reduces Security First's reliance on the ability of the FHCF to pay claims and prepares Security First for the anticipated reduction in reinsurance available from the FHCF in coming years. The TICL Replacement layer is 90% of \$91.6M.

## 3rd and 4th Event Excess of Loss - Multiple event protection

This coverage is designed to reduce Security First Insurance's retention (from \$5M to \$2.5M) in the event of **multiple catastrophic losses** in a single year. Retention for first and second events = 15% of \$5M. Retention for third and fourth events = 15% of \$2.5M.

## Reinstatement Premium Protection - Retention protection

When the Catastrophe Excess of Loss reinsurance is depleted it must be restored. Security First Insurance purchases this additional reinsurance in advance to avoid having to pay full premium to replenish Catastrophe Excess of Loss reinsurance.