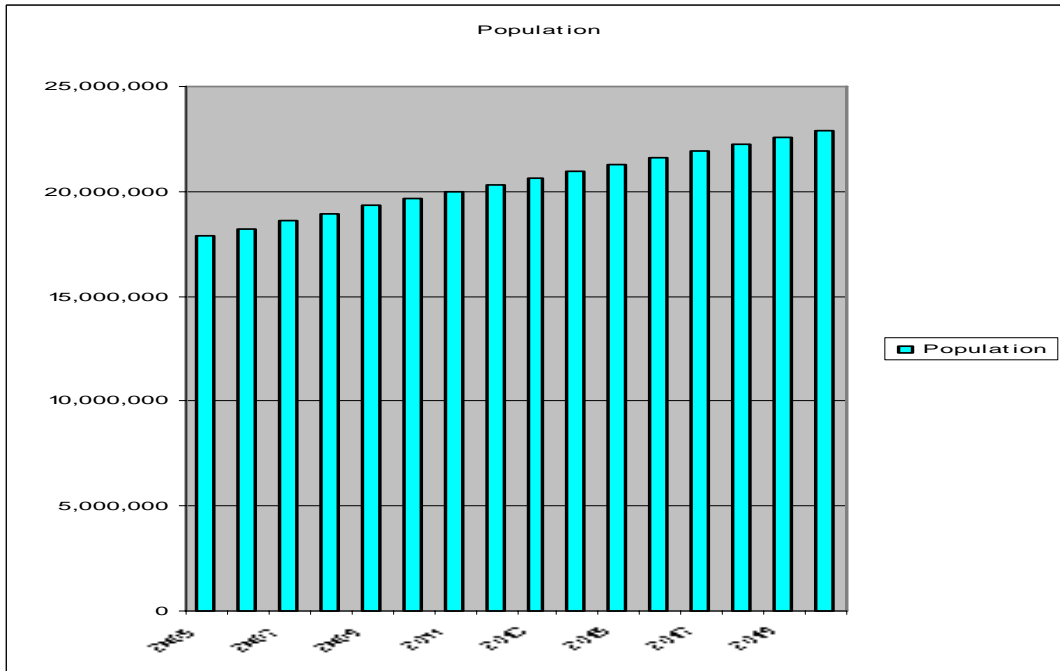


The Task Force was presented with forward looking population estimates from the Florida Demographic Estimating Conference (FDEC), summarized in the chart repeated below, that show the population continuing to grow, albeit at a slower rate than in the most recent past. Florida's population, according to this data is expected to grow from 17.87 million in 2005 to 22.89 million in 2020, for an average growth rate of 1.56%. The full data are presented in Table 1 at the end of this Appendix.



This population growth is not expected to be uniform across all areas. The Table shows the county level detail of the historical and forecast growth as estimated by the FDEC. The Table below uses these data to estimate the population growth rates at the county level across 2 different historical periods as well as from 2005 to 2020. The data show that the growth rate (not the absolute numbers) has already begun to slow as evidenced by the difference between the rates estimated from 1970-1990 and 1980-2004. Further, the growth rates are generally estimated to slow out to 2020. As well, the tremendous growth rates in population observed in the coastal counties is estimated to slow moving forward (again, the growth rates, not the absolute numbers).

Average Compound Annual Population Growth Rates

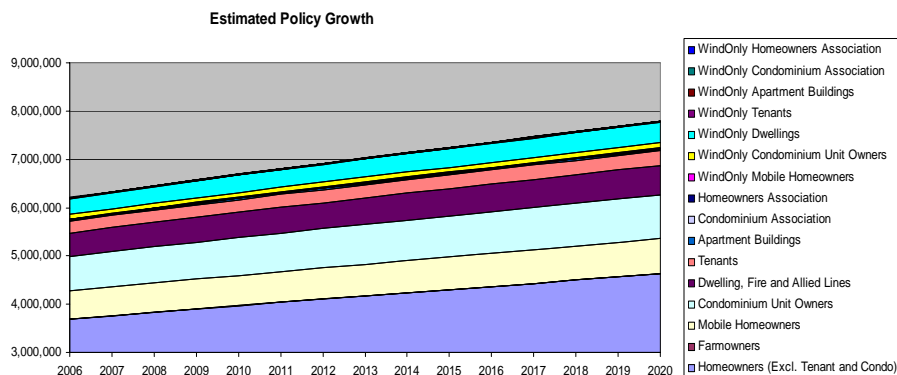
	1970-1990	1980-2004	2005-2020
Florida	3.12%	2.37%	1.56%
County			
Alachua	2.65%	1.80%	1.23%
Baker	3.36%	1.81%	1.31%
Bay	2.52%	1.95%	1.12%
Bradford	2.08%	1.31%	0.83%
Brevard	2.66%	2.62%	1.41%
Broward	3.42%	2.13%	1.46%
Calhoun	1.77%	1.54%	0.81%
Charlotte	6.86%	4.03%	1.68%
Citrus	7.83%	3.49%	1.55%
Clay	5.86%	3.63%	2.18%
Collier	6.82%	5.21%	2.82%
Columbia	2.52%	2.16%	1.55%
De Soto	2.91%	2.36%	1.68%
Dixie	3.18%	2.66%	1.53%
Duval	1.15%	1.56%	1.23%
Escambia	1.18%	1.10%	0.81%
Flagler	9.28%	7.70%	3.54%
Franklin	1.14%	1.33%	1.59%
Gadsden	0.23%	0.47%	0.54%
Gilchrist	4.88%	4.14%	2.07%
Glades	3.52%	2.36%	1.08%
Gulf	0.62%	1.68%	0.80%
Hamilton	1.63%	1.98%	0.61%
Hardee	1.29%	1.25%	0.94%
Hendry	3.77%	2.83%	1.64%
Hernando	8.86%	4.85%	1.69%
Highlands	4.09%	2.68%	1.34%
Hillsborough	2.56%	2.18%	1.61%
Holmes	1.86%	1.03%	0.66%
Indian River	4.47%	3.05%	1.81%
Jackson	0.88%	0.89%	0.63%
Jefferson	1.21%	1.10%	0.60%
Lafayette	3.18%	2.53%	0.89%
Lake	3.81%	3.57%	2.44%
Lee	5.67%	3.80%	2.25%
Leon	3.02%	2.32%	1.24%
Levy	3.43%	2.57%	1.70%
Liberty	2.41%	2.21%	0.80%
Madison	0.99%	1.08%	0.66%
Manatee	3.78%	2.79%	1.73%
Marion	5.07%	3.55%	1.97%
Martin	6.29%	3.11%	1.53%
Miami-Dade	2.04%	1.54%	1.10%

Monroe	1.90%	1.01%	0.21%
Nassau	3.67%	2.76%	2.03%
Okaloosa	2.35%	2.12%	1.41%
Okeechobee	4.73%	2.55%	0.95%
Orange	3.28%	3.12%	2.05%
Osceola	7.15%	6.28%	3.09%
Palm Beach	4.41%	3.12%	1.73%
Pasco	6.43%	2.84%	1.80%
Pinellas	2.36%	1.04%	0.55%
Polk	2.80%	2.01%	1.43%
Putnam	2.82%	1.49%	0.69%
Santa Rosa	4.90%	4.37%	2.13%
Sarasota	5.29%	3.89%	1.44%
Seminole	3.74%	3.54%	1.66%
St. Johns	4.06%	2.31%	2.69%
St. Lucie	6.05%	3.29%	2.08%
Sumter	3.66%	4.11%	2.75%
Suwannee	2.62%	2.13%	1.79%
Taylor	1.08%	0.95%	0.83%
Union	1.12%	1.46%	1.00%
Volusia	3.80%	2.54%	1.43%
Wakulla	3.94%	3.46%	2.42%
Walton	2.63%	3.52%	2.74%
Washington	1.88%	1.76%	1.44%

Source: Demographic Estimating Conference Database, updated July 2005.

Using these population growth estimates, a forecast of the future demand for insurance can be made. The forecast below assumes that the mix of housing stock and the demand for insurance in the futures can be approximated by relationships estimated from the data from the recent past. QUASR data on policy counts for various residential and commercial residential policies are used along with the population estimates to provide the forecast of future insurance demand.

This forecast is summarized graphically below:



The complete data are provided in Table 2 at the end of this Appendix. As the Table shows, the estimated number of homeowner's insurance policies is expected to rise from an estimated 2006 level of 3.7 million policies to 4.62 million by 2020. Similarly condo unit owner's policies are expected to rise from an estimated 726,020 policies to about 911,640 policies over the same period. Again, changes in habitational patterns and demographics, along with other factors, could alter the final outcomes; these variations are not readily incorporated into the estimates provided.

Along with the demand for property insurance to cover the necessary new housing that will be required to support Florida's population growth is an attendant need for additional capital to support the insurance coverage. Information provided to the Task Force from the Insurance Information Institute estimated the minimal need for additional capital to support Florida's insurance marketplace at around \$500 million per year. The OIR provided more conservative estimates.

Using the previously forecasted demand for insurance as a base, the OIR estimated premium growth in the Florida market under several scenarios and then compared the new capital that would be needed.

As a base, premium growth was forecast based on the estimated increase in policies in force, holding the average exposure per policy fixed and premium increases at zero. In the next step, the average premium per exposure was used along with the recent average growth in exposure per policy observed in the QUASR data. The result is a forecast of premium growth given increased exposure (e.g. structural value) but no increase in premium rate.

The last step involved estimating premium growth under an assumption that premium rates will continue to grow, in the present case, at assumed average rates of either 10 or 20%.

Finally, then, the needed new capital was estimated across gross premium to surplus ratios of a range between 2:1 and 10:1.

The details of the forecasts are in Table 3 at the end of the Appendix. To summarize the results of the scenarios estimating new capital needs out to 2020:

Mean level of new capital each year	\$37.1 million
Median level of new capital:	34.5 million
Standard deviation of scenario results:	20.2 million
75 th percentile	54.2 million
90 th percentile	66.4 million

It is important to note that these forecasts do not include any recapitalization that would be needed following hurricane losses between 2006 and 2020. The Florida Hurricane Catastrophe Fund estimates that the average annual hurricane loss is approximately \$2.2 billion for the current Florida market. Using writing ratios and reinsurance, it is likely

that event of this size, up to possibly around \$ billion in gross losses could be paid from premium income; beyond that the industry would face capital losses and the need to recapitalize, much like was done after the 2004/2005 seasons. The data summarized above is in Table 3 at the end of this Appendix.