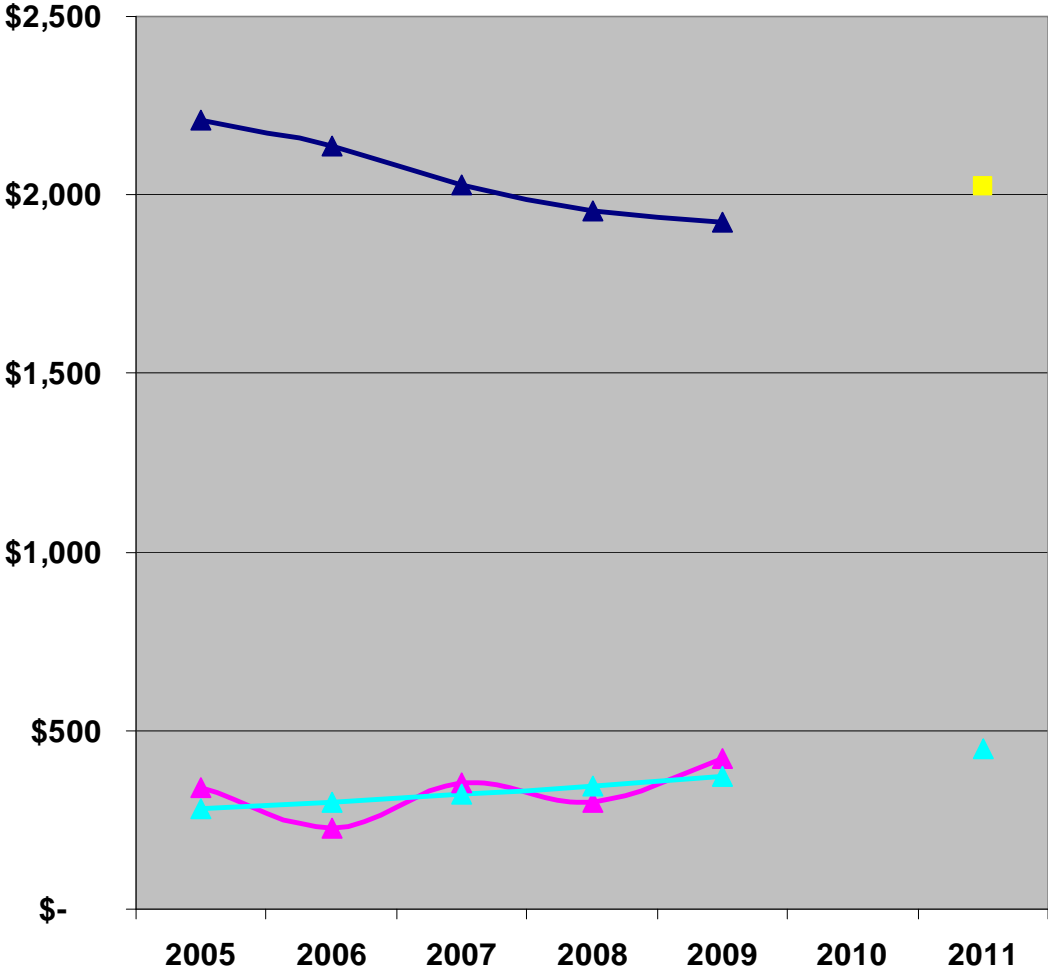

Sunshine State Insurance Company
OIR Filing #s 10-13618 and 10-13845
Hearing of September 30, 2010

Stephen A. Alexander FCAS, MAAA, MBA
Actuary
Insurance Consumer Advocate's Office

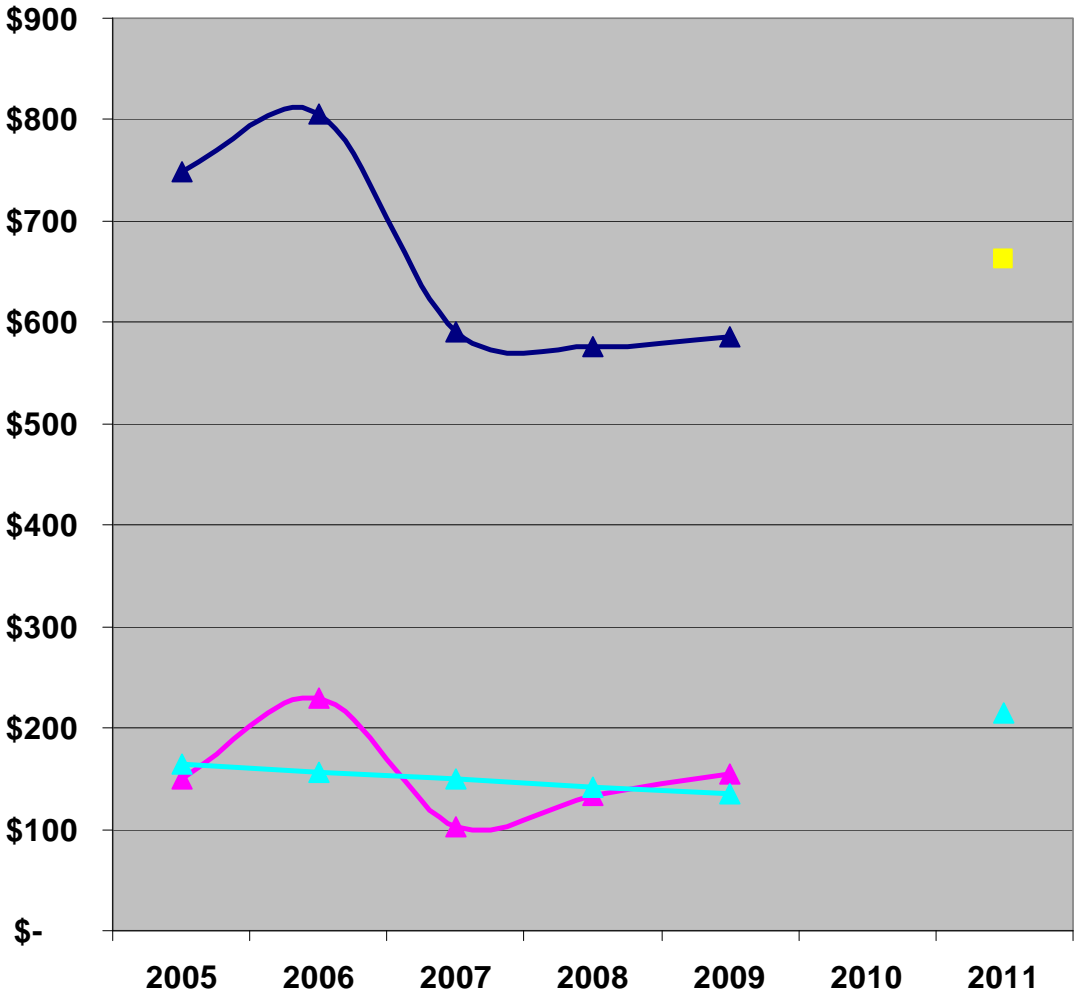
Issue Impacts on Rate Indications

	<u>HO 2&3</u>	<u>HO 6</u>	<u>DW</u>	<u>Overall</u>
Company Indication	26.1%	13.3%	28.8%	25.7%
Trends	-2.5%	-7.9%	-6.2%	-3.2%
Catastrophe Load	-3.1%	-2.5%	-2.2%	-3.0%
Expenses	0.0%	0.0%	0.0%	0.0%
Profit Load	-3.0%	-2.7%	-1.0%	-2.8%
ICA Preliminary Indication	15.5%	-0.9%	17.0%	14.8%

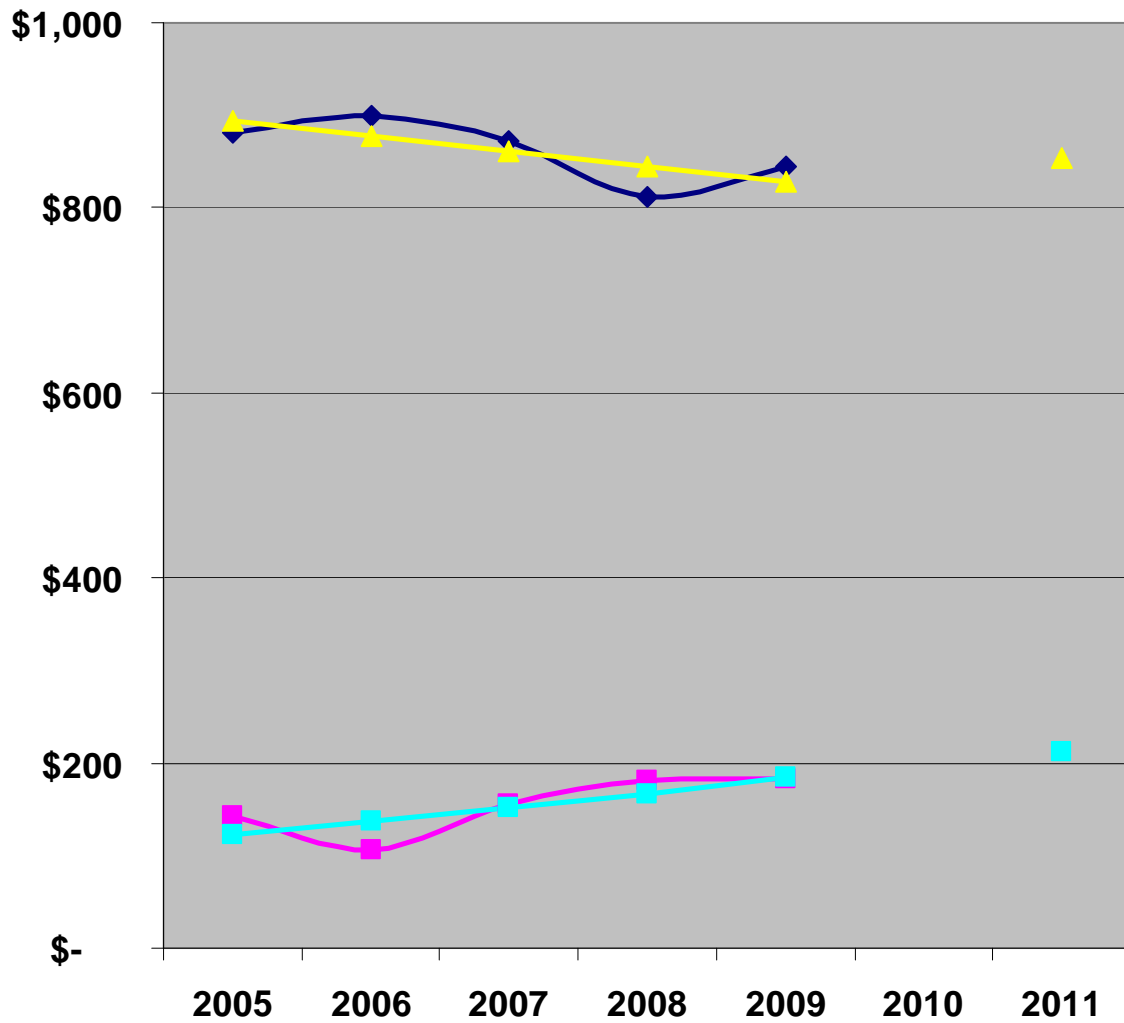
Everglades HO-2/3



Everglades HO-6



Manatee DP-1,2,3



Issue Impacts on Rate Indications

	<u>HO 2&3</u>	<u>HO 6</u>	<u>DW</u>	<u>Overall</u>
Company Indication	26.1%	13.3%	28.8%	25.7%
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ICA Preliminary Indication	15.5%	-0.9%	17.0%	14.8%

Unfunded Top Retained Losses \$Unlimited	
Unfunded Retained Losses \$11,114,178	FHCF Mandatory
Funded Retained Losses \$9,382,028	
Private Layer 4	
Private Layer 3	
Private Layer 2	
Private Layer 1	
FHCF LAC Coverage	
Funded Retained Losses \$1,815,000	
Funded Retained Losses \$907,500	Private 50% Quota Share

Unfunded Expected Top Retained Losses

	Policy Type	Expected Annual Hurricane Loss & ALAE	Unfunded Expected Top Retained Loss & ALAE	Funded Hurricane Cat Loss & ALAE
Manatee	FP1,2,3	2,619,625	566,550	2,053,074
Everglades	HP2-HP3	20,762,760	4,490,395	16,272,365
Everglades	HP6	630,946	136,456	494,490
Take-out	Various	5,283,458	1,142,662	4,140,797
Total Residential	All	29,296,788	6,336,063	22,960,726

Issue Impacts on Rate Indications

	<u>HO 2&3</u>	<u>HO 6</u>	<u>DW</u>	<u>Overall</u>
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Profit Load	-3.0%	-2.7%	-1.0%	-2.8%
ICA Preliminary Indication	15.5%	-0.9%	17.0%	14.8%

**Florida Domestic Homeowners Insurers with more than \$10 Million in Direct Written Premiums
2009 Calendar Year**

Company	Direct Premiums Written	Direct Premiums Earned	Commission and Brokerage	Loss Adjustment Expense	Other Acquisition	General	Taxes, Licenses and Fees	Total Expense	Expense Rank
Homeowners Choice Prop & Cas Ins Co	92,683	68,555	8.65	1.48	-	-	2.05	12.18	1
Hillcrest Ins Co	25,592	24,801	12.14	1.84	-	-	4.88	18.87	2
Omega Ins Co	38,031	36,698	13.66	3.83	0.16	0.59	2.29	20.53	3
First Floridian Auto & Home Ins Co	35,521	37,517	13.57	2.66	4.99	5.63	(6.30)	20.55	4
Southern Oak Ins Co	52,674	54,489	10.76	4.77	-	4.87	1.51	21.91	5
Citizens Prop Ins Corp	790,756	882,462	7.42	7.65	0.40	5.29	1.33	22.08	6
Capitol Preferred Ins Co	38,998	39,002	11.62	4.20	5.38	0.43	2.34	23.97	7
Edison Ins Co	52,223	56,353	17.17	3.89	0.83	1.37	1.40	24.66	8
Tower Hill Preferred Ins Co	70,353	71,961	17.63	5.72	0.90	0.60	1.49	26.34	9
Florida Farm Bur Gen Ins Co	34,922	33,820	9.51	7.28	6.08	2.51	1.09	26.47	10
Northern Capital Ins Co	103,482	88,656	18.72	6.51	-	-	1.54	26.77	11
Royal Palm Ins Co	153,912	168,372	17.96	3.62	1.64	2.44	1.96	27.60	12
Tower Hill Prime Ins Co	90,474	91,487	19.69	4.34	1.09	0.91	1.77	27.81	13
ASI Assur Corp	87,245	92,587	18.87	2.93	4.09	1.52	1.87	29.28	14
Florida Farm Bureau Cas Ins Co	65,359	63,157	9.51	10.08	6.09	2.52	1.09	29.30	15
Tower Hill Select Ins Co	68,767	69,650	20.21	5.20	1.11	0.91	1.96	29.39	16
American Traditions Ins Co	40,379	40,029	19.83	4.41	3.56	2.25	1.26	31.31	17
American Federation Ins Co	11,745	14,007	9.43	3.49	13.47	2.83	3.51	32.73	18
Universal Prop & Cas Ins	513,341	492,283	15.81	7.46	6.22	1.60	1.71	32.79	19
Homewise Preferred Ins Co	150,782	167,149	12.67	6.80	3.20	8.59	2.24	33.49	20
American Integrity Ins Co of FL	59,841	59,125	11.97	8.03	8.27	3.79	1.91	33.98	21
First Protective Ins Co	82,043	81,575	11.64	5.45	3.46	10.60	3.00	34.15	22
Southern Fidelity Ins Co Inc	87,198	79,042	12.81	4.54	11.36	3.47	3.28	35.47	23
St Johns Ins Co Inc	271,371	275,647	25.30	6.66	0.09	2.06	1.36	35.47	24
Fidelity Fire & Cas Co	47,573	39,805	12.06	3.68	3.52	12.86	3.57	35.69	25
Total/Average	3,065,265	3,128,229	13.95	6.26	2.57	3.53	1.64	27.96	

**Florida Domestic Homeowners Insurers with more than \$10 Million in Direct Written Premiums
2009 Calendar Year**

Company	Direct Premiums Written	Direct Premiums Earned	Commission and Brokerage	Loss Adjustment Expense	Other Acquisition	General	Taxes, Licenses and Fees	Total Expense	Expense Rank
First Community Ins Co	30,383	27,431	17.36	4.83	4.80	7.53	1.42	35.93	26
Security First Ins Co	93,783	82,722	9.22	4.87	2.45	17.58	2.30	36.42	27
American Strategic Ins Corp	77,542	77,863	19.40	3.49	6.62	3.86	3.24	36.61	28
Universal Ins Co of NA	112,222	118,454	13.11	9.53	11.32	1.89	1.34	37.18	29
Peoples Trust Ins Co	36,344	36,584	24.66	3.66	0.94	6.44	2.00	37.70	30
Federated Natl Ins Co	67,386	61,648	17.95	14.28	-	4.91	0.66	37.81	31
Safe Harbor Ins Co	13,141	11,910	22.28	7.67	0.15	3.64	4.28	38.03	32
Sunshine State Ins Co	95,921	86,694	10.43	11.80	8.69	5.27	2.14	38.33	33
Florida Family Ins Co	66,212	67,762	18.63	4.14	-	14.32	1.40	38.49	34
American Southern Home Ins Co	47,365	42,785	22.27	1.62	3.79	7.16	3.81	38.64	35
State Farm FL Ins Co	888,326	959,833	13.16	11.92	10.27	2.34	1.20	38.88	36
Modern USA Ins Co	25,596	22,068	23.60	4.21	4.95	3.77	2.38	38.91	37
Cypress Prop & Cas Ins Co	52,720	52,119	19.05	5.71	4.98	7.87	1.56	39.17	38
Florida Peninsula Ins Co	173,244	157,048	9.54	9.91	10.06	7.79	2.31	39.61	39
Privilege Underwriters Recp Exch	39,926	32,640	11.71	2.20	-	24.03	3.19	41.12	40
Olympus Ins Co	71,456	60,705	20.23	5.23	5.53	8.34	2.34	41.67	41
ASI Preferred Ins Corp	42,059	26,958	17.57	2.36	6.95	13.56	2.12	42.57	42
Gulfstream Prop & Cas Ins Co	47,953	40,357	17.93	12.60	5.16	3.83	4.03	43.56	43
First Home Ins Co	32,483	34,823	28.13	7.89	1.04	4.73	2.12	43.91	44
United Prop & Cas Ins Co	134,906	129,348	13.36	8.12	4.59	17.43	1.08	44.58	45
Argus Fire & Cas Ins Co	34,322	23,679	19.08	11.25	0.21	11.89	2.49	44.92	46
American Bankers Ins Co Of FL	144,718	144,803	23.27	7.05	6.57	5.88	2.91	45.68	47
Homewise Ins Co	38,927	23,729	12.36	3.44	8.77	19.79	4.22	48.57	48
Auto Club Ins Co of FL	16,274	8,978	15.20	3.58	11.38	20.33	3.28	53.77	49
Ark Royal Ins Co	13,696	7,298	12.98	3.62	24.43	9.14	4.03	54.20	50
Total/Average	2,396,905	2,338,239	15.09	9.20	7.59	6.22	1.80	39.90	

**Florida Domestic Homeowners Insurers with more than \$10 Million in Direct Written Premiums
2009 Calendar Year**

	Direct Premiums Written	Direct Premiums Earned	Loss Adjustment Expense Ratio	Incurred Loss Ratio	LAE / Incurred Loss Ratio	Rank
American Southern Home Ins Co	47,365	42,785	1.62	40.86	3.97	1
Homeowners Choice Prop & Cas Ins Co	92,683	68,555	1.48	29.42	5.04	2
Hillcrest Ins Co	25,592	24,801	1.84	26.73	6.88	3
American Federation Ins Co	11,745	14,007	3.49	42.85	8.14	4
Privilege Underwriters Recp Exch	39,926	32,640	2.20	25.50	8.61	5
Capitol Preferred Ins Co	38,998	39,002	4.20	47.63	8.82	6
ASI Preferred Ins Corp	42,059	26,958	2.36	25.93	9.12	7
Royal Palm Ins Co	153,912	168,372	3.62	36.27	9.97	8
Ark Royal Ins Co	13,696	7,298	3.62	35.74	10.12	9
Omega Ins Co	38,031	36,698	3.83	32.39	11.82	10
ASI Assur Corp	87,245	92,587	2.93	24.73	11.86	11
American Strategic Ins Corp	77,542	77,863	3.49	29.44	11.86	12
Homewise Preferred Ins Co	150,782	167,149	6.80	57.31	11.87	13
Tower Hill Prime Ins Co	90,474	91,487	4.34	35.37	12.27	14
Tower Hill Select Ins Co	68,767	69,650	5.20	41.91	12.42	15
Edison Ins Co	52,223	56,353	3.89	30.97	12.56	16
Cypress Prop & Cas Ins Co	52,720	52,119	5.71	43.56	13.10	17
Tower Hill Preferred Ins Co	70,353	71,961	5.72	42.54	13.44	18
Southern Fidelity Ins Co Inc	87,198	79,042	4.54	33.47	13.58	19
First Community Ins Co	30,383	27,431	4.83	34.18	14.12	20
First Floridian Auto & Home Ins Co	35,521	37,517	2.66	17.78	14.97	21
Florida Family Ins Co	66,212	67,762	4.14	27.39	15.11	22
Modern USA Ins Co	25,596	22,068	4.21	27.22	15.47	23
Peoples Trust Ins Co	36,344	36,584	3.66	23.24	15.75	24
Florida Farm Bur Gen Ins Co	34,922	33,820	7.28	44.41	16.39	25
	1,470,289	1,444,509	4.19	36.29	11.55	

**Florida Domestic Homeowners Insurers with more than \$10 Million in Direct Written Premiums
2009 Calendar Year**

	Direct Premiums Written	Direct Premiums Earned	Loss Adjustment Expense Ratio	Incurred Loss Ratio	LAE / Incurred Loss Ratio	Rank
American Traditions Ins Co	40,379	40,029	4.41	26.48	16.64	26
Northern Capital Ins Co	103,482	88,656	6.51	38.21	17.04	27
Fidelity Fire & Cas Co	47,573	39,805	3.68	21.27	17.30	28
Citizens Prop Ins Corp	790,756	882,462	7.65	41.86	18.28	29
American Bankers Ins Co Of FL	144,718	144,803	7.05	38.25	18.43	30
Florida Farm Bureau Cas Ins Co	65,359	63,157	10.08	52.96	19.04	31
Security First Ins Co	93,783	82,722	4.87	24.88	19.59	32
Olympus Ins Co	71,456	60,705	5.23	25.16	20.79	33
First Home Ins Co	32,483	34,823	7.89	36.09	21.85	34
Universal Prop & Cas Ins	513,341	492,283	7.46	33.80	22.06	35
Homewise Ins Co	38,927	23,729	3.44	15.21	22.59	36
First Protective Ins Co	82,043	81,575	5.45	24.12	22.60	37
St Johns Ins Co Inc	271,371	275,647	6.66	28.62	23.27	38
American Integrity Ins Co of FL	59,841	59,125	8.03	33.35	24.08	39
United Prop & Cas Ins Co	134,906	129,348	8.12	31.87	25.47	40
State Farm FL Ins Co	888,326	959,833	11.92	46.70	25.52	41
Universal Ins Co of NA	112,222	118,454	9.53	37.21	25.60	42
Auto Club Ins Co of FL	16,274	8,978	3.58	13.90	25.79	43
Southern Oak Ins Co	52,674	54,489	4.77	16.22	29.41	44
Gulfstream Prop & Cas Ins Co	47,953	40,357	12.60	41.29	30.52	45
Argus Fire & Cas Ins Co	34,322	23,679	11.25	34.96	32.17	46
Federated Natl Ins Co	67,386	61,648	14.28	40.37	35.37	47
Safe Harbor Ins Co	13,141	11,910	7.67	21.22	36.17	48
Sunshine State Ins Co	95,921	86,694	11.80	28.82	40.95	49
Florida Peninsula Ins Co	173,244	157,048	9.91	21.13	46.92	50
	3,991,881	4,021,959	8.71	37.35	23.33	

Expense Ratios

		Average	Loss Adjustment Expense Ratio	General Expense Ratio	Selling Expense Ratio	Taxes, Licenses & Fees	Total Expense Ratio	Per Policy Expenses Excluding Reinsurance	Expense Savings per Policy	% Higher Than Countrywide
Countrywide	2006	801	8.4%	4.6%	20.9%	2.2%	36.1%	289		
	2007	816	8.2%	4.4%	21.1%	2.4%	36.1%	295		
	Est 2009	856					36.1%	309		0.0%
Statewide	2006	1,377	5.4%	4.6%	19.8%	1.7%	31.5%	434		
	2007	1,539	4.7%	4.4%	19.9%	2.8%	31.8%	489		
	Est 2009	1,609					31.8%	512		65.6%
Sunshine State @ Statewide @ Countrywide	2011	1,552	6.7%	5.4%	18.6%	1.8%	32.4%	503	-	62.8%
							33.0%	512	(9)	65.6%
							19.9%	309	194	0.0%

Impact of Expense Savings on 2009 Net Income

Net Income	(\$5,858,286)	(\$5,858,286)
Number of Policies	54,255	54,255
Expense Savings per Policy	(\$9)	\$194
Increase in Net Income	(\$474,463)	\$10,527,119
Revised Net Income	(\$6,332,749)	\$4,668,833

Five-Year Historical Data

	For 2009	For 2008	For 2007	For 2006	For 2005
Gross Premiums Written	128,267,383	127,758,570	82,051,442	105,011,027	79,754,854
Ceded Premiums	109,248,595	117,979,596	98,770,120	115,942,244	85,820,662
Net Premiums Written	19,018,788	9,778,974	-16,718,678	-10,931,217	-6,065,808
Net Income	-5,858,286	-3,225,031	-6,131,197	-2,523,917	-4,072,140
Common Stock	1,520,000	1,520,000	1,520,000	1,520,000	1,530,000
Surplus Notes	3,000,000	3,000,000	3,000,000	3,000,000	0
Gross Paid In And Contributed Surplus	71,712,322	67,617,686	57,217,686	53,092,686	51,638,400
Unassigned Funds	-64,127,794	-60,502,731	-55,608,146	-49,706,175	-47,429,501
Surplus As Regards Policyholders	12,104,528	11,634,955	6,129,540	7,906,511	5,738,899

Issue Impacts on Rate Indications

	<u>HO 2&3</u>	<u>HO 6</u>	<u>DW</u>	<u>Overall</u>
Company Indication	26.1%	13.3%	28.8%	25.7%
Trends	-2.5%	-7.9%	-6.2%	-3.2%
Catastrophe Load	-3.1%	-2.5%	-2.2%	-3.0%
Expenses	0.0%	0.0%	0.0%	0.0%
Profit Load	-3.0%	-2.7%	-1.0%	-2.8%
ICA Preliminary Indication	15.5%	-0.9%	17.0%	14.8%

Financial Strength Ratings

Demotech		
Rating	Description	Default Risk
A''	Unsurpassed	0.00%
A'	Unsurpassed	1.00%
A	Exceptional *	3.00%
S	Substantial	5.00%
M	Moderate	10.00%
L	Licensed	not available
NR	Not Rated	not available
N/A	Ineligible	not available

Weiss		
Rating	Description	Default Risk ***
A+	Excellent	0.06%
A	Excellent	0.19%
B	Good	0.75%
C	Fair	2.06%
D +	Weak	3.41%
D & D-	Weak	6.02%
E +	Very Weak **	7.27%
E & E-	Very Weak	not available
F	Failed	not available

**Merrill Lynch High Yield Bond Index
as of 9/22/2010**

	Average Annual Yield
High Yield Constrained*	9.1%
Triple-C-rated (CCC)	13.0%
High Yield 100	7.3%
Europe High Yield Constrained	9.8%
Global High Yield Constrained	9.2%
Average Before FIT	9.7%
Average FIT Rate	24.0%
Average After FIT	7.4%

Reinsurance

Renaissance Re	A+	Bermuda
Everest Re	A+	USA
Amlin Bermuda	A	Bermuda
DaVinci Re	A	Bermuda
Argo Re	A	Bermuda
Allied World Assurance	A	Bermuda
Scor Re	A	France
Transatlantic Re	A	USA
Arch Re	A	USA
Odyssey Re	A	USA
Omega Bermuda	A-	Bermuda
Ariel Re	A-	Bermuda
Eurasia Insurance Co	B++	Kazakhstan
Lansforsakringar	NR-5	Sweden
Anadolu Sigorta	NR-5	Turkey
Nephila Capital	None	Bermuda

Reinsurance

About Sunshine State Insurance Company

- “We are a privately held Florida based insurance company with extensive experience throughout the state. In fact, we've been at it longer than most other domestic companies in the state. As a privately held company, Sunshine State Insurance Company enjoys the freedom to remain highly selective in the plans we offer and the agencies we choose to work with.”
- “Of more than 6,000 licensed agents in the state of Florida, only about 500 meet our strict criteria. All of our reinsurers are rated between "A" and "A++" by the A.M. Best Company, so you can rest assured that you're getting the best coverage with the best agency representation.”
- Source: Sunshine State website (www.ssic-insco.com/about-us.php) as of September 23, 2010.

Underwriting Profit Provision

	ICA	Sunshine State
Equity Market Risk Premium	5.20%	24.50%
Default (Bankruptcy) Risk	7.84%	7.84%
Projected Risk Free Rate	0.50%	0.50%
Required Profit as % of Surplus After FIT	13.54%	32.84%
Direct Written Premium	128,267,383	128,267,383
Policyholder Surplus	12,104,528	12,104,528
Required Profit as % of Premium After FIT	1.28%	3.10%
Investment Income as % of Premium	-0.29%	-0.29%
Underwriting Profit Provision After FIT	0.99%	2.81%
Average FIT Rate	24.00%	24.00%
Indicated Underwriting Profit Provision Before FIT	1.30%	3.70%
Selected Underwriting Profit Provision Before FIT	1.30%	3.70%

Issue Impacts on Rate Indications

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