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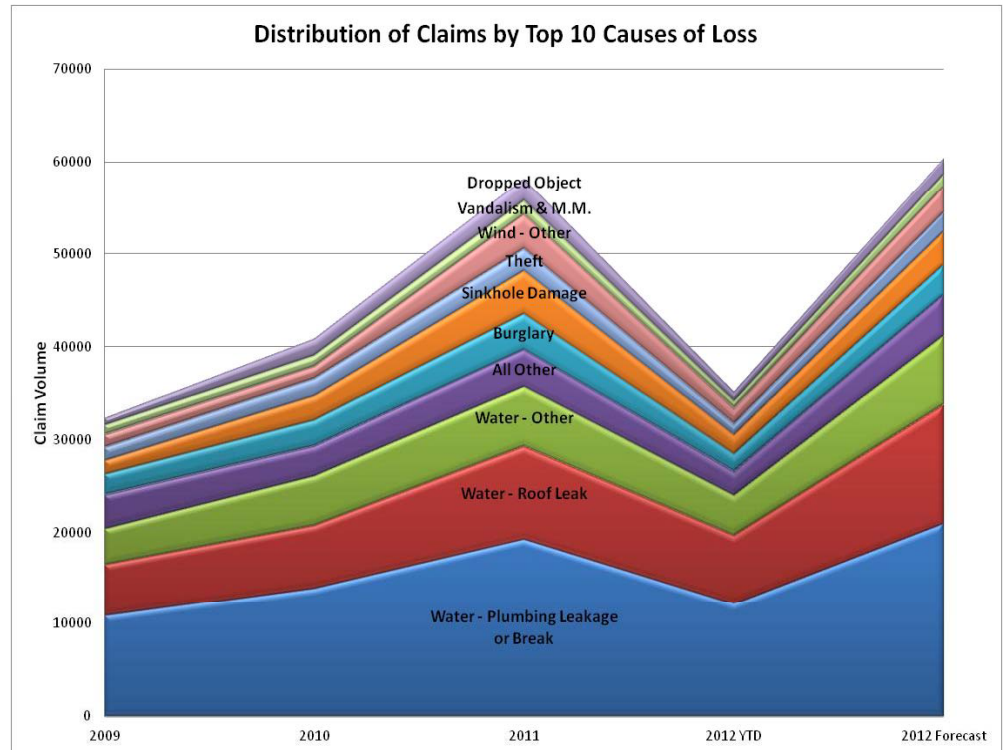
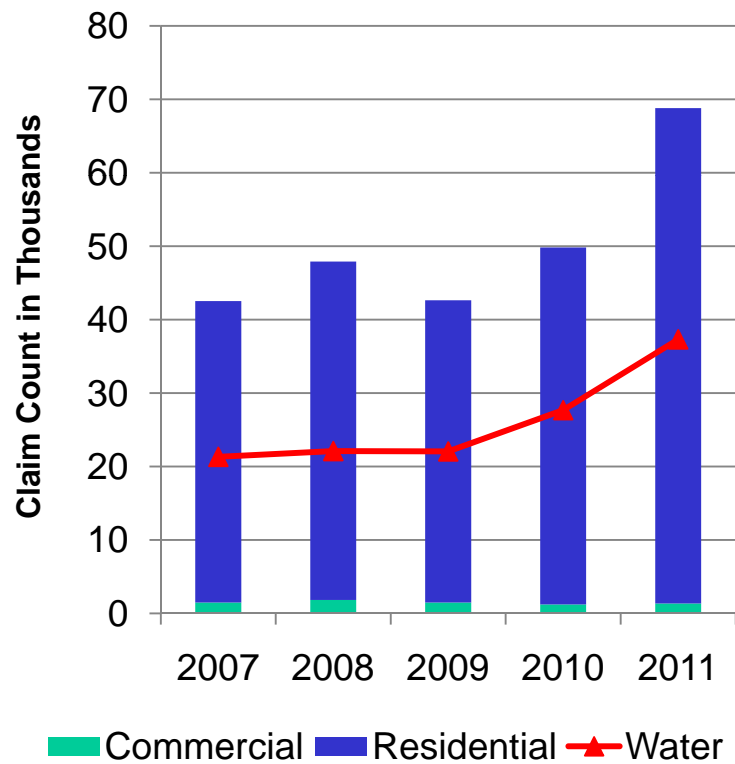
**Water Loss Update**  
**David Boyle, Senior Director**

Claims Committee Update

November 26, 2012

# Claim Count and Distribution

- Water Loss Volume is consistent with overall volume trends
- Water continues to make up the largest percentage of our Cause of Loss



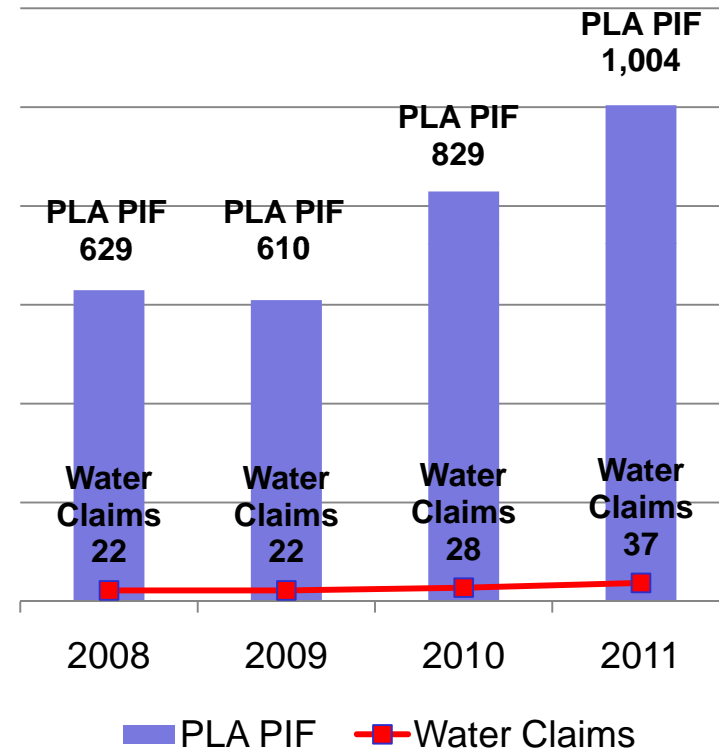
Water Cause of Loss % All Claims	2009	2010	2011	2012
Water - Accidental Discharge	0.90%	0.62%	1.35%	1.60%
Water - Backup Sewer or Drains	2.28%	2.00%	2.02%	1.84%
Water - Plumbing Leakage or Break	25.38%	27.87%	27.90%	27.66%
Water - Roof Leak	13.39%	13.76%	14.62%	16.99%
Water - Sprinkler Leakage	0.06%	0.06%	0.06%	0.07%

Water Loss Volume is Consistent with Overall Volume Trends

# Water Loss Frequency

Water loss frequency, while increasing slightly, has been significantly outpaced by Weather and Sinkhole frequency from 2008 thru 2011, as well as by Growth in PIF in the PLA

Personal Lines Account				
Daily Event Frequency by Accident Year				
12 Month Claim Maturity (Incurred and Reported in Same Year)				
Cause of Loss (COL)	AY 2008	AY 2009	AY 2010	AY 2011
Weather Related	0.8%	1.0%	0.9%	1.4%
Water	2.0%	2.0%	2.2%	2.4%
Burglary & Theft	0.5%	0.4%	0.5%	0.5%
Sinkhole	0.3%	0.4%	0.7%	0.8%
All Other	1.0%	1.1%	1.0%	1.0%
<b>Total Excluding Sinkhole</b>	<b>4.3%</b>	<b>4.5%</b>	<b>4.6%</b>	<b>5.2%</b>
<b>Total (All COL)</b>	<b>4.4%</b>	<b>4.7%</b>	<b>4.9%</b>	<b>5.6%</b>

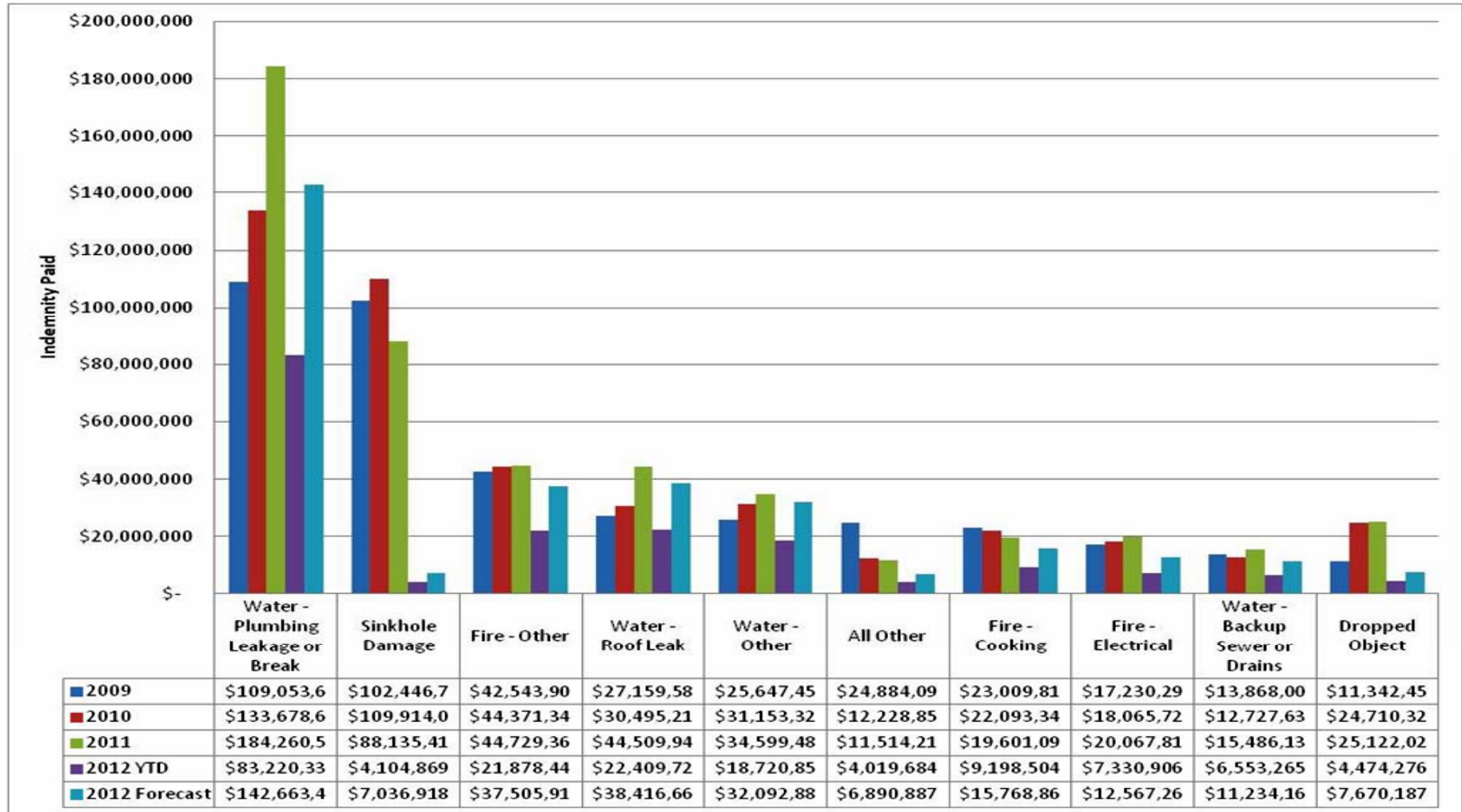


PLA PIF and Water Claims in Thousands

Change in Water Frequency has been Outpaced by Sinkhole and Weather Related



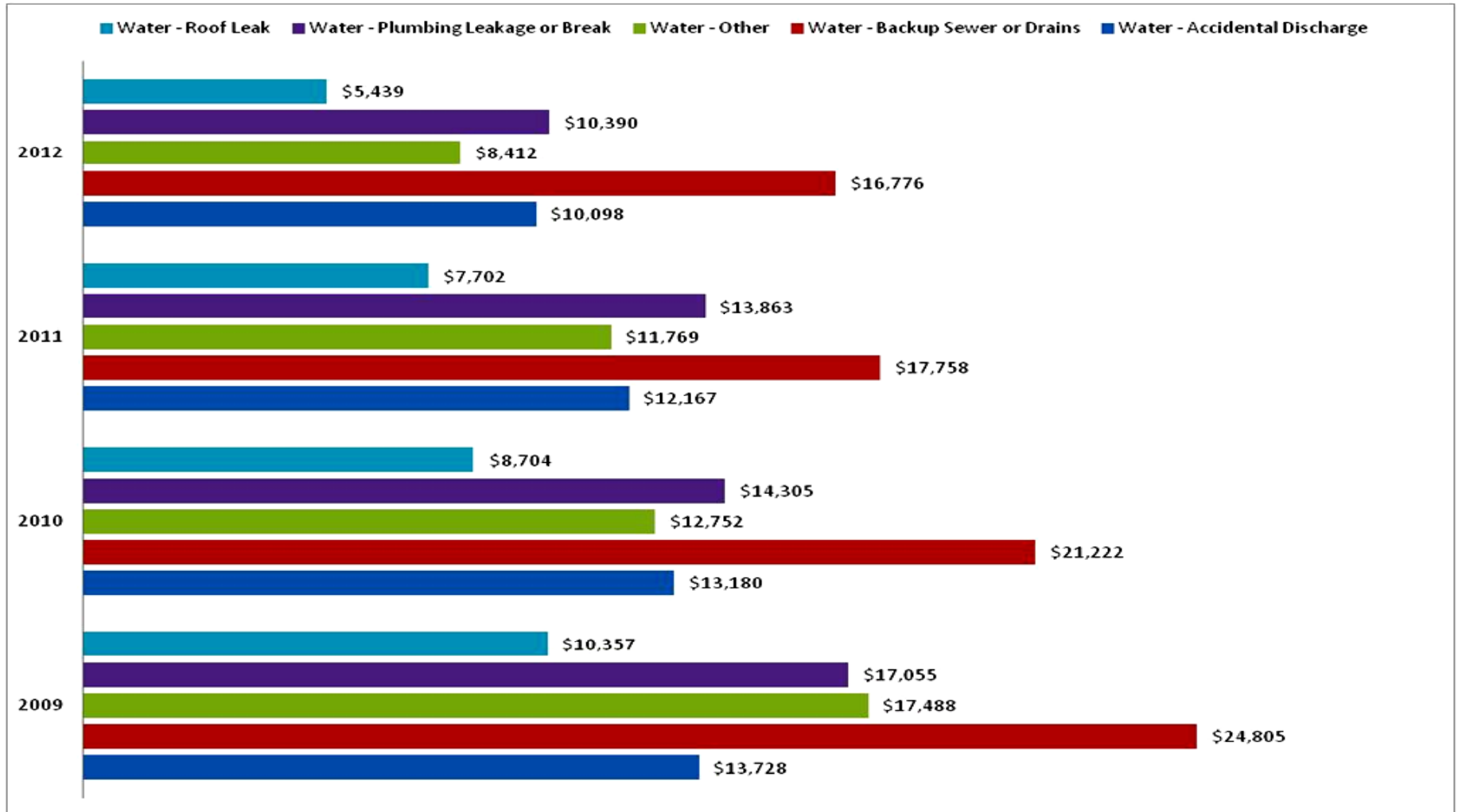
# Top Ten Paid Indemnity Distribution By Cause of Loss



Water Loss Percentage of Indemnity is Consistent with Overall Indemnity Trends

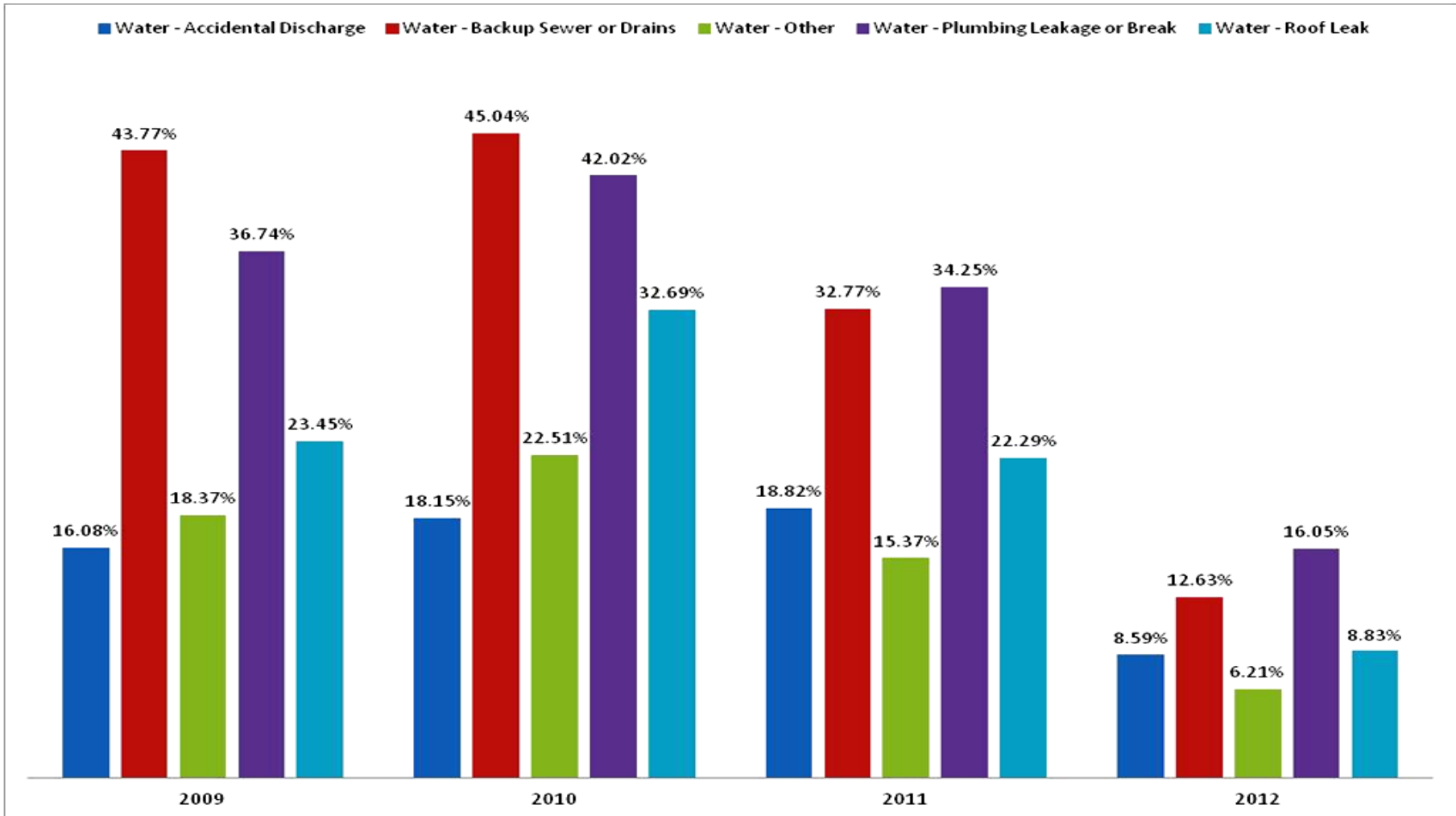


# Water Average Paid Indemnity



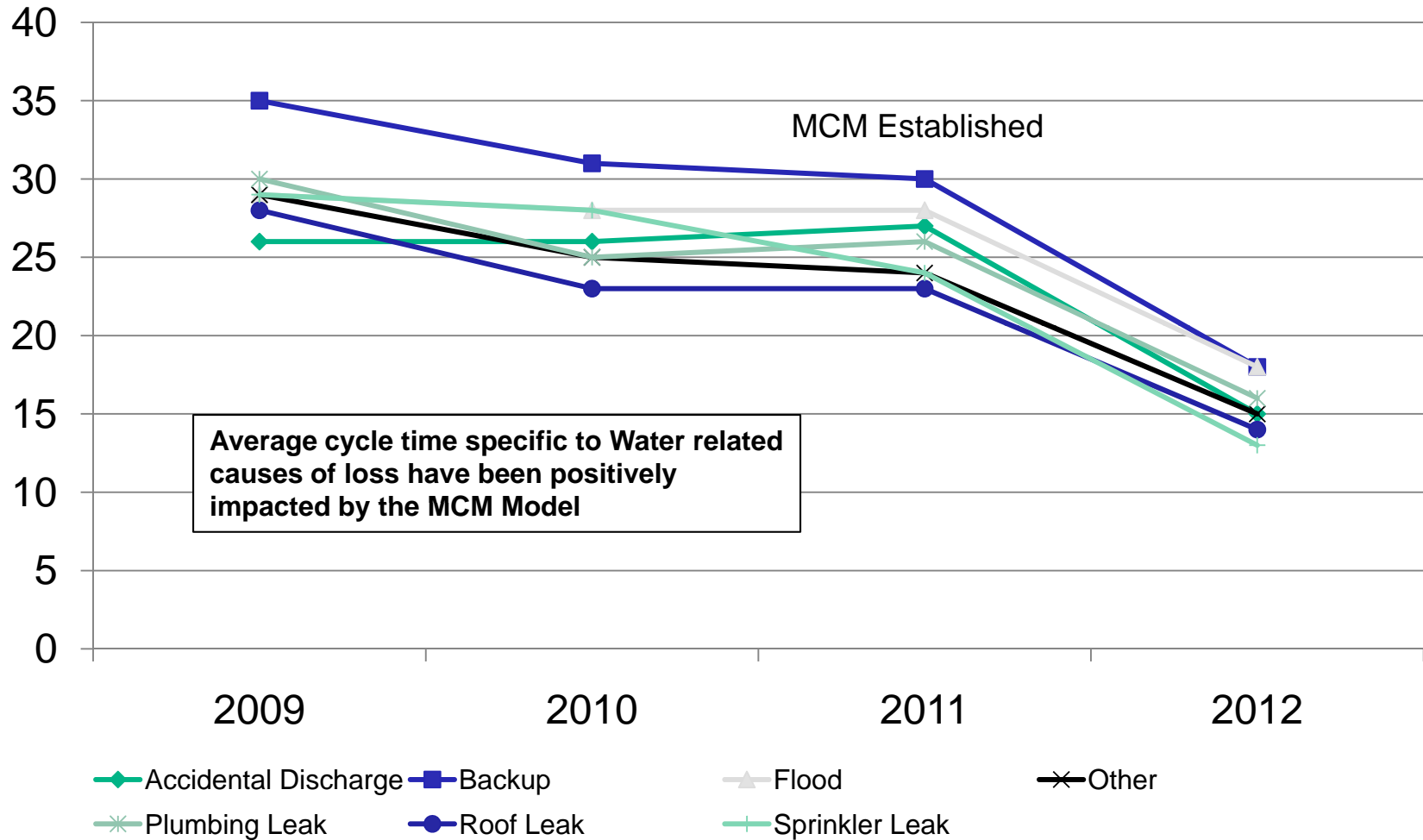
Water Related Severities Have Declined over a 4 Year Period

# Public Adjuster Representation Water Losses



Water Related Public Adjuster Representation has Declined over a 4 Year Period

# Water Loss Cycle Time



Reduced Cycle Time Positively Influences Average Indemnity Paid



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## Water Loss Initiatives

### Current and Planned

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#### Claim Operations & Vendor Relations

- Creation of a Water Loss Damage Assessment Team (IICRC Certified)
  - Utilizes an Automated Tool validates invoices against IICRC guidelines
  - Focused Water Damage Reinspection Program
- Improved Best Practices and Estimating Guidelines
  - Revised Water Specific IA Expectations
  - Consistent approach to moisture readings, dry logs, etc
  - Water loss specific inspection timeframe expectations
- Water Mitigation Fraud Awareness Campaign
- Improved *internal* subject matter expertise through IICRC Certification
- Ongoing Evaluation of a Water Remediation Vendor Program as a component of a broader services administrator solicitation

#### Underwriting and Product

- Revised Policy Language
  - Long Term Repeated Seepage and Leakage
  - Wind Driven Water
  - Clarified Backup to exclude Septic
- Required Older Roofs to be replaced or demonstrate remaining useful life
- 4 Point Inspection on New Business