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**First Community Insurance Company**  
**OIR Filing # 10-14149**  
**DP-3 Wind and All Other Perils**  
**Hearing of October 21, 2010**

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**Actuary**  
**Insurance Consumer Advocate's Office**

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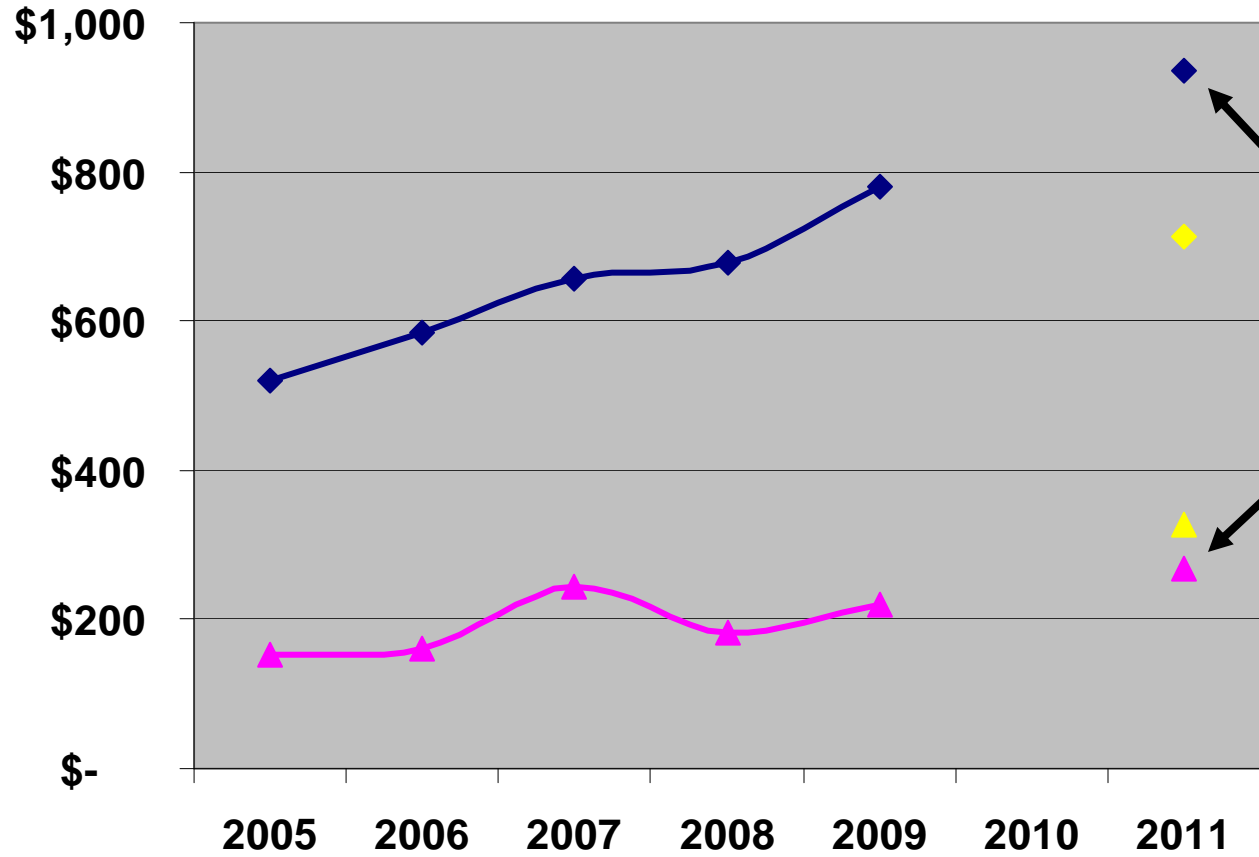
# Issues

- **Annual rate of increase in average premium per policy (Premium Trend)**
- **Annual rate of increase in average loss per policy (Loss Trend)**
- **Underwriting Profit Provision**

# Trends

- **Premium Trend:**
  - **Insurance Consumer Advocate: 10.0%**
  - **First Community: 2.2%**
  
- **Loss Trend:**
  - **Insurance Consumer Advocate: 9.0%**
  - **First Community: 10.0% (Retro.)  
15.0% (Prosp.)**

# Average Premium per Policy vs Average Non-Catastrophe Loss & LAE per Policy



**Consumer Advocate**

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# Fast Track Data

<b>Personal Residential Policies in Force</b>	<b>6,188,452</b>
<b>Policies in Force Excluding Wind Coverage</b>	<b>401,579</b>
<b>Net Number of Homes Insured</b>	<b>5,786,873</b>
<b>Homes Included in Fast Track Data</b>	<b>1,167,783</b>
<b>% of Homes Covered by Fast Track</b>	<b>20.2%</b>

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# Underwriting Profit Provision

- **Insurance Consumer Advocate:**
  - **.19% of Premium**
  
- **First Community:**
  - **3.30% of Premium**

**Five-Year Historical Data  
First Community Ins Co**

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Gross Premiums Written</b>	72,113,991	53,691,174	50,259,297	40,187,092	28,986,231
<b>Ceded Premiums Written</b>	44,266,754	31,709,447	24,342,480	18,551,361	11,145,320
<b>Net Premiums Written</b>	27,847,237	21,981,727	25,916,817	21,635,731	17,840,911
<b>Net Investment Gain</b>	2,583,273	2,081,341	3,137,252	1,485,031	1,182,740
<b>Net Underwriting Gain</b>	-613,709	3,330,174	7,334,987	1,465,940	2,185,911
<b>Federal And Foreign Income Taxes</b>	-1,095,124	-2,130,635	-3,758,295	-1,500,264	-1,543,159
<b>Total Other Income</b>	-9,447	-1,963	123,372	94,265	121,622
<b>Net Income</b>	864,993	3,278,917	6,837,315	1,544,973	1,947,114
<b>Surplus As Regards Policyholders</b>	19,969,533	18,269,472	18,217,430	13,071,613	10,904,437

## Returns on Surplus

	<b>FCIC Actual 2009</b>	<b>ICA Proposed 2011</b>	<b>FCIC Proposed 2011</b>
<b>Investment Income</b>	<b>12.94%</b>	<b>10.83%</b>	<b>10.83%</b>
<b>Underwriting &amp; Other Income</b>	<b>-3.12%</b>	<b>0.67%</b>	<b>11.92%</b>
<b>Federal Income Tax</b>	<b>-5.48%</b>	<b>-4.03%</b>	<b>-7.96%</b>
<b>Net Income</b>	<b>4.33%</b>	<b>7.48%</b>	<b>14.79%</b>

## Financial Strength Ratings

Demotech		Weiss		A.M. Best's	
Rating	Default Risk	Rating	Default Risk ***	Rating	Default Risk ***
A"	0.00%	A+	0.06%	A++/A+	0.06%
A'	1.00%	A	0.19%	A/A-	0.19%
A	3.00%	B	0.75%	B++/B+	0.75%
S	5.00%	C	2.06%	B/B-	2.06%
M	10.00%	D +	3.41%	C++/C+	3.41%
L	not available	D & D-	6.02%	C/C-	6.02%
NR	not available	E +	7.27%	D	7.27%
N/A	not available	E & E-	not available	E	not available
		F	not available	F	not available

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

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

## Underwriting Profit Provision

	ICA	FCIC
Equity Risk Premium	5.20%	
Default Risk	2.00%	
Risk Free Rate	0.28%	
Required Return on Surplus after FIT	7.48%	14.79%
Gross Written Premium	72,113,991	72,113,991
Policyholder Surplus	19,969,533	19,969,533
Required Profit as % of Premium	2.07%	4.10%
Investment Income after FIT	-1.95%	-1.95%
Underwriting Profit Provision	0.12%	2.15%
Average FIT Rate	35.00%	35.00%
Underwriting Profit Provision Before FIT	0.19%	3.30%

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	<b>ICA</b>	<b>FCIC</b>
<b>Projected Hurricane Loss &amp; LAE ratio</b>	<b>17.9%</b>	<b>17.9%</b>
<b>Proj. Incurred Loss &amp; LAE Ratio</b>	<b>47.7%</b>	<b>65.6%</b>
<b>Expected Fixed Expense Ratio</b>	<b>20.6%</b>	<b>20.6%</b>
<b>Expected Variable Expense Ratio</b>	<b>26.7%</b>	<b>29.8%</b>
<b>Credibility-Weighted Rate Level Indication</b>	<b>-6.8%</b>	<b>22.8%</b>
<b>Cost of Reinsurance to Replace TICL</b>	<b>7.1%</b>	<b>7.1%</b>
<b>Rate Level Indication</b>	<b>0.3%</b>	<b>29.9%</b>