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For additional information or clarification regarding any of the articles published in *The Guardian*, please contact Ms. Paula Anders, **WNCFirst** Corporate Development Coordinator at panders@wncfirst.com

Hot Issues

Judge Rules In Favor Of Insurer In Katrina Lawsuit

August 15, 2006 - In the lawsuit filed in Mississippi by a couple whose home was destroyed by Hurricane Katrina, a federal judge ruled today that the insurer appropriately denied the big portion of the claim - because the homeowners policy clearly excluded flood damage. The lawsuit received national press coverage and was watched closely by the insurance industry.

After eight days of a bench trial, Judge L.T. Senter, Jr. awarded the plaintiffs \$1,228 for wind damage out of more than \$158,000 that they sought in the lawsuit. According to Judge Senter, the insurer, Nationwide Mutual Insurance "has met the burden of proving,

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From The President's Desk

At Your Service

by William M. Keeler



Hello and welcome to this issue of The Guardian. I hope you had an enjoyable summer with your family and friends. I'm happy to say that we've had a great six months at **WNCFirst** - our revenues are up, new business is on the books, a new voluntary flood program with Chubb is doing well - and to top it off - a former major client has returned - GMAC Mortgage. We're optimistic that the growth we've had so far will continue in the next quarter and into 2007.

I would like to thank you for being a part of our growth because without your confidence we would not have reached our targets. You can count on **WNCFirst's** forty-four years of experience, expertise, and strong partner network for commitment and support.

Since 1962, we have been providing insurance programs and services to the lending industry. We pioneered lender-placed flood insurance in the 80's and helped mortgage lenders comply with federal flood insurance laws through portfolio insurance audits. Through the years, we've made several improvements to our flood program in response to clients' needs and changing regulations. Today, **WNCFirst** offers a complete package of flood insurance solutions to help our clients.

More than 2,000 financial institutions - from large national lenders to midsized and small community banks - and over 900 independent agencies and brokers now use or market **WNCFirst's** programs.

We are as committed today as we were in 1962. We have flood, hazard, wind, CPI and insurance tracking solutions to help lenders quickly cover their exposures. We also have an outstanding term life insurance program with several major banks and other products that can be marketed directly to bank customers. To get more information, please call 1-800-423-2497 and ask for the Marketing Department.

If there is anything we can do to help you better, please call your **WNCFirst** representative or me directly at 626-463-6457.

by a preponderance of the evidence, that [majority of] the damage to the plaintiffs' property was caused by water and waterborne materials excluded by their policy." Judge Senter further noted that the homeowner "knew [that separate] flood insurance was available and optional" but decided not to purchase it.

In a statement released after the ruling, Nationwide said, "This ruling underscores just how important it is for all policyholders to carefully read and understand the terms of the coverage they purchase."

WNCFirst has both lender-placed and voluntary flood insurance programs to provide lenders and homeowners with crucial flood coverage especially for residential, commercial, and condominium properties located in designated flood hazard areas.

LA Court Upholds 1-year Extension to File Suit

August 25, 2006 - The Louisiana Supreme Court upheld today two new state laws providing policyholders more time to file suit against their insurers or file claims for damage from hurricanes Katrina and Rita.

This means that homeowners, renters, condo unit owners, drivers with auto insurance and other nonfederal flood insurance policyholders have until September 1, 2007 to file lawsuits regarding Katrina damages and until October 1, 2007 for Rita damages. In his ruling, Justice Chet Traylor wrote that the one-year extension is "both appropriate and reasonable in order to protect the rights of the citizens of Louisiana and their general welfare."

WNCFirst's lender-placed flood program will fully comply with state-specific laws and regulations. A specific provision in the flood policy provides that in cases where the terms of the policy are in conflict with the statutes of the state wherein the policy is issued, said terms are [automatically] amended to conform to such statutes.

For information on our flood programs, call us at 800-423-2497 and ask for the Marketing Department or visit us at www.wncfirst.com.

Flood Insurance Reform and Modernization Act of 2006 (H.R. 4973) Awaits U.S. Senate Action

After being passed by the House of Representatives on 6/27/06 and received in the US Senate and read twice on 6/28/06, H.R. 4973 awaits further action.

Here's a quick section-by-section look at the Act's provisions:

- Sec. 1:** Title: Flood Insurance Reform and Modernization Act of 2006 and Table of Contents (listing all twenty-four sections).
- Sec. 2:** States specific facts about flood, flood insurance, policyholder expectations, among others; states primary purposes of preserving NFIP integrity, increasing incentives for homeowners to purchase flood coverage, and increasing awareness of flood risks.
- Sec. 3:** Instructs Comptroller General to report NFIP status for certain pre-FIRM properties (properties not constructed or substantially improved after specified dates).
- Sec. 4:** Provides a phase-in period for increased premium rates for non-residential properties, non-primary residences and pre-FIRM properties (constructed or substantially improved before 12/31/74).
- Sec. 5:** Reduces from 30 to 15 days the waiting period before coverage takes effect.
- Sec. 6:** Increases civil monetary penalties from \$350 to \$2,000 for each regulated lender violation and from \$100,000 to \$1,000,000 the total amount of penalties in a calendar year.
- Sec. 7:** Increases maximum amount of coverage for a residential property from \$250,000 to \$350,000 for a single-family dwelling; from \$100,000 to \$135,000 for contents per dwelling; and from \$500,000 to \$670,000 for commercial structures and related contents.
- Sec. 8:** Prescribes coverage for necessary increases in living expenses, basement improvements, business interruption, and replacement cost of contents.

- Sec. 9:** Increases from 10% to 15% the annual cap on premium increases.
- Sec. 10:** Increases from \$18.5 billion to \$25 billion the borrowing authority of FEMA.
- Sec. 11:** Requires FEMA, upon request of the state insurance regulator, to participate in state flood disaster claims nonbinding mediation programs.
- Sec. 12:** Requires FEMA Director to report semiannually on the NFIP's financial status.
- Sec. 13:** Extends funding through 2011 for pilot mitigation program for repetitive loss properties.
- Sec. 14:** Amends RESPA of 1974 to require good faith estimates to state that flood insurance for residential real estate is generally available, regardless if property is located in a special flood hazard area.
- Sec. 15:** Instructs the FEMA Director to establish appeal process for policyholders, implement minimum training and education standards for insurance agents, and report on implementation of provisions of Flood Insurance Reform Act of 2004.
- Sec. 16:** Amends Flood Act of 1968 to require FEMA Director to establish and report on a program to review, update, and maintain flood insurance maps and to review and revise floodplain and flood risk zones.
- Sec. 17:** Requires FEMA Director to notify in writing, by first class mail, each owner of real property affected by proposed flood elevations, of the process for appealing a flood zone determination.
- Sec. 18:** Requires FEMA Director to maintain a national levee inventory and clarify the applicability of replacement cost coverage.
- Sec. 19:** Instructs FEMA Director to clarify applicability of replacement cost coverage and revise documents to clearly describe coverages to policyholders including a one-page description of the policy using plain language.
- Sec. 20:** Authorizes additional FEMA staff.
- Sec. 21:** Directs Department of Homeland Security Inspector General to investigate and report on insurers making flood insurance coverage

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Claims Corner

Remembering Katrina



Photo Courtesy FEMA

On August 28 and 29, 2005, one of the deadliest and costliest natural disasters in U.S. history took place causing death, havoc and destruction in Florida, Louisiana, Alabama and Mississippi.

In remembrance of those who lost their lives...in honor of those who risked their own lives in saving others and those who opened their homes to the victims...we take a look back at Katrina through the following highlights:

- Katrina made landfall near Empire, Louisiana shortly after 7 a.m., EDT, on Monday, August 29, 2005.
- Total insured damage is assessed at \$40 billion and total uninsured damage is estimated to be \$100 billion.
- Federal disaster declarations covered 90,000 square miles of affected areas.
- More than 78,000 people were brought to shelters.
- More than 72,000 federal personnel were deployed.
- More than 49,800 lives were saved and rescued; the US Coast Guard rescued more than 33,000 lives.
- 50,000 National Guard personnel were involved in the relief effort.
- 462,000 residents of New Orleans (around 80% of total population) evacuated before

Katrina made landfall; 25,000 sought shelter in the Superdome.

- Approximately 80% of New Orleans was flooded as deep as 20 feet in some places.
- At least 370,000 customers lost electrical power in southeast Louisiana, 900,000 in Mississippi, 718,000 in Alabama, 77,000 in Florida's panhandle and 136,300 in South Florida.
- Flooding reached 11 feet in Mobile, Alabama matching a record set in 1917.
- Biloxi, Mississippi's Keesler Air Force Base (home of the US Air Force fleet of hurricane-hunter aircraft) was 95% destroyed.
- Sailboats were swept onto streets in Gulfport, MS; hundreds of waterfront homes, businesses, landmarks and condominiums were obliterated; casinos were damaged or totally destroyed.
- FEMA brought in 500 buses to transport people to Houston's Astrodome - 350 miles away - where some stayed until December 2005.
- The American Red Cross, in coordination with the Southern Baptist Convention served more than 43 million hot meals and snacks to survivors of Katrina and Rita.
- 93 Disaster Recovery Centers were opened across the Gulf Coast.

- The Department of Defense organized one of the biggest search-and-rescue operations in history by sending four Navy ships to the Gulf Coast, search helicopters and eight swift-water rescue teams.

Sources: FEMA; New York Times; Dept. of Defense; Washington Post; FirstGov.gov

Updated Estimates Remind of Destruction

The Louisiana Department of Insurance recently issued an updated estimate of Hurricane Katrina reported claims and insured losses paid (as of 7/31/06), excluding those paid by the NFIP. The updated estimates are:

- Losses paid to date: \$14,552,324,751
- Number of claims reported: 716,864
- Number of parishes with Katrina claims: All 64 parishes



Photo Courtesy FEMA

- Parish with most number of claims: Jefferson Parish - 218,939 claims costing \$4.4 billion
- Parish with costliest claims: Orleans Parish - \$5.1 billion covering 179,123 claims
- Parish with fewest claims: Caldwell and Claiborne tied with 24 claims each totaling \$168,000 and \$176,000 respectively
- Line of business with most claims filed: Homeowners - 57.6% of all claims; 413,052 claims costing \$5.8 billion
- Line of business with highest per claim payment: \$85,169 per Commercial Multi-Peril claim
- Number of parishes with over 10,000 claims: 12

Source: LA Department of Insurance

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12 Months After: Almost 95% of Homeowners Claims are Settled



Photo Courtesy FEMA

A year after Hurricane Katrina, the Insurance Information Institute reports that nearly 95% of homeowners insurance claims in Louisiana and Mississippi have been settled - meaning both insured and insurer have agreed on the extent of damage and cost of repair. More than 993,000 homeowners insurance claims totaling close to \$15.5 billion have been paid by insurers.

In a poll conducted by IPSOS Public Affairs, it was found that 89% of homeowners in Louisiana and 93% in Mississippi are satisfied with their insurance company. Less than 2% of homeowners claims in both states are in dispute, either through mediation or litigation. Around 77% of claims in mediation have been successfully resolved in Louisiana and 80% in Mississippi.

It is estimated that the property and casualty insurance industry will pay \$40.6 billion on approximately 1.7 million claims in six states for Hurricane Katrina alone. In contrast, Hurricane Andrew, the previous record holder, caused \$15.5 billion in losses in 1992 with 792,000 claims.

Insured losses to homes, businesses, and vehicles in 2005 caused by Hurricanes Katrina, Rita, Wilma, and Dennis are estimated to be \$57 billion and 3.3 million claims are expected.

Source: Insurance Information Institute

Where in the country is the NFIP?

Does your region have the most number of NFIP flood policies? Do homeowners in areas not designated as Special Flood Hazard Areas buy flood insurance even if it's not required? What are the top 10 counties in terms of the number of flood policies in relation to the total number of homes?

Shocking, but true. Less than half of homes inside SFHAs have flood insurance, and only 1 out of every 100 homeowners with properties outside SFHAs believe they need it. Take a look.

Market Penetration Rate Of Federal Flood Insurance For Single Family Homes Based On Address Matching (1)

| Location | Market penetration rate (percent) |
|---|-----------------------------------|
| Inside SFHAs (2) - Flood Insurance is required. | |
| Northeast | 28.0% |
| South | 61.0 |
| Midwest | 22.0 |
| West | 60.0 |
| Total U.S. | 49.0 |
| Outside SFHAs (2) - Flood Insurance is not required. | |
| Northeast | 0.6 |
| South | 3.0 |
| Midwest | 0.4 |
| West | 1.0 |
| Total U.S. | 1.0 |

(1) Based on "address matching" analysis by RAND.

(2) Special Flood Hazard Areas.

Source: RAND.

Flood Insurance In The Top 10 Counties, Ranked By Market Penetration Rate, 2005

| Rank | County | State | Residential policies in force at end of year | Total single family homes in 2004 (1) | Market penetration rate (Percent) |
|------|--------------------|-----------|--|---------------------------------------|-----------------------------------|
| 1 | Jefferson Parish | Louisiana | 105,615 | 131,883 | 84.0% |
| 2 | Walton County | Florida | 13,919 | 17,454 | 81.5 |
| 3 | Broward County | Florida | 402,964 | 516,584 | 80.0 |
| 4 | Collier County | Florida | 76,199 | 100,259 | 78.7 |
| 5 | Lee County | Florida | 135,324 | 181,331 | 77.1 |
| 6 | Galveston County | Texas | 56,495 | 79,505 | 74.1 |
| 7 | Glynn County | Georgia | 15,232 | 22,976 | 69.6 |
| 8 | St. Bernard Parish | Louisiana | 13,874 | 21,010 | 68.4 |
| 9 | Miami-Dade County | Florida | 378,708 | 574,616 | 68.1 |
| 10 | Orleans Parish | Louisiana | 76,966 | 121,730 | 66.7 |

Source: RAND.

Service Spotlight

Close More Loans with Fast Rate Flood™

by Lynda Andrews, EVP

WNCFirst's newest offering - Fast Rate Flood™ - expedites mortgage loan closing by providing a convenient way of securing necessary flood coverage when other insurance or an elevation certificate required for NFIP coverage has not been obtained by the borrower.

Fast Rate Flood™ provides the following important benefits:

- Eliminates loan closing delays due to missing flood insurance
- Easy-to-obtain coverage for owner-occupied 1-4 unit dwellings
- Simple rating per \$100 of building or contents coverage based on the property's construction year
- No elevation certificate required
- Coverage available for pre- and post-FIRM properties
- If other coverage is obtained, unearned premium is refunded pro rata

Coverage-wise, Fast Rate Flood™ offers the following advantages:

- Replacement cost coverage on building (no deduction for depreciation)
- No coinsurance requirement (no discounting of claim regardless of the amount of coverage purchased)
- Additional Living Expense coverage up to \$5,000
- Increased Cost of Compliance (I.C.C.) coverage up to \$30,000 - same as NFIP
- Optional contents coverage up to \$50,000 is available

With the challenges created by stricter underwriting and rising rates in other flood programs, Fast Rate Flood™ is a timely addition to **WNCFirst's** complement of flood insurance solutions - strengthening our ability to meet the needs of both lenders and homeowners nationwide.

If you have questions or want to know how you can start offering Fast Rate Flood™ today, just call 1-800-488-9838 Monday to Friday, 8 am - 5 pm, Mountain Time.

The Partnership Development Team

by Sue Wilhite, SVP

WNCFirst's Partnership Development Team of insurance professionals was created with your business needs in mind. Our goals are to help you achieve long-term success with superior insurance products and services and ensure a business partnership that delivers the highest possible quality of service.

We have assembled a Team that works closely with you. From the very start to ongoing support, we are committed to meet client needs through the following:

- Executive Service Representatives are dedicated to the total business needs of our clients
- Regularly scheduled meetings are held to determine business opportunities
- A client "swat team" is formed at **WNCFirst** for total client support
- All aspects of our technical support are presented for processing solutions
- Webcast and on-site training is available
- Continuous communication keeps all projects on track

Our Partnership Development Team is dedicated to the business success of our clients. We will help you achieve superior results and ensure a long-term, mutually profitable partnership. Put our team to work for you!

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available under the Write-Your-Own program.

Sec. 22: Includes among activities eligible for mitigation assistance, the demolition and rebuilding of structures in certain areas to at least the Base Flood Elevation or any greater elevation required by local ordinance.

Sec. 23: Instructs the FEMA Director to use a statistically valid probability sample in selecting claims for operational reviews and re-inspections so results can be generalized to the entire population of reviews.

Sec. 24: Prohibits the FEMA Director from requiring an insured to notify of flood damage or submit a claim before the expiration of the 180-day period that begins on the date of loss or damage. Also prohibits Director

from denying a claim solely for failure to meet a deadline if insured demonstrates good cause for such failure.

Who is WNC?



John Tullius, Chief Underwriting Officer

Meet John Tullius

John Tullius, Chief Underwriting Officer, has just completed his first full year with **WNCFirst**. After spending almost 30 years on the insurance carrier side, with companies such as Allstate, Transamerica, and most recently Balboa, John refers to his decision to join **WNCFirst** as one of "walking from the darkness into the light." John commented that, "I have loved every moment since joining **WNC** and everyone here has made me feel very welcome. This is a great place to be."

John's primary responsibility at **WNC** is to manage the profitability of all lender-placed products, which account for over 60% of **WNC's** entire property and casualty premium production. In order to accomplish this goal, John and his Product staff work very closely with all of **WNCFirst's** insurance carriers, producers and lenders, in order to provide the most complete coverage possible, at a rate that is both competitive in the marketplace and still able to produce a profit for **WNC**. It is a balancing act that certainly requires constant attention.

John and his team of Product experts are responsible for: maintaining existing carrier agreements and expanding carrier relationships to maintain a competitive product advantage in the marketplace; assisting in the development of new products intended to better meet the needs of the ever-changing financial institution market; pricing all new lender-placed coverage sales proposals, as well as the re-pricing of all renewal business so that acceptable profit margins can be maintained; providing all product support necessary to ensure that our

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Conference Update

Fiserv Lending Solutions

Client Conference
October 1-4, 2006
Marriott World Center
Orlando, FL
412.577.3550

Auto Finance Summit

Auto Finance Summit & Expo 2006
October 16-18, 2006
Wynn Resort
Las Vegas, NV
212.564.8972, Ext. 101

Mortgage Bankers Association (MBA)

Annual Convention
October 22-25, 2006
Chicago, IL
800.793.6222

Who Is **WNC** *continued from page 5*

direct and independent sales force and appointed producers can continue to expand and grow their business lines with **WNC**.

John is married with three children, who are preparing for careers in medicine, journalism and one for being 13 years old. In addition to everything else, a major accomplishment in John's personal life took place this summer, when he was ordained as a Deacon in the Catholic Church.

WNC Direct Marketing Group Pays Tribute to Founder, Larry Rovens

In 1987 entrepreneur Larry Rovens founded Insurance Management Services. Through his tireless efforts, clear vision and steadfast leadership, Rovens created a well respected organization in the financial institution marketplace. His infamous mission statement of "Have Fun, Do Exciting Things and Make lots of Money for our Clients" created a meaningful environment that worked well for all business partners.

As most of you know, in October, 2005, Larry announced his retirement feeling very proud of his accomplishments. His strong work ethic, persistence, and millions of frequent flyer miles, paved the way to his number one goal of spending time with his family in his retirement years.

From the "Fighting Irish Victory Room" in his home, to the memorabilia in his office, to the fight song playing on his key chain, Larry was true blue to Notre Dame and his business partners and staff knew it well. Even with notable alumni such as Condoleezza Rice and Regis Philbin, Larry most often talked about Ara Parseghian, head coach of Notre Dame football from 1964-1974. Larry enjoyed recounting Parseghian's response to a question the coach was asked in 1974, "Would he seek another coaching job at the collegiate level?" His response was, "After Notre Dame, what is there?"

On behalf of everyone at **WNC** Insurance Services and his professional team at **WNC** Direct Marketing Group, we wish Larry and his family all the best in the years ahead.

If you have questions regarding information disseminated at these meetings or need information about upcoming conferences please feel free to contact: Sheri Kordsmeier, 770-509-5159, Lisa Samaniego, 909-392-3754, Dava Wittig, 262-789-8202



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