



# ***Residual Market Property Plans: From Markets of Last Resort to Markets of First Choice***

**November, 2010**

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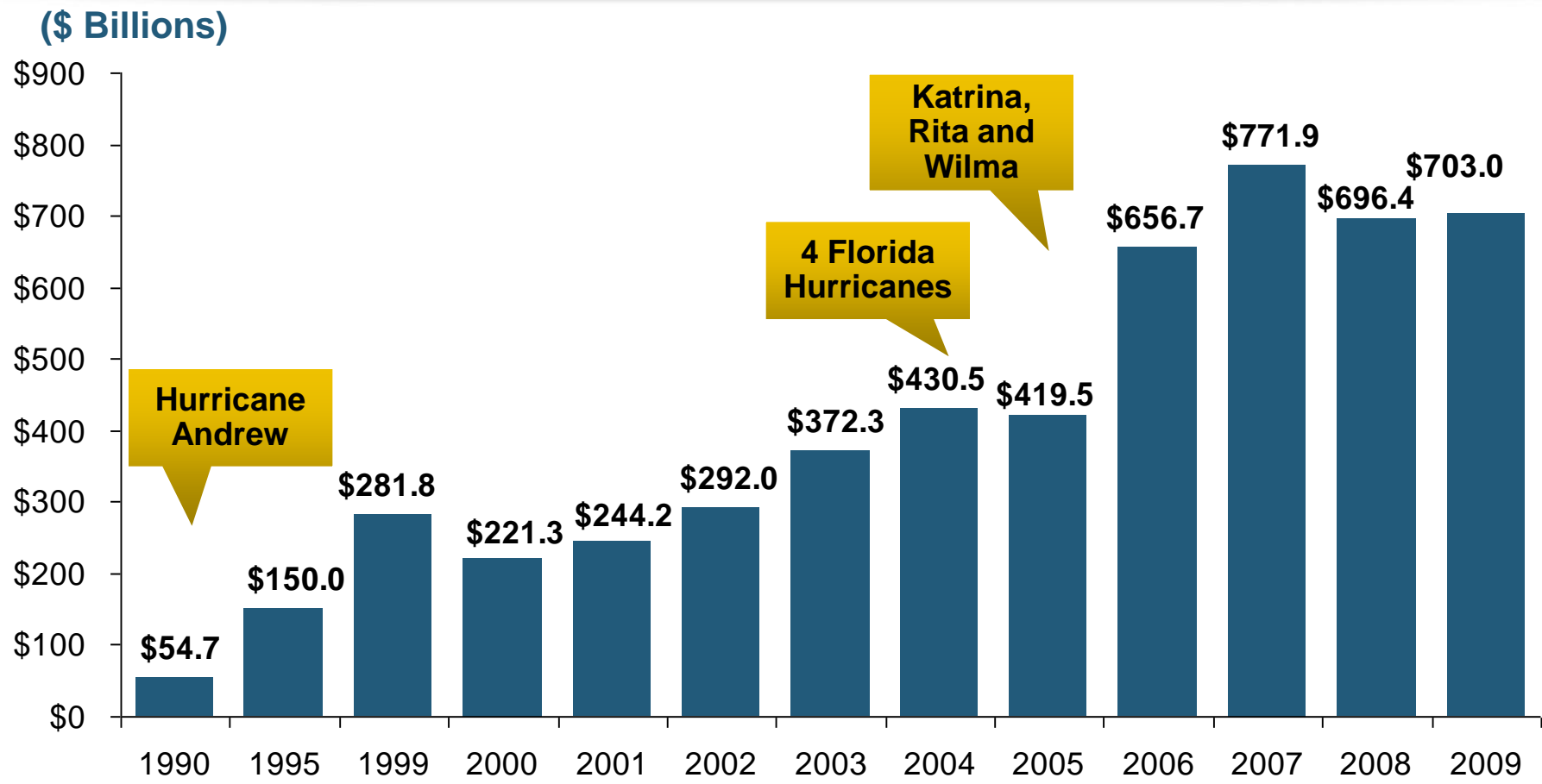
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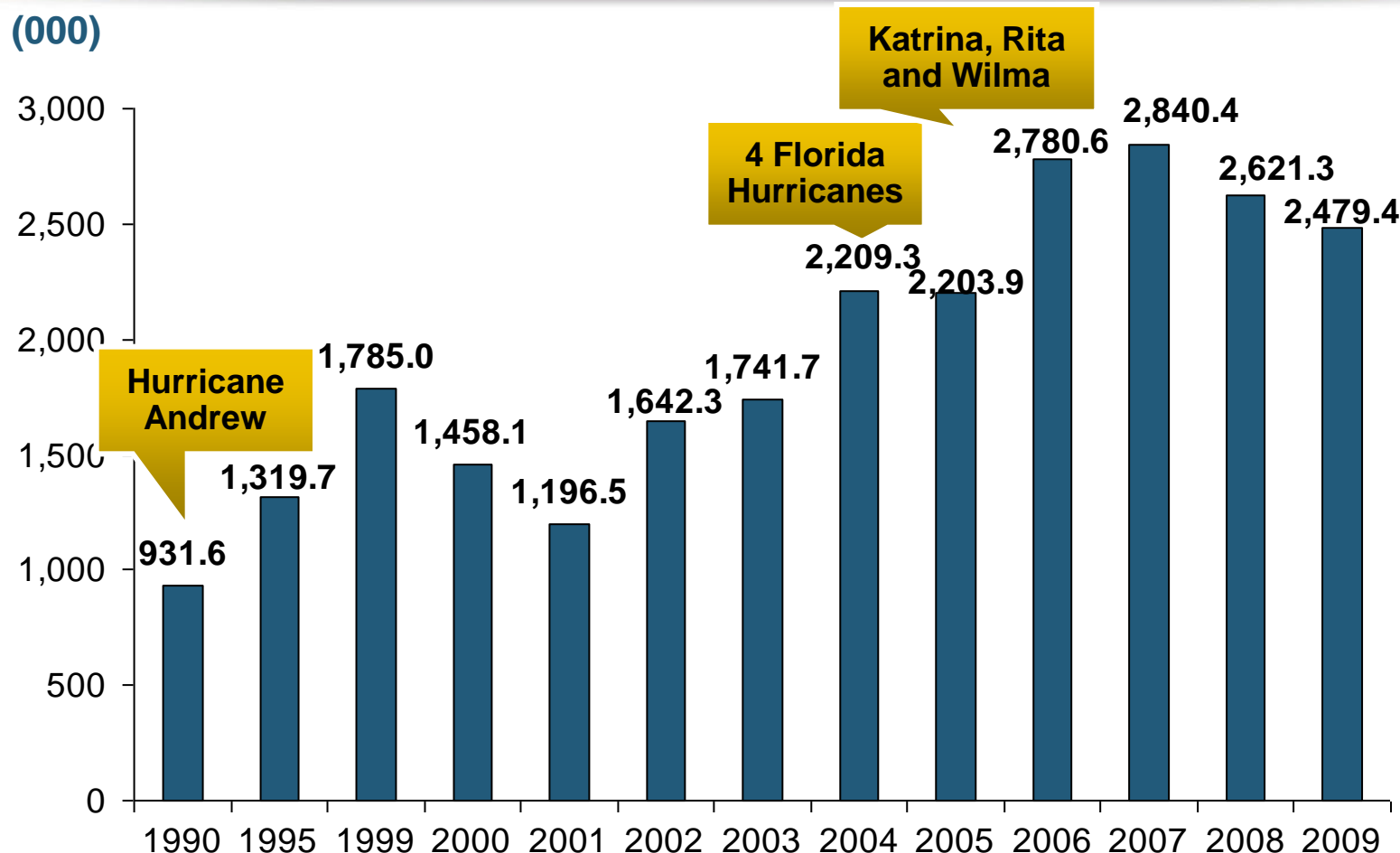
# U.S. Residual Market Exposure to Loss (\$ Billions)



**In the 20-year period between 1990 and 2009, total exposure to loss in the residual market (FAIR & Beach/Windstorm) Plans has surged from \$54.7 billion in 1990 to \$703.0 billion in 2009.**

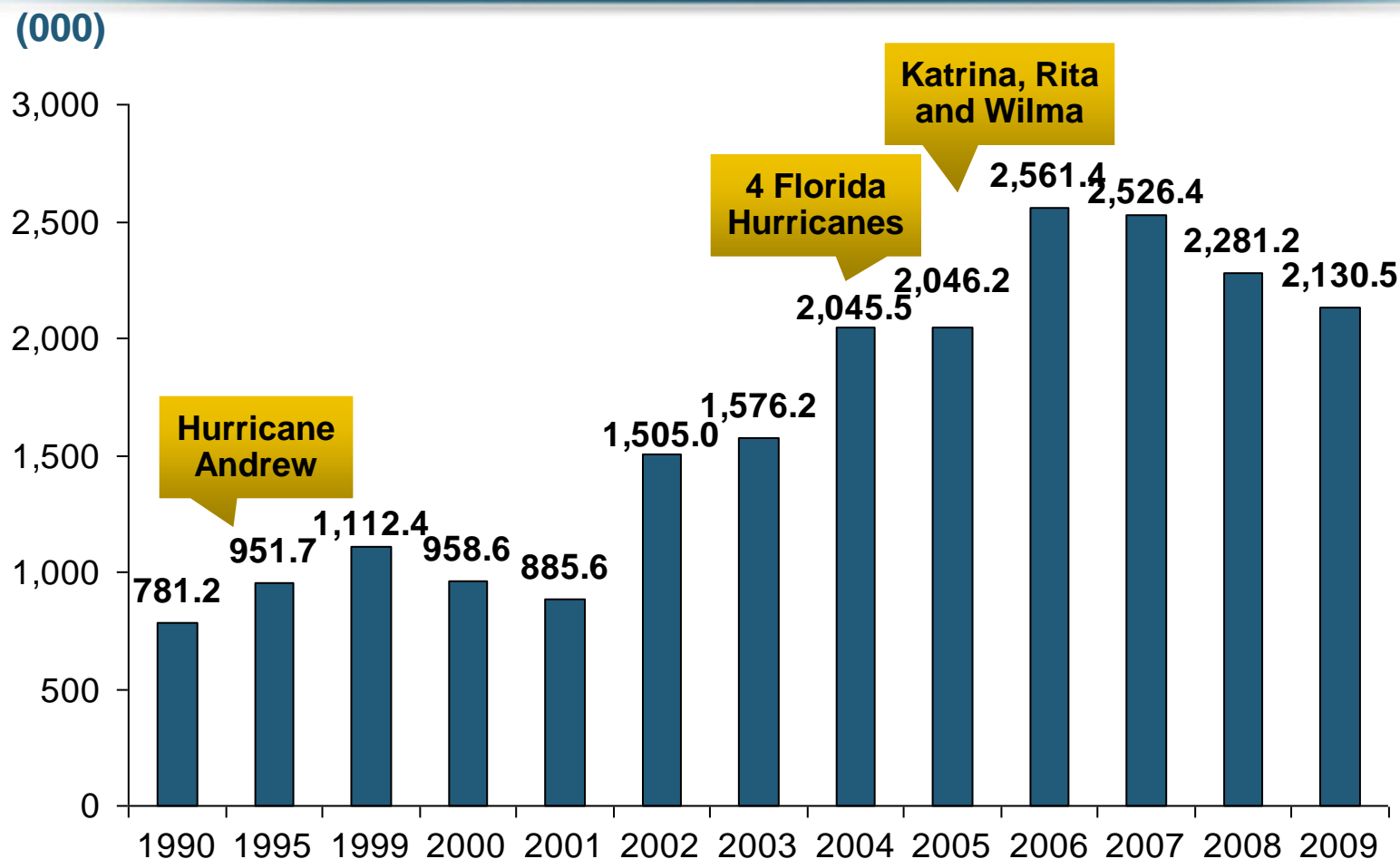
Source: PIPSO; Insurance Information Institute (I.I.I.).

# U.S. Residual Market: Total Policies In-Force (1990-2009) (000)



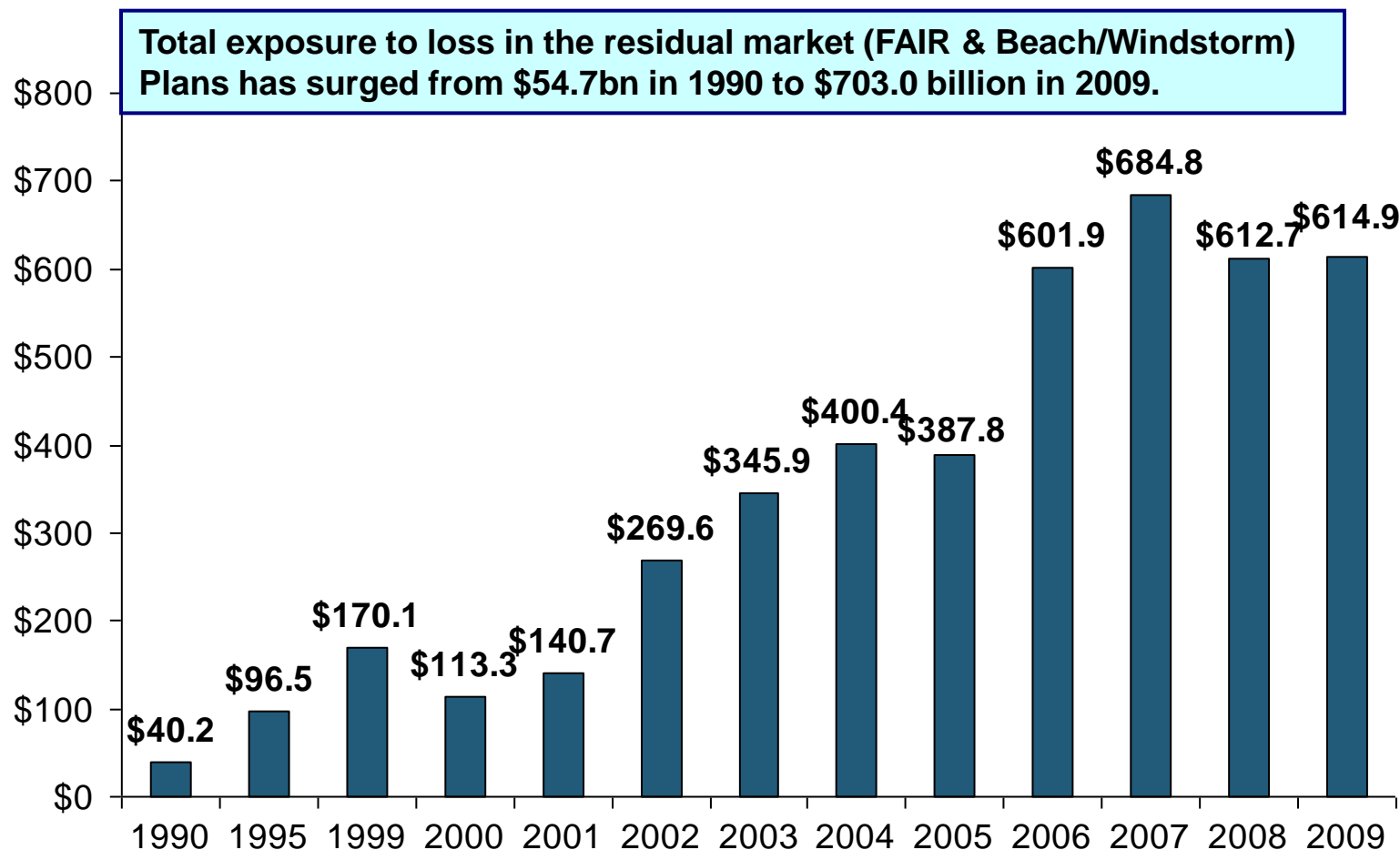
**In the 20-year period between 1990 and 2009, the total number of policies in-force in the residual market (FAIR & Beach/Windstorm) Plans has more than doubled.**

# U.S. FAIR Plans: Total Policies In-Force (1990-2009) (000)



**In the 20-year period between 1990 and 2009, the total number of policies in-force in the nation's FAIR Plans tripled.**

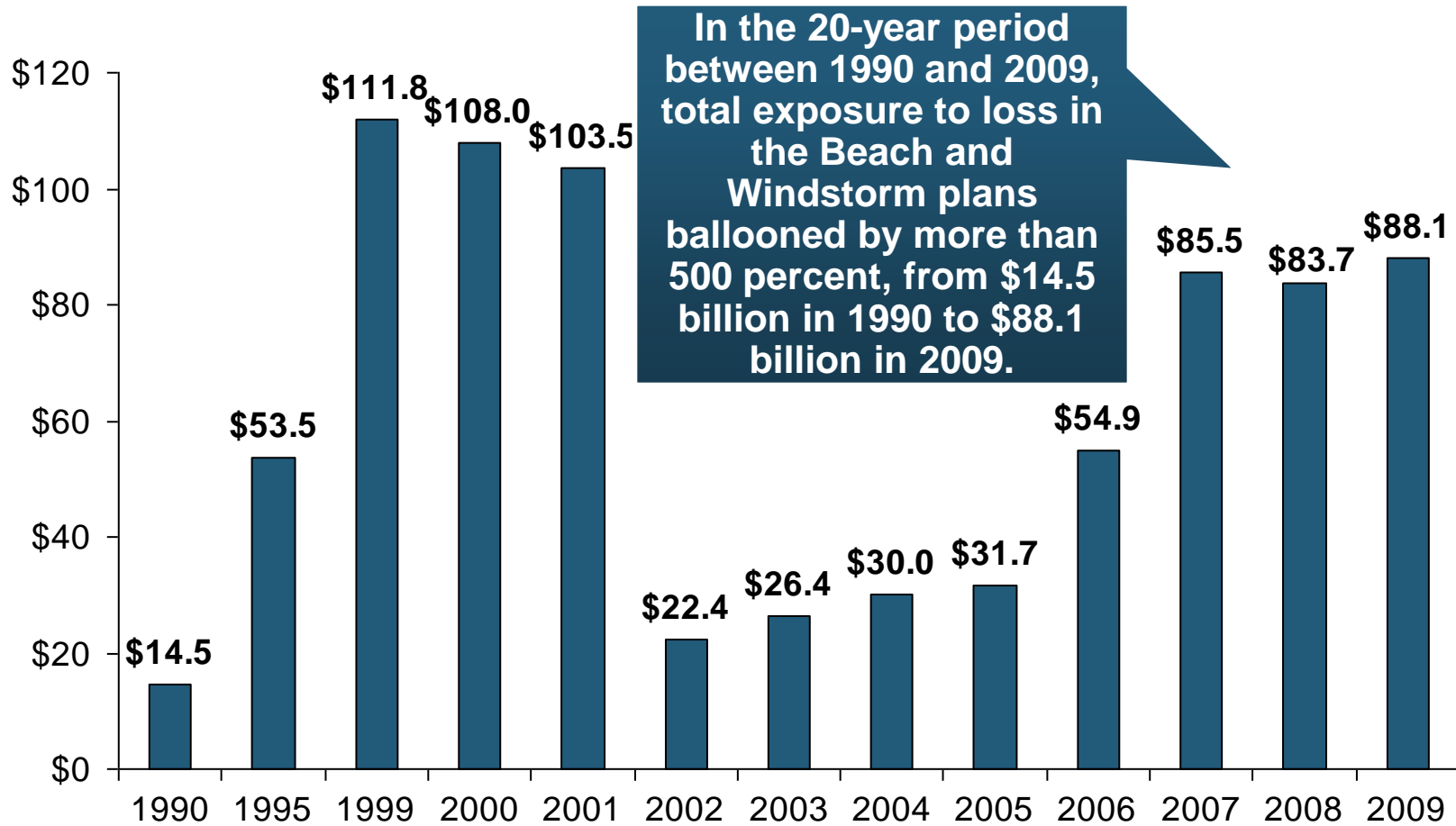
# U.S. FAIR Plans Exposure to Loss (Billions of Dollars)



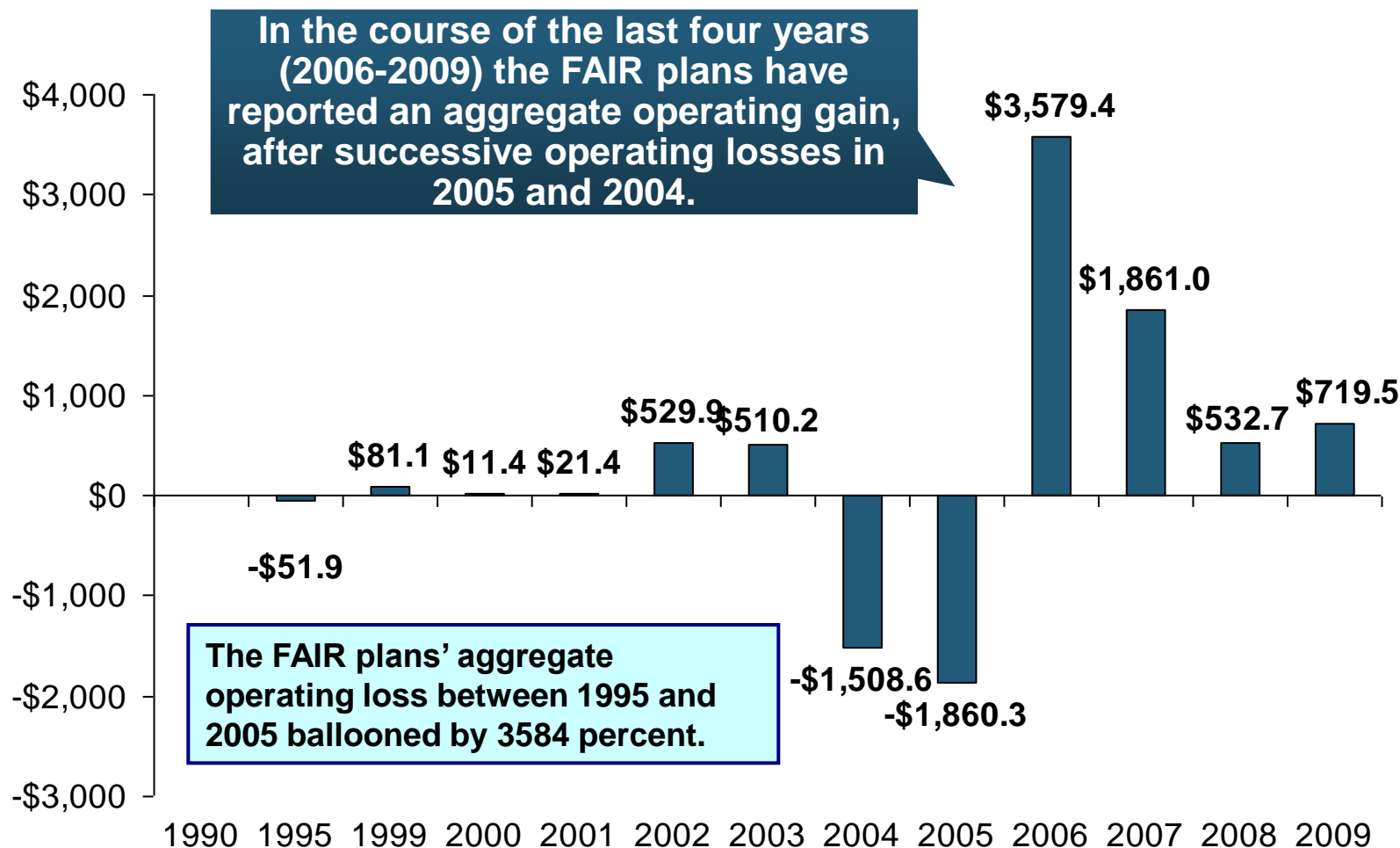
**In the 20-year period between 1990 and 2009, total exposure to loss in the FAIR Plans has surged by a massive 1,430 percent from \$40.2 billion in 1990 to \$614.9 billion in 2009.**

# U.S. Beach and Windstorm Plans Exposure to Loss (Billions of Dollars)

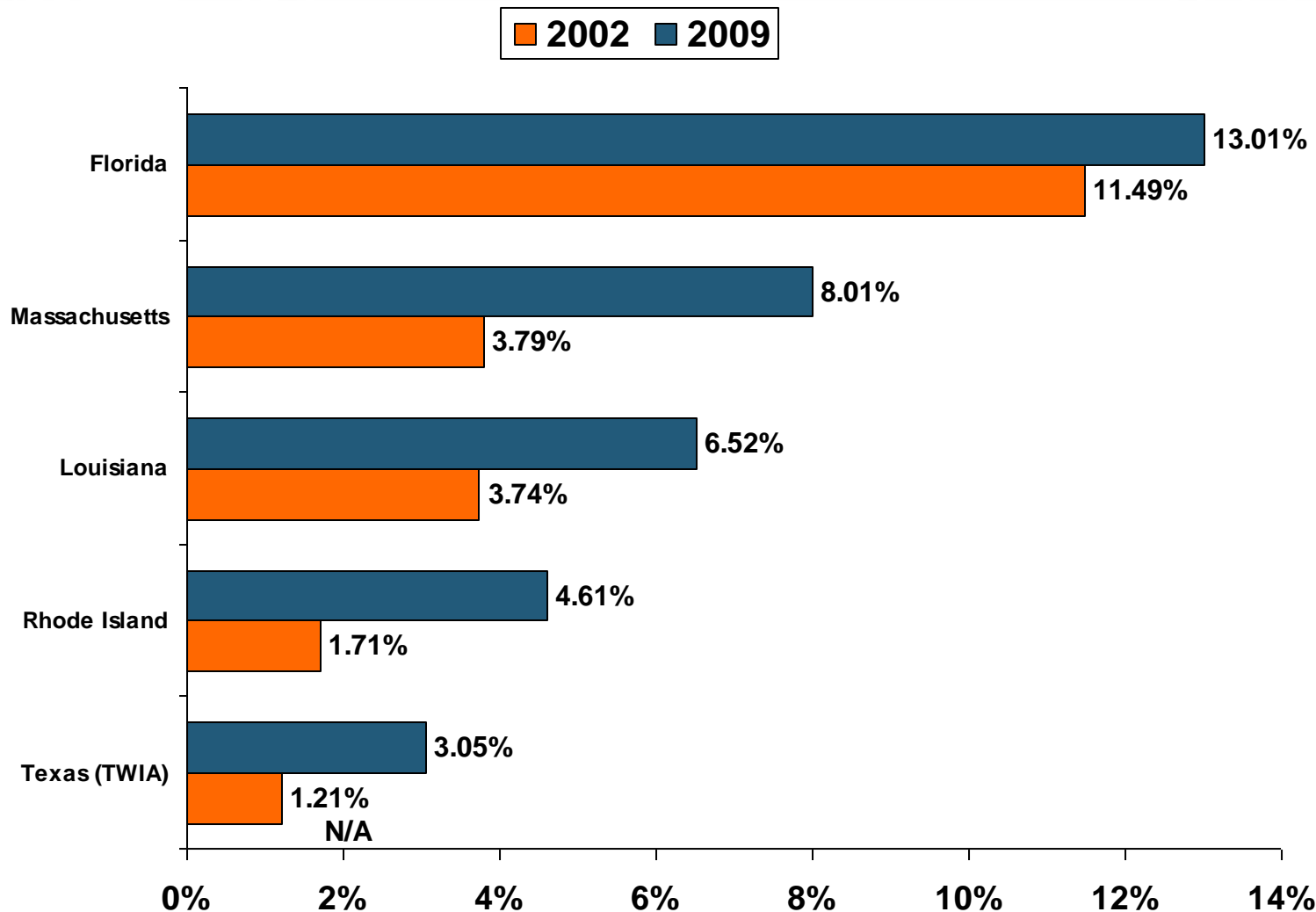
In 2002 Florida combined its Windstorm and Joint Underwriting Association to create Florida Citizens, so Florida data shifted to the FAIR plans from this date.



# FAIR Plan Operating Gains/Losses 1990-2009 (Millions of Dollars)

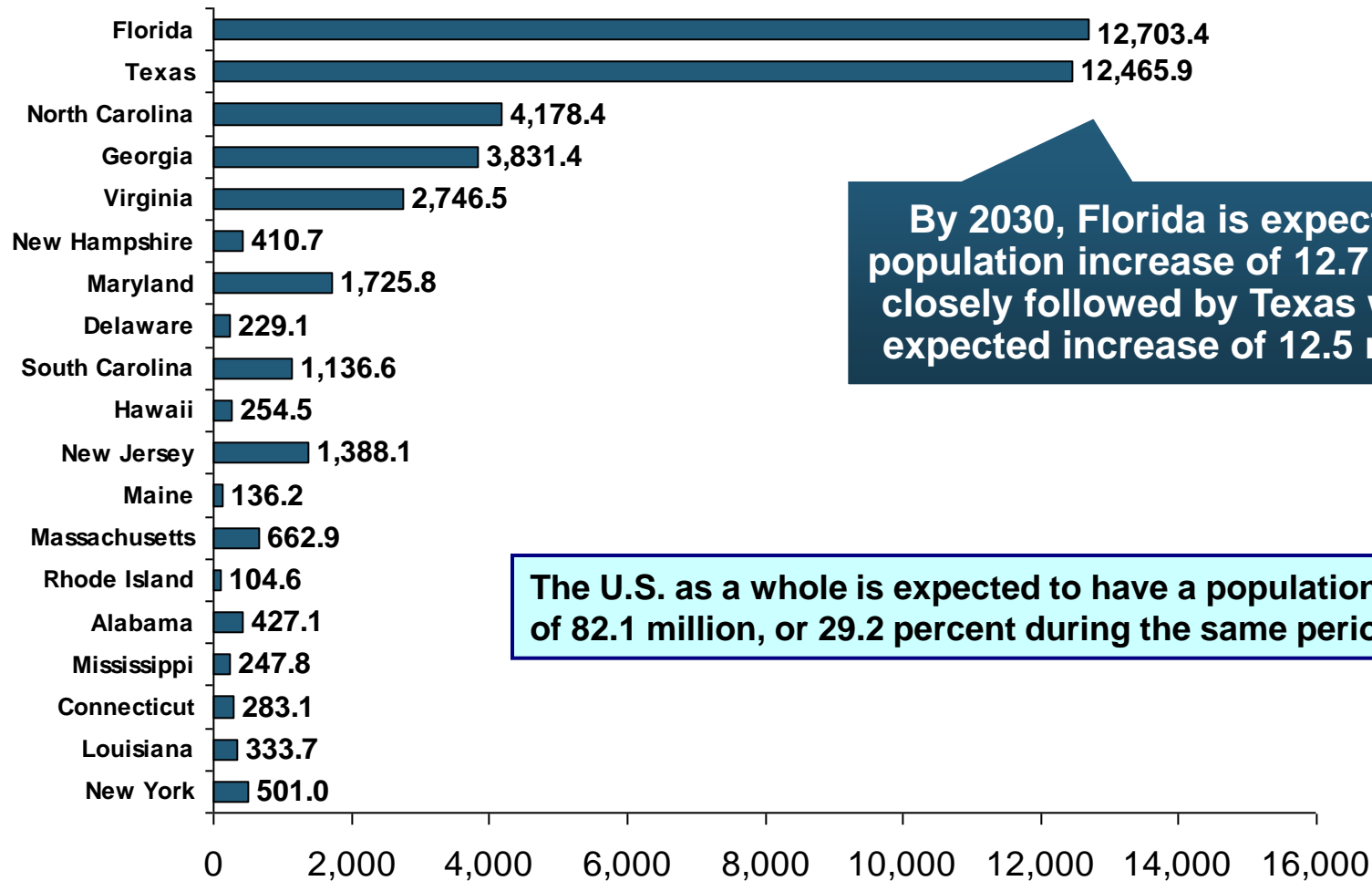


# FAIR/Beach Plan Earned Premium as % of Overall Property Market (Top 5 states) 2002 vs. 2009

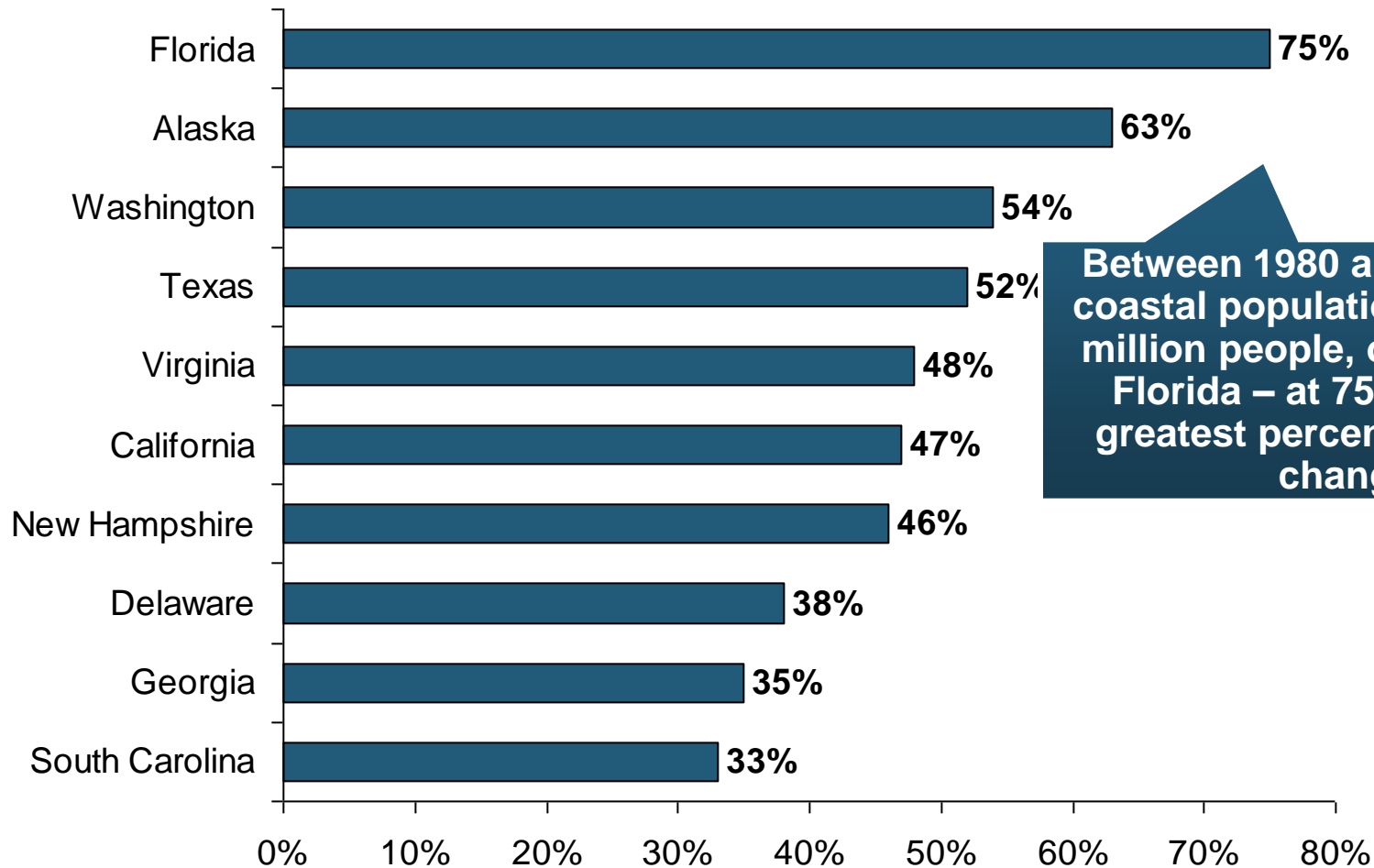




# Population Growth Projections for Hurricane Exposed States (2000 to 2030) (000)

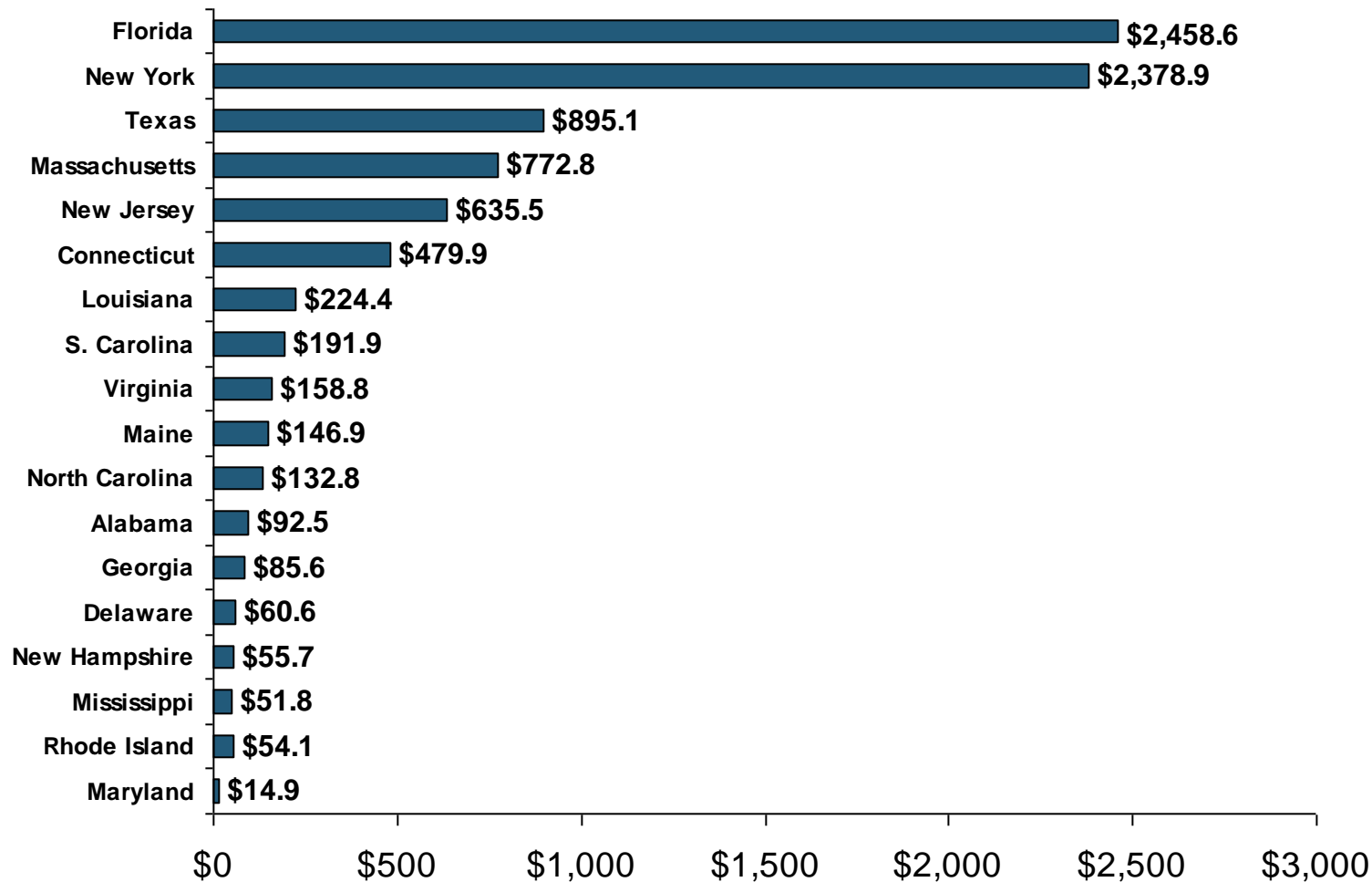


# Leading States in Coastal Population Growth, 1980-2003

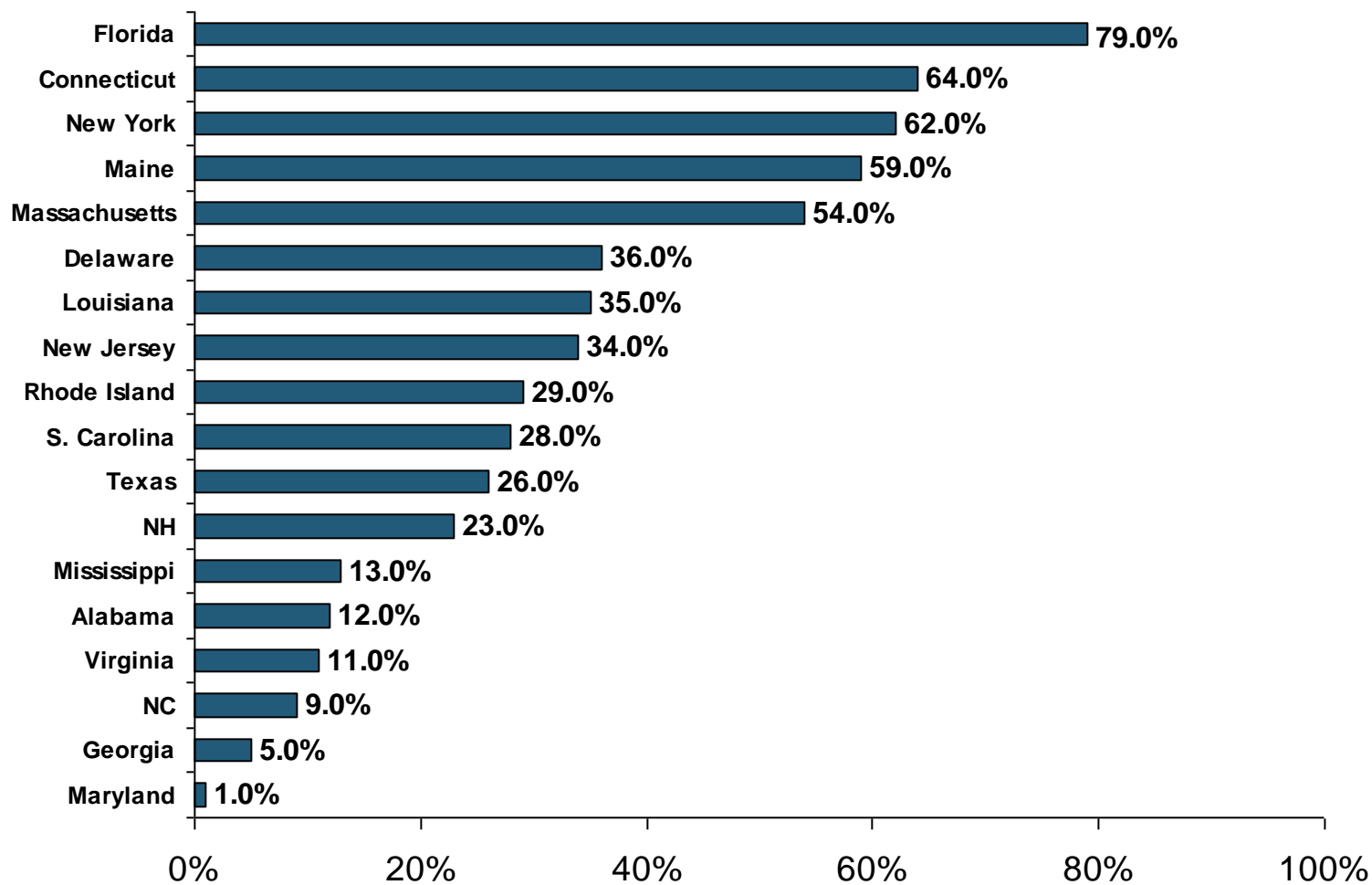


Between 1980 and 2003, total coastal population grew by 33 million people, or 28 percent. Florida – at 75% – had the greatest percent population change.

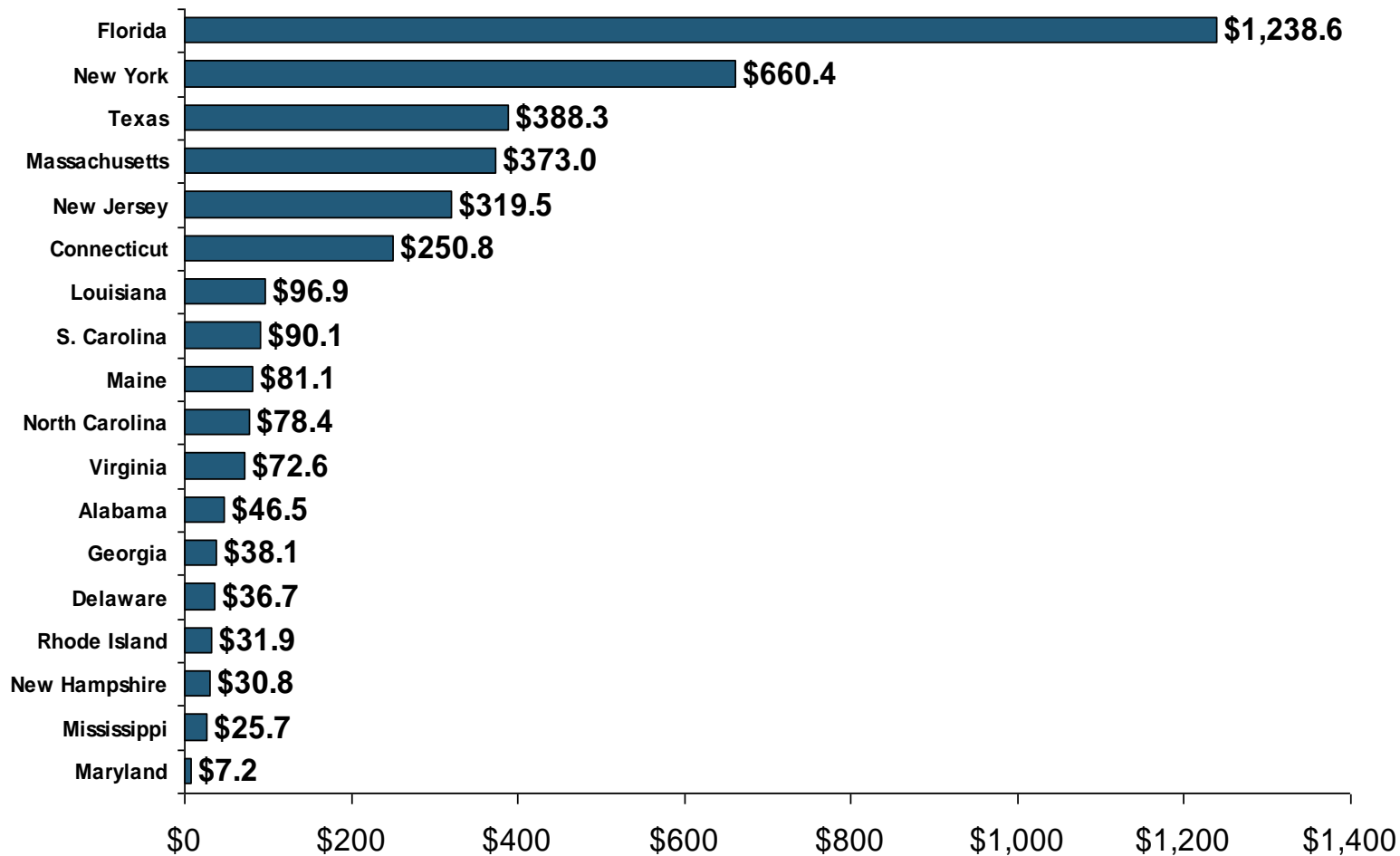
# Total Value of Insured Coastal Exposure In 2007 (\$ Billions)



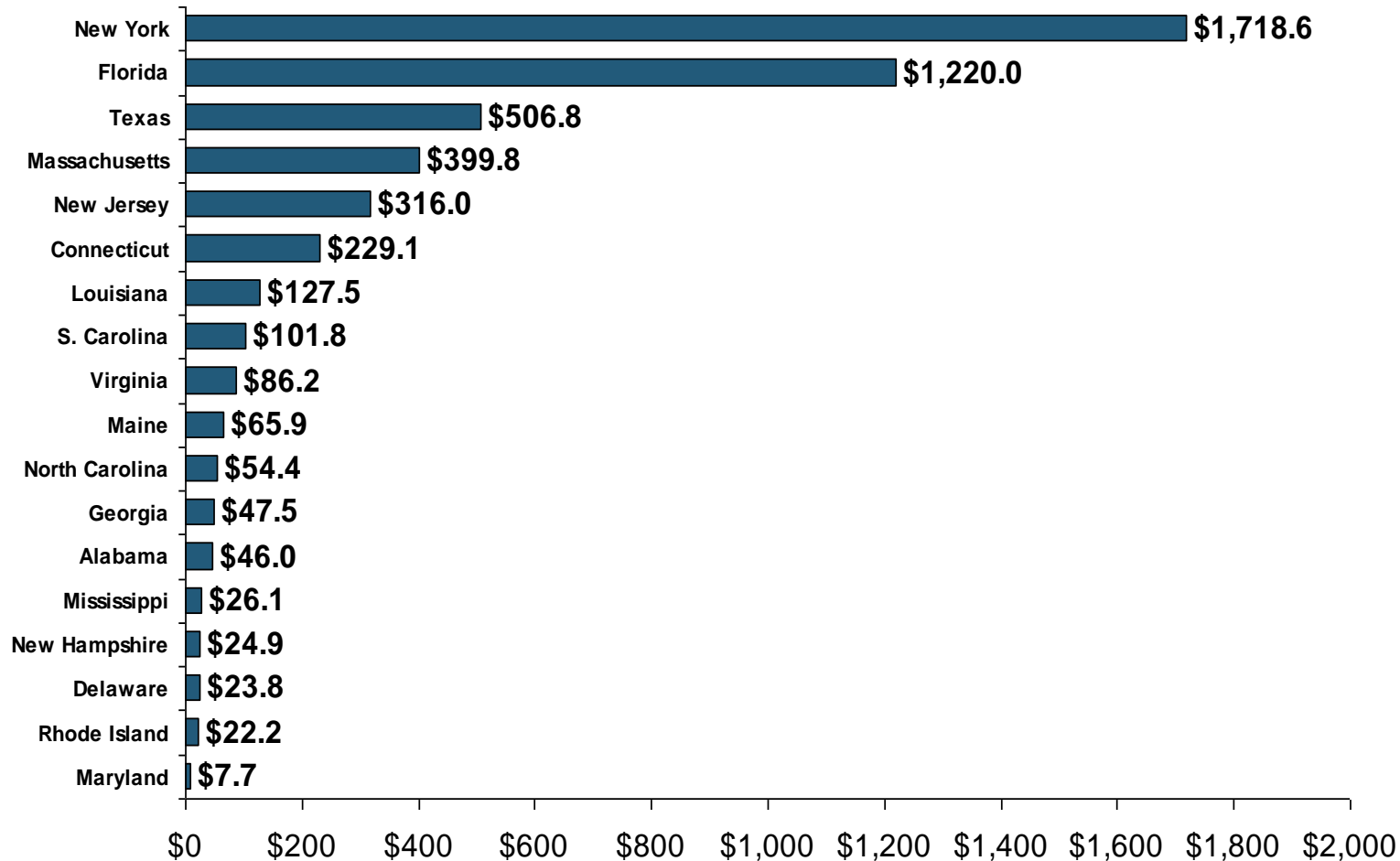
# Insured Coastal Exposure As a % Of Statewide Insured Exposure In 2007



# Value of Insured Residential Coastal Exposure In 2007 (\$ Billions)

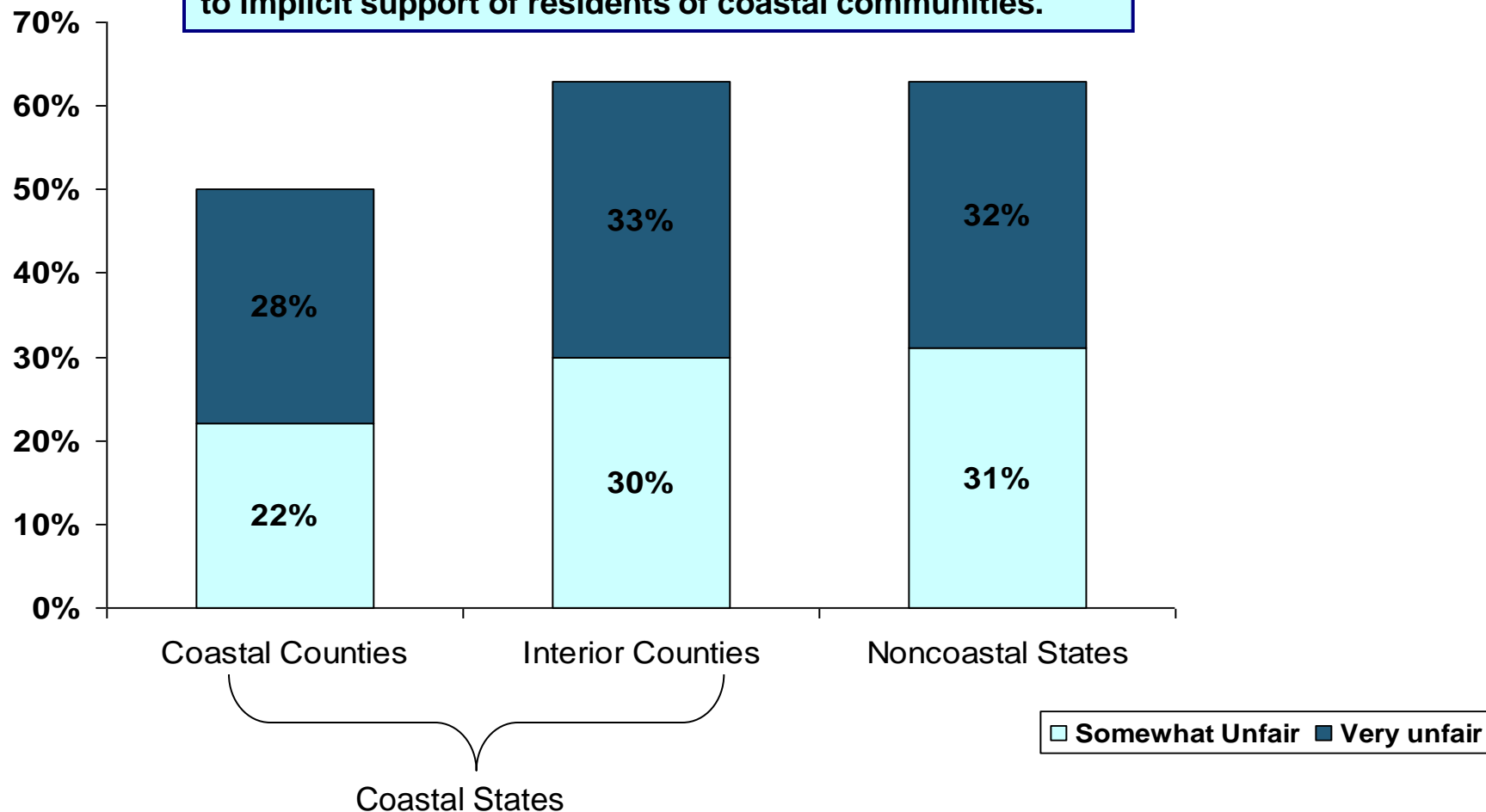


# Value Of Insured Commercial Coastal Exposure 2007 (\$ Billions)



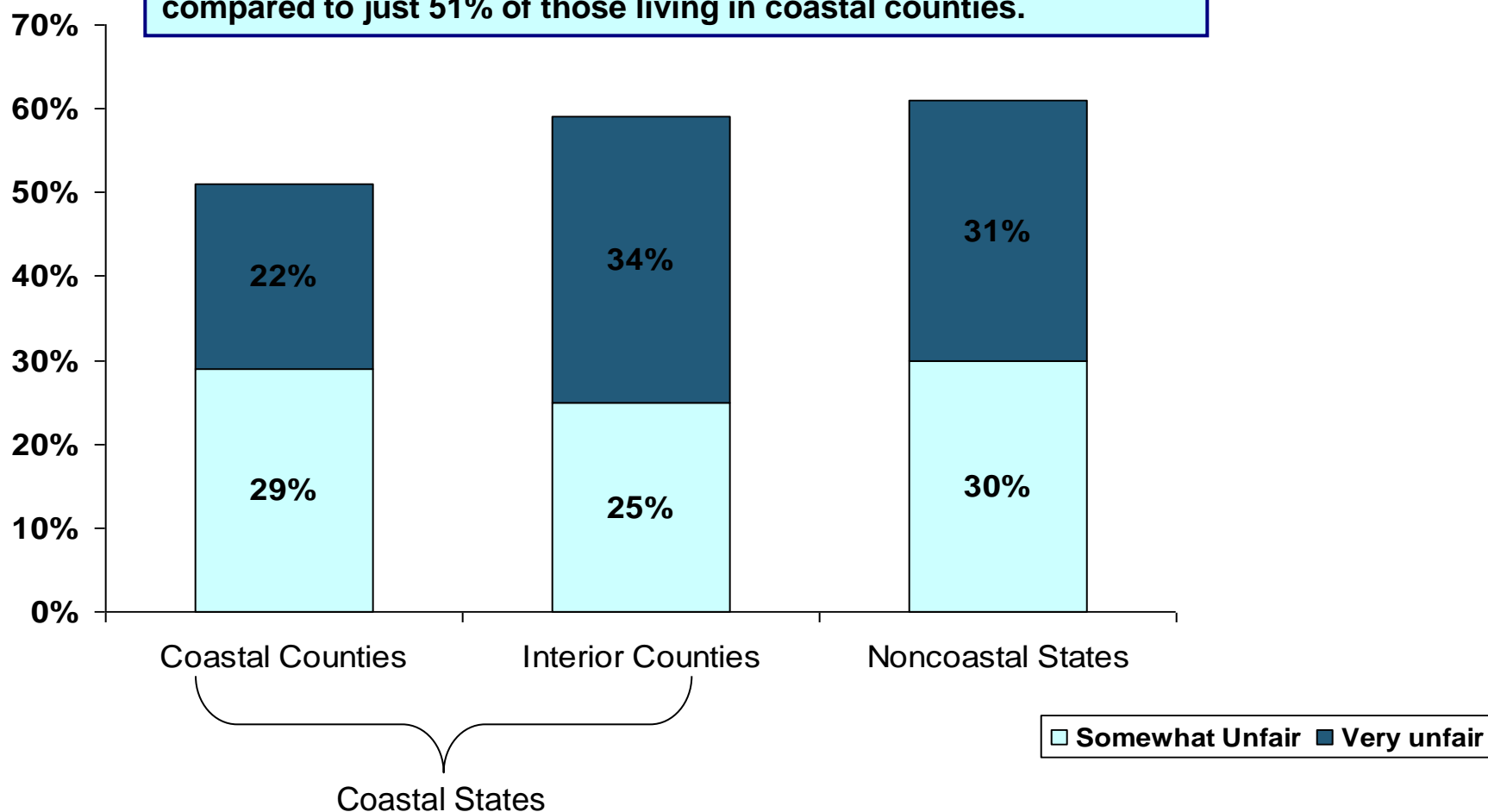
# Public Attitude Monitor 2006: Unfairness of Policyholder Subsidies

Growth in residual market mechanisms may be due in part to implicit support of residents of coastal communities.



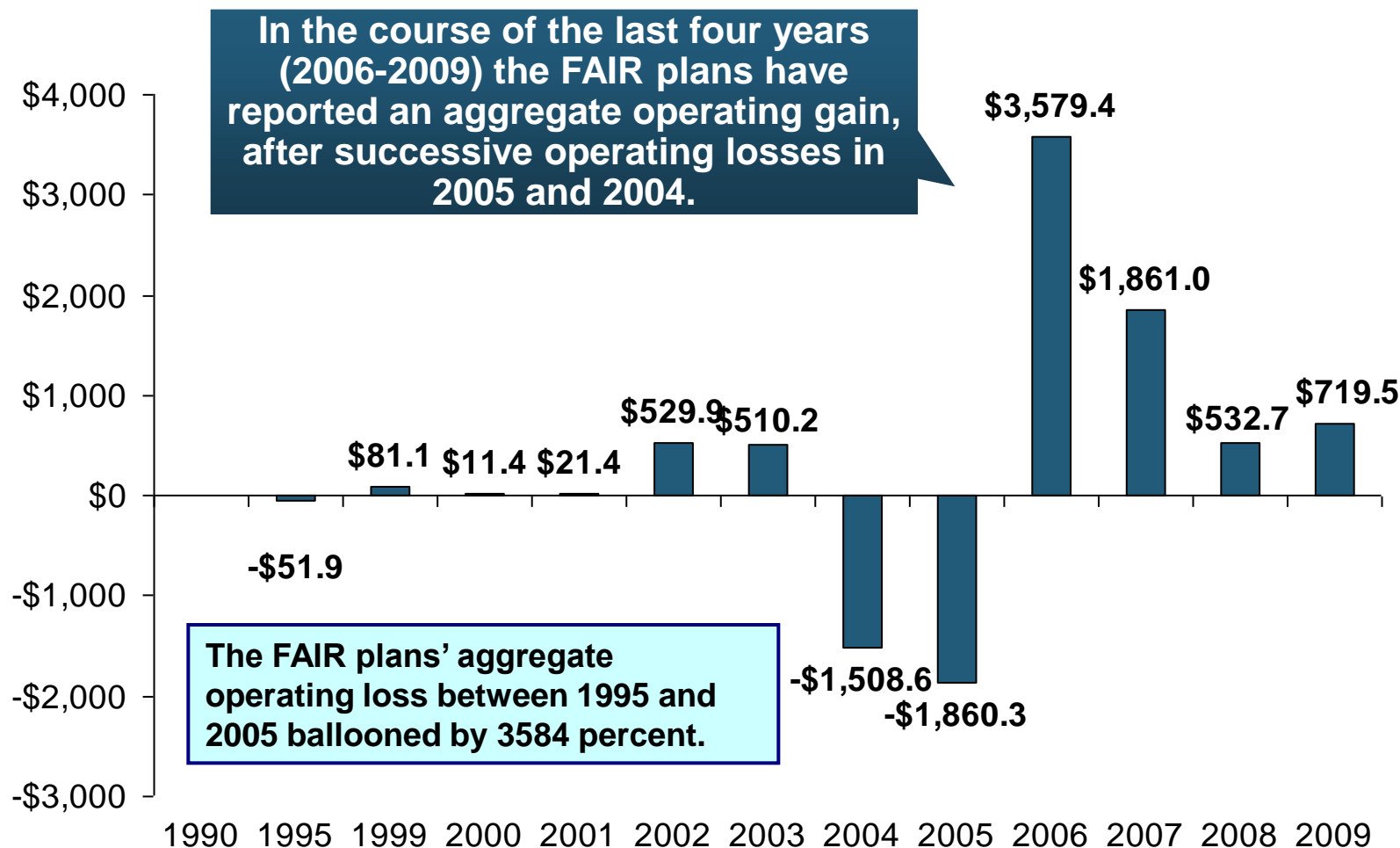
# Public Attitude Monitor 2006: Unfairness of Taxpayer Subsidies

Some 59% of those living in interior counties and 61% in noncoastal states think taxpayer-subsidized insurance is unfair, compared to just 51% of those living in coastal counties.

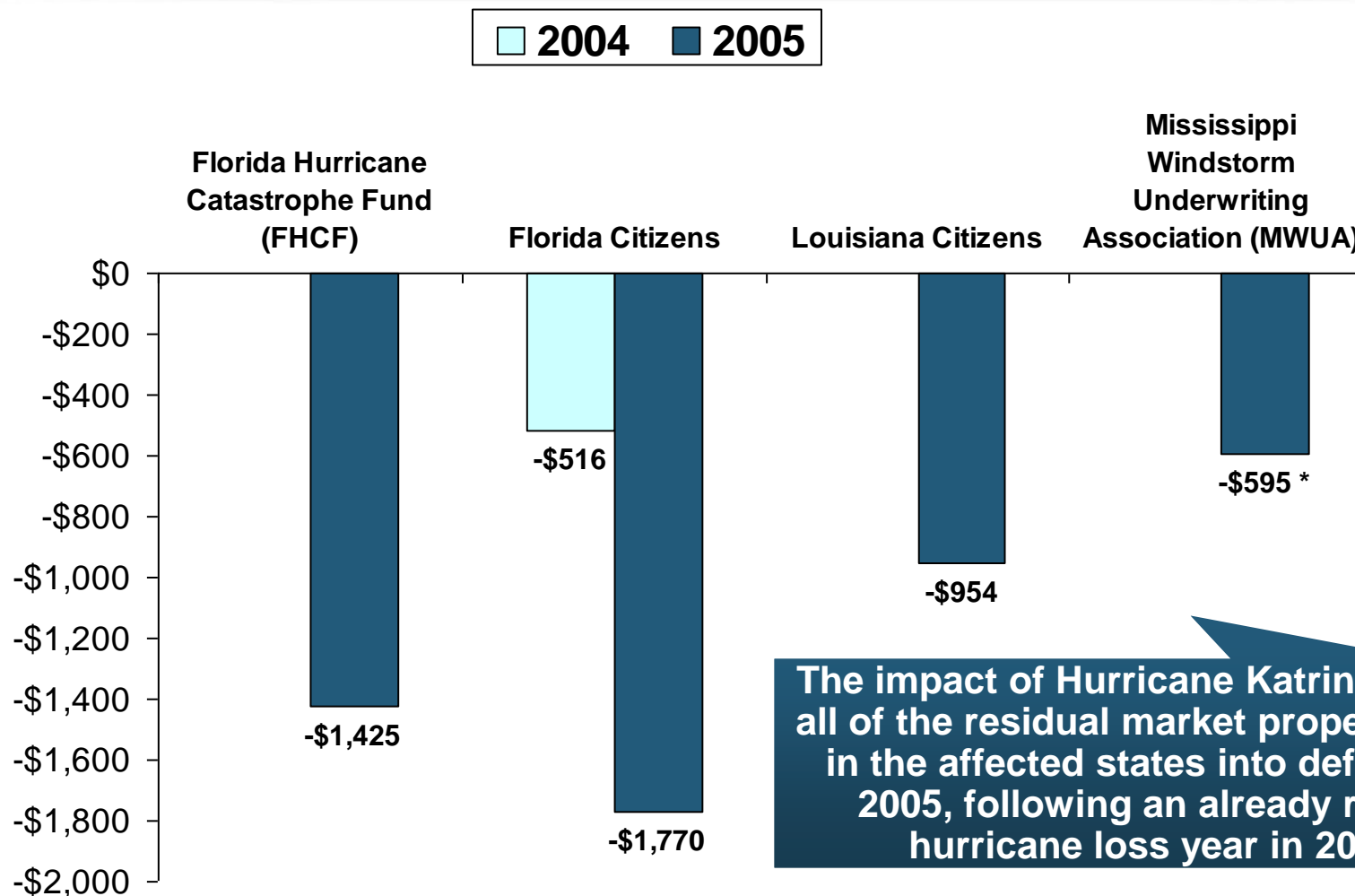




# FAIR Plan Operating Gains/Losses 1990-2009 (Millions of Dollars)



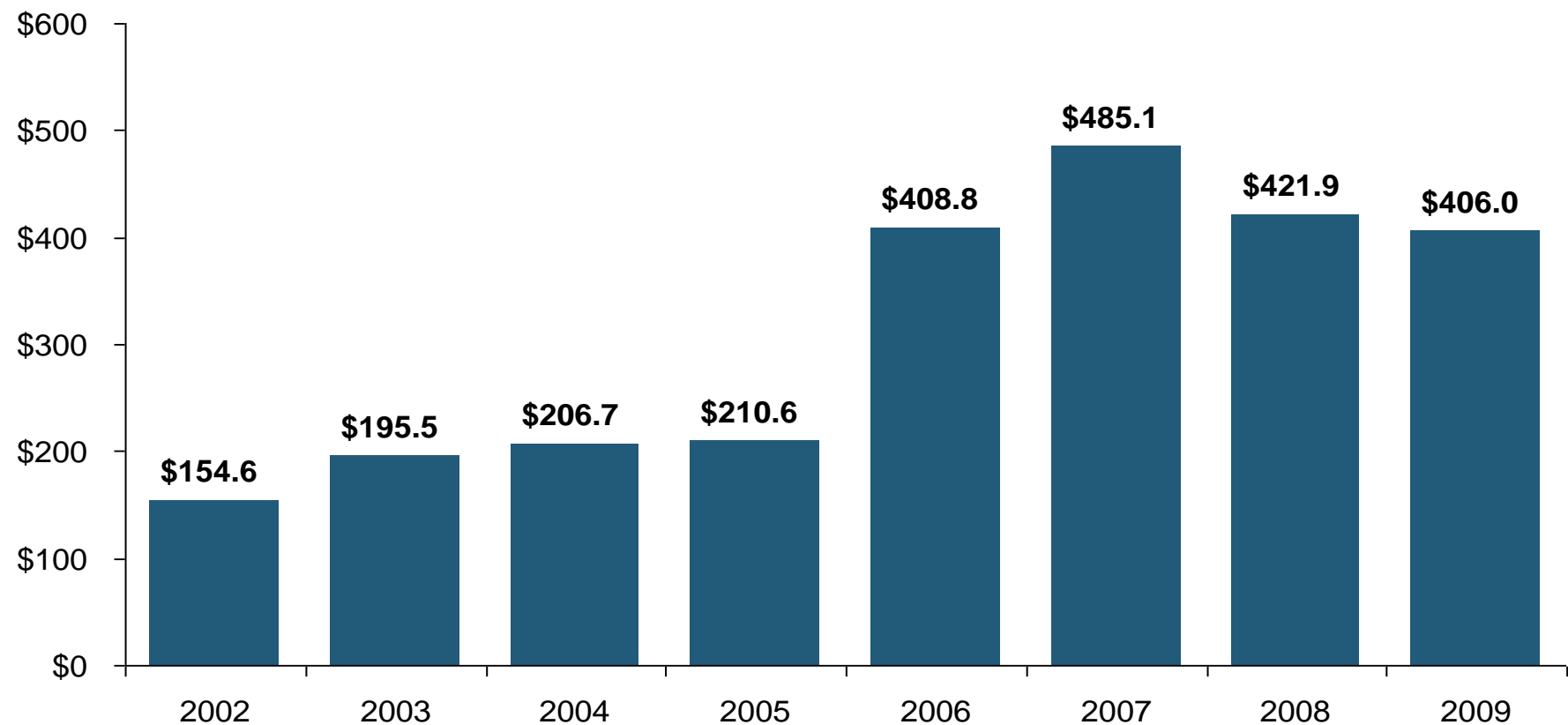
# Residual Market Plan Estimated Deficits 2004/2005 (Millions of Dollars)



\* MWUA est. deficit for 2005 comprises \$545m in assessments plus \$50m in Federal Aid.

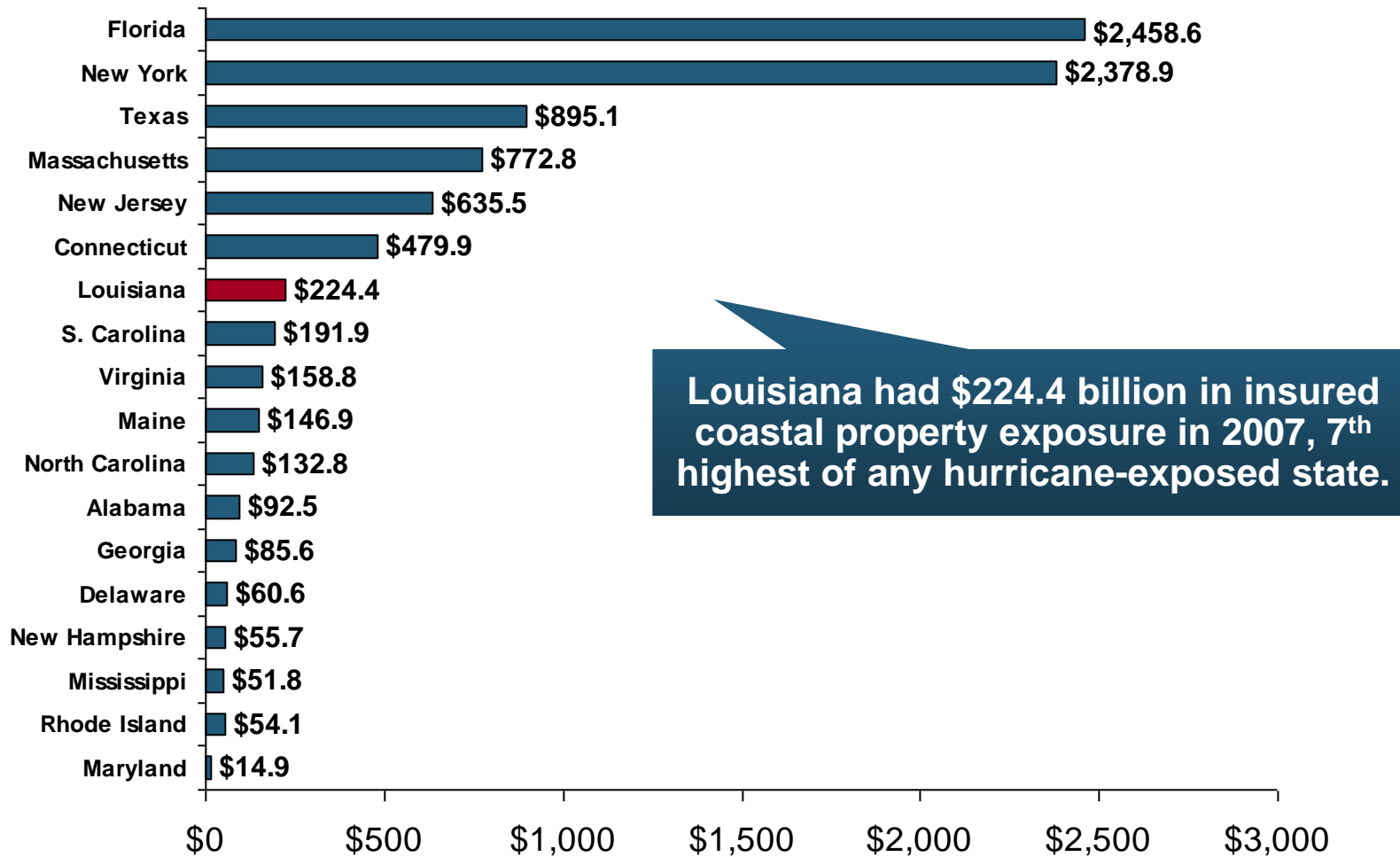
Source: Insurance Information Institute

# Florida Citizens Exposure to Loss (\$ Billions)

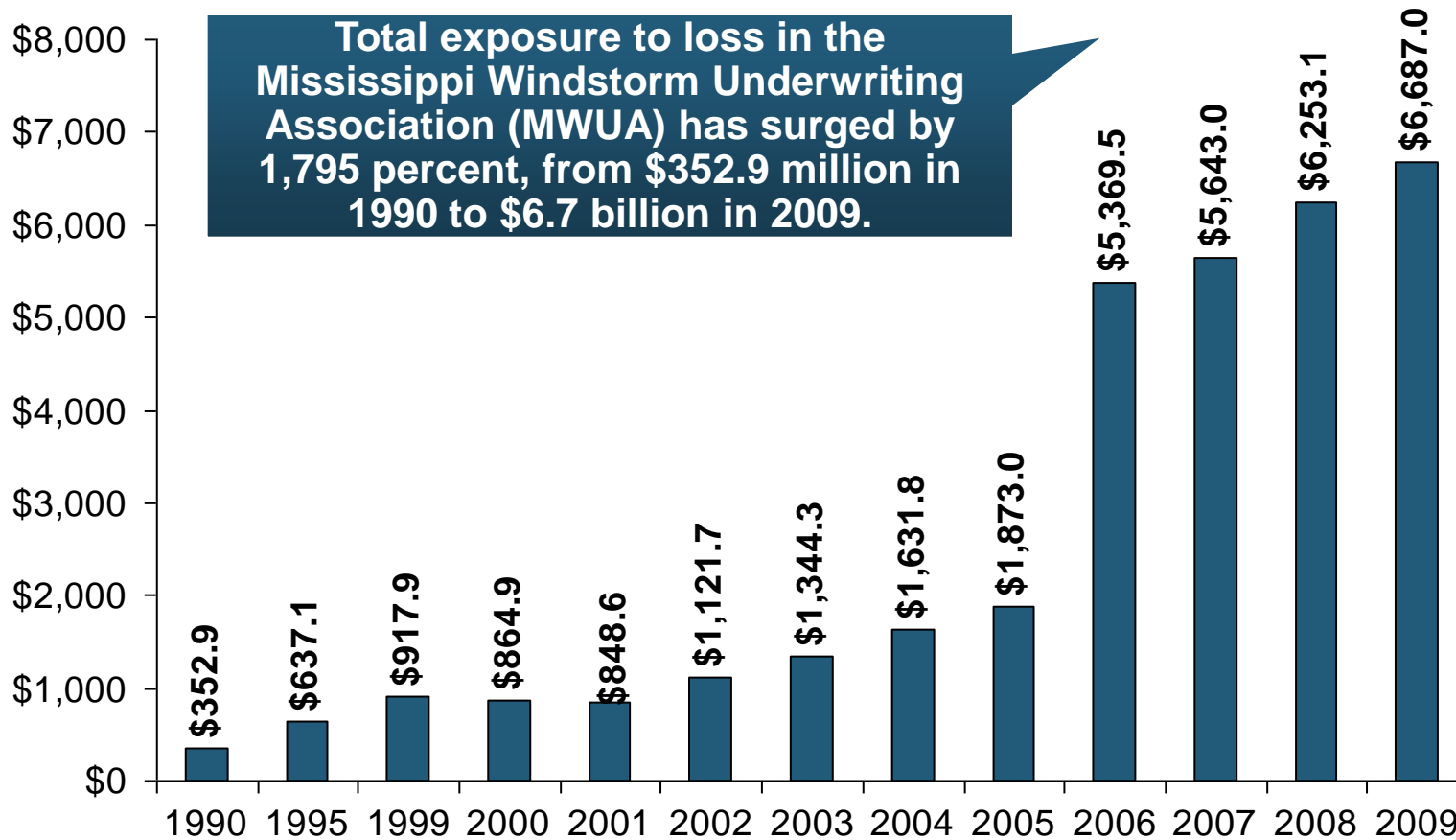


**Since its creation in 2002, total exposure to loss in Florida Citizens has increased by 163 percent, from \$154.6 billion to \$406 billion in 2009.**

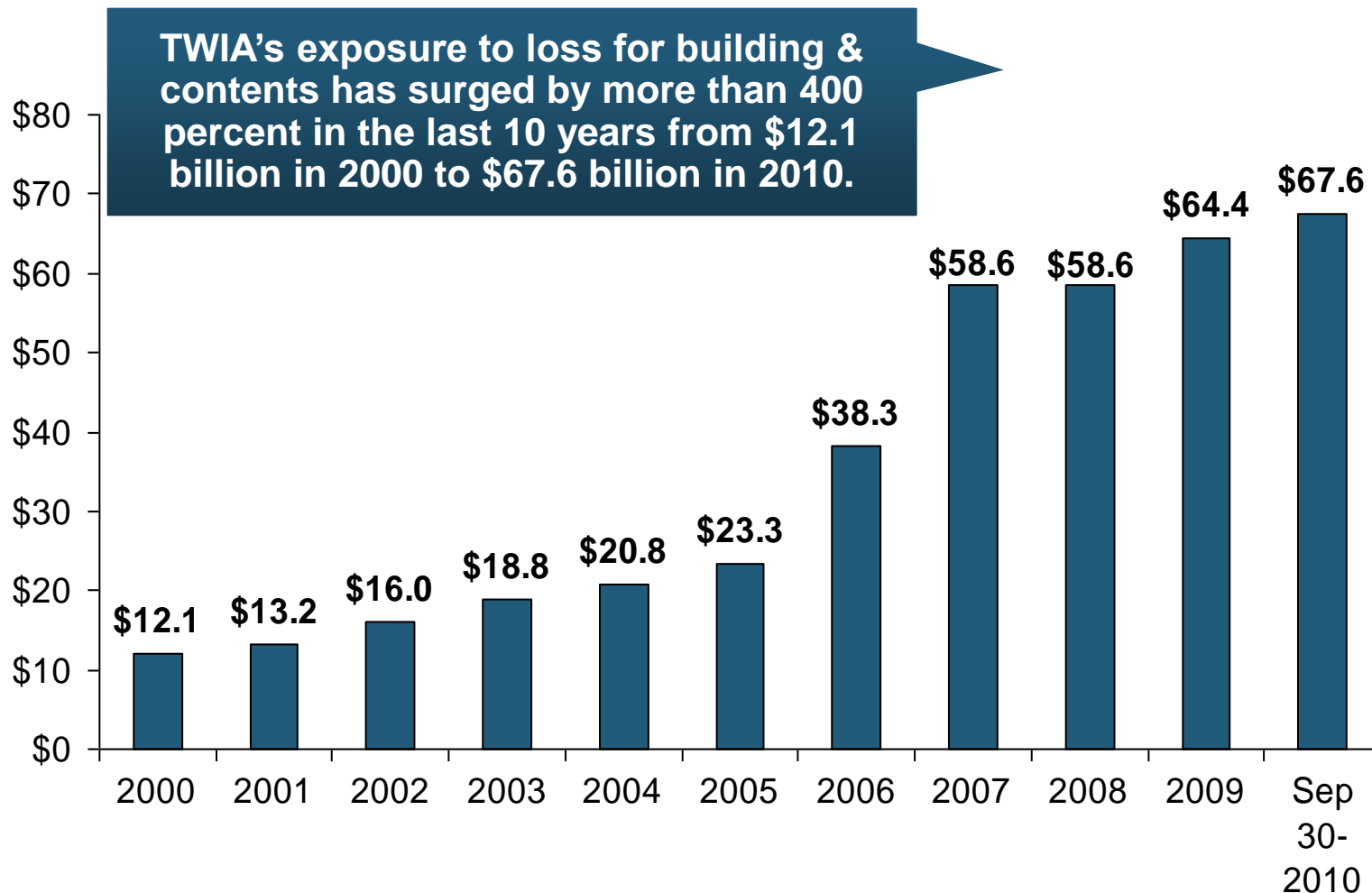
# Total Value of Insured Coastal Exposure In 2007 (\$ Billions)



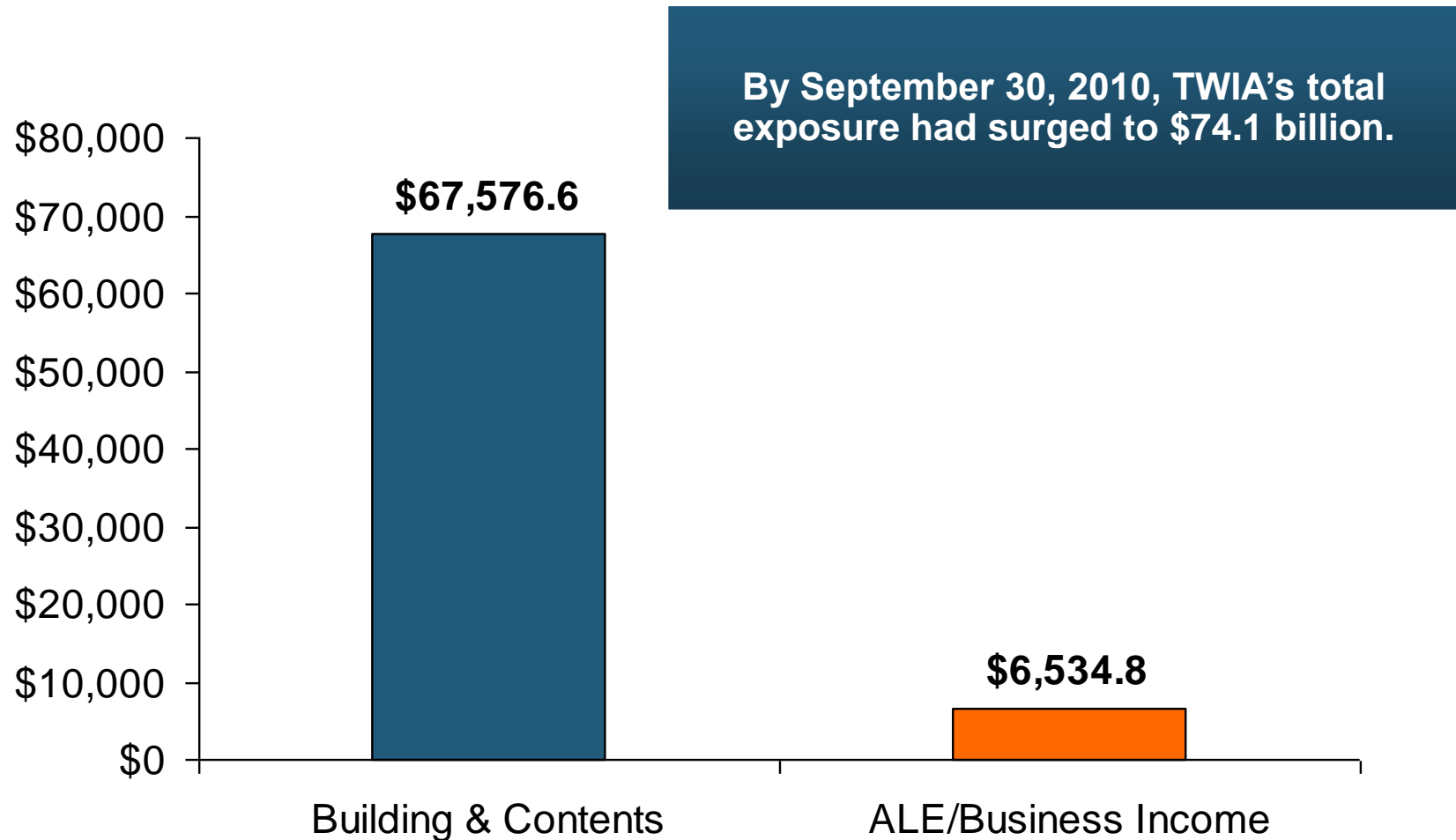
# Mississippi Windstorm Plan: Exposure to Loss (Millions of Dollars)



# Texas Windstorm Insurance Association (TWIA): Exposure to Loss (Building & Contents Only) (\$ Billions)



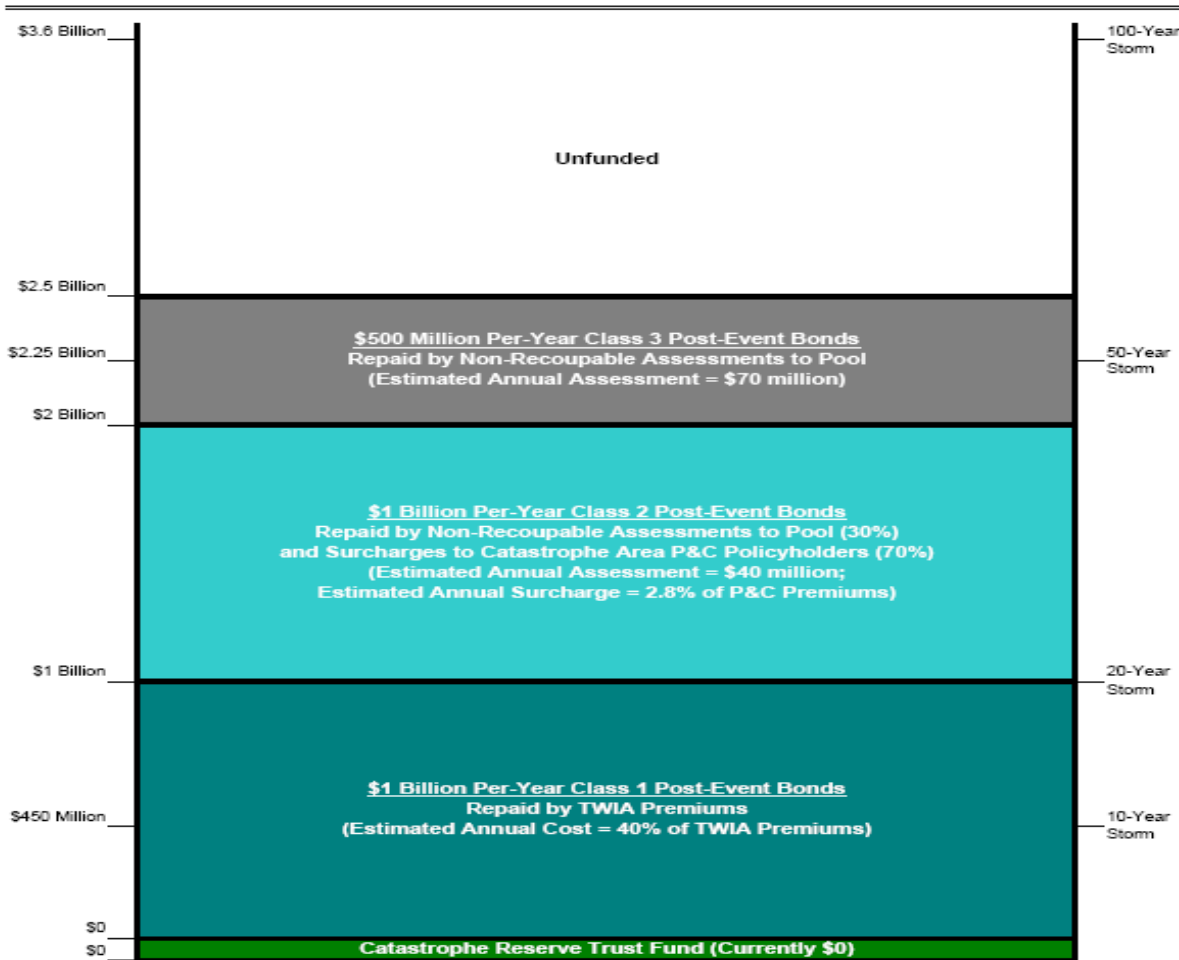
# Texas Windstorm Insurance Association (TWIA) Total Exposure to Loss (Millions of Dollars)



Source: TWIA at 09/30/10, Texas Department of Insurance

# Texas Windstorm Insurance Association (TWIA) New Financial Structure

Texas Windstorm Insurance Association  
Funding as Provided by HB 4409  
per Conference Committee Report

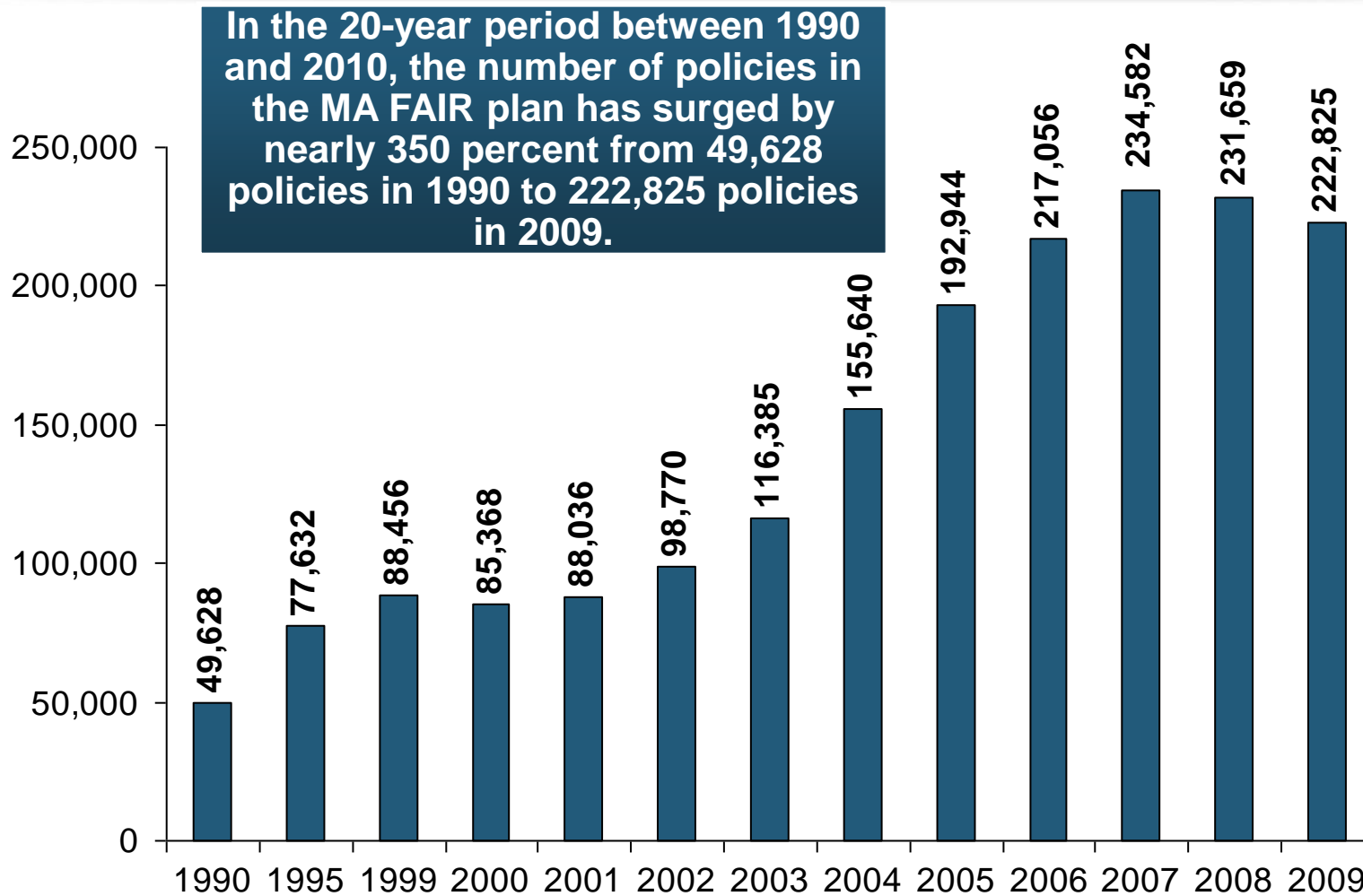


**New TWIA financing structure made available up to \$2.5 billion to fund losses via three post-event bonding layers. The new structure eliminated the unlimited assessment on TWIA member insurers and does not call for TWIA to purchase reinsurance.**

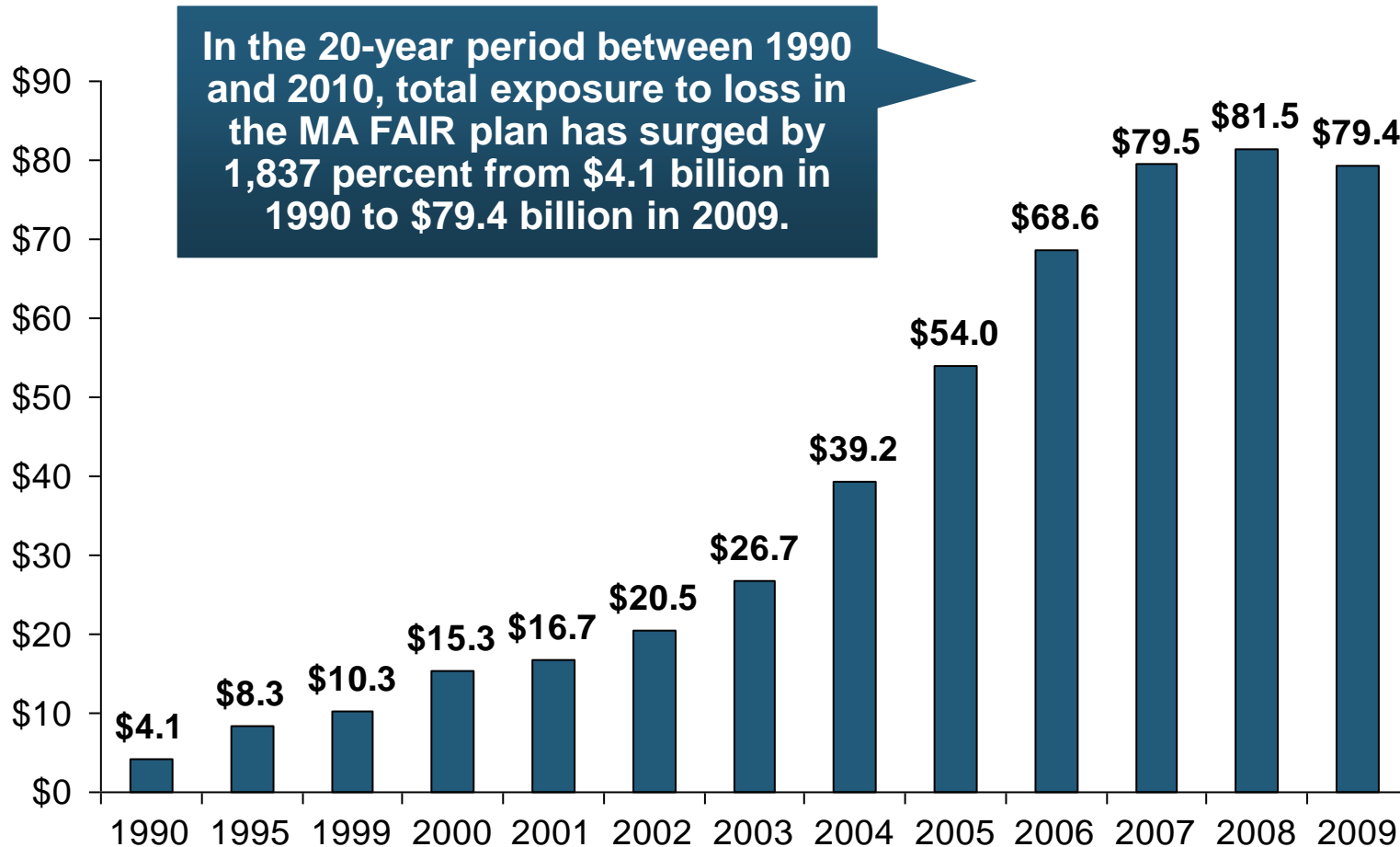
Notes: Storm frequencies based on an average of AIR and RMS modeled losses using TWIA exposures as of 12/31/08  
Bond costs estimated based on 10-year terms and 6% interest  
Estimated annual costs assume the maximum amount of each class of bonds are issued  
Financial instruments, including commercial paper, may be used to pay losses until post-event bonds are issued



# Massachusetts FAIR Plan Policy Count (1990-2009)



# Massachusetts FAIR Plan Exposure to Loss (Billions of Dollars)



# Massachusetts FAIR Plan Operating Gain or Loss 2000-2009 (Millions of Dollars)

