

Opening Statement from American Security Insurance Company

May 13, 2013

Commissioner McCarty, Deputy Commissioner Koon, Ms. Miller, Ms. Starnes, Mr. Lee and Mr. Tinkham, thank you for asking American Security Insurance Company to participate in today's Public Hearing. We appreciate the opportunity to respond to your questions related to our Company's lender-placed insurance offering and proposed new rates in the State of Florida.

My name is Ron Brusky, and I am Vice President and Chief Actuary for American Security Insurance, a company owned by Assurant. Joining me today for this Public Hearing is Mark Schmitt, Senior Vice President, Risk Management and Product Development.

While we have submitted our formal filing as well as written responses to further clarify and respond to your information requests, in our opening remarks I wish to briefly highlight a few key points.

Lender-placed Insurance was created to be the **safety net** needed to protect homeowners, lenders and investors against property losses, in the mortgage lending system in Florida and throughout the United States. It ensures there is no gap in coverage when a servicer is unable to confirm that acceptable insurance is in place to protect the property which secures the loan under the terms of the mortgage.

Lender-placed insurance protects, without interruption, the investments of homeowners, lenders and investors from losses without regard to the condition of the property, its loss history or occupancy. If a fire, devastating storm or hurricane hits, we are responsible for paying claims to rebuild or repair those properties where no other coverage is chosen or available to the borrower. Particularly in hurricane-prone areas, lender-placed insurance may be the coverage of last resort.

Backed by the assets of Assurant, we have steadfastly upheld our responsibilities in Florida through the 2004 and 2005 storm season and during the turmoil of the U.S. housing crisis. During the past five years, the number of properties we cover with lender-placed insurance in Florida more than doubled. Currently, American Security provides this essential form of insurance to more than 135,000 Floridians. American Security has committed substantial private capital and significant resources to ensure that the citizens of Florida are provided insurance options and capacity in addition to the state-backed residual market.

As we seek approval for our newest lender-placed product, we remain committed to quality and service consistent with our reputation as an insurer in the State of Florida for nearly 25 years.

We believe that our new product offers solutions to issues that emerged in the wake of the housing crisis and provides greater flexibility. The features of our new product adapt well to the specific experiences and needs of homeowners and lenders -- especially in Florida where there is significant coastal exposure.

Our new lender-placed insurance product offers more flexibility for clients and customers, and in a number of cases, lower costs as well. For both new and renewal lender-placed coverage, our new product in Florida proposes to:

- Simplify the number of territories
- Add a relativity curve to our rating methodology
- Expand the deductible options
- Feature 'Wind only' and 'Wind excluded' options
- Incorporate an Expense Modification factor, and
- Include a number of endorsement options for REO properties.

We welcome this discussion today about lender-placed insurance. And, we look forward to continuing to play a critical role in support of homeowners and property lenders in Florida.

Thank you for this opportunity and we are ready to respond to your questions.