

Volume 1, Fall 2002

In This Issue:

Page 2

Focus on the Client
Service Highlights

Page 3

Mold hazard
Lloyd's Summer of 2002 update

Page 4

2002 Conference Schedule

From the President's Desk

by Carl L. Herrmann, III

WNCFirst takes great pride in the fact that since our founding, we have continuously sought or innovated products and services that benefit financial institutions, their captive agencies, and the overall insurance marketplace. That's why we are extremely pleased with the new offerings made possible by the combination of WNC Insurance Services, First Line Insurance Services, and First Guaranty Companies – the coalition that now forms **WNC**First Insurance Services.

The strength of this union allows **WNC**First to reach deeper into lender-placed and voluntary product lines, rounding out our capabilities and giving us a formidable competitive advantage. **WNC**First, an industry leader in specialty insurance solutions, including lender-placed hazard and flood programs; First Guaranty, a leader in lender-placed auto and insurance outsourcing programs for community lenders; and First Line, which provides customized insurance programs for homeowners, builders, lenders and buyers nationwide, now form a company of exceptional strength and substance.

Together we will continue to provide the highest quality service to our clients, along with the most innovative, value-added risk management solutions available.

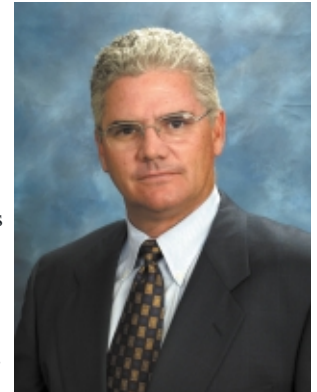
Additional benefits are an immediate improvement to our technological infrastructure and greatly enhanced operational capacity - important benefits for all our clients.

WNCFirst is rapidly establishing itself as the premier insurance services provider to financial institutions and other insurance clients. We now operate call centers in all four continental US time zones offering significantly improved service to clients and their customers with products that deliver precise, targeted solutions for special needs.

Over the years, each of our companies built its reputation through speed of delivery, innovation, and superior service. Together, we are now able to bring those benefits to all of our clients and varied markets. The quality, experience and dedication of our combined staff have solidified **WNC**First's future. I look forward to continued growth and prosperity with and for our clients.

We welcome comments, suggestions or questions about any aspect of our company and industry. If it needs insuring, I believe we have an answer...and it's usually, "Yes."

Thank you for your continued confidence and support for what we are doing here at **WNC**First.



The Claims Center

by Lynne Miller, V.P./Claims & Flood
Product Management

We're growing! Claims volume in both the Pasadena and Dallas offices are on the rise. Thankfully, it's due to new business and not catastrophic losses.

A new claims examiner has just been added in Pasadena to handle service on liability files.

Gordon Firme, our newest addition, comes to us with a JD degree. In time, he will also be assisting

with smaller commercial losses as well as flood and lender-placed.

In Dallas, GAP and auto business is on the upswing, creating a need for an addition to staff there, too. Cindy Lara just transferred from another department to bring added clerical support to **WNC**First claims servicing. Other changes to improve efficiencies will include utilizing a central dispatch number with our independent adjusters for new assignments.

Claims is working closely with Xtria Financial and Insurance Services, a **WNC**First technology

continued on page 2

Claims *continued from page 1*

solutions partner, to increase automation that will streamline the work flow and by year-end, a variety of new enhancements will be in place to improve speed of service. Recently Xtria staff met with Dallas personnel and soon similar meetings will take place in Pasadena to make sure our needs at all levels are met.

What about all the predictions of the hurricanes this year? Well, so far things are quiet. But, if we find ourselves facing severe weather, we have plans in place with our adjusting companies to assure fast service. Additionally, service to non-coastal areas of the country will continue to receive our careful attention to ensure turnaround standards are met. The hurricane season ends November 1, so keep your fingers crossed.

For more information about Claims handling at **WNCFirst**, contact Lynne Miller at 1-800-423-2497.

Focus on the Client

WNCFirst Expands Strategic Partner Program

Earlier this year, **WNCFirst** expanded its partnership with IAC Group, concluding an agreement to offer a variety of its insurance programs to IAC Group customers. Based in Kansas City, Missouri, IAC has relationships with more than six hundred banks across the country and is licensed in forty-four states. Developed from more than 40 years experience with their bank partners, IAC's comprehensive sales system covers everything from analysis and goal setting to personal sales support.

IAC delivers integrated insurance products and services to banks to increase fee income and minimize risk. Their unique focus helps banks identify opportunities and plan for success. IAC then helps their customers reach their goals with a comprehensive support system that includes education provided through the IAC Insurance Institute, complete administrative support, and ongoing program analysis. With a proprietary service bundle they call Horizon-One, IAC offers a full range of products to meet the changing needs of their banks' customers – from credit and home equity protection to term life, and more.

This new partnership is just one of the latest relationships **WNCFirst** has developed with leading firms in the financial insurance community.

continued on page 4

Service Highlights

Lender-Placed Insurance Made Easier

Advances in technology, allow us all to work faster, smarter, and more efficiently. At **WNCFirst**, we continually strive for ways to help our lender clients be more efficient and get more from less, which is why we are very excited about Report.NetSM, our Internet-based reporting system.

Report.NetSM may be available to replace the manual report distribution process commonly used by outsourcers with a real-time, Internet-based reporting system where information is reviewed and updated without the need for hard copy. Using Report.NetSM, a lending officer or loan servicing specialist can view an online report listing their non-compliant loans along with all the necessary detail to make an informed decision on coverage placement.

Those decisions might include authorizing a deficient notification to the customer, waiver of insurance requirements for a specified length of time, permanent waiver of the insurance requirements, and removing a loan from the tracking process.

When waiving the insurance requirements for a specified length of time, a "waiver expiration date" is created. Once the "waiver expiration date" is reached, the loan automatically integrates itself back into the tracking process.

Another highlight of Report.NetSM is an automated function that notifies **WNCFirst** you have just received primary insurance coverage verification. This feature informs our Customer Care Team that your document is on the way, and creates a pending item within InsTrackSM, our insurance tracking system. Report.NetSM even prints a fax cover sheet for you with the appropriate loan information to attach to the insurance certificate.

Partially completed reports or non-responses to the reports will activate a Report.NetSM Reminder Alarm Clock, which sends follow-up emails to the lending officer or loan servicing specialist and status e-mails to other parties within the lender's organization.

For more information about Report.NetSM, please contact **WNCFirst's** Financial Insurance Group Sales Team at 1-800-798-5522.

WNCFirst Introduces the Preferred Bank Program

When it comes to protecting your portfolio with an insurance program, there is no substitute for experience and expertise. Those are just two of the reasons why hundreds of new lenders across the country are choosing to entrust their insurance programs to **WNCFirst**.

Recently, **WNCFirst** introduced its Preferred Bank Program. Unlike typical collateral protection services, the Preferred Bank Program, effectively serves both the bank and the bank's customer in a number of ways:

- It provides a complete insurance solution for commercial equipment, SBA loans, construction loans, residential and commercial real estate loans, automobile loans, aircraft loans, and virtually any type of loan that your bank originates.
- It eliminates the problem of lost insurance-mail, faxes, and other correspondence and speeds data input into your loan system with fewer errors.
- It significantly reduces "false-placed" insurance and customer disruption while maintaining superior coverage for your loan portfolio.
- It combines lender-placed and blanket insuring options to effectively manage your risk.
- It reduces the cost of monitoring your insurance and insurance programs, freeing up loan servicing staff to spend more time on tasks that benefit your customer.
- It increases your customers' overall satisfaction with your organization.

Want to achieve similar or even greater results? Call **WNCFirst's** Financial Insurance Group Sales Team at 1-800-798-5522.

Too Soon to Tell

The 2002 Hurricane Season appears to be a mild one. However, in 1992, the year of Hurricane Andrew, there were only seven Tropical Storms. Five of them formed after September 15th. As a note, Andrew was recently reclassified as a Category Five hurricane.

– Norman Heinrich,
Exec. V.P., Voluntary Flood

Mold: Light at the End of the Tunnel

The emergence of mold claims and the highly noticeable impact they've had on homeowners' insurance policies has finally pushed Congress to take a more proactive approach to tackling the issue. The U. S. House of Representatives has recently introduced the United States Toxic Mold Safety and Protection Act of 2002, ("Melina Bill"), H.R. 5040.

The Act proposes the creation of the National Toxic Mold Hazard Insurance Program to be administered by FEMA. This federally backed insurance program would protect homeowners in the event their insurance policy doesn't provide adequate coverage. This could be a "home run" for the property insurance industry as properties located in potentially catastrophic "mold zones" would qualify for government subsidized mold insurance similar to government-backed flood insurance.

The National Toxic Mold Hazard Insurance Program would be consistent with other federally run agency programs. Like the National Flood Insurance Program, or NFIP, the National Toxic Mold Hazard Insurance Program will use pooled financial resources and risk sharing from insurers and other qualified entities to support the adjustments of claims and claim payments. To this end, the National Toxic Mold Hazard Insurance Fund would be established.

If passed, the Melina Bill would go into effect on September 30, 2004.

For a complete copy of the Melina Bill, you may email panders@wncfirst.com or call 1-800-423-2497, Ext. 335. A copy may also be obtained via the web at:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_cong_bills&docid=f:h5040ih.txt.pdf

Best of the Best



Simi Employee of the Quarter Q2 2002

Meet Nikki Williams, **WNCFirst's** Compliance Assistant II – New Accounts and our Employee of the Quarter. Nikki maintains the lender database, processes the new account applications and lender cancellations and changes account profiles. She also sets up our lender notification letters and blanket policies and renewals. February through June of each year she renews our lenders' master policies - a massive project involving more than five hundred policies.

Nikki loves to shop, especially for clothes. She's studied interior decorating and is also interested in fashion design. She just recently purchased a new car - a sparkling white '99 Pontiac Grand Am GT two-door coupe that she's very proud of.

Congratulations Nikki! We really appreciate your effort.

Excerpts from the Lloyd's Summer of 2002 Update

During the sad and tense weeks that followed the events of September 11, there was much speculation about the future viability of the Lloyd's market. Many "talking heads" questioned whether Lloyd's could survive the massive loss and attract new capacity to go forward.

The picture now looks profoundly different. Lloyd's capacity for 2002 was a record \$17.9 billion at the beginning of the year and has grown to \$18.25 billion by the end of June. Our current projections indicate that the capacity could reach \$18.8 billion by the end of the year. This represents an increase of 15 percent over the 2001 year of account.

In addition to this increase, Lloyd's capacity has been increased by a range of Qualifying Quota Shares (QSS) arrangements between syndicates and international insurance entities.

The combination of the mid-year increases in capacity and the QSS arrangements could push Lloyd's available capacity to around \$20 billion. This would represent an increase of 25 percent over the 2001 year.

The impact of the September 11 loss on Lloyd's has not changed materially since last November. The gross loss is \$8.9 billion and the net loss is \$2.89 billion. The quality of the reinsurance recoverable asset remains very high with 90 percent of the recoverables due from companies with ratings of A or better. Finally, the U.S. funding requirements were met by the market in full. As of March 31, 2002 Lloyd's had deposited over \$5 billion into the situs trust funds for this loss.

Recently, A.M. Best affirmed its A- (Excellent) rating of the market and S&P affirmed its A (Strong) rating. These market ratings apply to all business written by all syndicates.

The Chairman's Strategy Group proposals are in the market consultation phase now and will be voted upon in early September. It is the aim of these proposals to make Lloyd's modern, transparent and profitable market for the future.

Data contributed by Wendy Baker at Lloyd's America.

Terrorism

In the wake of the September 11, 2001 tragedy, many carriers have elected to specifically exclude terrorist acts from policy coverage. This exclusion would leave the lender with no coverage should a loss be determined as being caused by a terrorist act like the tragedy at the World Trade Center.

WNCFirst Product Development has been active in developing monoline programs such as terrorism insurance. Watch for our special product announcement mailer regarding terrorism insurance in the next few weeks. But if you need terrorism coverage today, just call Lynda Andrews, Executive Vice President at **WNCFirst's** Denver office at 800-488-9838, Ext. 203 or e-mail her at landrews@wncfirst.com.

– Lynda Andrews,
Exec. V.P., Homeowners/Commercial

2002 Reveals Full Conference Schedule for WNCFirst

Conference "Prime Time" is here. Fall 2002 will be busy for **WNCFirst** as we attend the following industry conferences:

- CBA 2002 Home Equity Lending Conference, September 29-October 1, 2002, Hollywood, FL
- NAPSLO 2002 Annual Convention, October 6 – 10, 2002, Boston, MA
- American Bankers Association Annual Convention, October 20-23, Phoenix, AZ
- National Association of Independent Insurers 2002 Annual Meeting, October 27 – 30, 2002, Los Angeles, CA
- MBA 89th Annual Convention & Expo, October 27 – 29, Chicago, IL
- 2002 Auto Finance Summit, October 27 – 29, 2002, Las Vegas, NV

You may have also seen **WNCFirst** at the Western States Loan Servicing Conference, August 11 – 13, 2002 in Las Vegas, Nevada. Sponsored by the California Mortgage Bankers Association, the Western States Loan Servicing Conference is well attended because it's geared

towards the mortgage loan servicing industry. Lisa Samaniego, Vice President of Business Development, represented **WNCFirst** there and reported the hot topics were Mold Insurance Coverage, Resolving Title Discrepancies, the California Unfair Competition Law and Loss Prevention – What Works and What Doesn't?

If you would like more information on **WNCFirst's** conference schedule, please contact the Business Development Team at 1-800-798-5522.

Product Update

New Services Available from WNCFirst

Auto Dealers Insurance

WNCFirst's Auto Dealers Insurance Program provides property coverage for insured dealers on an "all risks" basis for personal property including floor planned automobiles.

Focus continued from page 2

WNCFirst's Strategic Partner Program provides an opportunity to offer your clients access to our vast array of loan insurance solutions. Benefits of the program include adding value to your existing product offerings and the ability to reach more lenders nationwide, broadening your existing distribution network.

If you would like to become a **WNCFirst** Strategic Partner, or enhance your current **WNCFirst** offerings, please contact the **WNCFirst** Financial Insurance Group Sales Team at 1-800-798-5522.

POP (Homeowners) Insurance

WNCFirst's POP Insurance Program has been extended in Georgia and Tennessee. The program is also offered in California and Florida through certain Producers. We now also have an alternative Homeowners program in Texas that will be available soon.

For more information, contact Product Development Senior Vice President, Ofelia Chuate at 800-627-7601, Ext. 26, or via e-mail at ochuate@wncfirst.com.



WNCFirst
Insurance Services

Corporate Home Office

2468 Tapo Canyon Road • Simi Valley, CA 93063
www.wncfirst.com

PRSRT STD
U S POSTAGE
PAID
DENVER CO
PERMIT NO. 4512