

Table 1 - Summary of Terms - Contract #1

Inception Date	1/1/2008
Estimated Subject Premium	10,000,000
Reinsurance Premium	8,000,000
Cession	80.0%
Ceding Commission	25.0%
Profit Commission	
Loss Ratio	66.0%
Profit Swing	5.0%
Loss Ratio Cap	100.0%
Reinsurers Expenses as % of Prem.	
Brokerage	2.0%
Underwriting Exp.	2.0%
Federal Excise Taxes	1.0%

Table 2 - Simulation Assumptions

Model Loss Ratio excluding ALAE	
Lognormal distribution	
Mean	65.0%
Standard Deviation	20.0%
Minimum Loss	45.0%

Table 3 - Results

Frequency	Sum of Col (10) / 10,000	19.7%
Severity	Sum of Col (9) / Sum of Col (10)	-14.5%
ERD as a % of Reins Prem.	ERD / Reinsurance Premium	-2.85%

Table 4 - Percentiles

Percentile	Loss Ratio	NPV Of Reinsurer Profit / Loss
75%	95.9%	4.1%
80%	99.7%	0.3%
90%	110.5%	-10.5%
95%	118.5%	-18.5%

Iteration #	Direct Loss and LAE Ratio	Direct Losses and LAE (1)	Ceded Losses and LAE (3)	NPV Treaty Losses (4)	Ceding Commission (5)	Profit Commission (6)	NPV Treaty Premium Net of Ceding & Profit Comm (7)	NPV Reinsurer Gain/Deficit (8)	NPV Reinsurer Deficit as a % of NPV of Treaty Premium (9)	Frequency of Deficit (10)
1	63%	6,342,599	5,074,079	4,649,828	2,000,000	164,736	5,724,700	1,074,871	0.0%	0
2	58%	5,792,740	4,634,192	4,246,721	2,000,000	320,000	5,578,412	1,331,691	0.0%	0
3	52%	5,175,628	4,140,502	3,794,309	2,000,000	320,000	5,578,412	1,784,103	0.0%	0
4	45%	4,500,000	3,600,000	3,298,999	2,000,000	320,000	5,578,412	2,279,413	0.0%	0
5	45%	4,500,000	3,600,000	3,298,999	2,000,000	320,000	5,578,412	2,279,413	0.0%	0
6	80%	7,973,888	6,379,111	5,845,744	2,000,000	0	5,879,913	34,169	0.0%	0
7	45%	4,500,000	3,600,000	3,298,999	2,000,000	320,000	5,578,412	2,279,413	0.0%	0
8	53%	5,307,827	4,246,262	3,891,226	2,000,000	320,000	5,578,412	1,687,186	0.0%	0
9	69%	6,928,552	5,542,842	5,079,397	2,000,000	0	5,879,913	800,516	0.0%	0
10	45%	4,500,000	3,600,000	3,298,999	2,000,000	320,000	5,578,412	2,279,413	0.0%	0
9,990	48%	4,783,431	3,826,745	3,506,785	2,000,000	320,000	5,578,412	2,071,627	0.0%	0
9,991	113%	11,284,849	9,027,879	7,331,108	2,000,000	0	5,879,913	-1,451,196	-24.7%	1
9,992	55%	5,470,802	4,376,642	4,010,705	2,000,000	320,000	5,578,412	1,567,707	0.0%	0
9,993	86%	8,606,365	6,885,092	6,309,420	2,000,000	0	5,879,913	-429,507	-7.3%	1
9,994	122%	12,230,549	9,784,439	7,331,108	2,000,000	0	5,879,913	-1,451,196	-24.7%	1
9,995	54%	5,350,772	4,280,618	3,922,709	2,000,000	320,000	5,578,412	1,655,703	0.0%	0
9,996	91%	9,128,508	7,302,806	6,692,208	2,000,000	0	5,879,913	-812,295	-13.8%	1
9,997	81%	8,050,084	6,440,067	5,901,604	2,000,000	0	5,879,913	-21,691	-0.4%	1
9,998	106%	10,578,897	8,463,117	7,331,108	2,000,000	0	5,879,913	-1,451,196	-24.7%	1
9,999	79%	7,892,701	6,314,161	5,786,225	2,000,000	0	5,879,913	93,688	0.0%	0
10,000	83%	8,319,856	6,655,885	6,099,377	2,000,000	0	5,879,913	-219,464	-3.7%	1

Column

- (1) Based upon the model assumptions in Table 2
- (2) Estimated Subject Premium x Col (1)
- (3) Cession Percent x Col (2)
- (4) Minimum of Col (3) or Loss Ratio Cap x Reinsurance Premium, multiplied by Page 3 Col (2)
- (5) Reinsurance Premium x Ceding Commission
- (6) 1% for every 1% of ultimate loss that is lower than 66%, maximum adjustment 5%
- (7) Total Page 2 Col (6) + Col (6) / [(1 + Discount Rate)^2.0833], assumes profit commission is paid 2 years one month after policy effective date
- (8) Col (7) - Col (4)
- (9) If Col (8) < 0 then Col (8) / Col (7) else 0
- (10) If Col (8) < 0 then 1 else 0

Discount Rate Assumption:

(1)	Interest Rate	2.9%
(2)	Discount Factor	0.980

<u>Time of Payments in Months</u>	<u>Premium</u>	<u>NPV of Premium</u>	<u>Ceding Commission</u>	<u>Premium Net of Ceding Commission</u>	<u>Discounted Premium Net of Ceding Commission</u>
(3)	(4a)	(4b)	(5)	(6)	(7)
4	2,000,000	1,981,032	-500,000	1,500,000	1,485,774
7	2,000,000	1,966,925	-500,000	1,500,000	1,475,193
10	2,000,000	1,952,917	-500,000	1,500,000	1,464,688
13	2,000,000	1,939,010	-500,000	1,500,000	1,454,257
Total	8,000,000	7,839,884	-2,000,000	6,000,000	5,879,913

<u>Column/Row</u>	<u>Note</u>
(1)	Page 4, Row (12)
(2)	Total Col (7) / Total Col (6)
(3)	Month premium is due, assumes quarterly payments due one month after quarter end.
(4a)	Reinsurance Premium divided by 4, assumes quarterly payments.
(4b)	$\text{Col (4a)} / \{[1 + \text{Col (1)}]^{(\text{Col (3)} / 12)}\}$
(5)	Ceding Commission divided by 4, assumes quarterly payments.
(6)	$\text{Col (4a)} + \text{Col (5)}$
(7)	$\text{Col (6)} / \{[1 + \text{Col (1)}]^{(\text{Col (3)} / 12)}\}$

Discount Rate Assumption:

(1)	Interest Rate	2.9%
(2)	Discount Factor	0.916

<u>Years of Maturity</u>	<u>% of Ultimate Paid</u>		<u>Discounted Payment</u>
(3)	(4)	(5)	(6)
0	0.00%	0.00%	0.00%
1	20.00%	20.00%	19.72%
2	42.00%	22.00%	21.08%
3	60.00%	18.00%	16.76%
4	70.00%	10.00%	9.05%
5	77.50%	7.50%	6.59%
6	82.00%	4.50%	3.85%
7	90.00%	8.00%	6.64%
8	95.00%	5.00%	4.04%
9	100.00%	5.00%	3.92%

<u>Column/Row</u>	<u>Note</u>
(1)	Page 4, Row (12)
(2)	Sum Col (6) / Sum of Col (5)
(4)	Industry Benchmarks
(5)	Current (4) - prior (4)
(6)	Col (5) discounted to time zero

Years of Maturity	% of Ultimate Losses Paid		Time of Payments in Months	% of Ultimate Premiums Paid		Daily Treasury Yield Curve	
	Cum.	Incr.		Cum.	Incr.	Maturity	Rates
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
0	0.00%	0.00%	4	25.00%	25.00%	0.5	3.32%
1	20.00%	20.00%	7	50.00%	25.00%	1.0	3.17%
2	42.00%	22.00%	10	75.00%	25.00%	2.0	2.88%
3	60.00%	18.00%	13	100.00%	25.00%	3.0	2.89%
4	70.00%	10.00%				5.0	3.28%
5	77.50%	7.50%				7.0	3.54%
6	82.00%	4.50%				10.0	3.91%
7	90.00%	8.00%					
8	95.00%	5.00%					
9	100.00%	5.00%					
10	100.00%	0.00%					
(9)	Duration of Loss Payments		3.14				
(10)	Duration of Premium Payments		0.71				
(11)	Duration of Net Cash Flows		2.43				
(12)	Selected Interest Rate		2.9%				

Column/Row	Note
(2)	Page 3 Column (4)
(3)	Page 3 Column (5)
(4), (5), (6)	Based on premium payments on Page 2
(8)	Rates from U.S. Treasury Securities as of 1/2/08
(9)	Based on loss payment pattern in Column (3)
(10)	Based on premium payment pattern in Column (6)
(11)	Row (9) - Row (10)
(12)	Selected

Table 1 - Summary of Terms - Contract #2

Inception Date	1/1/2008
Estimated Subject Premium	10,000,000
Provisional Reinsurance Rate	8.50%
Provisional Premium	800,000
Maintenance Fee	50,000
Retention Limit	250,000
Swing Rate	75.0%
Swing Loss Ratio	75.0%
Minimum Rate	6.00%
Maximum Rate	11.00%
<i>Reinsurers Expenses as % of Prem.</i>	
<i>Brokerage</i>	10.0%
<i>Underwriting Exp.</i>	7.0%
<i>Federal Excise Taxes</i>	1.0%
Modeled Loss Ratio	120.0%

Table 2 - Simulation Assumptions

Model Severity ALAE	Model Frequency	250
Lognormal distribution	Poisson distribution	
Mean	30,000	
Standard Deviation	120,000	
Minimum Loss	0	

Table 3 - Results

Frequency	Sum of Col (10) / 10,000	10.4%
Severity	Sum of Col (9) / Sum of Col (10)	-20.1%
ERD as a % of Reins Prem.	ERD / Reinsurance Premium	-2.09%

Table 4 - Percentiles

Percentile	NPV Of Reinsurer Loss
75%	0.0%
80%	0.0%
90%	-1.0%
95%	-16.5%

Claim #	Direct Loss and LAE (1)	Ceded Loss and LAE (2)	NPV Ceded Loss and LAE (3)	Provisional Premium (4)	Experience Adjustment (5)	Commutation Fee (6)	Final Premium and Fees (7)	NPV Treaty Premium Net of Rate Swing (8)	NPV Reinsurer Gain/Deficit (9)	NPV Reinsurer Deficit as a % of NPV of Treaty Premium (10)	Frequency of Deficit (11)
1	1,758	0	0	800,000	250,000	50,000	1,100,000	1,056,133	204,656	0.00%	0
2	3,566	0	0								
3	2,762	0	0								
4	15,271	0	0								
5	5,648	0	0								
6	11,158	0	0								
7	39,765	0	0								
8	326,745	76,745	68,050								
9	36,936	0	0								
10	10,469	0	0								

Column

- (1) Based upon the model assumptions in Table 2
- (2) Ceded loss based upon the treaty terms
- (3) Col (2) x Appendix B, Page 3
- (4) Estimated subject premium times provisional reinsurance rate
- (5) Actual modeled loss ratio minus swing loss ratio + provisional reinsurance rate; subject to Maximum and Minimum rate
- (6) Assumes fee to commute under all scenarios
- (7) (4) + (5) + (6)
- (8) Page 2 Col (4b) + Col (5) / [(1 + Interest rate) ^ 2.0833] + Col (6) / [(1 + Interest rate) ^ 5.0833]
- (9) Col (8) - sum of Col (3)
- (10) If Col (9) < 0 then Col (9) / Col (8) else 0
- (11) If Col (9) < 0 then 1 else 0

Discount Rate Assumption:

(1)	Interest Rate	3.5%
(2)	Discount Factor	0.976

<u>Time of Payments in Months</u> (3)	<u>Premium</u> (4a)	<u>NPV of Premium</u> (4b)
4	200,000	197,720
7	200,000	196,027
10	200,000	194,348
13	200,000	192,684
Total	800,000	780,778

<u>Column/Row</u>	<u>Note</u>
(1)	Selected
(2)	Total Col (4b) / Total Col (4a)
(3)	Month premium is due, assumes quarterly payments due one month after quarter end
(4a)	Reinsurance Premium divided by 4, assumes quarterly payments
(4b)	$\text{Col (4a)} / \{[1 + \text{Col (1)}]^{(\text{Col (3)} / 12)}\}$

Discount Rate Assumption:

(1)	Interest Rate	3.5%
(2)	Discount Factor	0.887

<u>Years of Maturity</u>	<u>% of Ultimate Paid</u>		<u>Discounted Payment</u>
(3)	(4)	(5)	(6)
0	0.00%	0.00%	0.00%
1	19.27%	19.27%	18.94%
2	42.02%	22.75%	21.61%
3	58.15%	16.13%	14.80%
4	68.72%	10.57%	9.37%
5	75.41%	6.69%	5.73%
6	79.71%	4.29%	3.55%
7	82.97%	3.27%	2.61%
8	85.24%	2.27%	1.76%
9	87.01%	1.76%	1.32%
10	88.41%	1.40%	1.01%
11	95.50%	7.09%	4.94%
12	100.00%	4.50%	3.03%
13	100.00%	0.00%	0.00%

<u>Column/Row</u>	<u>Note</u>
(1)	Selected
(2)	Sum Col (6) / Sum of Col (5)
(4)	Industry workers compensation benchmarks
(5)	Current (4) - prior (4)
(6)	Col (5) discounted to time zero