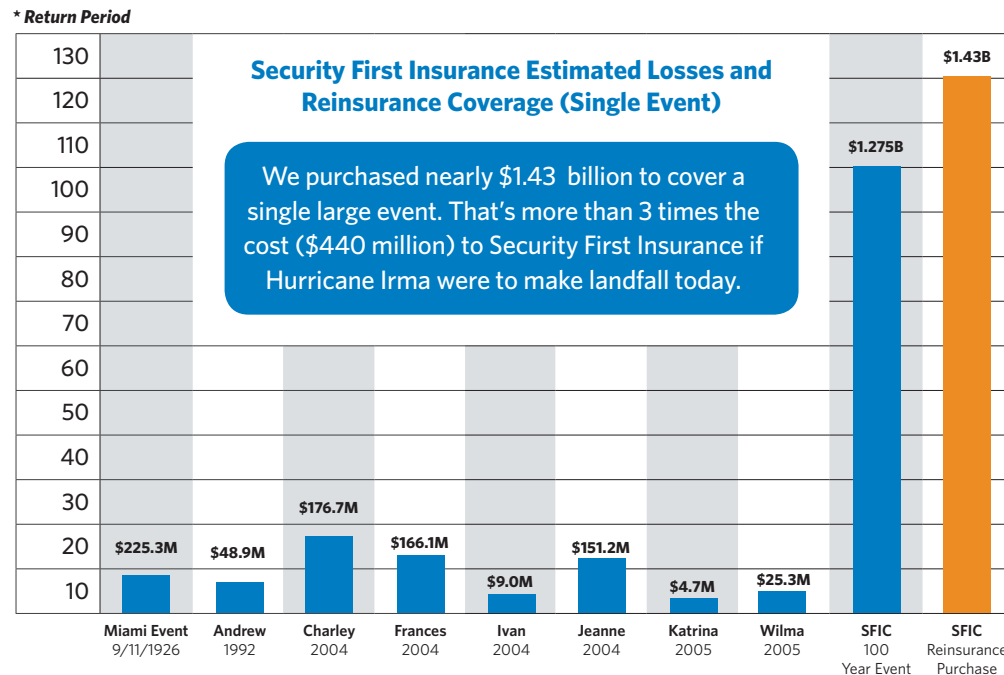


## PROTECTION

To determine the financial strength of homeowners insurance companies, you must look at the company's reinsurance program. You can think of reinsurance as back-up disaster coverage or insurance for insurance companies. Every year, Florida homeowners insurance companies purchase reinsurance and programs must be in place by June 1. **Tip: A company's financial stability can change each year, so it's good to review programs in June.**

Florida regulators suggest insurance companies purchase at least enough reinsurance 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 in any one year.

As Floridians ourselves, we know what it means to live in a state prone to hurricanes. We purchase more than the recommended amount to ensure our ability to pay claims for a large disaster and multiple named storms (5+) in a single hurricane season. Below is the cost to Security First Insurance if historical storms were to make landfall today. **We have the financial stability to be there for you storm after storm, year after year.**



Modeled events based on AIR TS6.0w/demand surge Exposures as of 12/31/18

\* **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.

## STRENGTH

If the four hurricanes that struck Florida in 2004 were to make landfall today, Security First Insurance has the financial stability to pay customer claims. And if a fifth, or even sixth storm, were to hit Florida in the same year, we could continue to pay customer claims and grow our business.

Security First Insurance has more than \$2 billion in total reinsurance coverage available to pay customer claims for multiple storms in a single year and \$88 million in surplus (capital) to cover the amount of retention we must first pay to gain access to recovery funds. You can think of retention as the deductible we're required to pay. The chart below demonstrates the effect that historical hurricane seasons would have on our current policyholder surplus and the amount of reinsurance we'd have left over to pay claims if these events were to occur today.

	1992	2004	2005
<b>Security First Insurance Pre-Tax Impact to Surplus</b>	-4.25%	-11.36%	-8.49%

	Security First Retention	Total Remaining Reinsurance* Available for Future Claims
<b>1992 Hurricane Season</b>		
• Hurricane Andrew	\$3,750,000	\$2,072,405,372
<b>2004 Hurricane Season</b>		
• Hurricane Charley	\$3,750,000	\$1,944,664,339
• Hurricane Frances	\$3,750,000	\$1,782,360,647
• Hurricane Ivan	\$2,537,675	\$1,775,944,411
• Hurricane Jeanne	-	\$1,624,140,588
<b>Total Cost/Remaining Reins.</b>	<b>\$10,037,675</b>	<b>\$1,624,140,588</b>
<b>2005 Hurricane Season</b>		
• Hurricane Katrina	\$3,750,000	\$2,114,042,623
• Hurricane Wilma	\$3,750,000	\$2,092,473,912
<b>Total Cost/Remaining Reins.</b>	<b>\$7,500,000</b>	<b>\$2,092,473,912</b>

\* Based on modeled historical events modeled in AIR TS6.0, exposures as of 12/31/2018

To learn more, see other side.

# STABILITY

Risk of ruin is the probability of a company losing capital to the point at which continuing business is no longer an option.

**A risk of ruin of less than one percent is a strong signal that an insurance company has the financial strength to pay claims after a large catastrophe or several smaller events.**

<b>Level of Reinsurance Purchased*</b>	<b>Security First Insurance Risk of Ruin**</b>
<b>130 yr</b>	<b>0.820%</b>

\* Projected exposures as of March, 2019

\*\* SFIC risk of ruin due to hurricane loss after reinsurance recoveries and exhaustion of surplus. The only source of variability contemplated within the risk of ruin analysis is the hurricane peril to SFIC.

## REINSURANCE TREATIES

A description of the reinsurance purchased by **Security First Insurance** 

**75% 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 75% Quota Share Reinsurance. This means that 75% of each dollar we receive in premium is shared with quota share reinsurers who in turn cover 75% of claims and losses. Quota Share reinsurance also provides up to 48.25M of coverage for a catastrophe occurrence and reduces Security First's retention from \$15M to \$3.75M.

**Amount of Quota Share reinsurance available to pay claims: \$48,250,000**

**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 \$938M of catastrophe protection in excess of \$15M retention applied to losses after FHCF recoveries.

**Amount of Catastrophe Excess of Loss reinsurance available to pay claims: \$938,000,000**

**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 \$489.4M of loss coverage in excess of \$174.4M retention. This means that Security First has a total of \$440.5M in available FHCF coverage and that a loss must reach \$174.4M or higher before the 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.

**Amount of FHCF reinsurance available to pay claims: \$440,500,000**

**3rd and 4th Event Excess of Loss - Multiple event protection** - This coverage is designed to reduce Security First Insurance's retention (from \$15M to \$5M) in the event of multiple catastrophic losses in a single year. Retention for first and second events is \$15M. Retention for third and fourth events is \$5M. This layer provides \$10M in protection excess of \$5M for third and fourth events. This protection is available when the loss for each of the first two events exceeds \$15M.

**Amount of 3rd and 4th Event Coverage available to pay claims: \$10,000,000**

**Total amount of reinsurance available to pay claims for a single event : \$1,426,750,000**

PARTICIPATING REINSURERS	A.M. BEST RATING	S&P RATING	SURPLUS
<b>Quota Share Reinsurers</b>			
▪ Everest Re Co. (US)	A+	A+	\$3,890,351,000
▪ Lloyd's of London	A	A+	*
▪ Munich Reinsurance America, Inc.	A+	AA-	\$3,718,735,000
▪ Odyssey Reinsurance Co.	A	A-	\$3,297,019,000
▪ Swiss Reinsurance Corporation	A+	AA-	\$10,589,292,000
<b>Catastrophe Reinsurers</b>			
▪ Allied World Assurance Co. (Bermuda)	A	A-	\$3,297,019,000
▪ American Standard Insurance Company of Wisconsin	A	NR	\$351,119,000
▪ Arch Re (Bermuda)	A+	A+	\$9,615,303,000
▪ Ariel Re Bda Limited on behalf of Argo Re Ltd.	A		\$1,489,121,000
▪ Aspen Bermuda Ltd	A	A	\$1,857,788,000
▪ AXIS Specialty (Bermuda)	A+	A+	\$3,470,819,000
▪ Berkshire Hathaway Specialty Insurance Co.	A++	AA+	\$3,480,398,000
▪ BGS Services (Bermuda) Ltd obo Lloyd's Syndicate	A	A+	*
▪ Chubb Tempest Re (Bermuda)	A++	AA	\$8,145,101,000
▪ Cincinnati Insurance Co.	A+	A+	\$4,919,104,000
▪ DaVinci Re Bermuda	A	A+	\$1,447,368,000
▪ Elementum Re Ltd.			**
▪ Everest Re Co. (US)	A+	A+	\$3,890,351,000
▪ Fermet			**
▪ Fidelis Ins Bermuda Ltd	A-		\$1,121,773,000
▪ Fidelis Underwriting (UK)	A-		\$174,183,000
▪ Hamilton Re, Ltd.	A-		\$1,758,724,000
▪ Hiscox Insurance Company (Bermuda) Ltd	A	A	\$864,797,000
▪ Kelvin Re (Credit Suisse Management)	A-		\$661,199,000
▪ Lloyd's of London	A	A+	*
▪ MS Amlin AG (Bermuda)	A	A	\$1,632,997,000
▪ Markel Bermuda	A	A	\$1,779,387,000
▪ Munich Reinsurance America, Inc.	A+	AA-	\$3,718,735,000
▪ Navigators (US)	A	A	\$10,234,444,000
▪ Odyssey Reinsurance Co.	A	A-	\$3,297,019,000
▪ Partner Re (Bermuda)	A	A+	\$3,629,833,000
▪ Pioneer Underwriting Ltd obo Peak Re Company Ltd	A-		\$911,648,000
▪ Pioneer Underwriting Ltd on behalf of Taiping Re Company Ltd	A	A	\$1,032,279,000
▪ Renaissance Re (Bermuda)	A+	A+	\$2,000,000,000
▪ Sirius Bermuda Insurance Co. Ltd	A	A-	\$2,571,000,000
▪ Swiss Re Underwriter Agency Inc. on behalf of Swiss Reinsurance America Corporation	A+	AA-	\$3,312,368,000
▪ Validus Re (Bermuda)	A	A	\$3,259,000,000
▪ Vermeer Re	A		\$600,000,000
▪ XL Re (Bermuda)	A+	AA-	\$11,635,709,000

\*Member funds at Lloyd's: £28,200,000,000 (US \$35,799,477,000 - conversion rate at 6/4/2019) \*\*Collateralized Reinsurance rev. 6/26/19