

Antitrust Notice

- **The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.**
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R-1 Responses to Unavailable Personal Lines Insurance in the Voluntary Market

The Property Residual
Market

Purpose

- Brief history of the Property Residual Market
- How the plans work
- Recent changes in two large plans
 - TWIA
 - NCIUA
- Have you considered

FAIR Plans

- Fair Access to Insurance Requirements
 - Result of urban riots in the 1960's
 - The Hughes Panel was created
 - Urban Property Protection and Reinsurance Act of 1968
- Provides basic insurance to urban property owners unable to obtain coverage in the voluntary market
 - 32 plans across the country
 - 15 plans offer some type of Homeowners Package Policy



Windstorm Pools

- Provide wind and hail coverage in hurricane prone areas
- Area serviced is well defined
- Developed from a coverage need and a gap in the voluntary market
- Need has been growing in hurricane areas
- Growth has led to change



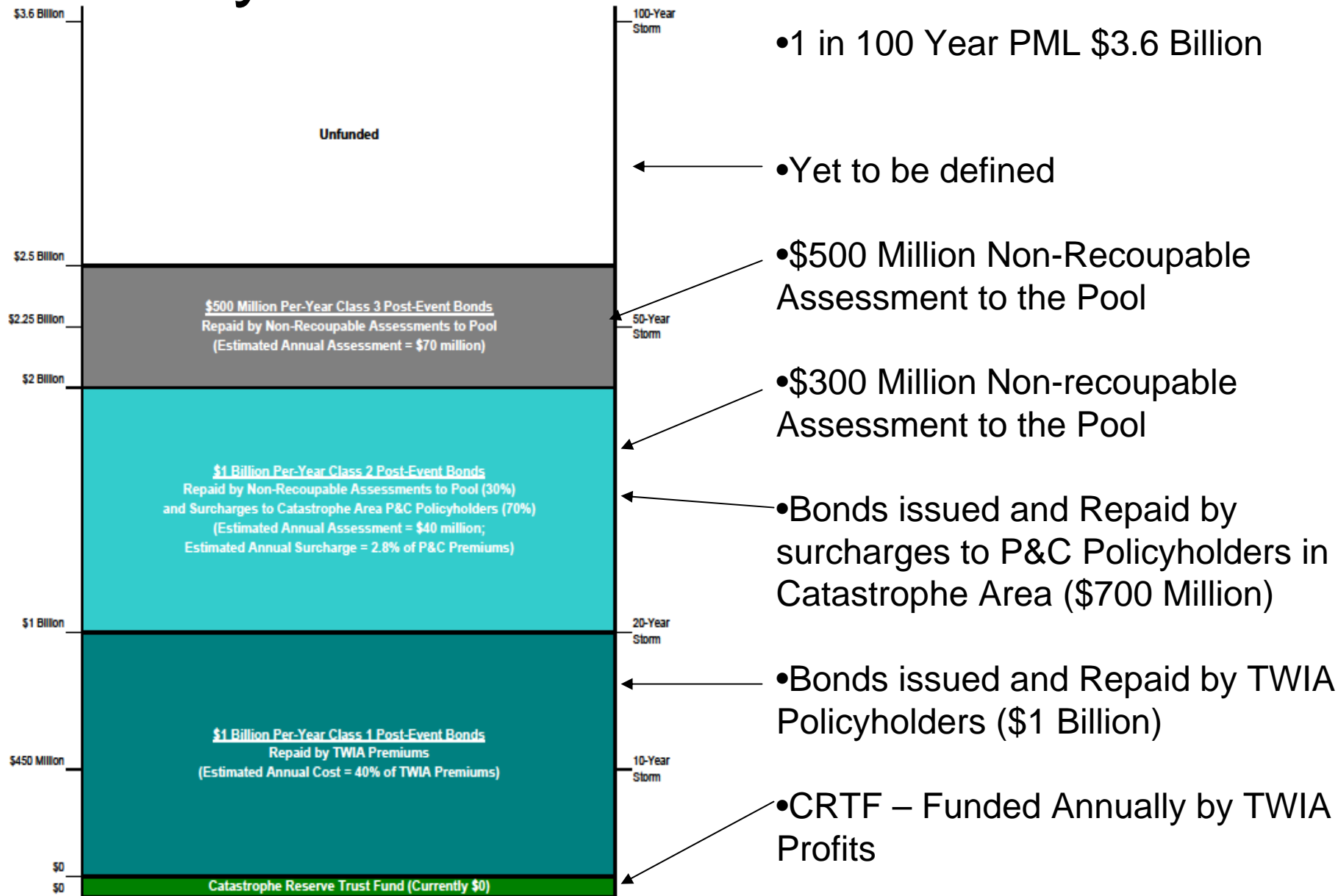
Property Plans - Structure

- Pool or Syndicate of Insurance Companies
- Generally all licensed property insurers in the state are members
- Plans issue policies, collect premiums, pay claims and provide customer service
- Works with all licensed agents

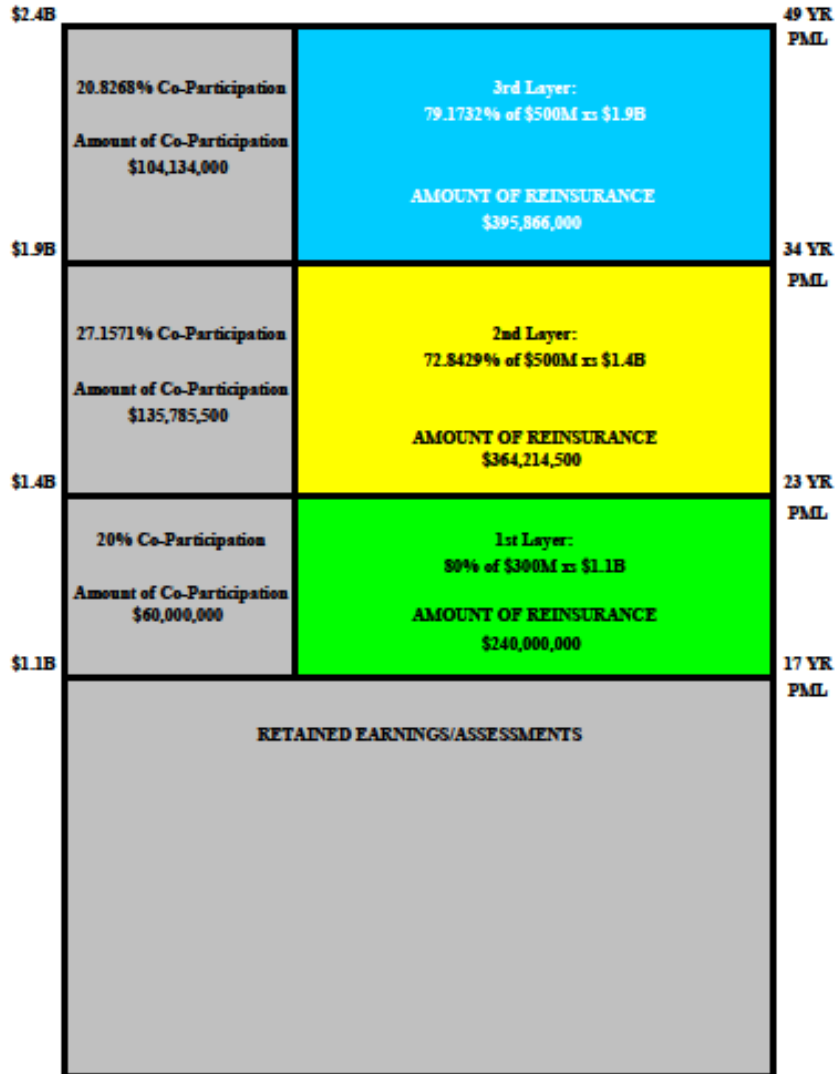
Who Pays? In General

- Members share in the premium, losses, expenses and profits of the plan
- Assessments are proportionate to property insurance premiums written in the state
- Several Plans offer credits for voluntary writings in defined areas
- State exceptions do exist
 - FL Citizens
 - LA Citizens
- Recent changes

Who Pays? - TWIA

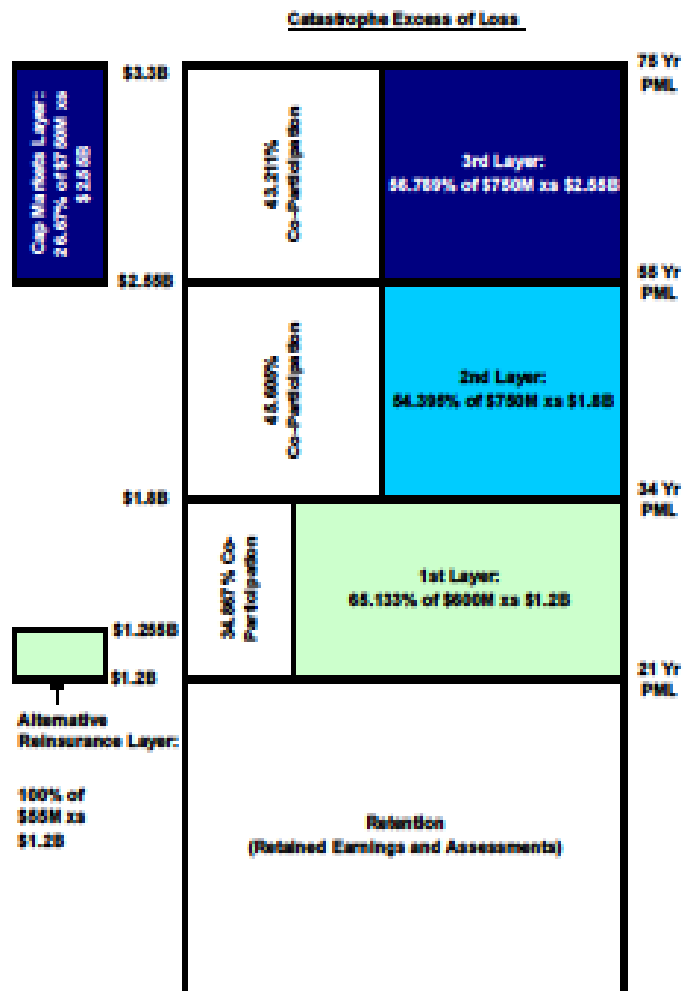


Who Pays? – NCIUA 2008



- 1 in 49 YR PML: \$2.4 Billion
- Reinsurance: \$1 Billion
- Unfunded portion of losses: Assessment to the Pool

Who Pays? – NCIUA 2009



- 1 in 75 YR PML: \$3.3 Billion
- Reinsurance: \$1.48 Billion
- \$1 Billion Non-Recoupable Assessment to the Pool
- Plan will retain profits
- Deficit Financing Repaid by surcharges to Property Policyholders



Have You Considered?

- Plan earnings volatility
- Plan PML
- Plan funding structure for large losses
- Company's Participation Ratios
- Is this risk reflected in voluntary rate levels?



Questions?