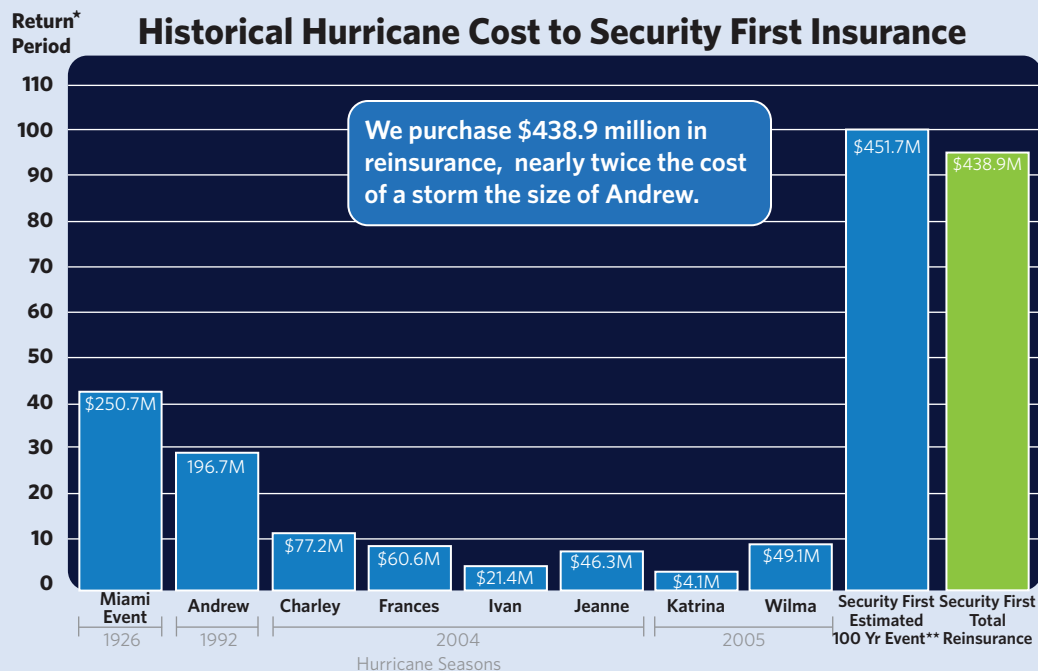


We value each and every customer and we want you to feel confident we have the financial stability to pay claims, storm after storm, year after year. How do we do this? With extensive reinsurance protection.

## PROTECTION

As Floridians ourselves, we know what it means to live in a state prone to hurricanes and we understand the importance of making sure your home is insured by a company that will be there for you after the storm. Security First Insurance is one of a handful of Florida-based companies that has the financial strength to withstand multiple hurricanes.

Florida regulators suggest insurance companies purchase reinsurance (insurance for insurance companies) to pay all policyholder claims caused by a large catastrophic event and one 20-year event. A 20-year event has a 5% (1/20) chance of occurring. Many private insurance companies purchase only the minimum. We purchase reinsurance to provide us with the financial strength to handle a large hurricane—more than twice the cost of Hurricane Andrew—and three additional events: one 20-year event and two 5-year events. The chart below shows the cost to our company if historical hurricanes were to make landfall today and the amount of reinsurance we purchase to keep our company financially stable.



\*Return period is the probability that the hurricane will occur and/or be exceeded within a single year. For example, a 10-year hurricane has a 1/10 = .10 or 10% chance of occurring in any one year.  
 \*\*AIR v12 modeled losses based on portfolio as of 6/30/11 with loss amplification.

## STRENGTH

If we were to experience another 2004 hurricane season with four storms, Security First Insurance would incur a pre-tax net loss of \$7,162,397. That's less than 30% of our current surplus (net worth). We'll be here to pay your claims and continue to offer policies to Floridians even 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'd have available to pay claims after the storm.

### Hurricane Season Loss Scenarios

	1992	2004	2005
<b>Security First Insurance Impact to Surplus</b>	-9%	-27%	-17%

	Security First Pre-tax Loss	Total Remaining Reinsurance* Available for Future Claims
<b>1992 Hurricane Season</b>		
Hurricane Andrew	\$2,250,000	\$289,103,378
<b>2004 Hurricane Season</b>		
Hurricane Charley	\$2,250,000	\$408,566,885
Hurricane Frances	\$2,250,000	\$350,251,566
Hurricane Ivan	\$900,000	\$329,772,031
Hurricane Jeanne	\$900,000	\$284,355,352
Total Retention w/Reinstatement Premium	\$6,300,000	\$284,355,352
	\$7,162,397	
<b>2005 Hurricane Season</b>		
Hurricane Katrina	\$2,250,000	\$481,282,499
Hurricane Wilma	\$2,250,000	\$434,457,581
Total Retention	\$4,500,000	\$434,457,581

\*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? Risk of ruin is the probability of a company losing capital to the point at which continuing business is no longer an option. The table below shows our risk of ruin based on the results from two widely-used, state-approved catastrophe models from Risk Management Solutions (RMS) and AIR Worldwide (AIR).

## Security First Insurance Risk of Ruin

Risk of Ruin RMS v9*	Risk of Ruin AIR v12**
0.85-0.90%	1.3-1.35%

\*With Demand Surge

\*\*Hurricane, Standard, with Demand Surge, without Storm Surge



# REINSURERS

## Quota Share Reinsurers

	A.M. Best Rating	S&P Rating	Surplus
Everest Reinsurance Company	A+	A+	\$2.5B
Flagstone Reinsurance Suisse SA	A-	NR	\$1.7B

## Catastrophe Reinsurers

	A.M. Best Rating	S&P Rating	Surplus
Allianz Risk Transfer AG (Bermuda Branch)	A	AA-	\$4B
Allied World Assurance Company Limited	A	A-	\$3.6B
Alterra Bermuda Limited	A	A-	\$2.5B
Arch Reinsurance Ltd	A	A+	\$4.9B
Ariel Reinsurance Company Ltd.	A-	A-	\$1.1B
Canopus Underwriting Bermuda Ltd	A	A+	*
Catlin Insurance Company Ltd.	A	A	\$3.3B
DaVinci Reinsurance Limited	A	A+	\$1.5B
Endurance Specialty Insurance Limited	A	A	\$3.1B
Everest Reinsurance Company	A+	A+	\$2.5B
Juniperus Capital Ltd.	A	AA-	\$4.6B
Hardy Bermuda Ltd	A	A+	*
Lloyd's of London	A	A+	*
Montpelier Reinsurance Ltd	A-	A-	\$1.9B
Renaissance Reinsurance Ltd	A+	AA-	\$1.6B
Tokio Millennium Reinsurance Limited	A+	AA-	\$1.2B
Torus Insurance (Bermuda) Limited	A-	NR	\$.7B
XL Re Ltd	A	A	\$4.7B

\*Members' Funds at Lloyd's as of 6/30/2011 = £14,470,000,000 / US \$22,351,218,427 (conversion as of 1/17/12)

# REINSURANCE TREATIES

A description of the reinsurance purchased by Security First Insurance

Effective: June 1, 2011 - May 31, 2012

Reinsurance is insurance for an insurance company's entire portfolio and can be purchased 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—protecting Florida families.**

## 55% 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 purchased 55% Quota Share Reinsurance. This means that 55% of each dollar we receive in premiums is shared with quota share reinsurers who in turn cover 55% 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 must pay from its own funds in order to obtain reinsurance recoveries to pay claims. Think of retention as an insurance company's deductible. Our single event protection consists of \$125M of catastrophe protection in excess of \$5M retention applied to the 55% quota share. This means that if a catastrophic event occurs, Security First Insurance will need to pay only 45% of \$5M to meet the retention needed to receive reinsurance recoveries of up to 45% of \$125M. Quota share reinsurers will cover the other 55% of the retention and total loss. Protection of 100% of \$20M is also available when a single event's losses exceed \$130M (\$5M retention and \$125M single event limit). An additional \$10M for each of the first two events in excess of \$7M is provided by the Limited Apportionment Buydown Layer of the Florida Hurricane Catastrophe Fund (FHCF).

## FHCF Layer

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 an estimated 90% of \$208.2M of loss coverage in excess of \$81.2M retention. This means that a loss must reach \$81.2M 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 100% of \$91.6M excess of \$289.4M.

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

This coverage is designed to reduce Security First Insurance's retention (from \$5M to \$2M) in the event of multiple catastrophic losses in a single year. Retention for first and second events = 45% of \$5M. Retention for third and fourth events = 45% of \$2M if Quota Share reinsurance is available. Maximum retention without Quota Share reinsurance = 100% of \$2M. This layer provides \$23M in protection excess of \$2M for third and fourth events. This protection is available when the loss for each of the first two events exceeds \$25M.

## 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 after a major catastrophe.

**Security First Insurance is one of a handful of insurance companies in Florida that has the financial stability to withstand multiple hurricanes. And if a large storm makes landfall this season, our Quota Share, catastrophe reinsurance, FHCF reinsurance, TICL replacement and retention reinsurance add up to \$438.9M of coverage available to pay claims.**

January 17, 2012