

Volume 2, Summer 2004

In This Issue:

Page 2

Hot Issues-*continued*
Product Spotlight
WNCFirst Cares

Page 3

Claims Center-*continued*

Page 4

Claims Center-*continued*
Who is **WNCFirst**
New Business Association
What's in a name?

Page 5

Claims Center

Page 6

Conference Update
WNCFirst Cares-*continued*

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

New Orleans Gets New Flood Rate Maps

by Steven P. Galleger, ARE, Senior VP, Benfield, Inc.

Under the auspices of the Federal Emergency Management Agency's Map Modernization Program, the city of New Orleans, FEMA and the U.S. Army Corps of Engineers are working together to develop new flood insurance rate maps for New Orleans.

Orleans Parish's flood insurance rate maps were last updated in March 1984, and there have been extensive drainage improvements in the area since then.

According to FEMA, the work is being completed under its Flood Hazard Mapping Program via the Map Modernization initiative. FEMA has decided to develop the map modernization program because approximately 85 percent of their Flood Insurance Rate Maps are at least five years old, with a third over 15 years old. The program intends to increase community involvement in the mapping

From The President's Desk

Why We're No. 1

by Carl L. Herrmann, III

In the everyday crush of business it's important for us all to focus on the task at hand, but sometimes, when you represent this great organization it's important to take a step back and remember when you're talking to prospective clients that our positioning of *Strength, Service and Specialty* aren't empty claims or just a slogan.

Did you know **WNCFirst**:

- Writes more Lender-Placed Flood than all of its competitors combined and has been doing it since 1984?
- Has multiple market or providers to write Flood Insurance?
- Offers more comprehensive flood coverage with less expensive premium than the NFIP's regular flood program?
- Writes monoline Wind insurance for financial institutions?
- Offers Automated Insurance Tracking services on auto, mortgage, commercial, seconds/HELOCs, mobile homes and equipment loan portfolios?
- Can write either lender-placed or blanket coverage on lender's loan portfolios?
- Offers ancillary products such as term life, identity theft, disaster mortgage protection and auto and home warranty and membership programs that can be offered to the customers of financial institutions?
- Writes homeowners insurance in all 50 states and territories in the USA?
- Offers more than 50 different types of insurance programs and able to create a private label product or program especially for its client?

I could go on, and I'd like to, but there are limitations to how much space I have for this article and how much time you have to read it. The point is, if you have a need, want to talk about it and/or can't find an answer to it, we can help!

That's the real benefit of **WNCFirst's** *Strength, Service and Specialty*.

process, increase customer service, and heighten public awareness of flood risks.

The Southeast Louisiana Flood Control Project (SELA) constructed many of the improvements in the New Orleans area. FEMA has committed funding to develop revised Digital Flood Insurance Rate Maps (DFIRMs) in Orleans Parish in the following basins: Areas J, K, L, Orleans, Peoples, and Algiers.

Additionally, FEMA has committed funding to initiate Area I. Through this effort, preliminary DFIRMs are expected to be available in early 2005. Follow-on funding to continue additional study areas has been allocated for FY 2004.

DFIRMs will provide the means for FEMA and the parish to identify the areas where revisions to floodplain management practices and/or revised flood insurance premiums are warranted due to updated information and/or changes to the hydrology of the area. Some areas may experience reduced flood insurance premiums due to recent drainage improvements that have been made to the floodplain by the parish. The updated DFIRMs will provide the parish with a much better picture of the flood risk in all areas of the parish covered by this effort, FEMA said.

Further information about the Map Modernization Program can be found at



continued on page 3



Charley, moments before landfall. Photo courtesy of the NOAA-National Environmental Satellite, Data, and Information Services.

Claims Center

And Then Came Charley

by Paul Budde, Ph. D., ACAS, MAAA
Sr. V.P., Benfield, Inc.

Right on the heels of “Alex,” hurricane “Charley” roared ashore at 3:45 PM EDT on August 13th, 2004, in the Port Charlotte, FL area. Charley brought with it wind speeds of 145 MPH and central pressure of 941 MB, making it a strong Category 4 hurricane. Along with battering winds, Charley also delivered 10' - 12' storm surge to Sanibel and Captiva Islands and other areas of Port Charlotte. The landfall location and strength of Charley surprised many experts and residents alike. Early predictions called for a borderline Category 2/3 to make landfall in the Tampa/St. Petersburg area, but local conditions were ripe for an increase in strength and a shift in the direction. Just two hours before landfall, Charley was still just a Category 2 hurricane.

Hurricane Charley remained a hurricane the entire time it crossed central Florida and

through its exit back into the Atlantic Ocean near Daytona Beach, FL. Hurricane Charley made second landfall approximately 20 northeast of Myrtle Beach, SC at 12:00 PM on Saturday, August 14th, 2004 as a weak Category 1 Hurricane with winds near 75 MPH.

In preparation for Hurricane Charley, over 3 million people were asked to evacuate the storm's path. As of Monday morning, Hurricane Charley was responsible for 19 deaths with more injuries reported. At its highest level, over 2 million people were without power and about 640,000 were still without power on Tuesday. Winds gusting to 105 MPH in and around Orlando forced the closure of theme parks for the first time since 1999. The low central pressure (941 mb) and small radius to maximum winds (6.4 miles) contribute significantly to the hurricane's relatively narrow damage path through Florida. The observation follows the trend of the experimental equation which says that the lower the central pressure the smaller the radius to maximum winds.

FEMA has declared 25 Florida counties Federal Disaster Areas. The counties declared are: Brevard, Charlotte, Collier, DeSoto, Dixie, Duval, Glades, Hardee, Hendry, Highland, Indian River, Lake, Lee, Manatee, Monroe, Okeechobee, Orange, Osceola, Pasco, Polk, St. Johns, Sarasota, Seminole, and Volusia Counties. Based on landfall and initial loss estimates, it looks like Charlotte County, FL, has received the brunt of Hurricane Charley's initial damaging winds, specifically the cities of Port Charlotte and Punta Gorda, with over 80% of property being damaged in some way. State officials are estimating property damages near \$11B along with major losses to the state's \$9.1B citrus industry. Federal disaster assistance money was already being dispersed on Tuesday. FEMA Director Mike Brown visited Punta Gorda on Tuesday and said that \$2M in payments had already been issued to victims with more on the way.

Industry Loss Estimates

According to RMS, damage reports confirm

continued on page 3

Summer 2004

http://www.fema.gov/fhm/mm_main.shtm.

The results of the DFIRMs will allow the local government and other users to continuously update hydrologic and hydraulic data in a digital environment as new projects are brought on line, i.e., SELA Flood Control.

In addition to being used for flood insurance purposes, the DFIRM's will also have applications in Public Works, Geographic Information Systems, and by floodplain managers and developers.

For more information, contact *Bhola Dhume* or *Shawn Vicknair* with the Corps of Engineers at (504) 862-2024 or via e-mail at shawn.m.Vicknair@mvn02.usace.army.mil.

Product Spotlight

Introducing Blanket 90

WNCFirst has developed a product to complement a new trend in the market place. Blanket 90 is a program designed to provide real property lenders protection while they perform their own notice cycle. Blanket 90 is rapidly becoming an alternative to outsourced tracking for community banks, and WNCFirst believes this coverage provides a comprehensive, inexpensive protection package to complement this enhanced system module.

The program allows coverage to be placed when a loss occurs on a property while the client is sending notices following up on the exposure. When a loss occurs and is reported to WNCFirst, a property certificate is issued and backdated to the date of exposure thus providing protection needed during that time.

WNCFirst is able to minimize the price for this protection by limiting the exposure to 90 days.

For more information about Blanket 90, or to arrange coverage, contact *Lisa Cooper, VP*, at 800-472-2678 ext 5517.

Auto Physical Damage Binder Program

For automobile dealerships needing to provide short term Physical Damage coverage to customer while the customer is shopping for his/her auto insurance, WNCFirst's Auto Physical Damage Binder Program may be the ideal solution.

Since auto financing has become easier and faster, situations may arise in which a

customer will enter a dealership, locate their "dream car," and obtain financing without putting insurance in place. This presents a real problem to the dealer - the customer has been qualified and wants to get behind the wheel immediately but the bank or the financing company won't allow the vehicle to be driven off the premises without physical damage insurance. The solution is WNCFirst's Auto Physical Damage Binder. The program is designed to be a fast and convenient solution for customers that have had a hard time acquiring or never have acquired auto insurance.

The program is fully automated. The dealer simply enters the customer's information through a WNCFirst Web Site designed specifically for this program. The premium is automatically calculated and a Binder is printed at the dealer's location. It couldn't be easier.

Other highlights of the program are:

- All claims are handled through an 800 number or a convenient Web Site available 24/7.
- Claims will be handled by a company with one of the largest networks of quality repair facilities in the U.S.
- Coverage begins the moment the loan is approved and the customer is provided 30 days of coverage under the dealer's master policy.
- Only 18+ year-old customers with a valid drivers license are eligible.
- Coverage is written with a \$500 deductible on both comprehensive and collision losses.
- The premium can be added into dealers' financing programs.

Additional benefits:

- For this program to work, a relationship with an agency that has binding authority, or with an auto insurance company, is established so that permanent insurance can be placed for the customer. The agency or company is provided the customer information for underwriting and qualifying the customer for permanent insurance.
- As soon as permanent insurance is bound, the customer is contacted and given the "good news"- the customer's permanent insurance has a much lower monthly premium than the binder premium that the dealer had charged for the 30-day coverage and includes liability coverage.

How the Coverage is issued...

A dealer is offered a **limited** Dealer Auto Inventory Excess Insurance policy. The excess policy is limited because it will not cover any natural perils (e.g., wind, tornado, hail coverage, etc.) and will cover fire, theft and collision (FT&C) losses only in excess of the dealer's auto inventory primary policy or Self Insured Retention (SIR). The dealer's primary coverage or SIR must be for \$35,000 per vehicle. The excess policy includes an optional "binder" coverage that can be issued at the request of the Dealer to provide temporary "comprehensive and collision" coverage to the buyer and lienholder. The excess Dealer Open Lot policy will cover losses exceeding \$35,000 per unit.

WNCFirst will issue the master policy to the dealer and binders to the customers. The customer information is entered on-line through an Internet portal developed by WNCFirst for this program. The software will calculate the premium, issue certificates, track and issue invoices and provide detailed management reporting for the dealership. The Internet portal can be accessed by all parties involved utilizing security controls set at the user level to manage content presentation.

For more information on the Auto Physical Damage Binder Program, call *Louise Williams*, 626-463-6312.

WNCFirst Cares

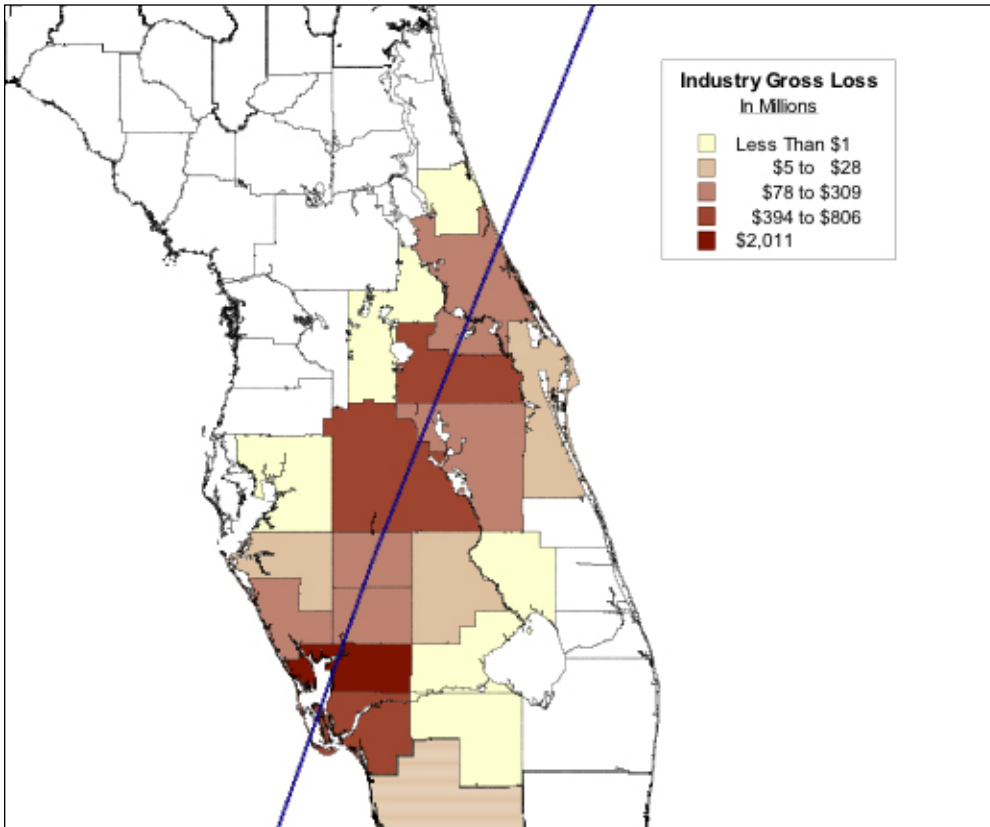
Rebuilding Together

by *Katherine N. Price, CIC*
WNCFirst/Denver

At the beginning of 2004, WNCFirst/Denver decided to undertake a community service project. It was decided that as an office we would work with *Rebuilding Together Metro Denver*, a non-profit organization that works in partnership with the community to rehabilitate the houses of low-income homeowners, particularly the elderly and disabled, so that they may continue to live in warmth, safety and independence.

Rebuilding Together brings together volunteers, businesses, civic organizations, and sponsors to make a difference in our community, home-by-home and neighborhood-by-neighborhood. Founded in 1988, *Rebuilding Together* is the nation's leading volunteer home rehabilitation organization preserving homes and revitalizing neighborhoods. Since 1999 the Metro Denver

continued on page 6



Industry Gross Losses in \$Millions



An apartment building is exposed after its roof was ripped off by Hurricane Charley as the storm roared through Port Charlotte, Fla. (AP Photo).

that the major damage is confined to a relatively narrow path along the hurricane's track, which is consistent with the compact nature of this storm and its small radius to maximum winds (6.4 miles). The map to the right is a representation of the Charley event footprint overlaid on the RMS industry losses by County. RMS is currently estimating industry losses to be around \$5B* with less than \$200M expected from coastal flooding. The majority of coastal flood losses are expected to be covered by the National Flood Insurance Program. RMS estimates do not include losses from Demand Surge or from Storm Surge. The reconnaissance teams that they have in place have not seen significant evidence of demand surge and, with the exception of Sanibel Island, have not observed storm surge losses to warrant adding this damage to the storm footprint.

AIR Worldwide has posted 5 event scenarios with losses ranging from \$6B* to \$10B. Part of the variation in the AIR estimates comes from varying radius to maximum winds between 10 miles and 14 miles. EQECat, a division of ABS Consulting, has released an initial industry estimate of \$5B* to \$10B.

Note: *Industry Loss estimates from each modeling firm are preliminary and are subject to change as additional storm information is gathered.

© Benfield Inc. 2004. Reprinted by permission.

The NOAA Outlook

(Excerpts from NOAA's August 10, 2004 Press Release)

NOAA's updated outlook for the 2004 Atlantic hurricane season indicates a 45% probability of an above-normal season, a 45% probability of a near-normal season, and only a 10% chance of a below-normal season, according to a consensus of scientists at the National Oceanic and Atmospheric Administration's (NOAA) Climate Prediction Center (CPC), the Hurricane Research Division (HRD), and the National Hurricane Center (NHC).

The outlook calls for 12-15 tropical storms, with 6-8 becoming hurricanes, and 2-4 of these becoming major hurricanes. This predicted activity reflects a likely continuation of increased hurricane activity that began in 1995, reiterating NOAA's pre-season outlook issued May 17.

This outlook is based on favorable conditions now in place in association with the ongoing active Atlantic multi-decadal signal, which includes warmer than normal sea-surface temperatures in the tropical Atlantic. However, weak El Niño conditions are possible during the next few months, which makes the probability of an above-normal season slightly less likely from that stated in May, and the probability of a near-normal season slightly more likely. Whether El Niño forms or not, considerable tropical storm and hurricane activity is expected this season.

An important measure of the total seasonal activity is NOAA's Accumulated Cyclone Energy (ACE) index, which accounts for the collective intensity and duration of Atlantic tropical storms and hurricanes during a given hurricane season. The ACE index is also used to define above-, near-, and below-normal hurricane seasons (see Background Information). For the 2004 Atlantic hurricane season the predicted ACE range is 90%-150% of the median. This range is slightly lower than the 100%-160% range stated in the May outlook, and reflects the increased possibility of weak El Niño conditions during the peak of the season. An ACE value of 117% of the median corresponds to the lower boundary for an above-normal season.

The likely range of tropical storms during 2004 is 12-15, with 6-8 of these systems becoming hurricanes, and 2-4 of these becoming major hurricanes [categories 3-4-5 on the Saffir-Simpson scale]. While it is reasonable to expect this range of tropical storms and hurricanes, the total seasonal activity measured by the ACE index can certainly be in the expected range without all three of these criteria being met.

Beginning with 1995 all but two Atlantic hurricane seasons have been above normal. The exceptions are the two El Niño years of 1997 and 2002. This increased activity contrasts sharply with the generally below-normal seasons observed during the previous 25-year period 1970-1994. The atmospheric and oceanic conditions controlling these very long-period fluctuations in hurricane activity are referred to as the Atlantic multi-decadal signal.

The primary uncertainties in this outlook are whether a weak El Niño will develop during August-October, and if it does develop,

whether it will be of sufficient strength to reduce late-season hurricane activity. The latest statistical and dynamical ENSO predictions indicate borderline ENSO-neutral/ weak El Niño conditions through October. If El Niño does not develop, the favorable conditions now in place over the tropical Atlantic will likely result in an above-normal Atlantic hurricane season. This likelihood diminishes depending on how soon an El Niño develops and how strong it becomes.

Who is WNCFirst?



Norman Heinrich, WNCFirst/Miami

Meet Norman Heinrich, EVP

Since joining WNCFirst in 1995 Norman Heinrich has really enjoyed working with all of the company's fine employees and customers. Managing the Miami operations allows him the opportunity to work on new programs and products that will bring solutions to our customers' needs.

Norman manages WNCFirst's Private Flood and Excess Flood programs along with other voluntary insurance products and has served in the insurance industry for more than 20 years, primarily in the property and casualty areas. He is married with two daughters who are now attending Florida State University. He is an avid Miami Hurricane fan so you can see he has an open mind.

Norman describes the best part of his job is meeting people. "Each person I meet has a different story. It is like living in a personality library. There are still many customers and clients I hope to meet and have the opportunity to work with," he says.

We refer to Norman as our flood "guru". If and when you meet Norman, ask for his chicken soup recipe that cures cancer.

New Business Association

WNCFirst is proud to announce a new relationship with the companies of the American Modern Insurance Group (American Modern). Our relationship will begin with WNCFirst's programs for Primary Flood Insurance Program (PFIP) and Mortgage Fire Insurance. The PFIP is a unique, customized program that is currently only sold in California and Florida. It remains one of the few private programs competing with the National Flood Insurance Program (NFIP). It provides a cost advantage to the insured over the NFIP coverage. The second program, Mortgage Fire, protects the mortgagee's interest in real property for which the named insured has a mortgage or servicing interest, when the mortgagor can't provide acceptable homeowners or dwelling insurance.

American Modern is based in Cincinnati, Ohio and is a widely recognized expert in the specialty insurance business recognized as one of Ward's Top 50 Property and Casualty Insurers. American Modern leverages a multiple company structure across distribution channels with six property and casualty companies and two life companies. The company holds an A+ (Superior) rating from A.M. Best, an independent insurance industry analyst. For more than 35 years, American Modern has consistently earned excellent industry ratings for financial stability as well as superior coverage and claims service.

American Modern is the specialty insurance subsidiary of The Midland Company (NSD: MLAN).

The companies of "American Modern" refers to American Modern Insurance Company in California, and American Southern Home Insurance Company in Florida.

What's in a Name?

Here's NOAA's list of names for the '04 Hurricane Season. Based on people you know, which do you think will be the biggies?

Alex	Hermine	Otto
Bonnie	Ivan	Paula
Charley	Jeanne	Richard
Danielle	Karl	Shary
Earl	Lisa	Thomas
Frances	Matthew	Virginie
Gaston	Nicole	Walter

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



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

899 El Centro Street • South Pasadena, CA 91030
www.wncfirst.com