Demotech, Inc.

Financial Stability Ratings®
Philosophy and Methodology
Risk Retention Groups

Demotech, Inc.
SERIOUS ABOUT SOLVENCY®

DRAGONFLY:
300 MILLION YEARS OLD

T-REX:
EXTINCT

Nature knows size and survival are independent.

Demotech, Inc. had to prove that to the insurance industry.

Regional and Specialty insurers are often mistakenly thought of as financially unstable due to their size.

Financial Stability Ratings® look beyond the size of an insurer and evaluate solvency using a quantitative model based on insurance fundamentals.

Innovative thinking, strategic analysis, commitment, insight and on-going involvement with the insurance industry allow us to provide solutions as unique as your company.

A'' Unsurpassed
Financial Stability Rating®
Demotech, Inc.

A' Unsurpassed
Financial Stability Rating®
Demotech, Inc.

A Exceptional
Financial Stability Rating®
Demotech, Inc.

Financial Stability Ratings® offer the following benefits:

- Acceptance by Fannie Mae, Freddie Mac and HUD
- Elimination of Reinsurance Cut-Throughs
- Access to Stand-Alone Umbrella Insurance
- Premium Financing Available
- Errors and Omissions Insolvency Gap Coverage Available

Introduction

Demotech, Inc. is a financial analysis firm located in Columbus, Ohio. Since 1985, Demotech has been serving the insurance industry by providing accurate and proven Financial Stability Ratings® (FSRs) for the insurance industry, including Risk Retention Groups (RRGs) and Reciprocal Exchanges. As an independent financial analysis firm, Demotech has a proven track record of identifying financially stable insurers.

The Liability Risk Retention Act of 1986 (LRRA) was signed into law to provide a mechanism for the placement of product liability exposure for a broad spectrum of businesses. Property and Casualty insurers' appetites for underwriting this exposure had significantly tightened in the 1970s and early 1980s. LRRA created a new form of insurance carrier, an RRG. To a certain degree, an RRG is a Property and Casualty insurer which may write business in all states without having to comply with many of the regulations of the states in which it chooses to do business. The primary regulatory compliance issues reside within the state that grants the initial charter to the RRG, with most of the regulations of the non-chartering states preempted by the Act. LRRA has been expanded and now includes most professional liability exposures. RRGs tend to insure medical providers, product manufacturers, law enforcement officials and contractors, as well as other professional industries.

Demotech understands the unique structure, advantages and opportunities that RRGs bring to the Property and Casualty professional liability market. In 1993, to assist RRGs writing general liability insurance, Demotech was the first rating agency to have its Property and Casualty insurance company rating process formally reviewed and accepted by the US Department of Housing and Urban Development (HUD). Additionally, in 2005, HUD approved Demotech's rating process for professional liability insurance under Notice H 04-15, Professional Liability Insurance for Section 232 and 223(f) Programs.

Demotech continues to support RRGs and the Property and Casualty industry with our FSRs and presents the following summary of our philosophies and methodologies as an overview of our FSR process as it relates to RRGs.

Financial Stability Rating® Philosophy

Financial Stability Ratings® (FSRs) are a leading indicator of the financial stability of Property and Casualty insurers and Title underwriters. Demotech's rating process provides an objective baseline for assessing solvency based upon changes in financial stability, as manifested in an insurer's balance sheet and income statement. FSRs are based upon a series of quantitative ratios and considerations which together comprise our Financial Stability Analysis Model.

An FSR summarizes Demotech's opinion as to an insurer's ability to insulate itself from the business cycle that exists in the general economy as well as the underwriting cycle that exists in the insurance industry. Thus, an FSR summarizes Demotech's opinion as to the relative ability of an insurer to honor meritorious claims during a downturn in general economic conditions as well as a downturn in the underwriting cycle.

Our Financial Stability Analysis Model is the major component of Demotech's FSR assignment process. The Financial Stability Analysis Model can be applied to statutory insurance accounting data or data compiled under Generally Accepted Accounting Principles (GAAP).

Demotech's focus is somewhat unique. While Demotech acknowledges and recognizes the importance of profitability, we believe that balance sheet strength and financial integrity are the ultimate determinants of the long term financial stability required to honor meritorious claims. Accordingly, while operating profit remains an important element of FSRs, the ability of an insurer to remain financially stable under a variety of economic stress tests requires a focus on balance sheet integrity, including a review of the quality and quantity of reinsurance protection.

FSRs are not an endorsement of any particular insurer or its products. Insureds and agents need to independently evaluate their relationship with a particular insurer as well as the applicability of that insurer's products to the needs of the insured or agent. FSRs present Demotech's opinion of the ability of the insurer to meet its insurance related obligations based upon our assessment and interpretation of financial information.

Financial Stability Rating® Methodology - Risk Retention Groups (RRGs)

Financial Benchmarks, Ranges and Minimums

Demotech does not mandate specific financial benchmarks, acceptable ranges or minimums for surplus, admitted assets, capital adequacy, leverage ratios, reinsurance programs or other financial, operational or capital adequacy performance measures. In other words, the initial assignment or affirmation of a Financial Stability Rating® is contingent upon our interpretation of the overall financial stability of the insurer. Demotech believes management's ability to consistently report acceptable operating results, such as surplus growth and the maintenance of capital adequacy, is the culmination of sound management practices that have been implemented and monitored.

Capital Adequacy

Although Demotech does not establish internal minimums or publish our proprietary benchmarks, objective measures of capital are available. In addition, rote acceptance of the absolute surplus level of an insurer does not necessarily provide an appropriate evaluation of the adequacy of the reported surplus. Demotech considers other components of the balance sheet, statement of income and statement of cash flow as significant keys to understanding, evaluating and accepting the reported surplus as an accurate estimate of available surplus.

Our review and analysis process identifies insurers that maintain surplus at a level that can absorb operating losses, including market fluctuations that impact investment income and the values of investments, and other factors that have a negative impact on surplus without the need to receive a capital contribution to remain financially stable. In our opinion, although the ability to obtain capital infusions to supplement operating income is a valid consideration in the assignment of an FSR, it is not equivalent to intrinsic balance sheet integrity. It has been our practice to expand our quarterly review process whenever an insurer reports an overall decrease to surplus that is greater than 10 percent of the surplus reported at the prior year-end.

Liquidity

Available cash and invested assets provide insight into the liquidity of admitted assets as well as the flexibility and capacity of an insurer's claims paying ability. A liquidity ratio, defined as cash and invested assets to total liabilities, of 1:1 or greater is our expectation. An insurer with a liquidity ratio below 1:1 is likely to be scrutinized more than a carrier with a liquidity ratio of 1:1 or greater.

It seems reasonable to us that our review include an evaluation of the carrier's liquidity position and the quality of the underlying assets. We view supplemental measures that companies have taken to ensure adequate liquidity, i.e., securing letters of credit, formal lending agreements with affiliates and other resources, as a positive reflection of management's ability to access additional cash flow if needed.

Loss and Loss Adjustment Expense Reserves

A key indicator of management's commitment to financial stability, solvency and capital adequacy is their desire and ability to record adequate loss and loss adjustment expense reserves (loss reserves) on a consistent basis. Adequate loss reserves meet a higher standard than reasonable loss reserves. We view adverse loss reserve development as an impediment to the acceptance of the reported value of current, and future, surplus. From our perspective, any amount of adverse loss reserve development on a consistent basis is unacceptable, as it may be indicative of management's inability or unwillingness to properly estimate ultimate incurred losses.

Liabilities to Surplus Leverage

For new companies, and those companies experiencing significant premium growth, unearned premiums can represent a significant portion of total liabilities. If the company is posting underwriting losses while continuing to grow, the negative future impact to surplus may be compounded. In these situations, we need to understand the rationale and plan for attempting to outgrow poor underwriting results. Inadequate pricing at the policy level, reinsurance costs and adverse loss reserve development are important components of our evaluation.

A key leverage ratio is total liabilities to surplus. Demotech prefers to see companies report total liabilities to surplus ratio of less than 3:1. A ratio greater than 3:1 will subject the company to additional review and analysis.

Premium to Surplus Leverage

The NAIC's published IRIS ratios provide insurers, consumers and other third parties with direction on acceptable ranges of gross premium written (GPW) and net premium written (NPW) to surplus ratios. For example, to avoid an exceptional ratio, the GPW to surplus ratio should be less than 9:1, with the NPW to surplus ratio less than 3:1. Although our guidelines are not identical to these, premium to surplus leverage ratios are a component of our overall evaluation.

In our opinion, a GPW to surplus ratio in excess of 6:1 would subject the company to greater scrutiny during the review process. Likewise, a NPW to surplus ratio greater than 3:1 would also subject the company to greater scrutiny. We may be comfortable with higher ratios when the insurer can demonstrate that a contributing factor to the higher ratio is relative improvement in rate adequacy.

Underwriting Results and Other Underwriting Expenses Incurred

Although Demotech does not expect a company to record and report an underwriting gain in each quarterly reporting period, a component of our review process is the evaluation of underwriting results. Any company recording an underwriting loss greater than 10 percent of prior year surplus will be subject to a detailed review of current operating results. Chronic underwriting losses may prompt a request for information regarding rate making, policy limits, exposure information, reinsurance programs or other information relative to the current and future operating results.

When an insurer has selected a business model that reflects significant administrative fees, commissions or fees to affiliated or non-affiliated managing general agencies or third party administrative firms, the insurer will need to provide insight on how these relationships impact its operating results as well as its business model. Since this business model diverts revenue streams from the insurer to other entities, this structure might hamper the ability of the insurer to grow surplus through profitable operations.

Reinsurance Program

We do not publish prescribed parameters for reinsurance retentions or other aspects of a reinsurance program. We believe that the variables inherent in evaluating the appropriateness of each insurer's reinsurance program preclude the establishment of universal benchmarks. However, we will provide feedback on aspects of company-specific reinsurance programs that are pertinent to our review.

Summary of Standards Relating to Methodology - Risk Retention Groups

Capital Adequacy
For a financial reporting period, an overall decrease to surplus that exceeds 10 percent of the prior year-end surplus triggers further review and analysis.

Liquidity
The liquidity ratio, cash and invested assets to total liabilities, is expected to be 1:1 or greater.

Loss Reserve Development
Any adverse development is viewed negatively.

Leverage
Our expectation is that a company should maintain a liabilities to surplus ratio below 3:1, a GPW to surplus ratio below 6:1 and a NPW to surplus ratio below 3:1.

Underwriting Results
For a financial period, we view a cumulative reported underwriting loss which represents more than 10 percent of the prior year-end surplus as a trigger for further review and analysis.

Although the above criteria are some of the objective evaluation criteria applied to each insurer, these criteria are not a safe harbor or bright-line indicator of acceptable financial performance. Demotech reviews and evaluates quantitative and qualitative data on each entity that is assigned an FSR.

The Process of Assigning a Financial Stability Rating® - Established RRG

Demotech considers established RRGs as those that have at least five years of representative, stable operating history and financial statements that can be used to conduct a thorough review of the financial position of the company.

Step 1: Submit Required Information

The Financial Stability Analysis Model involves a tactile review of financial statements in addition to computation and analysis of critical financial ratios. Our goal is to assess current and future financial stability. To do so, Demotech receives and reviews:

- Annual statements of the insurer, its parent, subsidiaries and affiliates
- Quarterly statements of the insurer, its parent, subsidiaries and affiliates
- Statements of actuarial opinion
- Management's discussion and analysis
- Financial examinations prepared by departments of insurance
- Independent audits
- Copies of reinsurance treaties.

Step 2: Financial Ratio Calculation

A major determinant of the financial stability of an RRG is the evaluation of critical financial stability ratios benchmarked against our financial stability tests and the representative historical operating results of the RRG. The calculations underlying our review process have been verified and substantiated by subjecting a series of solvent and insolvent insurers to our battery of ratios and tests to assess the predictability and reliability of our analysis process. Our Financial Stability Analysis Model identified virtually all insurers that became insolvent at least one year in advance of the need for formal regulatory action.

Step 3: Review Preliminary Financial Stability Rating® (PFSR)

The insurer has an opportunity to review the Preliminary Financial Stability Rating® (PFSR) assigned by Demotech.

Step 4: Finalize Financial Stability Rating® (FSR)

The insurer agrees with the Financial Stability Rating® as well as other terms and conditions or presents additional information for our consideration.

Step 5: Additional Information and Quarterly Reviews

Financial Stability Ratings® are reviewed quarterly and re-affirmed once verified. Our process includes our initial review, quarterly monitoring and twelve months of support related to inquiries from lenders, agents, insureds and prospective insureds.

Other services include a mailing to producers to introduce Demotech to them, intervention to address obstacles created when there is sole reliance on the ratings of another organization and other reasonable activities required to level the playing field for the RRG.

The Process of Assigning a Financial Stability Rating® - New RRG

Demotech considers new RRGs as those that do not have representative operating history and financial statements. As such, to support the review process, Demotech relies upon pro forma financial statements as provided by the company as well as a qualitative evaluation of underwriting, claims administration and other internal capabilities.

Step 1: Submit Required Information

The review and analysis process applicable to relatively new carriers permits the carrier to leverage information that it has prepared and submitted to the respective departments of insurance, including the state of domicile. To prepare an evaluation, Demotech receives and reviews:

- Biographical information on all principals and key employees
- Job descriptions or summaries of the duties of key personnel
- Administrative agreements with principals and third parties
- Pro forma financial statements and business plans submitted to the state of domicile
- Proposed underwriting guidelines and application
- Initial rate, rule and form filings and the information underlying their development
- Claims department procedures and practices
- Investment guidelines
- Reinsurance information
- Proposed marketing and sales materials
- Producer contracts including commission structure and contingency commission criteria
- Other information to familiarize us with the RRG and its operations.

Once we have received and reviewed the initial submission of information, we will be in a position to determine whether an on-site meeting is necessary. An on-site meeting or teleconference may be necessary to assist us in the assimilation of the data.

Step 2: Financial Ratio Calculation

A major determinant of the financial stability of an RRG is the evaluation of critical financial stability ratios benchmarked against our financial stability tests and any representative historical operating results of the RRG. The calculations underlying our review process have been verified and substantiated by subjecting a series of solvent and insolvent insurers to our battery of ratios and tests to assess the predictability and reliability of our analysis process. The Financial Stability Analysis Model identified virtually all insurers that became insolvent at least one year in advance of the need for formal regulatory action.

When reviewing a start-up situation or relatively new carrier, our financial analysis criteria will be applied to the limited historical data available with a focus on the pro forma financial information in the corporate business plan. Any information relating to the acquisition of existing books of business would be helpful.

Step 3: Review Preliminary Financial Stability Rating® (PFSR)

The insurer has an opportunity to review the Preliminary Financial Stability Rating® (PFSR) assigned by Demotech.

The first draft of our report will be submitted to the company's personnel for review. All modifications, corrections and errata would be directed to the attention of the primary analyst that was assigned. Your analyst will review the comments and reflect appropriate revisions in the final draft.

Demotech will not present or reproduce proprietary information that has been shared with us. We will not share the final report with third parties unless we have your permission to do so.

Step 4: Finalize Financial Stability Rating® (FSR)

The insurer agrees with the Financial Stability Rating® as well as other terms and conditions or presents additional information for our consideration.

Step 5: Additional Information and Quarterly Reviews

Financial Stability Ratings® are reviewed quarterly and re-affirmed once verified. Our process includes our initial review, quarterly monitoring and twelve months of support related to inquiries from lenders, agents, insureds and prospective insureds.

Other services include a mailing to producers to introduce Demotech to them, intervention to address obstacles created when there is sole reliance on the ratings of another organization and other reasonable activities required to level the playing field for the RRG.

About Demotech, Inc.

Since our incorporation in 1985, Demotech has proactively responded to the challenges faced by the insurance industry. Having worked with insurers of all sizes, Demotech possesses broad experience addressing financial analysis issues, whether the issue is unique to a particular insurer or prevalent throughout the industry.

Dependable and Independent Analysis

In August of 2004, and again in 2009, Demotech prepared a retrospective analysis of the credibility of our Financial Stability Ratings® (FSRs). A.M. Best Company published a similar study during that same year. The graph presented later in this document illustrates a comparison of results. Our Stable FSRs, A or better, present less financial exposure than A.M. Best ratings defined to be Secure. The impressive long-term survival rate of insurers we designated as Stable underscores our capability to provide reliable information to professionals, reinsurers, insurance agents and consumers.

In late 2010, an independent study reviewing and comparing various rating agencies found that Demotech has a higher degree of certainty in establishing ratings. The results of this independent study undertaken by Florida State University were released in *A Comprehensive Examination of Insurer Financial Strength Ratings*. The study and its executive summary contained the following observations:

1. *Demotech serves the need of another unique group of insurers, namely those that are geographically focused.*
2. *Comparisons of Demotech ratings to other agencies show relative consistency in the factors that drive Demotech ratings compared to agencies such as A.M. Best, Moody's, Standard and Poor's, and Fitch.*
3. *There is also general consistency in the firms that each agency would categorize as financially secure.*
4. *These results have important public policy implications for insurers, regulators and consumers as they work to better understand the ratings process. Of particular importance to most is the comparability of Demotech ratings to other agencies.*

In summary, the comparative analysis of Demotech ratings versus A.M. Best ratings and the independent study undertaken by Florida State University demonstrate that FSRs of A or better effectively identify Stable insurers. Consistent with this fact, in 2011, GEICO Insurance, a Berkshire Hathaway Company, and Progressive Insurance initiated relationships with several insurance carriers reviewed and rated by Demotech. Each of these nationally known, publicly traded carriers partnered with insurance companies that Demotech reviews and rates at the A level or above.

Major Accreditations and Acceptances of FSRs

Demotech has secured the following accreditations and acceptances of FSRs:

- **HUD acceptance of FSRs - January 1993**
- **HUD acceptance for professional liability insurance - February 2005**
- **Acceptance by mortgage lenders**
- **Corporate liability directors and officers coverage**
- **Corporate liability errors and omissions coverage**
- **Access to stand-alone umbrella insurance**
- **Errors and omissions insolvency gap coverage.**

Questions pertaining to these acceptances can be directed to Joseph L. Petrelli at **jpetrelli@demotech.com**.

Offering an Individualized Approach to Industry Challenges

Demotech understands the industry is fluid and that every company has unique challenges and objectives. We offer an individualized approach, learning each organization's needs and goals prior to offering a customized solution.

Working within the Property and Casualty and Title insurance sectors, Demotech provides a variety of financial analysis solutions. Each of our services has continually adapted to address our clients' challenges.

Visit our website, **www.demotech.com**, for current FSRs, industry news and information on Demotech. For information regarding the assignment of an FSR for an RRG, contact Joseph L. Petrelli, ACAS, MAAA, FCA, *President*, at **jpetrelli@demotech.com**, or Barry J. Koestler II, CFA, *Chief Ratings Officer*, at **bkoestler@demotech.com**.

Demotech, Inc. Understands and Actively Supports RRGs

Demotech understands the unique structure and opportunities that RRGs bring to the Property and Casualty industry. In our working relationship with the analysts and examiners of the various departments of insurance as well as other government entities and business associations, Demotech is often called upon for our expertise and perspective.

As previously stated, in 1993, Demotech was the first company to have its Property and Casualty insurer rating process formally reviewed and accepted by the US Department of Housing and Urban Development (HUD). Additionally, in 2005, HUD approved Demotech's rating process for professional liability insurance under Notice H 04-15, Professional Liability Insurance for Section 232 and 223(f) Programs.

Further underscoring our support and understanding of RRGs, Demotech prepares and submits a quarterly analysis of RRGs to the departments of insurance as well as other government entities and associations.

Today, more than any time in recent history, insureds, agents and constituents need to have independent verification of financial stability. Since Demotech's rating methodology is based upon a review and analysis of insurance fundamentals, focused specialists, such as RRGs, are not penalized for operating under restrictions that limit diversification.

Financial Stability is Independent of Size

Financial Stability Ratings® (FSRs) are a leading indicator of the financial stability of Property and Casualty (P&C) insurers and Title underwriters. An FSR summarizes our opinion as to the insurer's ability to insulate itself from the business cycle that exists in the general economy as well as the underwriting cycle that exists in the insurance industry. Thus, an FSR summarizes our opinion as to the relative ability of an insurer to survive a downturn in general economic conditions as well as a downturn in the underwriting cycle.

FSRs are not an endorsement of any particular insurer or its products. Insureds and agents need to independently evaluate their relationship with a particular insurer as well as the applicability of that insurer's products to the needs of the insured or agent. FSRs present our opinion of the ability of the insurer to meet its insurance related obligations based upon our assessment of financial information.

Our focus is unique. While we acknowledge and recognize the importance of profitability, we believe that balance sheet strength and financial integrity are the ultimate determinants of the long term financial stability required to honor meritorious claims. Accordingly, while operating profit remains an important element in the assignment of FSRs, the ability of an insurer to remain financially stable under a variety of economic stress tests requires a focus on balance sheet integrity. Quality and quantity of reinsurance, relative adequacy of loss and loss adjustment expense reserves, the liquidity and quality of assets and rate adequacy are some of the more critical items we evaluate.

Our rating process provides an objective baseline for assessing solvency based upon changes in financial stability, as manifested in an insurer's balance sheet. FSRs are based upon a series of quantitative ratios and considerations that comprise our Financial Stability Analysis Model.

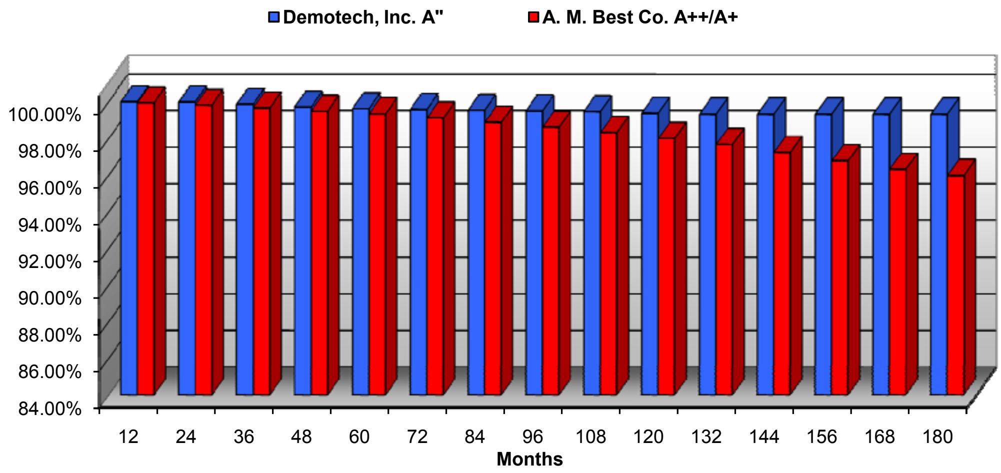
The Financial Stability Analysis Model is the major component of the FSR assignment process and can be applied to statutory insurance accounting data or data compiled under Generally Accepted Accounting Principles (GAAP). The Financial Stability Analysis Model includes a tactile review as well as computation and analysis of critical financial ratios to determine the current and anticipated financial stability of the insurance company being reviewed. The Financial Stability Analysis Model cross checks and analyzes financial statement calculations and relationships.

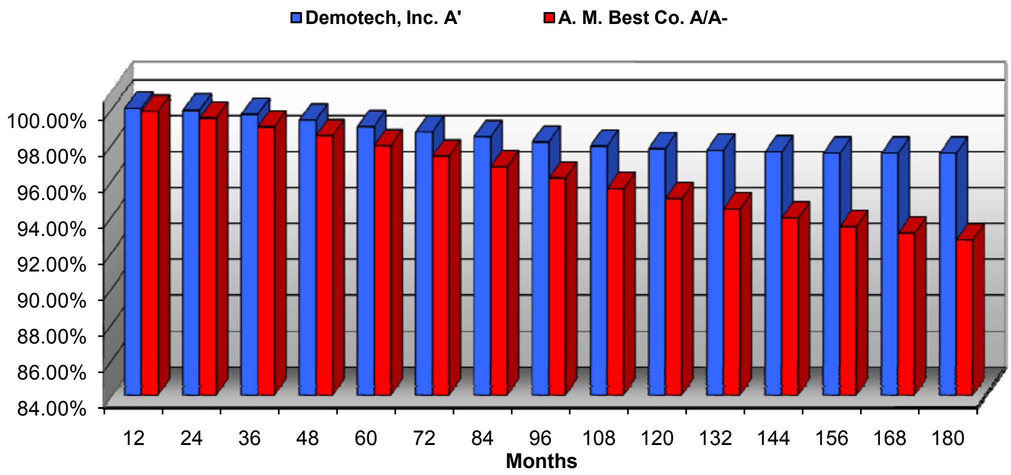
A critical item to determine the financial stability of a P&C insurer is the calculation of financial stability ratios measured against our financial stability benchmarks. These ratios and benchmarks have been compiled on an industry-wide basis and have been substantiated by third parties.

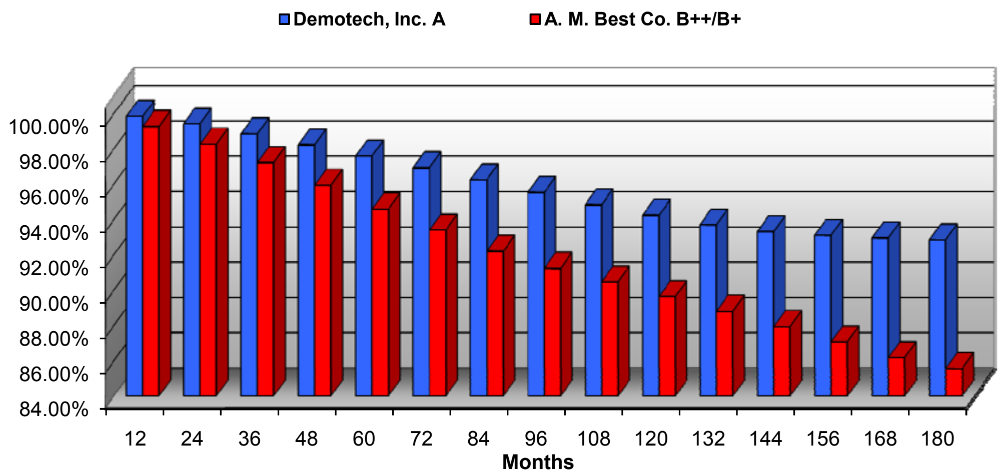
The acceptance of FSRs of A or better leveled the playing field for regional P&C insurance companies while simultaneously assisting insurance agents, reinsurers and insurance carriers through the elimination of reinsurance endorsements and cut-through endorsements.

We encourage insurers of any size to contact us with any current needs or problems you are experiencing. We are confident we can provide a solution.

Comparative Study of Demotech, Inc. versus A.M. Best Co.
Months of Survival Subsequent to Rating Assignment
Latest Fifteen Years ending December 31, 2008







Source: A.M. Best Co.'s Impairment Rate and Rating Transition Study dated May 1, 2009; complement of page 4, Exhibit 2.
Demotech, Inc.'s Serious About Solvency update through 12/31/2008.

Demotech, Inc. Milestones

1985 Founded to offer services to regional and specialty insurers.

1986 First to issue Financial Stability Ratings® (FSRs) for health maintenance organizations (HMOs).

1987 First to issue FSRs for public entity liability self-insured pools through the development of our Management Audit Process.

1989 First to have Property and Casualty insurance company rating process formally reviewed and accepted by Fannie Mae. An FSR of A or better eliminates the need for property insurance cut-through endorsements.

1990 First to have Property and Casualty insurance company rating process formally reviewed and accepted by Freddie Mac.

Began offering Property and Casualty insurance companies and Title underwriters loss cost analysis and rate, rule and form filing assistance.

Responded to the National Association of Insurance Commissioners (NAIC) requirements for Property and Casualty insurers to submit Statements of Actuarial Opinion related to loss and loss adjustment expense reserves concurrent with the 1990 Property and Casualty annual statement.

1992 First to analyze the financial position of each Title underwriter.

1993 First to have Property and Casualty insurance company rating process formally reviewed and accepted by HUD.

1994 Fannie Mae issued Title underwriting guidelines, naming Demotech as an approved Title underwriter rating service.

1995 First to promulgate Commercial Real Estate Recommendations (CRERs) to provide additional financial due diligence of Title underwriters involved in larger real estate transactions.

1996 Contacted by the Florida Office of Insurance Regulation (OIR) when the property insurance market encountered newly established insurers that did not meet traditional rating requirements. Working with the Florida OIR, Demotech developed evaluation procedures for the assignment of FSRs to newly formed Property and Casualty companies.

Coordinated the first seminar regarding the implementation of Statements of Actuarial Opinion for Title insurance companies on behalf of the Conference of Consulting Actuaries and in cooperation with the American Land Title Association (ALTA).

1999 Co-authored Commerce Clearing House publication describing the evolution of the Canadian Title insurance industry.

2001 Completed the initial loss and loss adjustment expense review of the Iowa Finance Authority – Title Guaranty Division.

2002 Revitalized the Ohio Title Insurance Rating Bureau.

2003 Assisted the North Carolina Title Insurance Rating Bureau with the development and filing of Closing Services insurance product.

Assisted the OTIRB with its first rate revision since 1980.

2004 Published *Serious about Solvency – Financial Stability Rating® Survival Rates 1989 through 2004*. This document utlines our analysis process, the assignment of FSRs and the survival rates of insurers.

2005 HUD accepted Demotech's rating process for professional liability insurance under Notice H04-15, Professional Liability Insurance for Section 232 and 223(f) Programs.

2007 Designated as the "Official Research Partner" of *Insurance Journal*.

Expanded operations into a larger facility reflecting our increased capacity to serve our clients.

2008 Introduced Insurance Agents' Errors and Omissions Insolvency Gap Legal Defense Coverage to assist insurance agents and other producers.

2009 Expanded the Insolvency Gap Coverage to include indemnity as well as legal defense.

2010 Demotech, Inc. celebrated its 25th Anniversary.

Demotech, Inc. participates in independent studies of insurer ratings conducted by The Wharton School and Florida State University.

2011 Florida State University publishes its independent study *A Comprehensive Examination of Insurer Financial Strength Ratings*.

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