REPORT ON EXAMINATION

OF

CYPRESS PROPERTY AND CASUALTY INSURANCE COMPANY

JACKSONVILLE, FLORIDA

OF THE

2006 REINSURANCE PROGRAM

BY THE

OFFICE OF INSURANCE REGULATION

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ATTACHED:

- Report prepared by Reinsurance Directions, Inc., dated January 5, 2007

Tallahassee, Florida

February 8, 2007

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination of the 2006 Reinsurance Program of:

CYPRESS PROPERTY AND CASUALTY INSURANCE COMPANY
13901 SUTTON PARK DRIVE SOUTH, SUITE 310
JACKSONVILLE, FLORIDA 32224

Hereinafter referred to as the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the 2006 Reinsurance Program and was conducted by Reinsurance Directions, Inc.

This examination is a limited scope examination focused on the 2006 reinsurance of the Company.

SUMMARY OF FINDINGS

An important option in the reinsurance purchasing process, as a flexible reinsurance financing option providing coverage and capacity where markets are restrictive is a Protective Cell Company (PCC). A PCC is a corporate body that can be segregated into legally distinct portions, known as the "core" and underlying cells. Each cell has its own separate segment of PCC's overall share capital, allowing shareholders to maintain sole ownership of an entire cell while owning only a small proportion of the PCC as a whole.

The Company has placed 80% ($10 million) of an excess of loss reinsurance contract with a PCC, which is the "Cell" entity established within Hanover Re (Guernsey) PCC, Ltd. The Cell provides retrocession protection to Hannover Re (Ireland) with respect to Hannover (Ireland)'s 100% participation in the Company's quota share contracts applicable to both the Florida and Texas portfolios of business. The Cell reinsures Hannover Re (Ireland) which directly reinsures the Company, whereas with respect to the catastrophe excess of loss, the Company-owned Cell is the entity reinsuring the Company. In other words, in the first instance, the Cell is reinsuring an un-related company (Hannover Re – Ireland); whereas, in the second, the Cell is actually reinsuring another unit of the Company itself.

It is this second instance of the Company's excess of loss contract with its Hannover Cell that questions whether it qualifies as a legitimate reinsurance transaction. For this reason, it is recommended that the Company discontinue its use of this protective cell program in 2007.

Attached is the report dated January 5, 2007, prepared by Reinsurance Directions, Inc., which provides more detail into the aforementioned issues.

CONCLUSION

The customary insurance examination practices and procedures have been followed in examining the 2006 Reinsurance Program of **Cypress Property and Casualty Insurance Company**.

In addition to the undersigned, Paul Walther of Reinsurance Directions, Inc., participated in the examination.

Respectfully submitted,

_____
John Berry
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation

FLORIDA OFFICE OF INSURANCE REGULATION
I/R/O CYPRESS PROPERTY AND CASUALTY INSURANCE COMPANY

REINSURANCE ANALYSIS

AMENDED FINAL REPORT

PREPARED BY

PAUL WALTHER, CPCU, ARe
CEO, REINSURANCE DIRECTIONS, INC.

The information contained in the following report is intended solely for the Florida Office of Insurance Regulation (OIR); may be privileged and confidential; and protected from disclosure. If the reader of this report is not the intended recipient, or an employee or agent responsible for delivering this report to the intended recipient, please be aware that any dissemination or copying of the report is strictly prohibited. If you have received this report in error, please notify the author immediately, and destroy the report.

Effective August 14, 2006, the Florida Office of Insurance Regulation (the "OIR") entered into a Professional Services Agreement (the "Agreement") with Paul Walther, CEO of Reinsurance Directions, Inc. (the "Consultant") to perform an analysis of the reinsurance program obtained by the Cypress Property and Casualty Insurance Company (the "Company") for the 2006 hurricane season, and to issue a report of his findings. The following is the Consultant's report for the OIR's consideration.

I. SCOPE OF ASSIGNMENT

At the OIR's direction, the scope of the Consultant's assignment included the following elements for analysis and opinion:

1. The composition and structure of the Company's reinsurance program, including the extent of protection available to protect the Company against loss from a "1 in 100 year storm."

2. The extent to which sufficient reinstatements of the Company's reinsurance program provide adequate coverage for multiple events (storms).

3. The general adequacy and impact of the Company's reinsurance program with respect to various loss scenarios.

II. WORK PERFORMED

During the course of this assignment, the Consultant obtained and analyzed various documents and other information provided by the Company's President, Gary Harger. Such documents included copies of the Company's reinsurance contracts, as well as exposure details and reinsurance charts which the Company prepared and/or obtained from the Company's reinsurance intermediary, Willis Re ("Willis"), and copies of the Company's financial statements as of December 31, 2005 and March 31, 2006.

III. FINDINGS AND OBSERVATIONS

Based on a review and analysis of the available documentation, the Consultant hereby submits the following report of his findings and observations for the OIR's consideration.

A. COMPOSITION OF COMPANY'S REINSURANCE PROGRAM

Exhibit A sets forth the Consultant's listing of the Company's reinsurance contracts designed to protect the Company during the 2006 hurricane season, and which are graphically displayed in the charts contained in Exhibit B. It should be noted that although both Exhibits A & B contain information pertaining to the reinsurance program in place for the Company's affiliate, Cypress Texas Lloyds, as well the Company's non-hurricane program, this report and the following comments primarily pertain to the reinsurance program protecting the Company from loss arising from hurricane exposures generated by its Florida operations.

1. FINDINGS

a. GENERAL OBSERVATION

In general, the Company's reinsurance program reflects management's due diligence and concerted efforts to obtain the best available reinsurance protection to cover its property losses from single catastrophic events, including a 1-in-a-100 year storm.

Although the basic program appears sound, it is also quite complicated and involves certain contracts which have been deliberately over placed and/or which overlap in order to protect the Company from potential gaps in coverage. Such complexity is also reflected in Exhibit B which shows several contracts which "correspond" to others.

Furthermore, it is also important to note that, per Exhibit A, several contracts do not have reinstatement provisions which therefore expose the Company to more substantial loss from multiple storm events which may occur during the hurricane season.

There is also one contract which bears closer scrutiny; namely, the Company's placement of an XL contract with its Protective Cell under the auspices of Hannover Re which will be addressed in a subsequent section of this report.

As to the portions of the program placed in the private market, Exhibit C sets forth a listing of the Excess of Loss ("XL") reinsurers (other than the FHCF) which appear to be well respected, and financially sound operations. Willis Re also enjoys a similar reputation as a well respected and professional intermediary.

The following sections of this report will cover more specific elements of the Company's program

b. QUOTA SHARE AGREEMENT

The following comments pertain to the Company's Quota Share Contract placed 100% with Hanover Reinsurance (Ireland)

1) OCCURRENCE AND AGGREGATE LIMITS

Although this contract provides for a 50% cession of subject business, recovery from a single loss occurrence is limited to 50% of $6,000,000 (i.e., $3,000,000). Similarly significant is that the Company's annual aggregate recovery is limited to 115% of ceded Net Earned Premium Income. More specifically, "the Reinsurer shall not be liable for the sum of Paid Losses plus Ceding Commission hereunder in excess of 115% of the ceded Net Earned Premium Income" which significantly limits the Company's potential recovery under this contract.

2) STRUCTURAL ELEMENTS

Of additional interest is that the Quota Share was placed overseas with Hannover Re's Irish company which, according to the Company, was the best option available to facilitate the Company's need for proportional reinsurance. Nevertheless, it is also important to mention that this company is part of Hannover Re Advanced Solutions which is the Hannover Group's company specializing in financial reinsurance, and which carries the Group's favorable ratings from Standard & Poor's and A.M. Best.

This placement is quite unique in that Hannover Re (Ireland) turns around and retrocedes their exposures from the Company's Florida and Texas quota share agreements on an XL basis to the Cypress "Cell" which forms a part of Hannover Re (Guernsey) PCC Limited, a separate entity

Although general details concerning the aforementioned arrangement are contained in Exhibit D, there are certain open questions concerning such issues as the cost of this arrangement, funding of the Cell's obligations, as well as the Company's right to recapture any profits which might be generated under the retrocession contract.

Nevertheless, it is important to note that Hannover Re (Ireland)'s quota share reinsurance of the Company with respect to both the Florida and Texas portfolios, appears to be an "arms length" transaction, and that it is Hannover Re (Ireland)'s responsibility to address

the issue of their own potential loss recoveries on the subject business from the Cypress Cell unit of the Guernsey company.

3) INURING REINSURANCE

According to the Company, all XL recoveries inure to the benefit of the Quota Share, and the related premiums are deducted from the premiums ceded to the Quota Share, with one exception. Per conversation with the Company, only $6.7 million of recovery (part of the $10 million limit) available from the first FHCF layer will be deemed to actually inure to the benefit of the Quota Share which, itself, is deemed to be the Company's primary reinsurance vehicle designed to cover loss up to $6 million. In exchange, the ceded premium to the Quota Share will be adjusted to account for the limited benefit which the Quota Share reinsurers would otherwise gain from the application of the FHCF coverage.

There is one concern with respect to the Company's application of the Quota Share; namely, whether the Quota Share reinsurer is aware of and has agreed to the limitation of inuring benefit from the low layer FHCF contract which provides coverage in excess of $2.7 million. The Quota Share requires the maintenance of inuring Catastrophe reinsurance, and there is a question whether the Company can legitimately account for the FHCF recovery in such a way as to reduce its benefit to the Quota Share, despite reduction of the related premium charge to the Quota Share.

Referring to Exhibit B1, there is an indication that the Company's Net Retention is $360,000 from any one occurrence. However, as reflected in the development of various loss scenarios shown in Exhibit F, the Company's net retention may actually vary rather considerably from that amount.

c. OVERPLACEMENT AND OVERLAPPING ISSUES

As previously mentioned, and as reflected in Exhibits A & B, the Company's program includes certain XL contracts which have been over placed, as well as other contracts which overlap the coverage provided by the FHCF. According to the Company, such over placements (with General Re) were deemed appropriate and necessary as "hole fillers" in order to cover reinstatement premium charges after a first event and gaps which might occur from subsequent events, including differences in the treatment of loss adjustment expenses.

d. REINSTATEMENT PREMIUM OFFSETS

As noted in Exhibit A, certain layers of the Company's Catastrophe XL protection contain provisions which provide for immediate reinstatement of depleted coverage for application to a second total loss, including the additional reinsurance premium charged for such reinstatements. In addition to the relatively high premium cost to reinstate each layer of coverage, it is important to note that reinsurers are permitted to immediately

offset loss payments for the first occurrence by the amount of the premium charge, regardless whether a second total loss ever occurs. As a result, and as reflected in the loss scenarios shown in Exhibit F, the cash recovery value from a first loss occurrence will be diminished accordingly.

e. CELL CONTRACT

As referenced under General Observations,, the Company has placed 80% ($10 million) of an XL reinsurance contract ($12.5M x. $12.7M) with PCC which is the "Cell" entity established within Hanover Re (Guernsey) PCC, Ltd. A key feature of the Cell contract, which was approved by the OIR, is the establishment of a trust fund in the US to hold the assets of the Cell as collateral for its obligations to the Company.

As mentioned earlier, the Cell also provides retrocessionnal protection to Hannover Re (Ireland) with respect to Hannover (Ireland)'s 100% participation in the Company's quota share contracts applicable to both the Florida and Texas portfolios of business, as reflected in the diagram and explanation contained in Exhibit D.

However, a critical difference between the two arrangements is that, with respect to the quota share exposures, the Cell reinsures Hannover Re (Ireland) which directly reinsures the Company; whereas, with respect to the catastrophe XL, the Company-owned Cell is the entity reinsuring the Company. In other words, in the first instance, the Cell is reinsuring an un-related company (Hannover Re – Ireland); whereas, in the second, the Cell is actually reinsuring another unit of the Company itself.

The resulting question is whether the Company's XL reinsurance contract with its own cell truly qualifies as a valid reinsurance transaction. According to the language of the NAIC's Protected Cell Company Model Act (also included in Exhibit D) which appeared to support the validity of XL transaction, the definition of a Protected Cell Company means a *domestic* insurer that has one or more protected cells. In this instance, however, the Company's "cell" is actually a captive unit within the corporate structure of an alien company, and would not appear to qualify for special treatment under the Model Act.

There is one other issue pertaining to the use of the Company's Cell for XL purposes which is somewhat bothersome; namely a question of the funding for the Cell's obligation to the Company. According to the contract language, the Cell's obligation to the Company is limited to the amount actually held in the Trust Account which would appear to be the premium of $9,000,000 which the Company owes to its Cell and therefore $1 million less than the contract limit. If that assumption is correct, what entity would make up the difference in the first year of this arrangement?

f. PRICING AND COST ISSUES

The general cost of the Company's reinsurance program, especially with regard to the pricing of the Catastrophe XL contracts, is very expensive, and most definitely reflects

the "hard market" conditions being imposed by reinsurers on companies with Florida exposures.

The Company's estimated Gross Written Premium is $116 million for the current contract year effective June 1st. The projected cost of the Company's reinsurance protection is almost $77.5 million, leaving $38.5 million left to pay the smaller wind and non-storm losses not otherwise subject to the company's primary catastrophe coverage.

B. REINSURANCE FOR MULTIPLE EVENTS

Exhibit A includes the reinstatement provisions applicable to the Company's reinsurance program for the current contract year.

GENERAL FINDINGS

As reflected in Exhibit A, the XL layers of the Company's reinsurance program placed with private reinsurers can be reinstated for multiple occurrences, but subject to a maximum additional limit equal to 100% of the basic limit of such layer. In other words, reinsurers are obligated to pay twice the contract limit for losses occurring under those contracts.

Although the cost to reinstate all or portions of the limit exhausted by various occurrences is substantial, the company has provided a cushion to cover those costs from recoveries under certain over-placed and overlapping contracts which will respond with additional recoveries from initial events.

The company's program also includes a Second Limit XL contract which provides coverage upon the exhaustion of the PCC and Hannover 1 layers which do not have reinstatement provisions.

C. ADEQUACY OF PROTECTION

Exhibit F. sets out various loss scenarios based on exposure figures provided by the Company, including 50 and 100 year events referenced in Exhibit E.

FINDINGS

The following is a summary of the Company's anticipated net loss amounts from the various catastrophe event scenarios set forth in Exhibit F:

Loss Type	Gross Loss	Reins. Recovery	Company Net Los
10 Year Event	$ 26,700,000	$ 25,377,000	$ 1,323,000
20 Year Event	$ 51,500,000	$ 49,097,327	$ 2,402 673

50 Year Event	$101,500,000	$ 97,423,034	$ 4,076,966
100 Year Event	$146,200,000	$136,767,695	$ 9,432,305
Storms of 2005	$100,300,000	$ 93,525,654	$ 6,786,346

Based on the above summary, it appears the company can withstand the impact of a 100 year event based on the Consultant's understanding of the Company's program, and management's comments with respect to implementation.

IV. SUMMARY AND CONCLUSION

Based on the aforementioned findings and observations, it appears the Company has successfully arranged reinsurance protection which covers (and "over covers") its potential loss from large single events and from a limited series of smaller storms.

At the same time, there is a serious question as to whether the Company's XL contract with its Hannover Cell qualifies as a legitimate reinsurance transaction and whether it should be restructured to so qualify for 2007.

However, as also mentioned earlier, the program is complicated and costly, but the placement was undoubtedly influenced by the limited options available to the Company in today's extremely difficult reinsurance market.

It is to be hoped that the program's renewal in 2007 will be less complicated and perhaps less costly based on the Company's experience from this year's storm season.

CONSULTANT'S NOTE: The above findings and observations were prepared based on an analysis and understanding of the documents and materials provided by the Company, and the Consultant reserves the right to revise this report based on new and/or additional information which might be become available and which might suggest a material change in the Consultant's findings and observations.

Respectfully submitted,

Paul Walther
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Lake Mary, FL 32746

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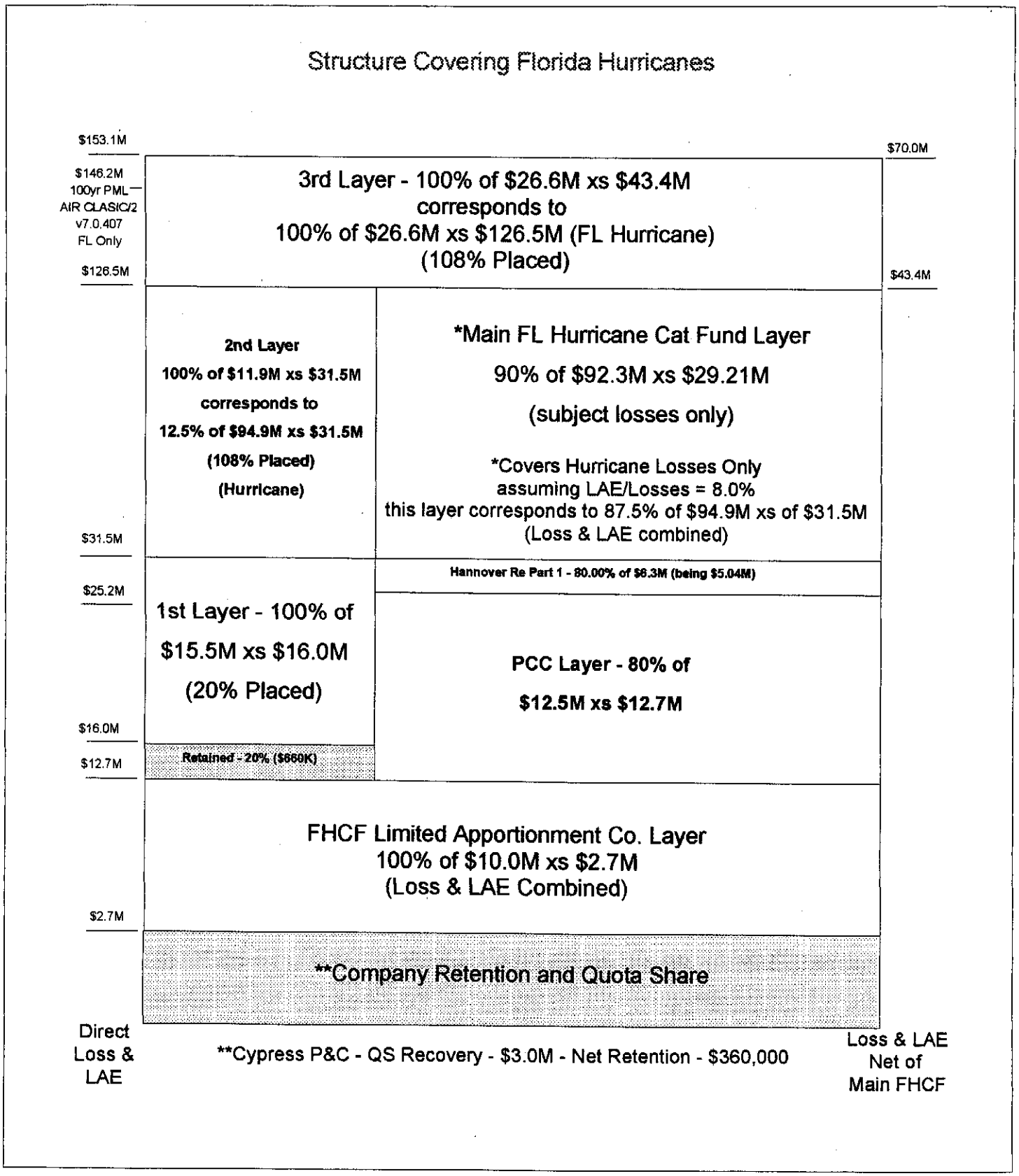
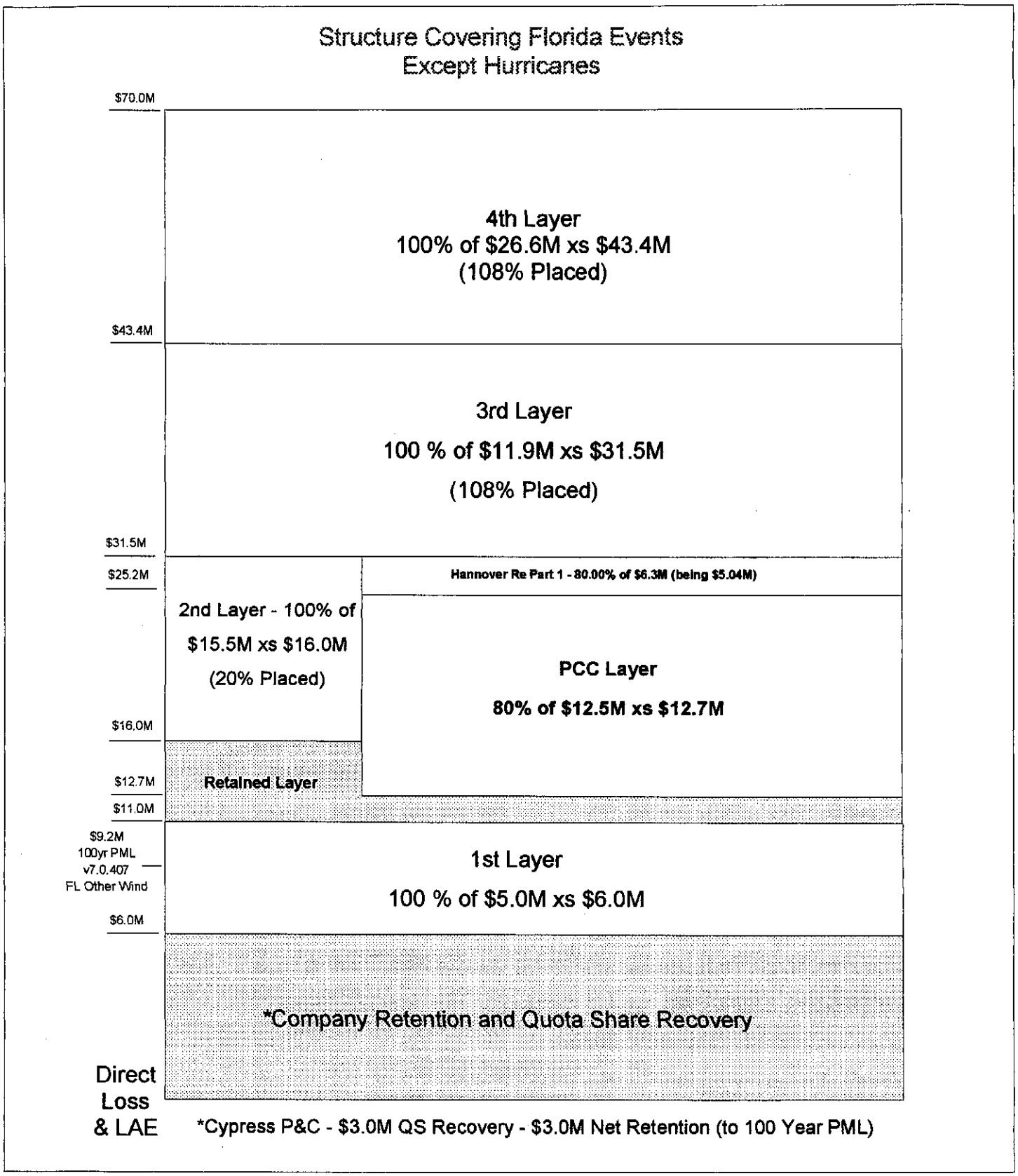
3/14/2007

Cypress Property & Casualty Insurance Co.
Catastrophe Reinsurance Program Diagram
June 1, 2006 to May 31, 2007



Cypress Property & Casualty Insurance Co.
Catastrophe Reinsurance Program Diagram
June 1, 2006 to May 31, 2007



*Cypress P&C - $3.0M QS Recovery - $3.0M Net Retention (to 100 Year PML)

Cypress Texas Lloyds
Catastrophe Reinsurance Program Diagram
June 1, 2006 to May 31, 2007

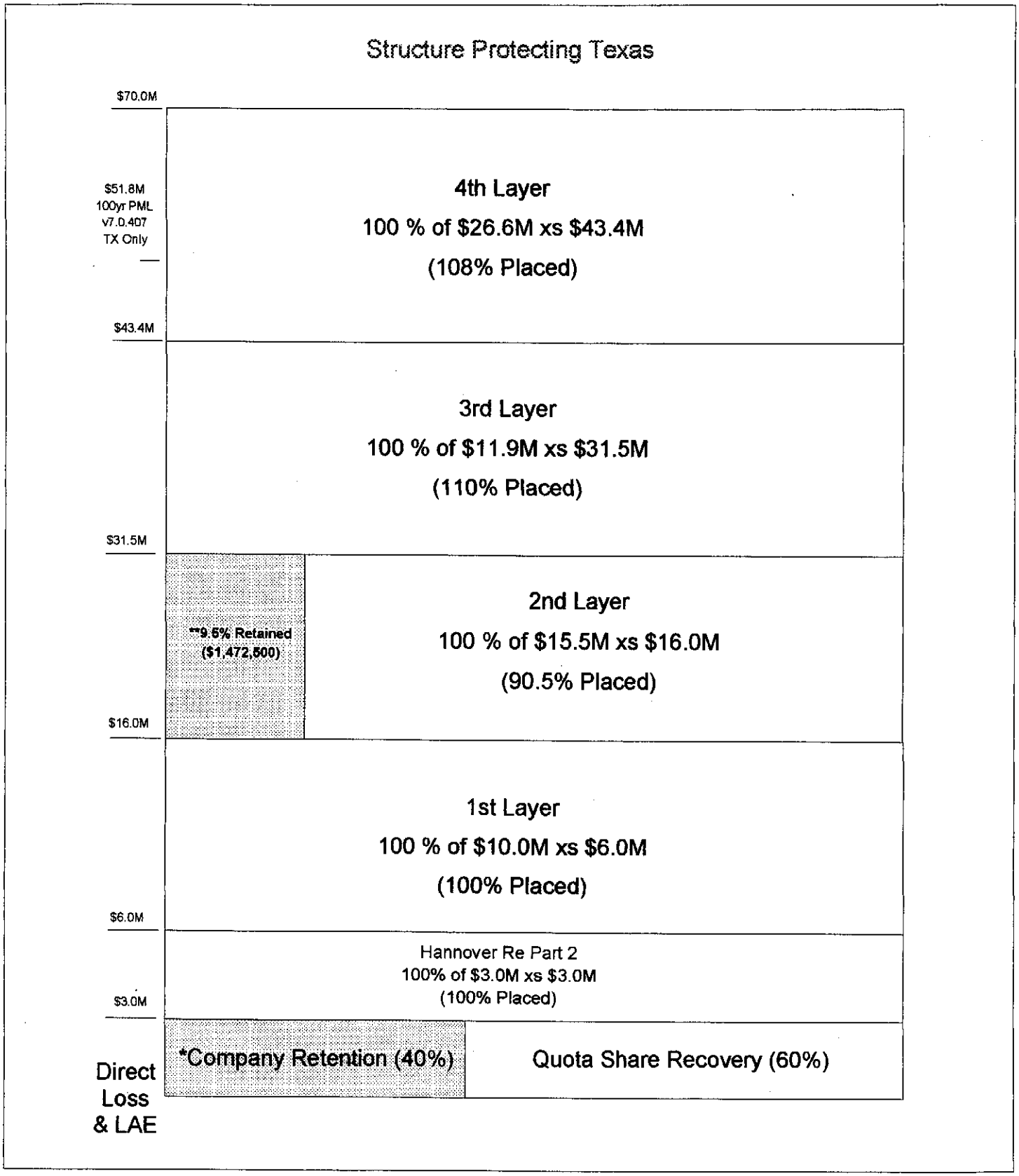


Exhibit C

Cypress Holdings II
2006 Reinsurers

Company	Am Best Rating	Florida Only XOL (ex -HUR)	Florida Only XOL	Florida Only XOL	Both States XOL	Florida Only XOL - 2d Evt	Florida Only XOL (PCC)	QS Florida
Contract #		**93543001-06**	**93544001-06**	**93544001-06**	**93456001-06**	**93575001-06**	**93615001-06**	**QS-01719**
Limit		**5,000,000**	**15,500,000**	**11,900,000**	**26,600,000**	**15,500,000**	**12,500,000**	
Retention		**6,000,000**	**16,000,000**	**31,500,000**	**43,400,000**	**16,000,000**	**12,700,000**	
Hannover Re (Guernsey) - Cypress Cell		0.000%	0.000%	0.000%	0.000%	0.000%	100.000%	0.000%
Hannover Reinsurance (Ireland) Ltd.	A	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%
Shelter Mutual Insurance Company	A	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Ace Tempest Reinsurance Ltd.	A+	0.000%	0.000%	13.500%	13.500%	6.000%	0.000%	0.000%
Catlin Insurance Company Ltd.	A	0.000%	0.000%	4.000%	4.000%	4.000%	0.000%	0.000%
Flagstone Reinsurance Ltd.	A-	0.000%	0.000%	0.000%	0.000%	17.500%	0.000%	0.000%
Hiscox Insurance Company(Burmuda)	A-	15.000%	0.000%	0.000%	0.000%	5.000%	0.000%	0.000%
Montpelier Reinsurance Ltd.	A-	0.000%	10.000%	10.000%	0.000%	0.000%	0.000%	0.000%
Renaissance Re Ltd.	A	0.000%	0.000%	5.000%	0.000%	0.000%	0.000%	0.000%
Tokio Millennium Re Ltd.	A+	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Validus Reinsurance Ltd.	A-	40.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
XL Re Ltd.	A+	0.000%	0.000%	5.000%	0.000%	0.000%	0.000%	0.000%

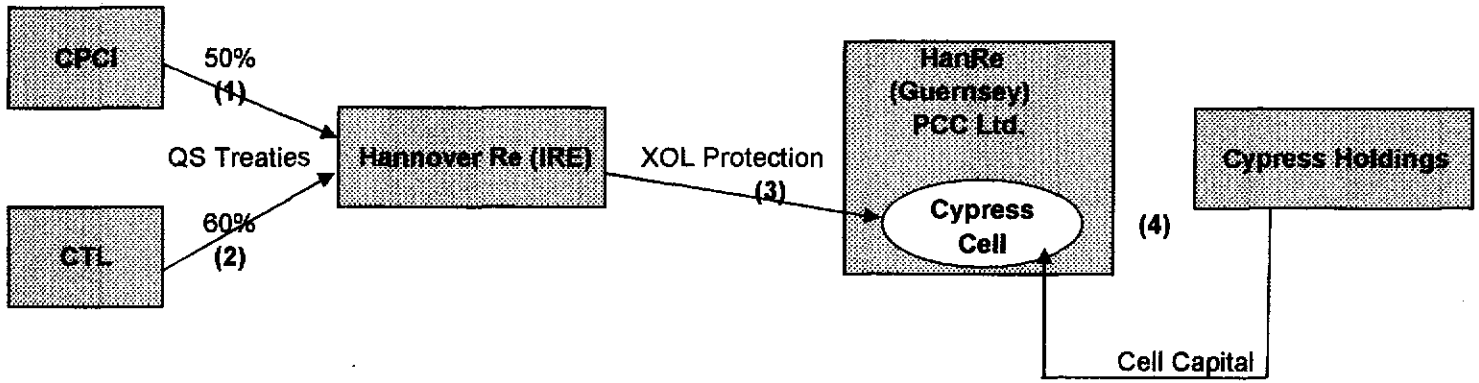
* PHS is estimated.

Amlin Bermuda Ltd		A-	0.000%	0.000%	11.570%	11.260%	0.000%	0.000%	0.000%
Converium Insurance (UK) Ltd.		B++	4.090%	5.000%	4.630%	4.500%	0.000%	0.000%	0.000%
Lloyd's Underwriters									
Pseudonym	Number								
ADV	0780	A	4.090%	0.000%	4.630%	4.500%	0.000%	0.000%	0.000%
AML	2001	A	0.000%	0.000%	11.570%	18.020%	0.000%	0.000%	0.000%
FDY	0435	A	0.000%	0.000%	0.000%	5.940%	11.875%	0.000%	0.000%
FRW	0190	A	8.180%	0.000%	6.940%	9.010%	0.000%	0.000%	0.000%
HIS	0033	A					11.875%		
HYL	2121	A	4.090%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
MAP	2791	A	8.180%	5.000%	4.630%	4.950%	11.875%	0.000%	0.000%
MMX	2010	A	0.000%	0.000%	4.630%	6.300%	0.000%	0.000%	0.000%
RTH	1414	A	16.370%	0.000%	0.000%	18.020%	11.875%	0.000%	0.000%
STN	0566	A	0.000%	0.000%	13.900%	0.000%	0.000%	0.000%	0.000%
			100.000%	**20.000%**	**100.000%**	**100.000%**	**80.000%**	**100.000%**	**100.000%**

Exhibit D

Cypress Property and Casualty
2006 Contract Year

Cell Diagam



(1) QS-1695 (50% Quota-Share Treaty between CPCI (Florida) and Hannover Re)
(2) QS-1718 (60% Quota-Share Treaty between CTL and Hannover Re) - ATTACHED
(3) CCC-1720 (XOL Treaty between Hannover Re and Hannover Re (Guernsey) PCC Ltd., Cypress Cell) - ATTACHED
(4) Cell Management Agreement between Cypress Holdings Inc. and Hannover Re (Guernsey) PCC Limited and Aon Insurance Managers (Guernsey) Limited
Cypress Holdings Inc. (CH) investment in Hannover Re (Guernsey) PCC Ltd., Cypress Cell (Cell Captive) consists of 2 shares with a value of 2 Euro's (approximately $4). CH provides cash infusions to fully fund the Cell Captive to the limits of its liability as provided for in the XOL Contract (XOL-1720)

Cypress
Holdings, Inc.

THE PCC

A PCC is a corporate body that can be segregated into legally distinct portions, known as the "core" and underlying cells. Each cell has its own separate segment of PCC's overall share capital, allowing shareholders to maintain sole ownership of an entire cell while owning only a small proportion of the PCC as a whole.

Business transacted through a cell is ring-fenced from the activities of other cells. Though a cell is not a separate legal entity in its own right, there is no joint liability among cells as each cells revenue streams, assets and liabilities are kept separate from all other cells and from the core. Creditors of one cell have no recourse to the assets of any other cell. All cells will be required to have sufficient collateral to meet their own liabilities.

HANNOVER Re

Hannover Re (Guernsey PCC Ltd. Was incorporated in March 1999 with authorized capital of EUR 500,000 and paid-in-capital of EUR 250,000. It is a tax-exempt Guernsey company, 100% owned by Hannover Re (Ireland) Ltd.

With gross written premiums of EUR 11 billion, Hannover Re is one of the largest reinsurance groups in the world. Hannover transacts all lines of property/casualty, life/health and financial risk reinsurance as well as program business and maintains business relations with more than 3,000 insurance companies in 150 countries. The rating agencies most relevant to the insurance industry have awarded Hannover Re very strong insurer financial strength (Standard & Poor's AA- "Very Strong" and A.M. Best A "Excellent"). The shareholders equity of Hannover Re is EUR 2.4 billion.

TYPES OF USES/TRANSACTIONS FOR THE PCC

As with a conventional wholly owned captive company, PCC's can form part of a planned risk management program, and help a well-managed group to reduce its total cost for reinsurance over the long-term. A PCC provides a means of entry into the captive insurance market for entities for which a wholly-owned captive is uneconomical. The general overhead of a PCC can be shared between the owners of the cell, making the captive more cost effective from the point of view of a shareholder. They are an important weapon in the reinsurance purchasing process, as a flexible reinsurance financing option providing coverage and capacity where markets are restrictive, thereby acting to stabilize the overall cost of reinsurance to the stakeholder.

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Under the proposed transaction, Cypress Holdings will establish a Protected Cell Captive through the services of Hannover Re Advanced Solutions. Under the PCC structure Cypress Property & Casualty Insurance Company (CPCI) and Cypress Texas Lloyds (CTL) will both cede premium (each via a Quota-Share treaty) to Hannover Re (Ireland) Ltd. Hannover Re will purchase reinsurance from the Cypress PCC. There would be no contracts, risks, obligations, etc. between CPCI, CTL and the Cypress Cell.

Hannover Re would be responsible for determining if their contract with the Cypress Cell constituted transfer of risk and qualified for reinsurance accounting.

Exhibit E

Cypress Property and Casualty
2006 Contract Year

Modeled Loss Projections

Return (Years)	Florida Hurricane No DS Direct Not Adjusted	Florida Hurricane No DS Net of FHCF Not Adjusted	Florida Other Wind Direct Not Adjusted
1,000	318,824,416	235,755,285	31,377,994
500	282,247,012	199,177,881	20,155,350
250	212,917,106	129,847,975	14,425,460
200	186,561,617	103,492,486	13,129,908
100	146,195,411	63,126,280	9,174,228
50	101,542,294	40,299,293	6,163,138
25	61,841,442	35,335,714	3,717,895
	555,640,369	472,571,238	50,623,339

FHCF Premium	4,432,363	
Retention Multiple	6.5903	
Payout Multiple	18.74	
Reimbursement %	90%	
Limit	92,299,035	
Retention	29,210,602	31,548,333
Max Payout	83,069,131	
	0.07	LAE as % of L&LAE:
	1.05	FHCF LAE Allowance

Cypress Property & Casualty Ins. Co.
Reinsurance Summary
2006 Contract Year

CONTRACT	Gross Loss 26,700,000 10 Year Event	Gross Loss 51,500,000 20 Year Event	Gross Loss 101,500,000 50 Year Event	Gross Loss 146,200,000 100 Year Event	Gross Loss 100,312,000 Storms of 2005
FHCF Layer ($92.3M x $29.21M)					
Recovery @90% plus 5% for LAE	-	17,656,756	61,599,256	83,069,131	47,665,317
Loss Net of FHCF = XOL Subject Loss	**26,700,000**	**33,843,244**	**39,900,744**	**63,130,869**	**52,646,683**
Catastrophe XOL Treaties					
FHCF LAC Drop-down ($10M x $2.7M)					
Recovery @ 100%	10,000,000	10,000,000	10,000,000	10,000,000	17,312,000
PCC Contract (Cell)($12.5M x $12.7M)					
Recovery @ 80%	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
1st Layer XOL ($15.5M x $16M)					
Recovery @ 20%	2,140,000	3,100,000	3,100,000	3,100,000	3,100,000
Less Reinst. Prem. 20% @ 45ROL	963,000	1,395,000	1,395,000	1,395,000	1,395,000
Net Recovery	1,177,000	1,705,000	1,705,000	1,705,000	1,705,000
2nd Limit XOL ($15.5M x $16M)					
Recovery @ 80%	-	-	-	-	-
Hannover Part 1 ($6.3M x $25.2M)					
Recovery @ 80%	1,200,000	5,040,000	5,040,000	5,040,000	5,040,000
2nd Layer XOL ($11.9M x $31.5M)					
Recovery @ 108%	-	2,530,703	9,072,803	12,852,000	9,109,458
Less Reinst. Premium 108% @ 33ROL	-	835,132	2,994,025	4,241,160	3,006,121
Net Recovery	-	1,695,571	6,078,778	8,610,840	6,103,337
3rd Layer XOL ($26.6M x $43.4M)					
Recovery @ 108%	-	-	-	21,309,338	-
Less Reinst. Premium 108% @ 28ROL	-	-	-	5,966,615	-
Net Recovery	-	-	-	15,342,724	-
Quota Share					
Recovery @50%	3,000,000	3,000,000	3,000,000	3,000,000	5,700,000
Maximum Recovery	3,000,000	3,000,000	3,000,000	3,000,000	9,000,000
Total Net Recoveries	25,377,000	49,097,327	97,423,034	136,767,695	93,525,654
Net Loss	1,323,000	2,402,673	4,076,966	9,432,305	6,786,346

Exhibit G

Cypress Property and Casualty
2006 Contract Year

2005 HURRICANES AS OF 7/31/2006:

	DENNIS	KATRINA	WILMA	TOTAL
LOSS PAID	6,840,449	3,477,511	75,492,033	85,809,993
ALAE PAID	964	1,150	35,064	37,178
ULAE PAID	698,003	384,796	5,706,667	6,789,467
TOTAL PAID	7,539,416	3,863,458	81,233,764	92,636,638
CASE LOSS RESERVES	72,000	181,000	2,533,498	2,786,498
CASE ALAE RESERVES	0	4,500	73,757	78,257
BULK ULAE RESERVES	237,597	159,604	1,801,452	2,198,652
IBNR LOSS RESERVES	501,987	152,439	1,957,529	2,611,955
TOTAL RESERVES	811,584	497,542	6,366,236	7,675,362
LOSS+LAE INCURRED	8,351,000	4,361,000	87,600,000	100,312,000