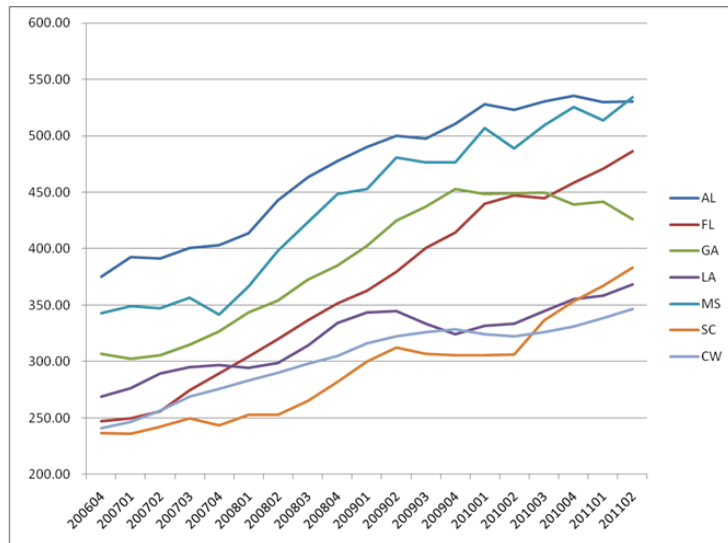


Coastal States Homeowners Loss Data

Using the most recent Industry loss data for six Southern states and nationwide, we have reviewed the Homeowner loss experience on a rolling four quarter basis excluding catastrophe losses.

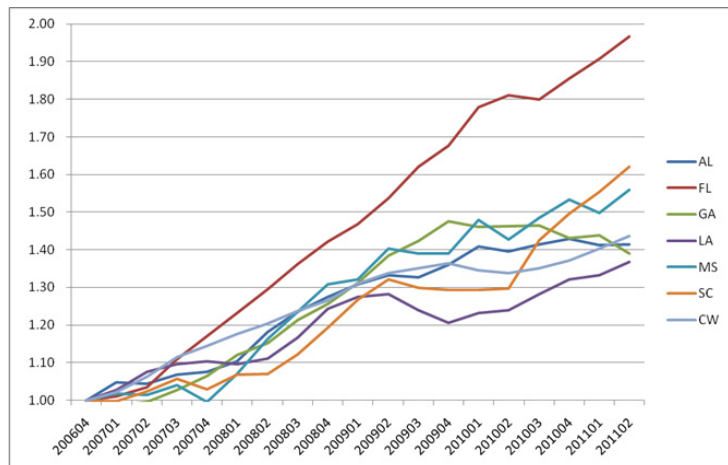
OVERVIEW

Bad economic conditions are accelerating loss trends overall. In Florida, Louisiana, Mississippi, and South Carolina, the average paid loss per policy in force is continuing to trend upward while Alabama appears to be leveling off. Georgia, however, is improving.



FLORIDA

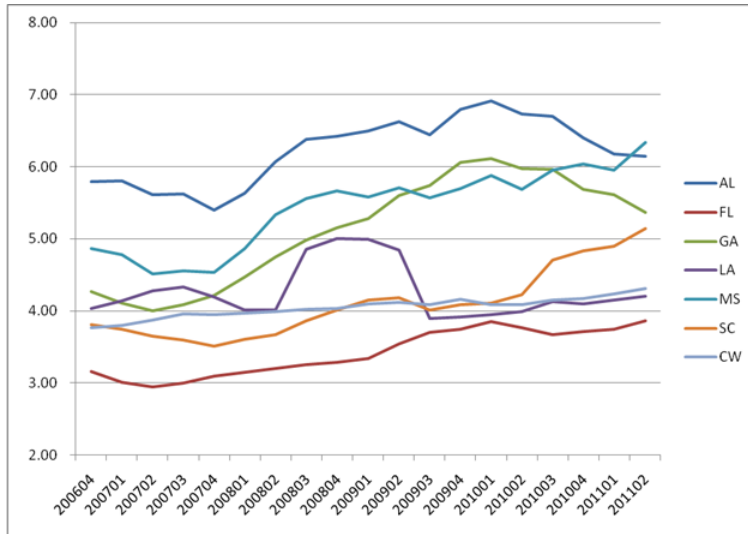
When we looked at the relative change since the 4th quarter of 2006, we found that the loss trend in Florida is extreme compared to the other Southern states. Florida non-catastrophe costs have doubled in four years while costs in the other states and nationwide are 37% to 62% higher.



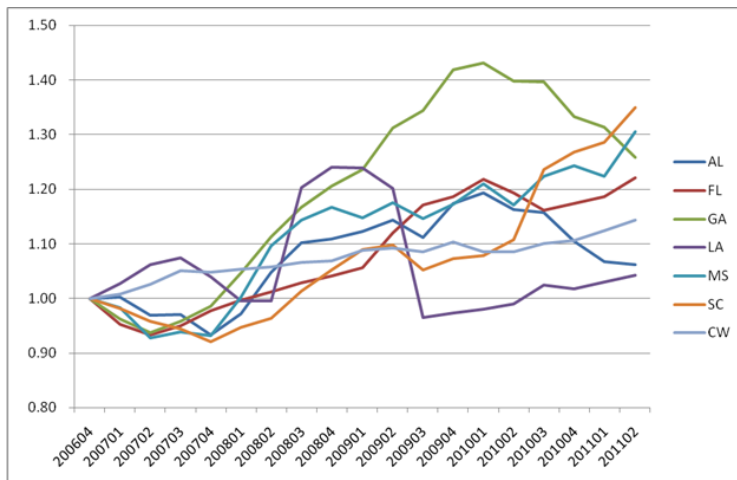
FREQUENCY OR SEVERITY?

We believe that, if the state economies stay in the current malaise for an extended time, we will see the other states start a new upward trend. This leads to the question: What is driving this change, frequency or severity?

Here is the loss frequency, the number of claims for every 100 policies:

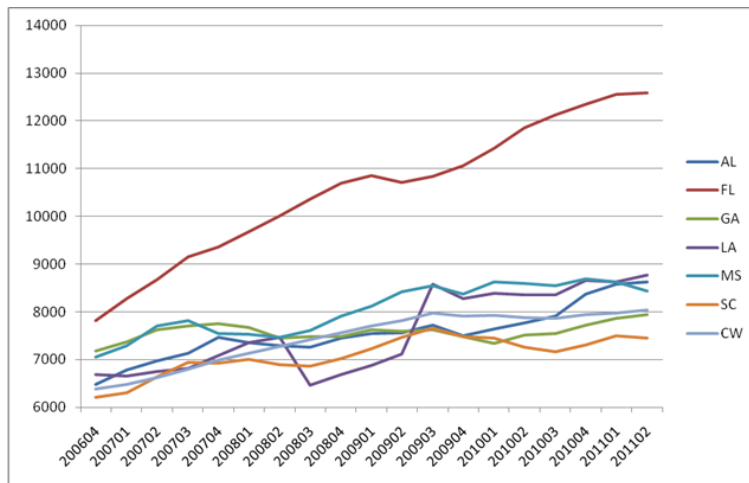


And, the relative change in frequency:

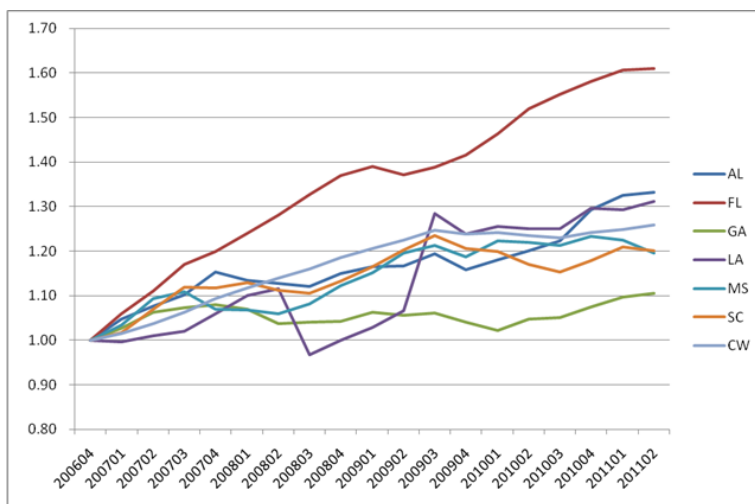


There is a definite upward trend visible in the top graph. Note that Alabama and Louisiana are at about the same level now as 2006. It should be noted that Louisiana's data has some bias in 2008 due to leakage of a large catastrophe event into the non-catastrophe data. We expect that Alabama will see a bump as well in 2011-2012 due to the tornado losses in April. Since the end of 2007, South Carolina has deteriorated quickly.

When we examine severity -- the average dollars paid on each claim -- Florida again has results well above average, and the other states are grouped within a limited range.



Here is the relative change since 2006 in severity:



Overall, the deflationary effects of the recession have kept loss inflation in a reasonable range for these states and countrywide -- less than 7% annual trend.

What is driving the trend in Florida? Most likely it is the impact of the public adjusters hired by policyholders to help them get the most out of their claims, or at least alleged claims. Hundreds of public adjusters emerged after the 2004 and 2005 hurricanes, and they have now moved from working on the dwindling number of open hurricane claims to non-catastrophe claims it appears.

Further, we speculate that these public adjusters will most likely move to the closest state that has a massive amount of claims, like the Alabama tornados, and try to find clients there. Our next review of this Homeowner data should reveal what impact, if any, they have had on other states.