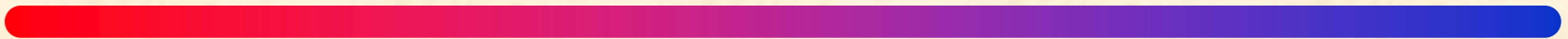
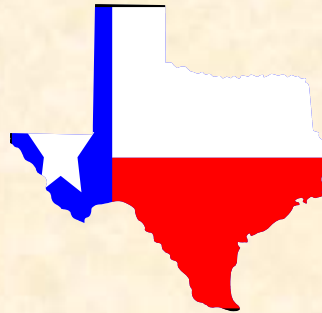


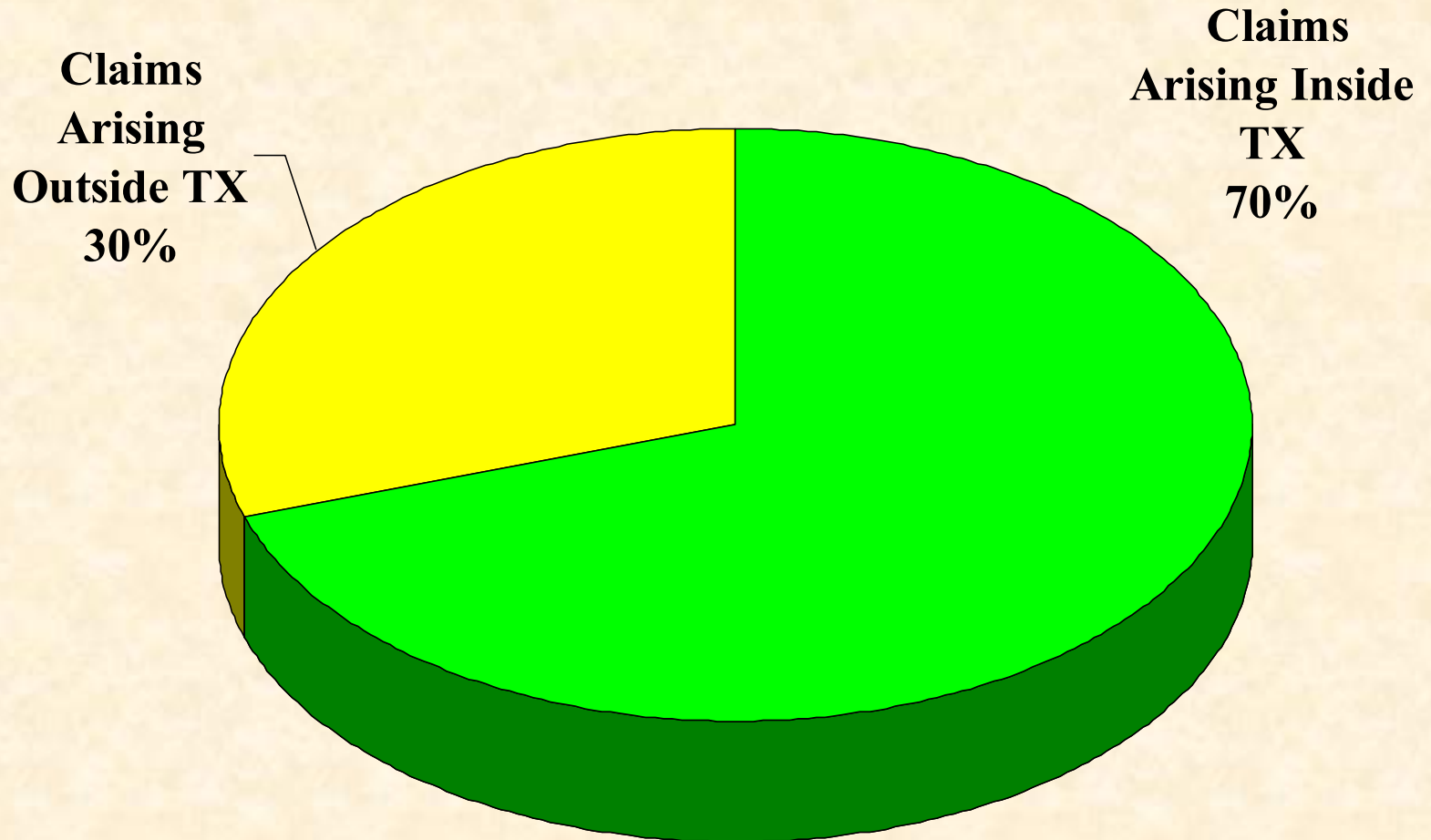
HOW DID WE GET HERE?

Texas: Mold's Ground Zero





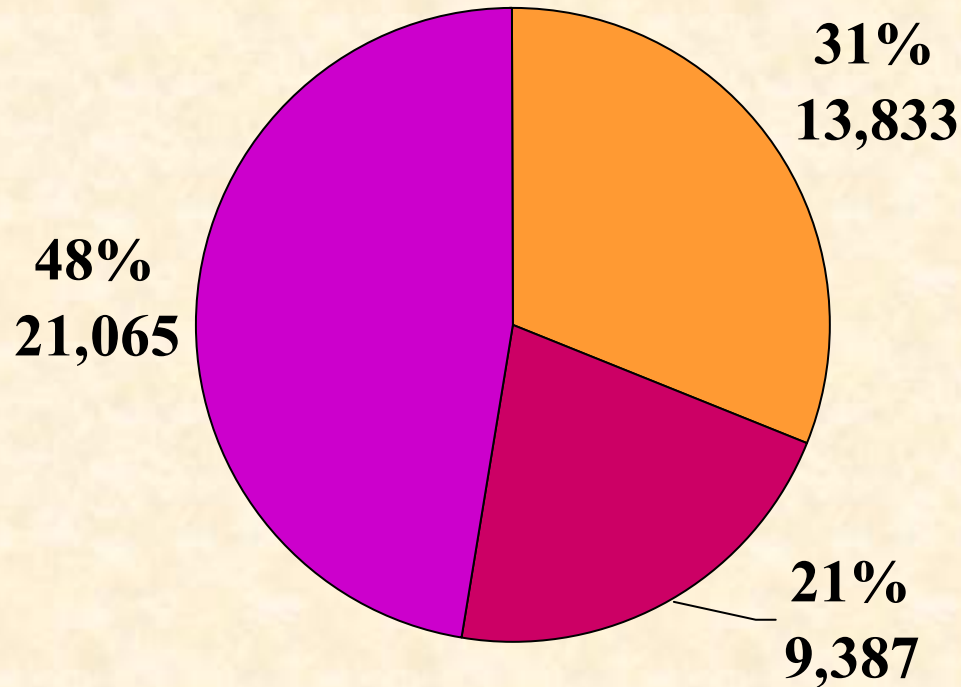
Texas Accounted for the Vast Majority of New Mold Cases in 2001





Tx: # of claims by size of claim

Cumulative through 01:Q4



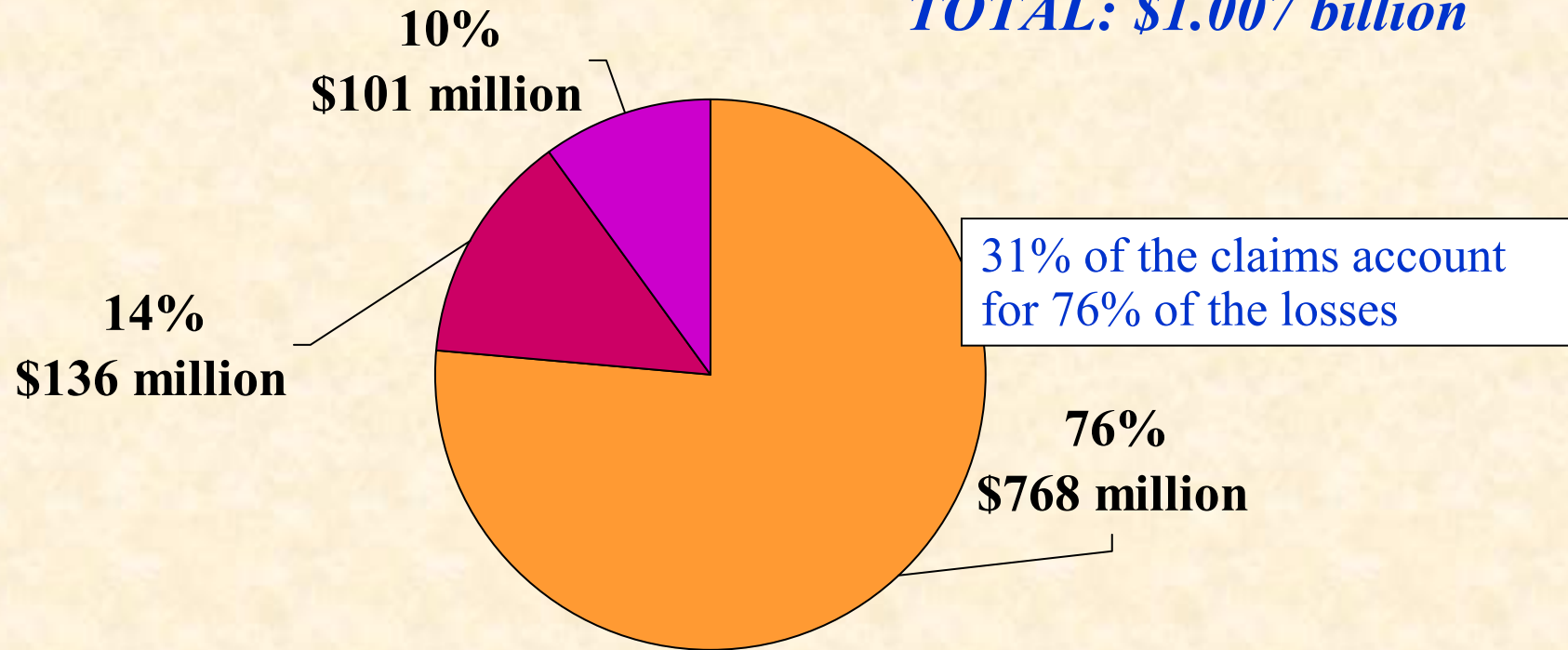
■ Large Claim > \$14,999
■ Small Claim < \$4,999

■ Medium Claim \$5,000 - \$14,999



Tx: Est. Incurred Loss & ALAE

*Cumulative through 01:Q4
TOTAL: \$1.007 billion*



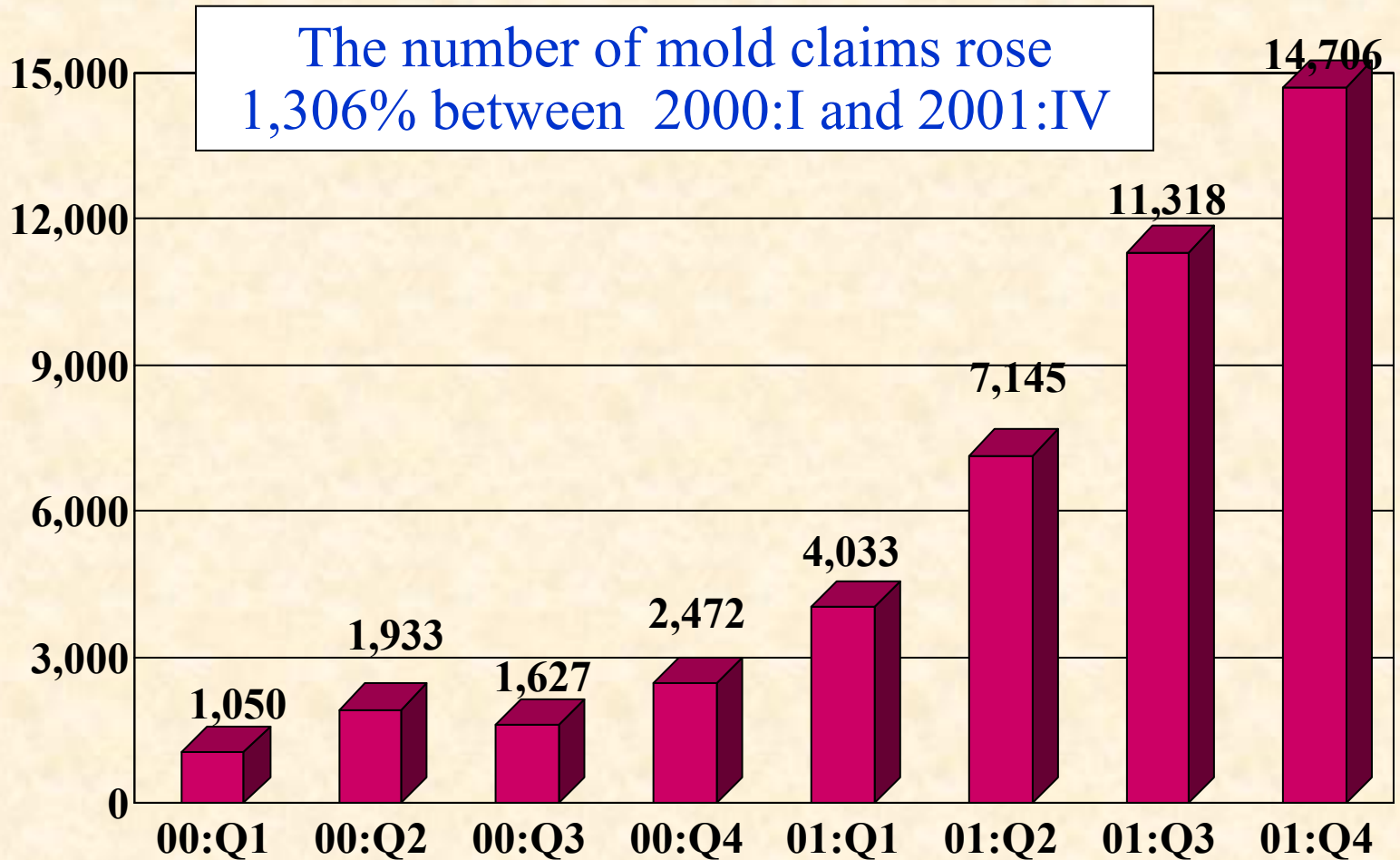
■ Large Claim > \$14,999

■ Medium Claim \$5,000 - \$14,999

■ Small Claim < \$4,999



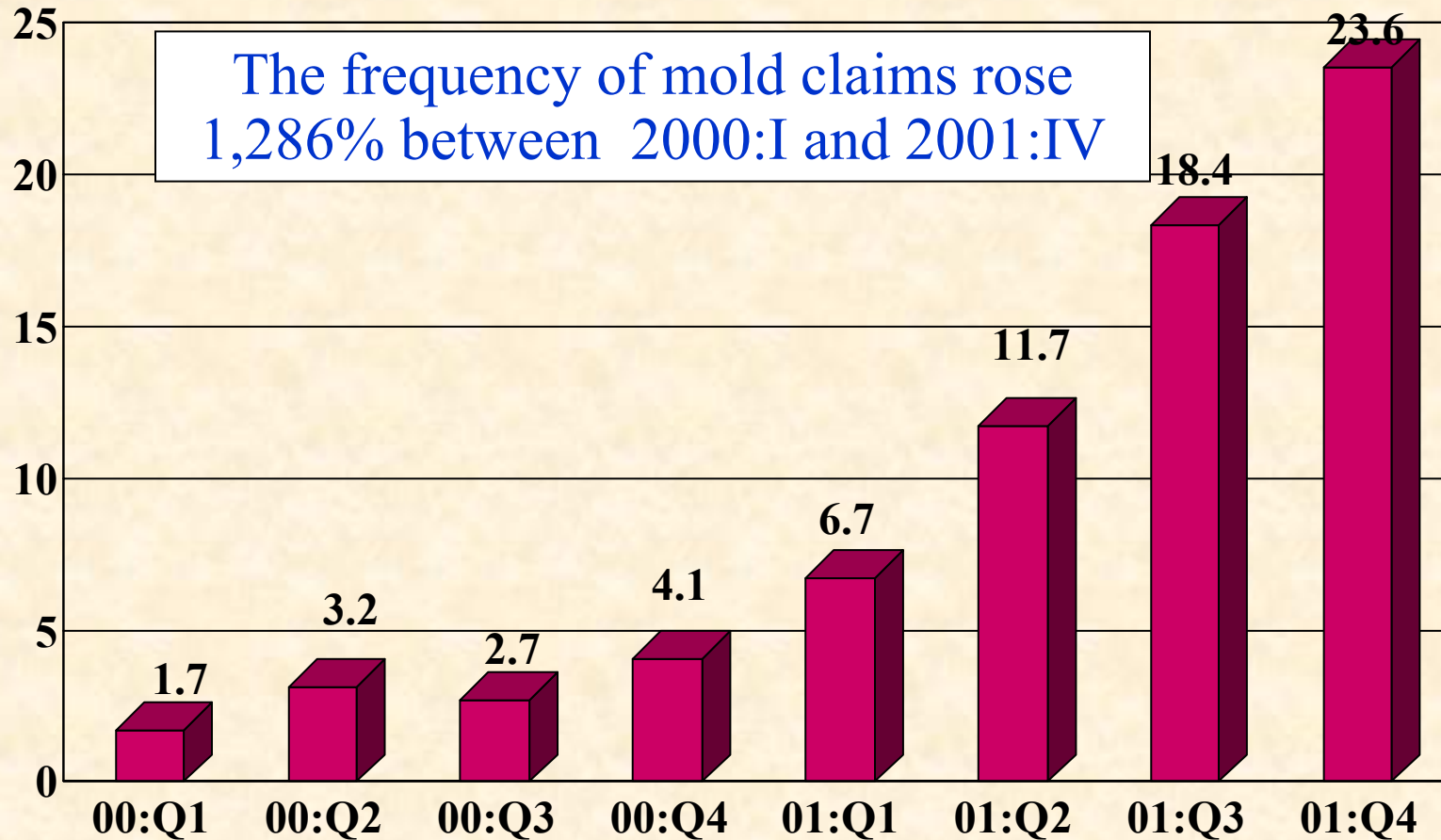
TX: Estimated Total Number of Mold Claims



Source: Texas Department of Insurance; Insurance Information Institute estimates.



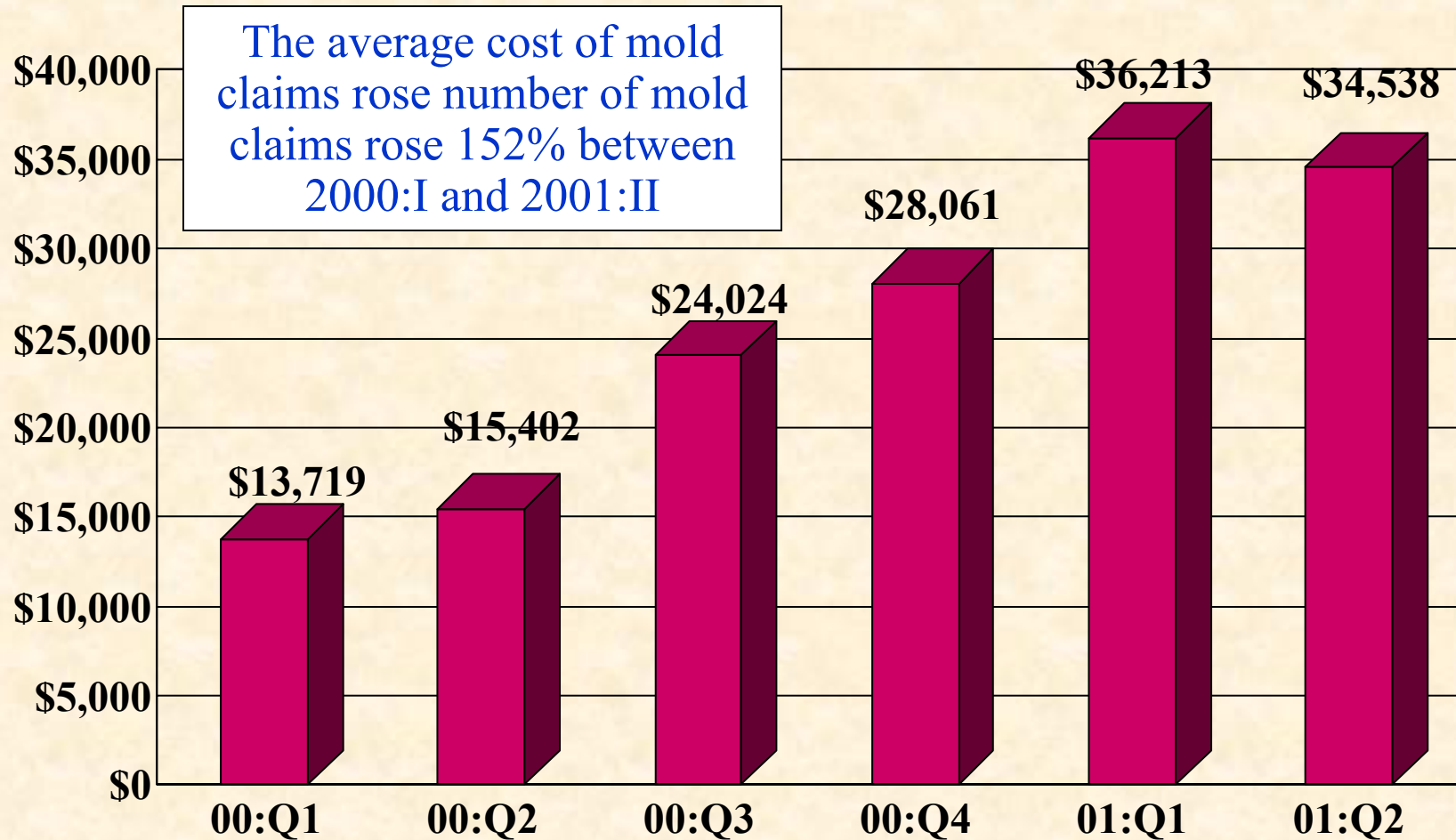
*TX: Mold Claim Frequency** (# claims per 1,000 policyholders)



Source: Texas Department of Insurance; Insurance Information Institute estimates.



*TX: Average Cost Per Mold Claim**

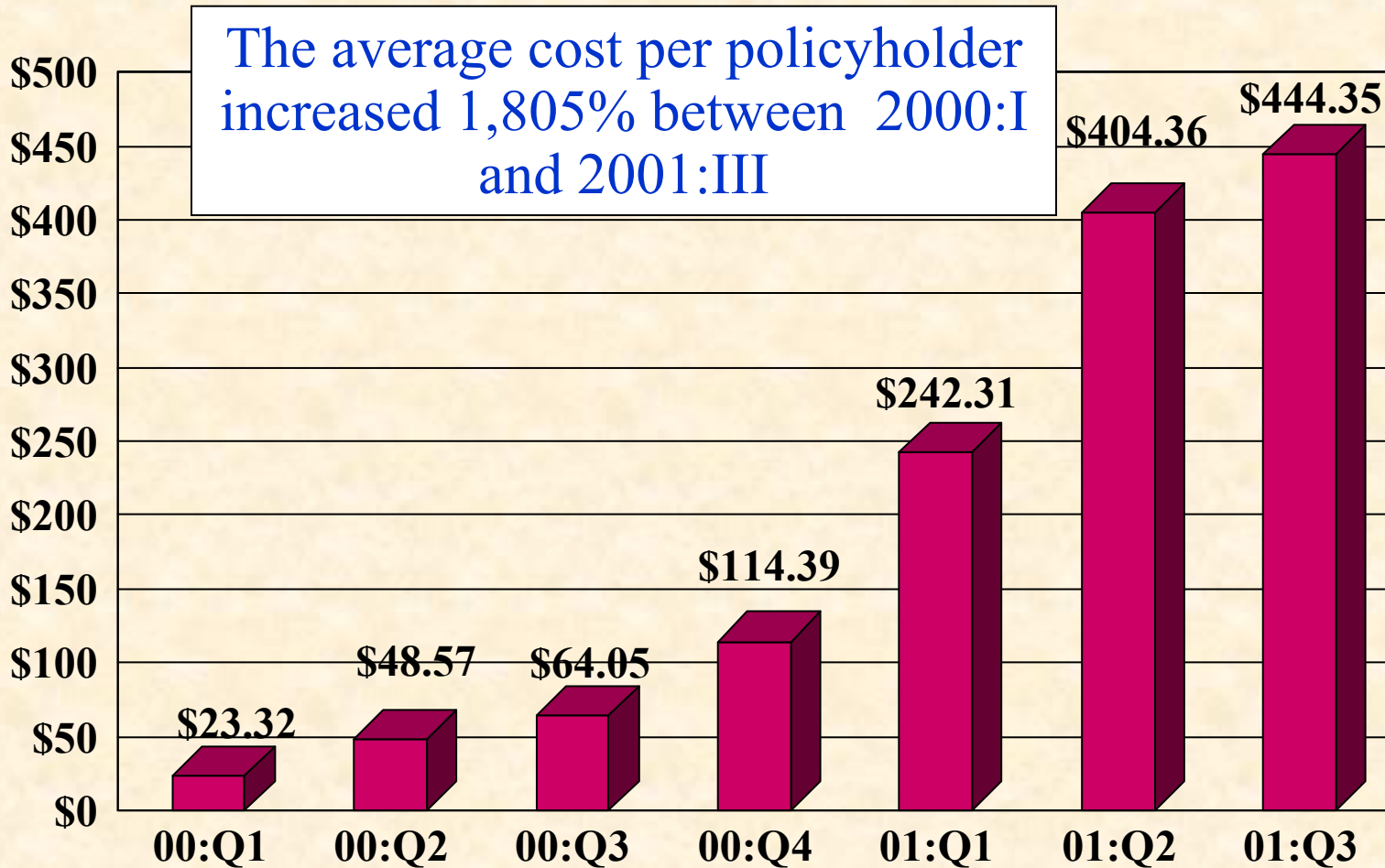


*Includes loss and loss adjustment expenses.

Source: Texas Department of Insurance; Insurance Information Institute estimates.



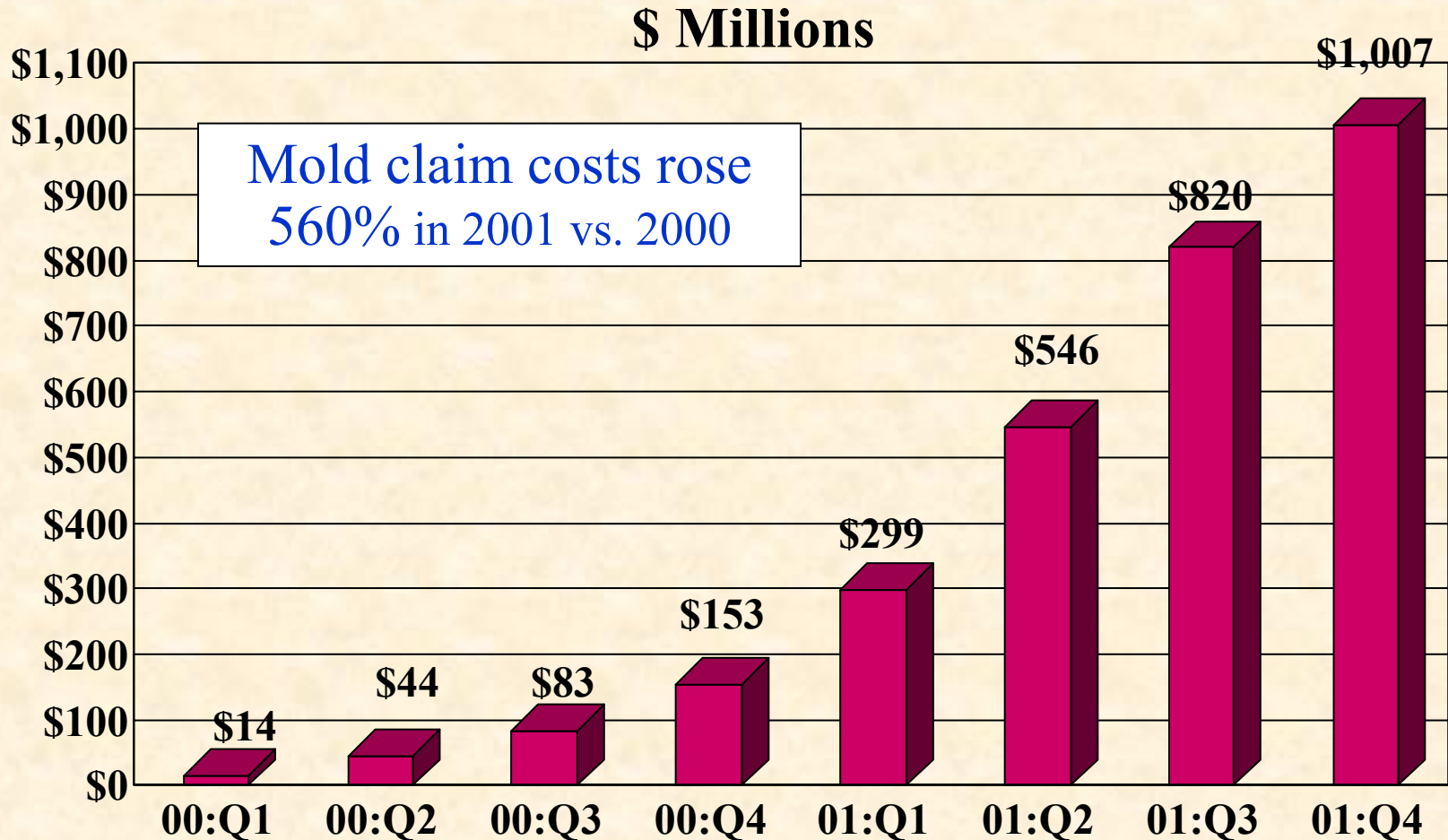
TX: Average Cost per Policyholder Due to Mold (per year)



Source: Texas Department of Insurance; Insurance Information Institute estimates.



*TX: Cumulative Total Losses from Mold Claims**



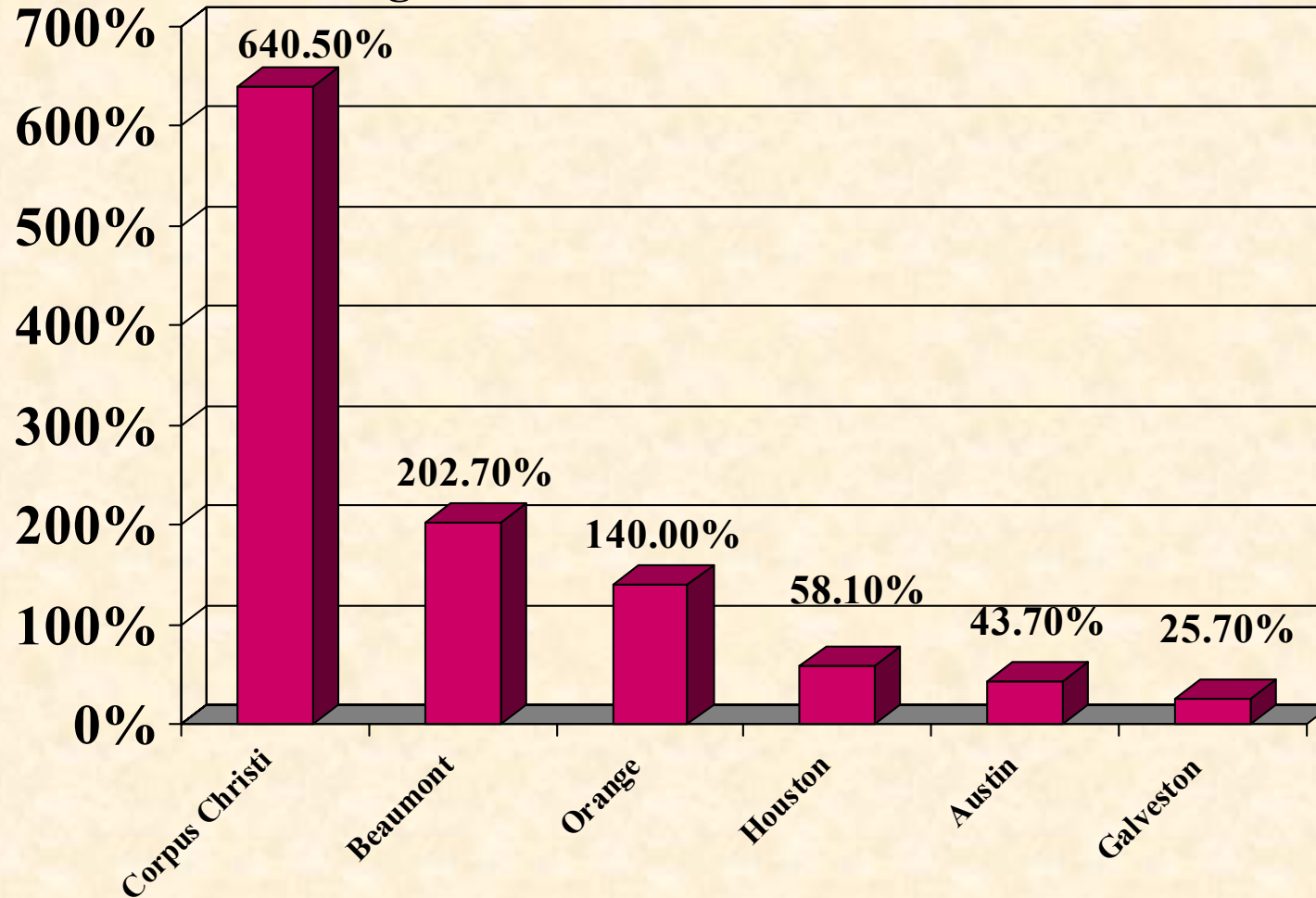
*Includes loss and loss adjustment expenses.

Source: Texas Department of Insurance; Insurance Information Institute estimates.



Texas: Territories where cost is above the state average

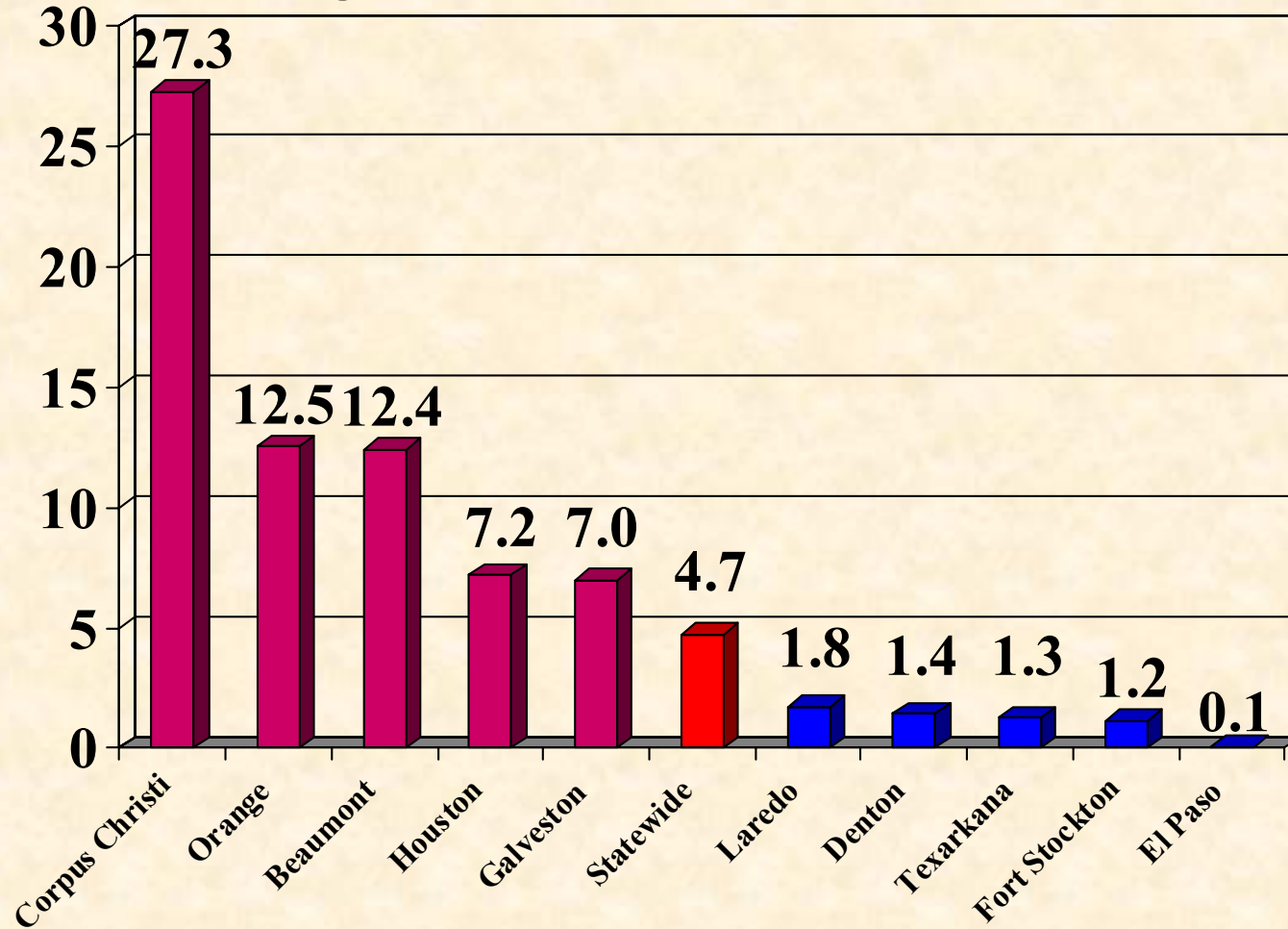
Highest 5 and Lowest 5 Areas in TX





Texas: # of Claims per 1000 insured

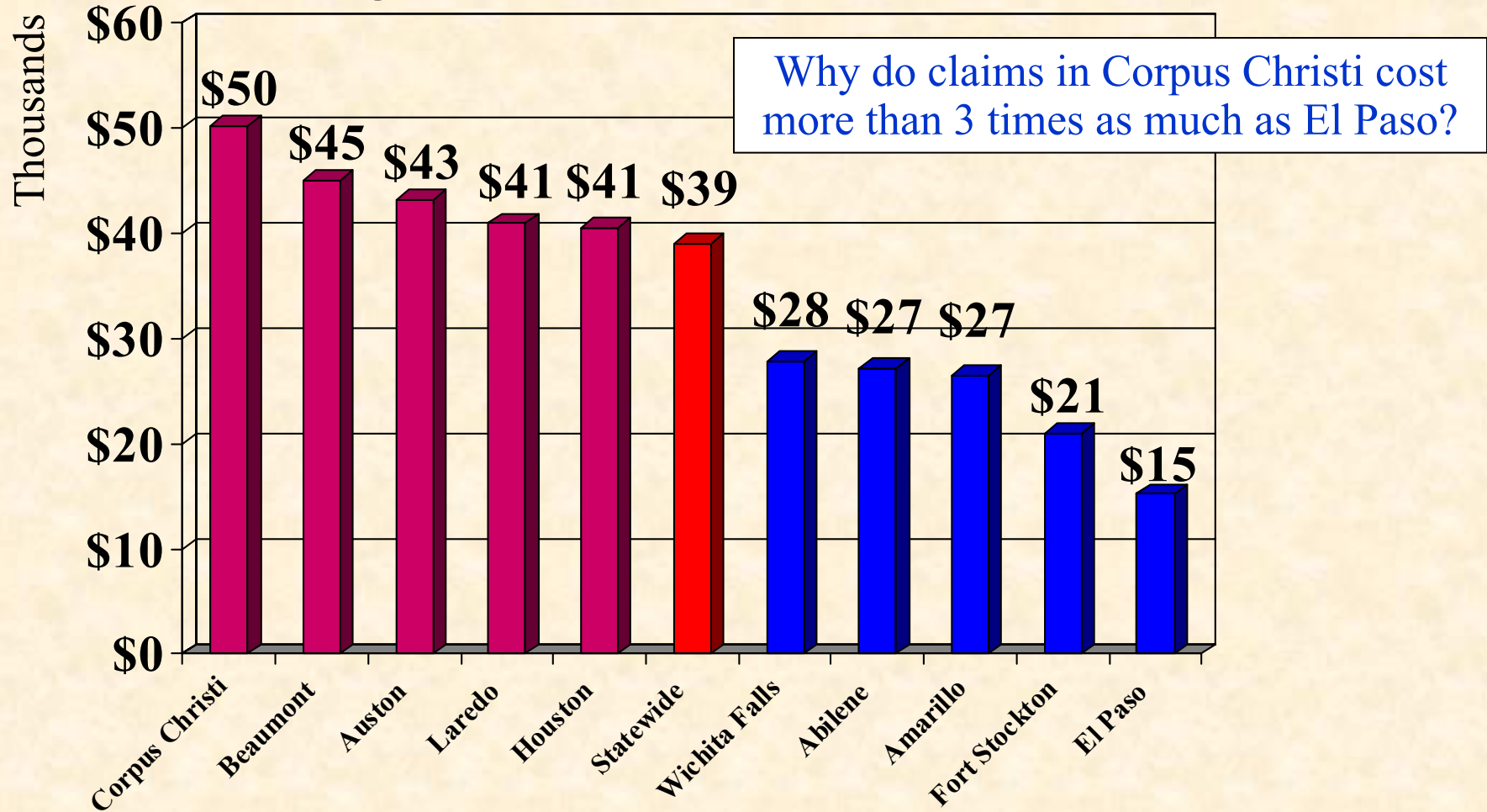
Highest 5 and Lowest 5 Areas in TX





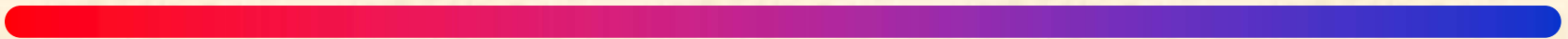
Texas: Avg. Cost per Mold Claim (\$000)

Highest 5 and Lowest 5 Areas in TX



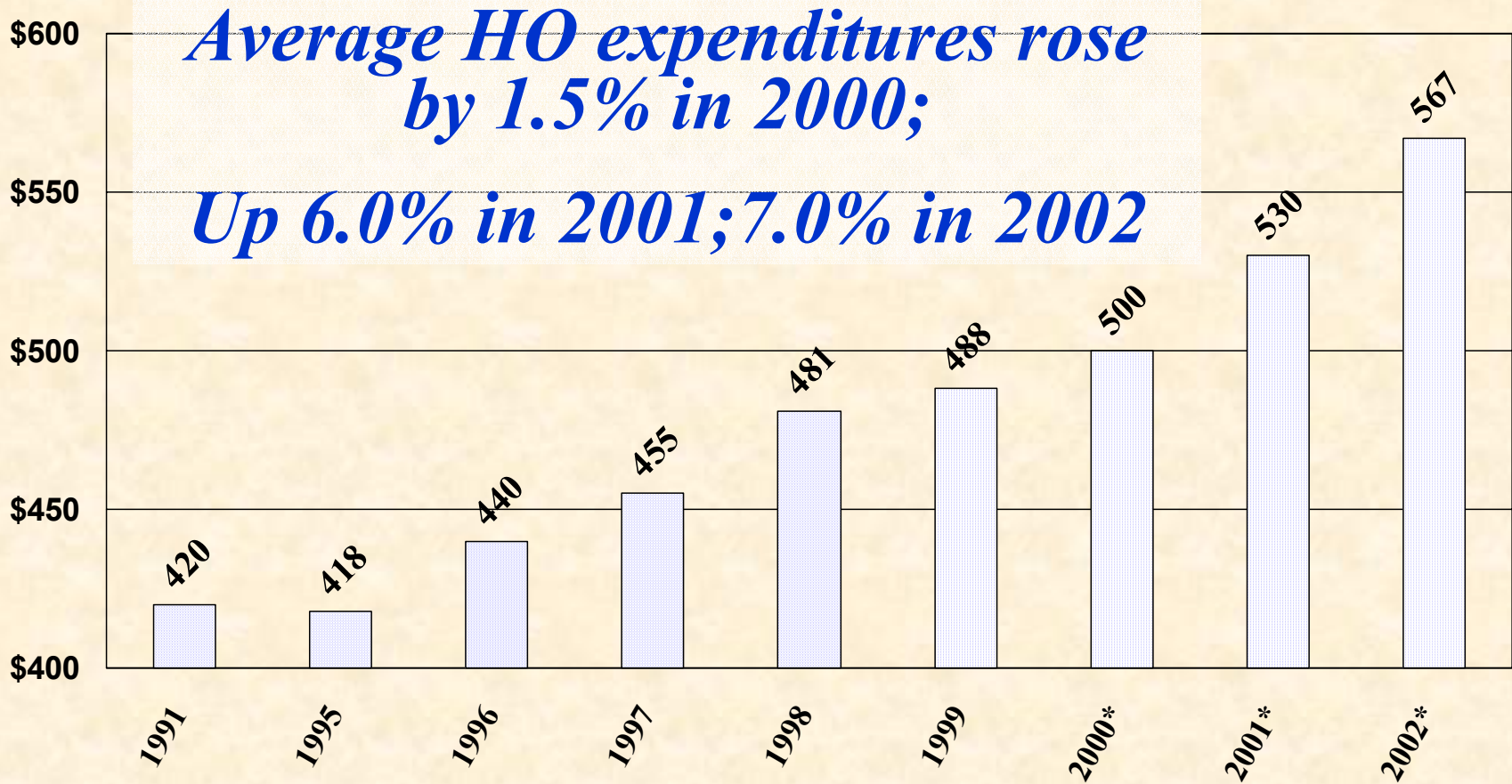
*Impacts on Affordability
and Availability*

*Real Consequences for
Homeowners & Housing Markets*





Average Expenditures on Homeowners Insurance: US

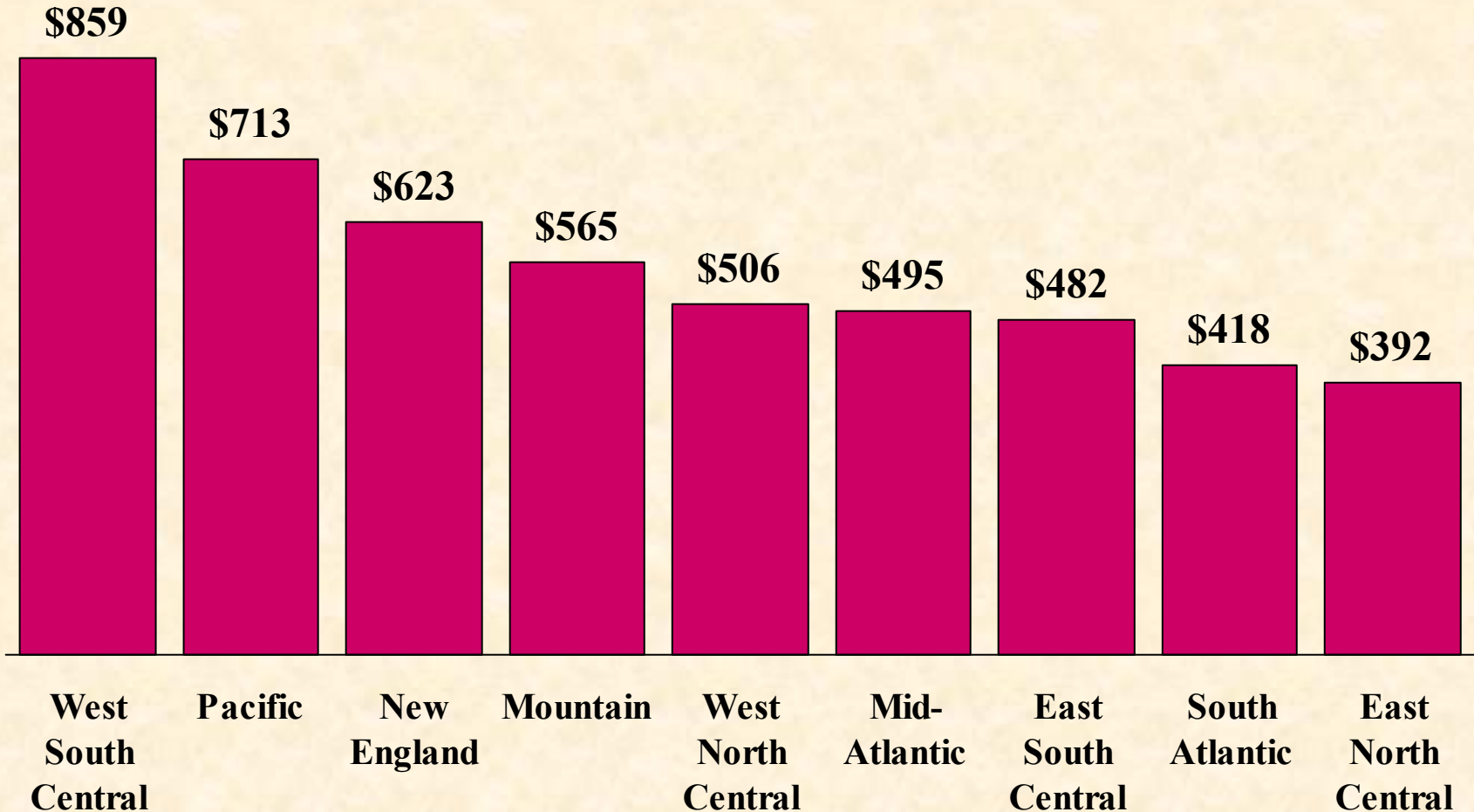


*III Estimates

Source: NAIC, Insurance Information Institute



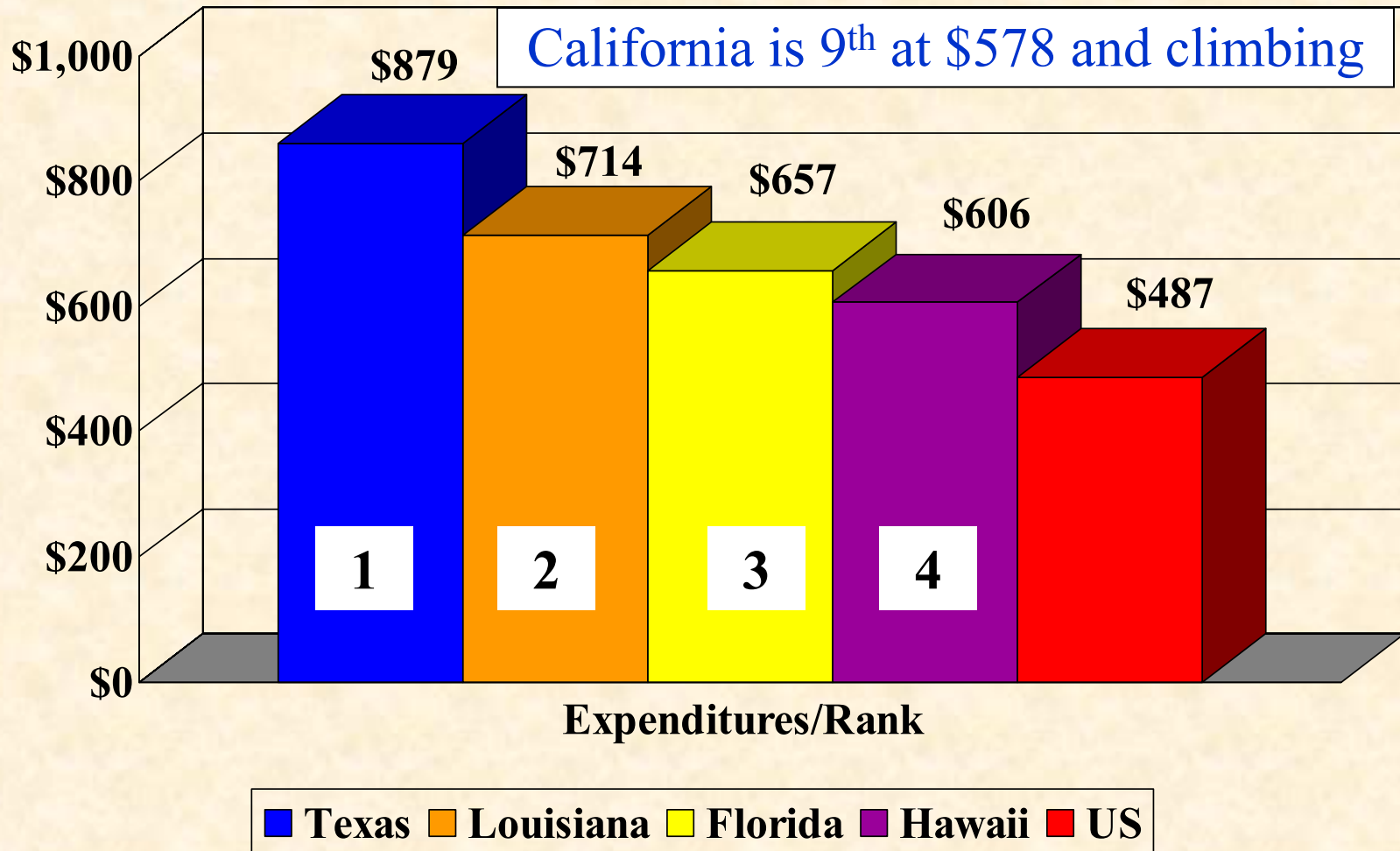
Average HO Premium by Region, 2000



Source: Conning & Co.



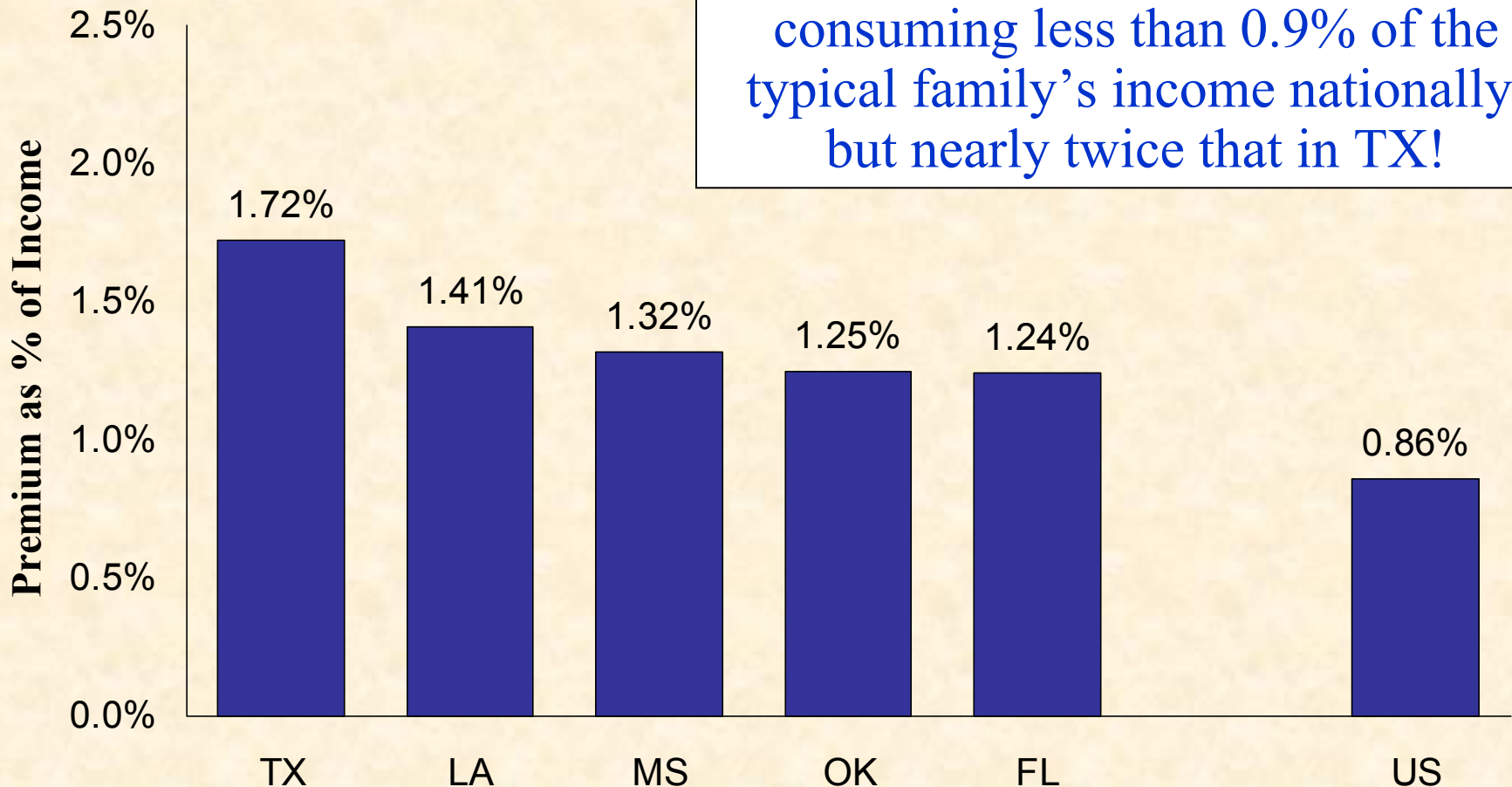
States With Highest HO-3 Insurance Premiums



Source: Insurance Information Institute from NAIC Data, 1999.



States with Highest Premium/Income Ratios*



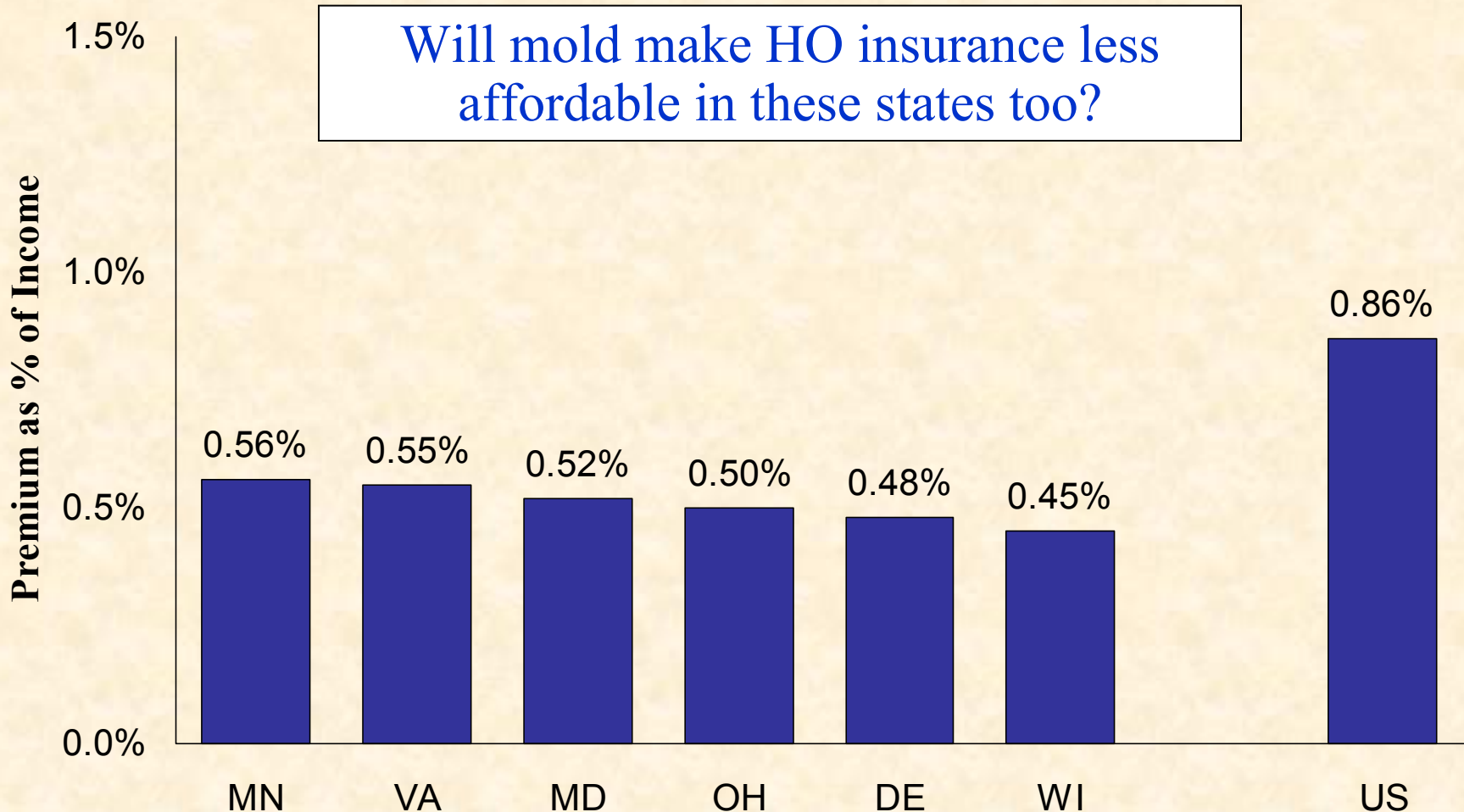
HO insurance is very affordable, consuming less than 0.9% of the typical family's income nationally, but nearly twice that in TX!

*As a % of the median family of 4's income, 1998.

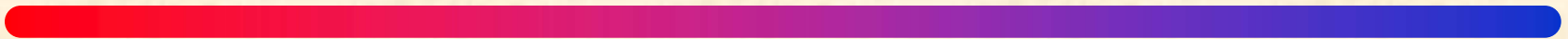
Source: NAIC, Insurance Information Institute



States with Lowest Premium/Income Ratios

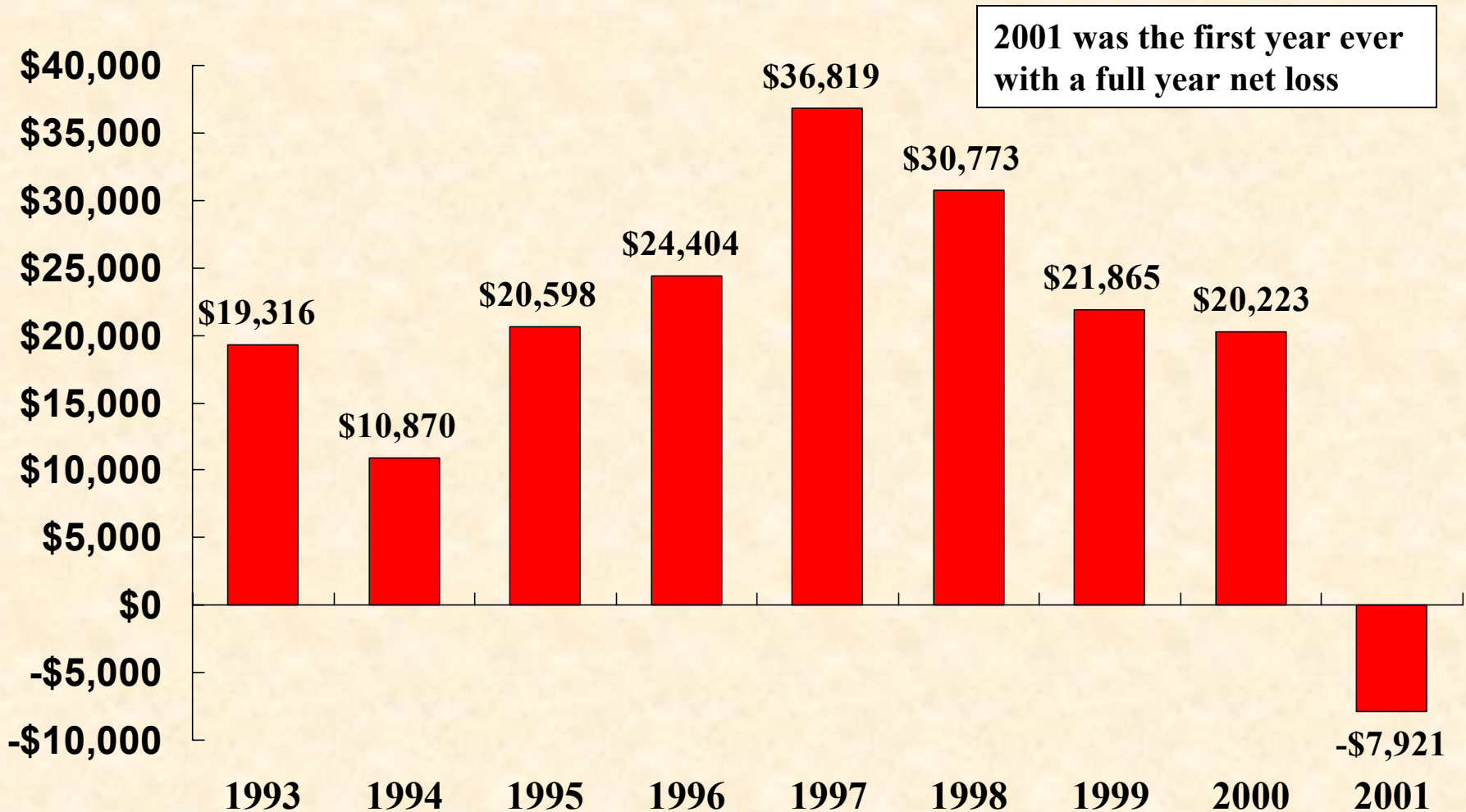


*Consumers Can't Afford Mold,
Neither Can Insurers*





P/C Net Income After Taxes 1993-2001 (\$ Millions)

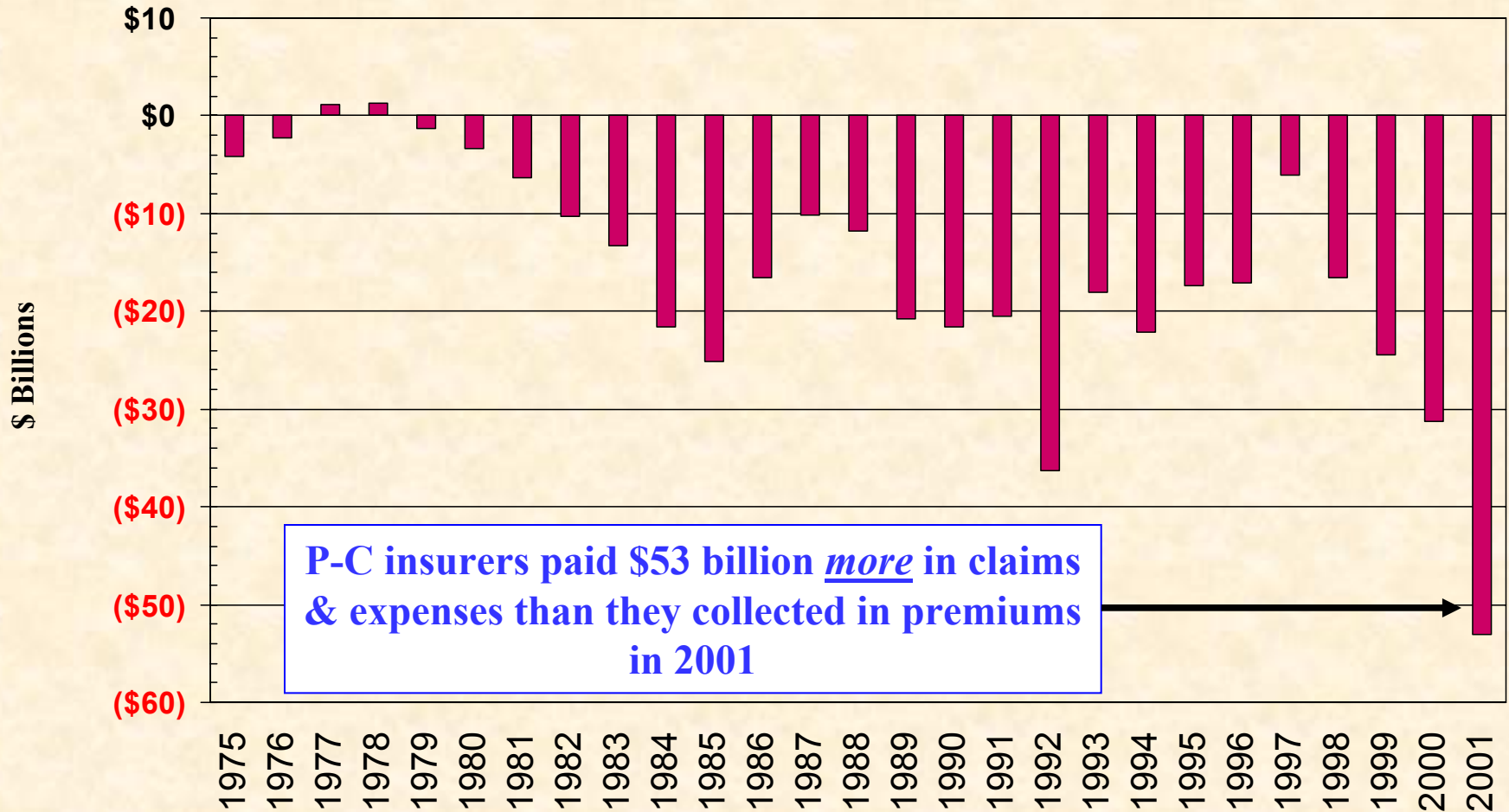


Sources: A.M. Best, ISO, Insurance Information Institute.



Underwriting Gain (Loss)

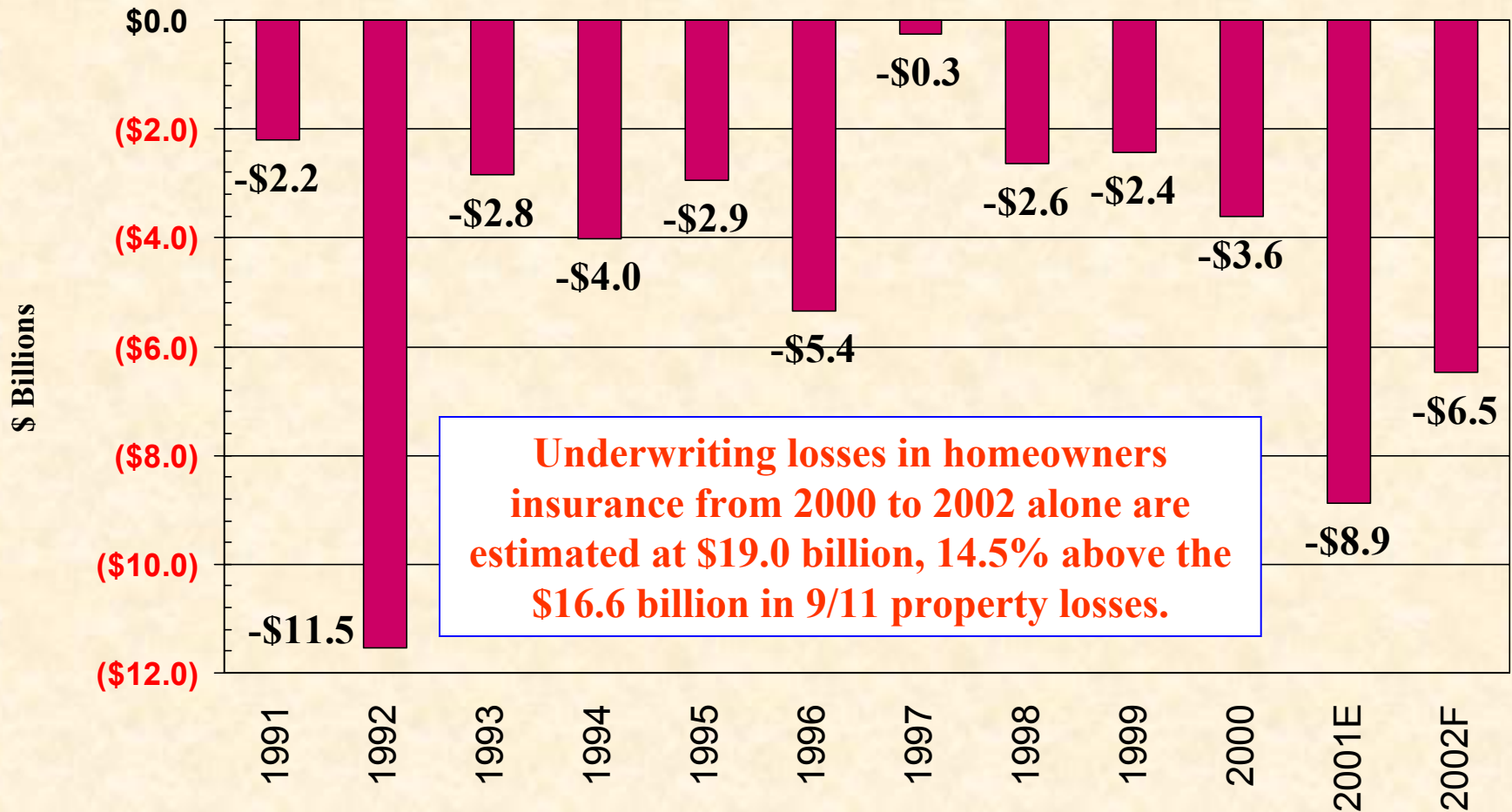
1975-2001



Source: A.M. Best, Insurance Information Institute



Underwriting Loss in HO Insurance, 1991-2002F





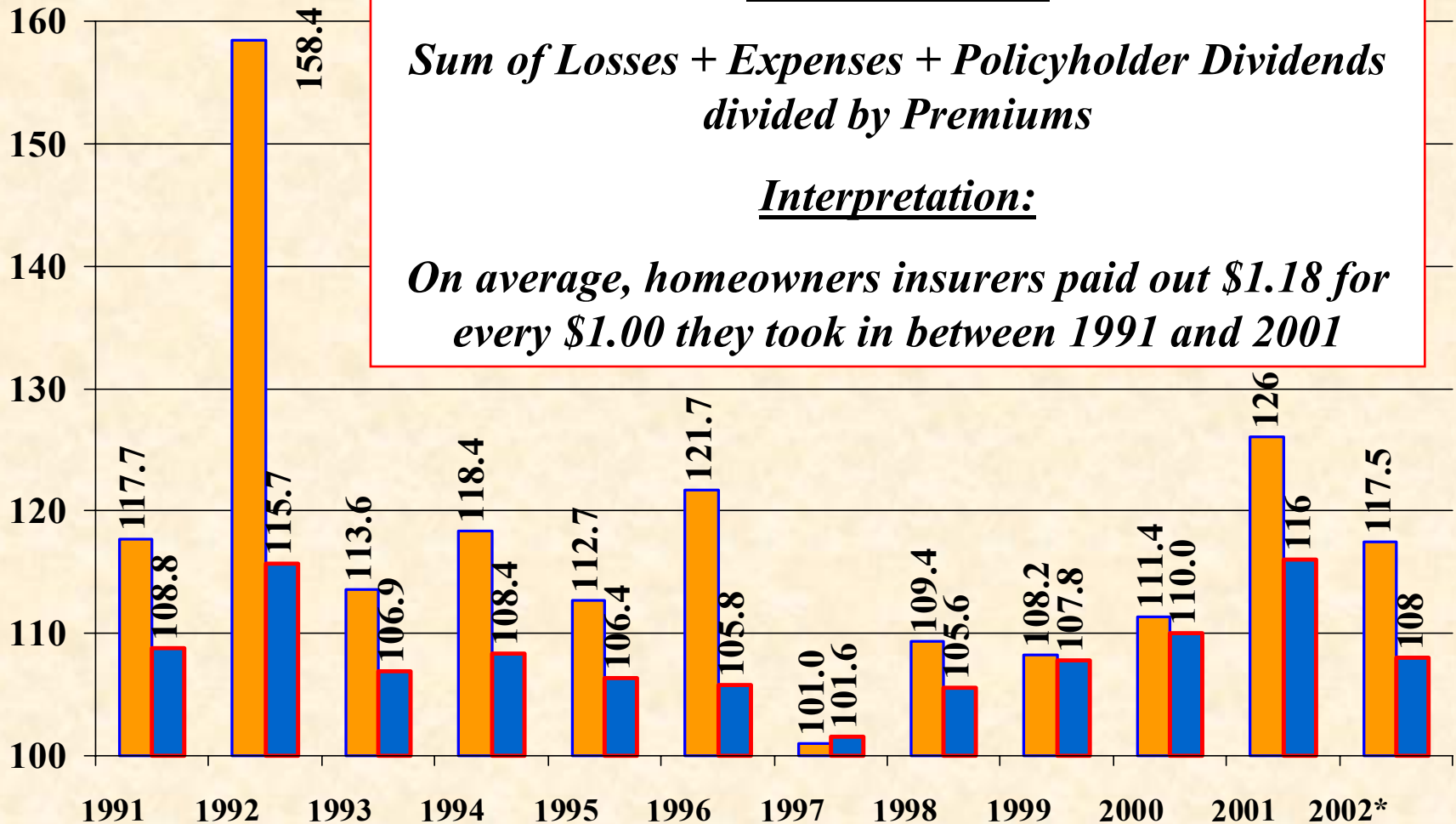
Homeowners Combined Ratio

Combined Ratio

*Sum of Losses + Expenses + Policyholder Dividends
divided by Premiums*

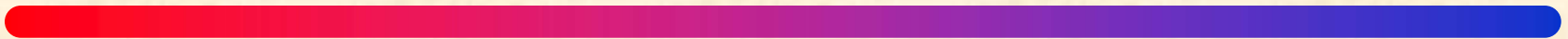
Interpretation:

*On average, homeowners insurers paid out \$1.18 for
every \$1.00 they took in between 1991 and 2001*



■ Homeowners ■ All Lines Combined Ratio

Abuse of the Tort System

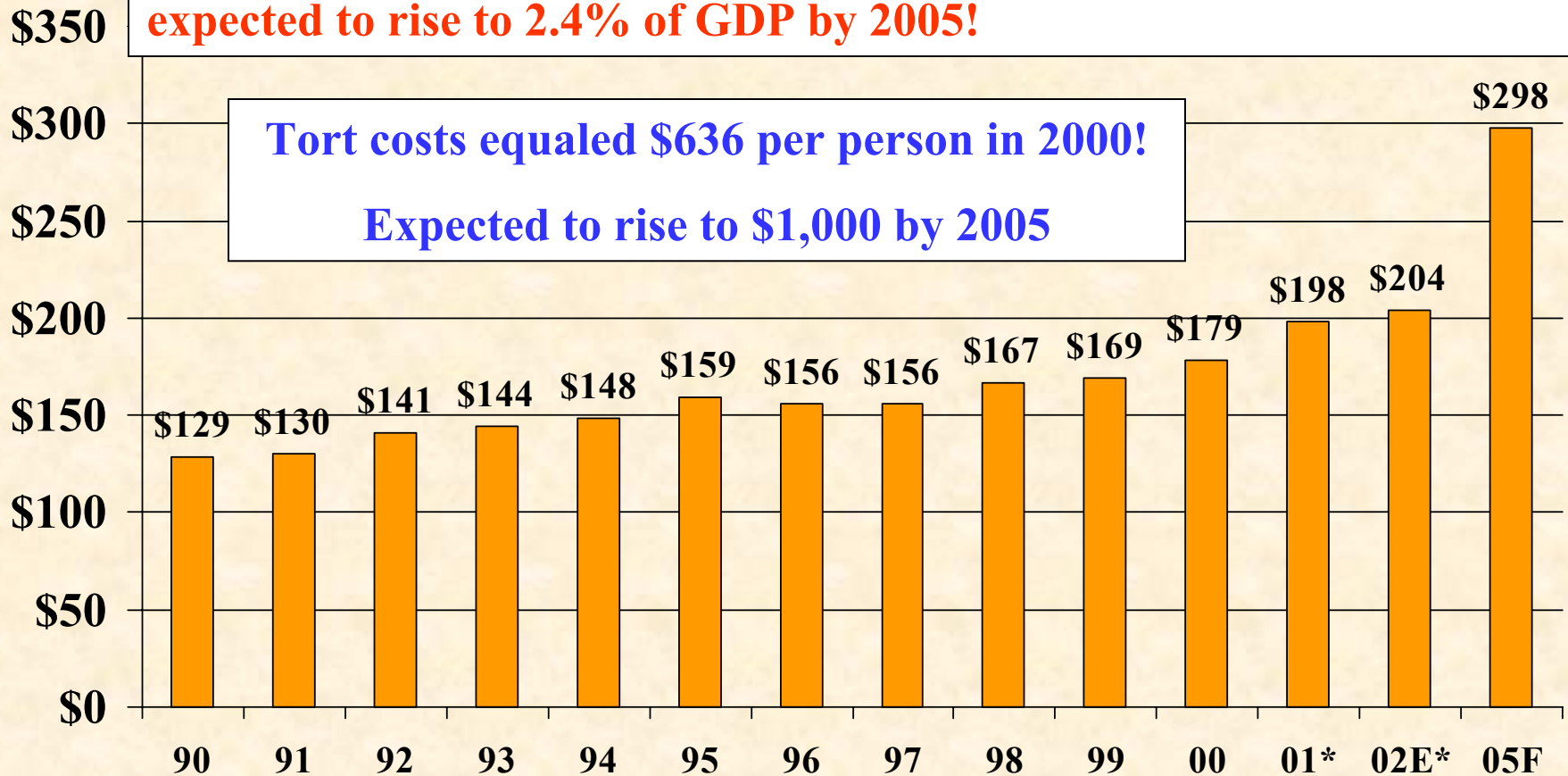




Cost of U.S. Tort System

(\$ Billions)

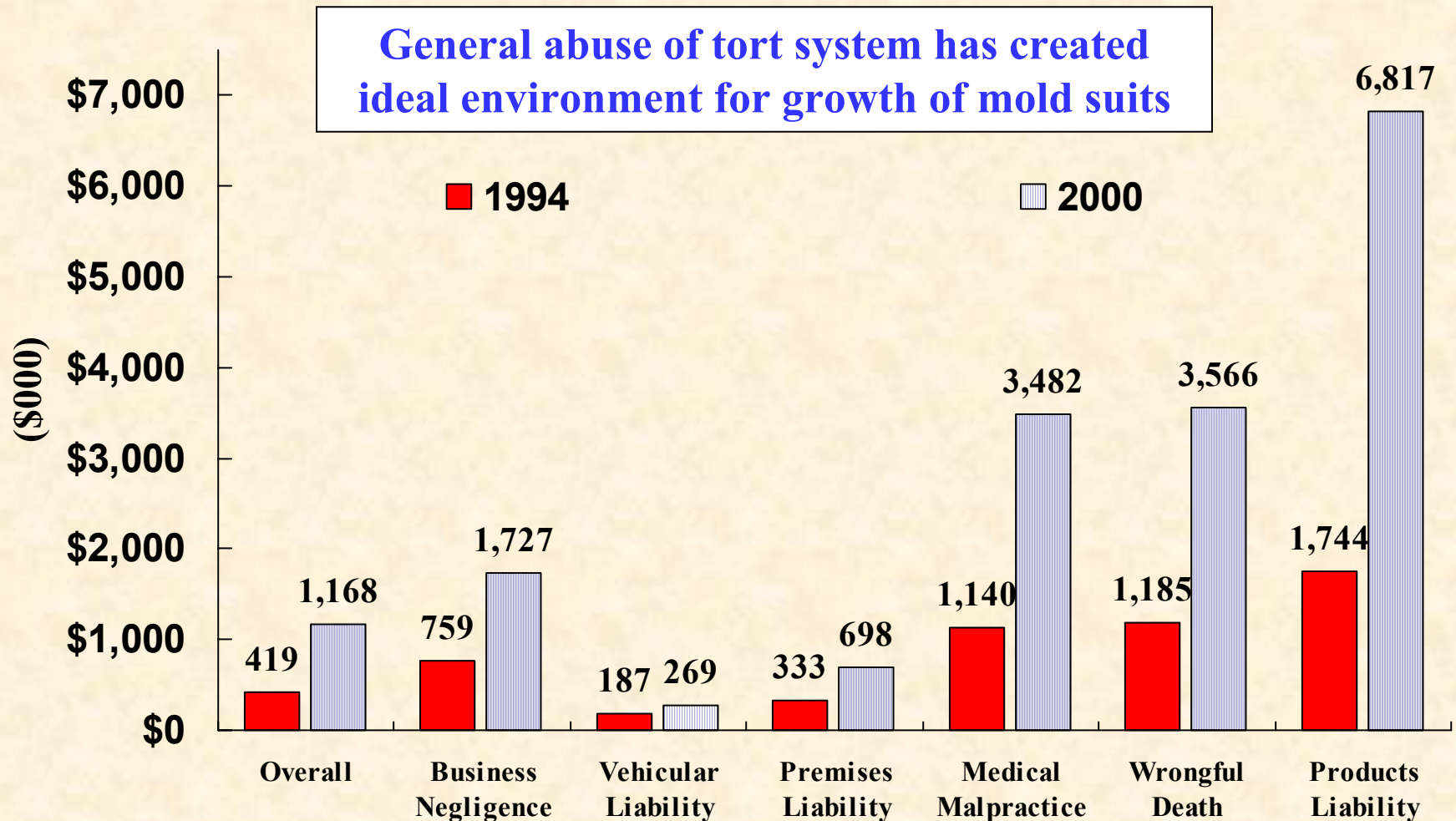
Tort costs consumed 2.0% of GDP annually on average since 1990, expected to rise to 2.4% of GDP by 2005!



Source: Tillinghast-Towers Perrin; Insurance Information Institute estimates for 2001/2002 assume tort costs equal to 2% of GDP. 2005 forecasts from Tillinghast.



Average Jury Awards 1994 vs. 2000



Source: Jury Verdict Research; Insurance Information Institute.