Balboa® INSURANCE GROUP

Superior solutions from people you trust.™

2010 CATASTROPHE READINESS

We know a catastrophe can strike at any time, but we don't know when and where. That's why Balboa Insurance Group is prepared, year-round, for any kind of catastrophe. This booklet showcases our constantly evolving technology and customer-care efforts. Everything we've done and learned in previous years helps us get ready for the upcoming season.

This year we're focusing on how our technology and experienced associates can work best for you. We take into consideration not just your portfolio but also your customers and your reputation. Without the right tools or access to the right people, a catastrophe can wreak havoc beyond the event itself. That's why we alert you as soon as possible about how a natural disaster might affect you and your customers.

We're there for you at all stages of a catastrophe. From making you aware—when it's possible—before a catastrophe strikes, to guiding you through the claims process, you can depend on our service.

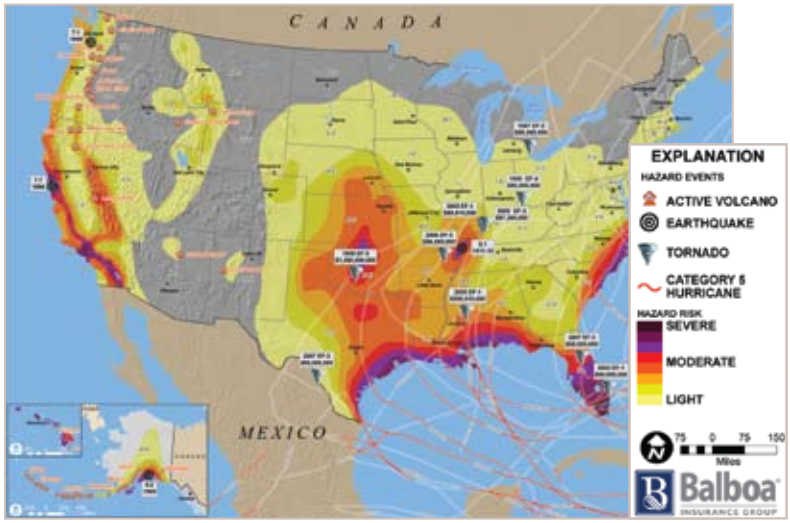
- Our award-winning Catastrophe Manager website provides 24/7 access to current disasters and how your portfolio might be affected.
- Our advanced geocoding software pinpoints which properties are at risk.
- We have a team of tremendously experienced associates, from an on-staff meteorologist to seasoned catastrophe claims professionals.
- Balboa leverages our relationship with one of the largest financial institutions in the world to provide a level of scale and support that is unique among our competitors.

Here's something else we know—as your partner, we'll do everything we can to minimize the risks that come from natural disasters 24/7, 365 days a year.

Being Prepared Means Being Vigilant 365 Days a Year

While there are seasons for specific catastrophes, there is the potential for a natural disaster to occur any day during the year. That year-round unpredictability is why our full-time catastrophe risk modeling team constantly monitors various sources for news and forecasts of possible catastrophes. This team brings a unique and effective mix of quantitative business analysis skills and relevant expertise.

- **Impressive experience**—Our dedicated staff is comprised of Certified Catastrophe Risk Analysts (certified by Risk Management Solutions®), catastrophe modelers and geographic information system professionals.
  - These highly trained associates provide world-class catastrophe modeling to your organization.
  - Balboa's catastrophe risk analysts have the experience to identify properties within a catastrophe-stricken area quickly, enabling you to respond to your customers' needs while safeguarding your company's assets.
  - We also have an analyst on staff with a Ph.D. in meteorology.
- **Consistent vigilance**—By continually monitoring multiple climatic and news resources across all media, our team can provide timely and detailed catastrophe impact assessments. Sources and technologies consulted include:
  - Forecasts from respected agencies regarding U.S. hurricane landfalls
  - Damage footprints of hurricanes and other catastrophes through active weather data analysis and remote satellite technology
  - Sophisticated catastrophe models



Map created by Balboa Insurance Group.

As population centers grow denser and people continue to move from inland territories to coastal areas, catastrophes represent an even greater financial risk to properties. This map highlights the risks and the magnitude of those risks.

Sophisticated Technology

To ensure the most accurate information about the impact of catastrophes on your portfolio, Balboa recently upgraded to the latest software from the Environmental Systems Research Institute, Inc. (ESRI). Our catastrophe team also uses the latest versions of these comprehensive software packages:

- Industry-leading catastrophe modeling software
- Geographic information system software
- Advanced geocoding software

In addition, we use our own proprietary catastrophe models. The combination of these resources provides extremely powerful data that we integrate into the catastrophe communications you receive.

When Catastrophes Can Strike

- Atlantic Hurricane Season (June 1 to November 30)
- East Pacific Hurricane Season (May 1 to November 30)
- Earthquakes (year-round)
- Floods (year-round)
- Tornadoes/Hail (year-round)—Tornadoes and hail can occur throughout the year, but are most severe and frequent during the transition from winter to summer, when cold air meets warm air in the southern and central United States.
- Wildfires (year-round)—Wildfires tend to be most frequent, and at their most severe, during the late summer months. However, they can occur anytime where dry conditions exist.

2010 Hurricane Forecast Summary

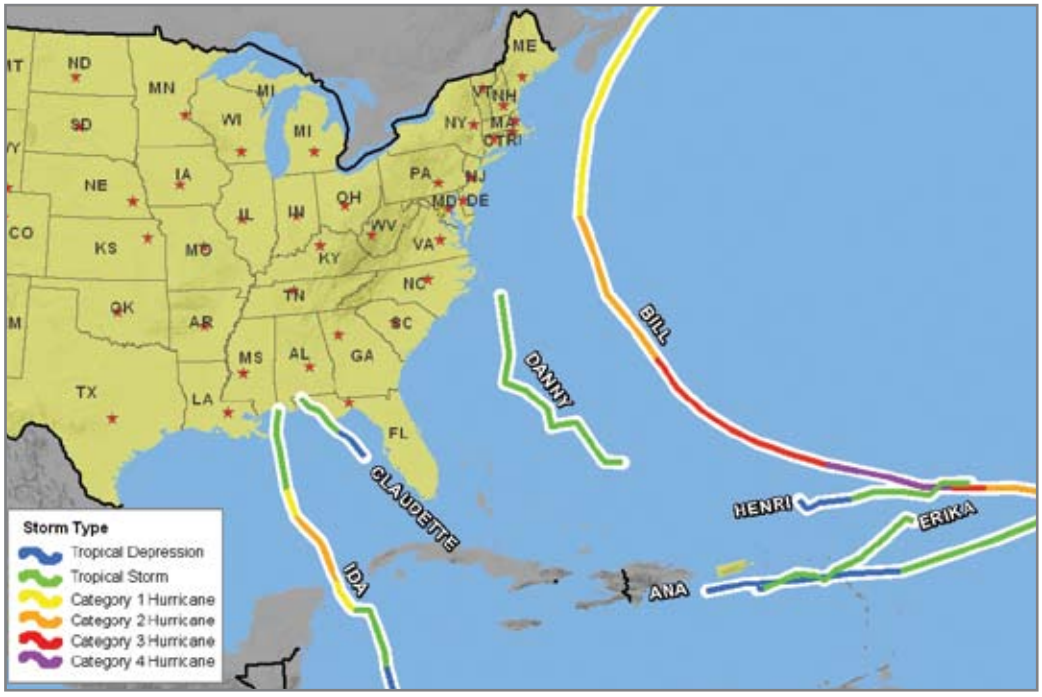
Thanks to our powerful combination of the latest software, partnerships with leading meteorological agencies and the experience of our full-time certified catastrophe risk analysts, we continue to provide our clients with the most current information available.

Using the most advanced forecasting tools, meteorologists have predicted what is likely to occur during the 2010 Atlantic Basin hurricane season. However, hurricane forecasts made before the season starts have an inherent degree of inaccuracy. As always, we will post updated forecasts on Catastrophe Manager as they become available.

Expert Weather Sources

- **AccuWeather**—AccuWeather provides real-time weather information with local forecasts for the United States and more than two million locations worldwide.
- **Colorado State University (CSU)**—CSU uses a combination of quantitative models, statistical trends and qualitative adjustments for unique atmospheric conditions to issue their forecasts.

2009 Atlantic Hurricane Season



Map created by Balboa Insurance Group.

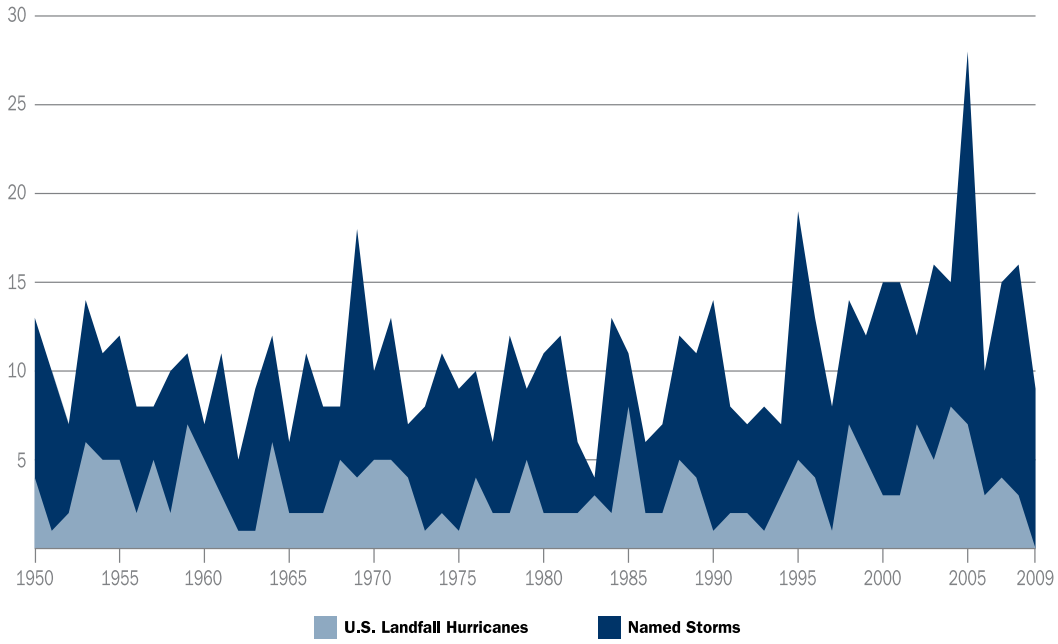
- **National Hurricane Center (NHC)—**The NHC is part of the National Centers for Environmental Prediction. The mission of the NHC is to save lives, mitigate property loss and improve economic efficiency by issuing watches, warnings, forecasts and analyses of hazardous tropical weather and by increasing understanding of these hazards.

Behind the Forecasts

The Atlantic hurricane season officially begins on June 1 and continues through November 30. According to early forecasts by meteorologists at CSU, the 2010 hurricane season will be significantly more active than the average season (historical average includes the years 1950 to 2000).

According to the forecast, there is a 69% probability of at least one major hurricane (Category 3, 4 or 5) making landfall on the United States coastline, compared to a historical average of 52%. While the forecast models used by the meteorologists didn't predict the quieter 2009 season, historically their forecasts have correlated well with observed tropical activity.

Annual Hurricane Activity (1950 to 2009)

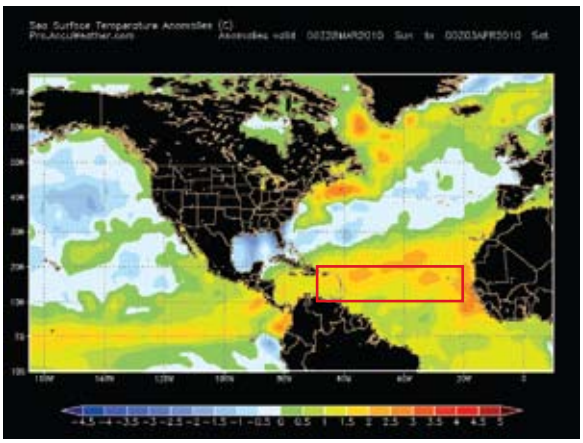


2010 Atlantic Basin Seasonal Hurricane Forecast

Forecast Parameter	Climatology (Historic average 1950 to 2000)	Colorado State Forecast	AccuWeather
Named Storms	9.6	15	15
Named Storm Days	49.1	75	
Hurricanes	5.9	8	5
Hurricane Days	24.5	35	
Major Hurricanes	2.3	4	2 to 3
Major Hurricane Days	5	10	
Accumulated Cyclone Energy	96.2	150	
Net Tropical Cyclone Activity	100	160	

Two main factors led to the above-average forecast: the anticipated weakening of the current El Niño conditions and above-normal, sea-surface temperatures (SSTs) in the eastern tropical Atlantic.

1. **February and March sea-surface temperatures**
   - Above normal SSTs in the eastern Atlantic and cooler-than-normal SSTs in the south Atlantic were observed in February and March. This development is associated with weaker-than-normal sea-level pressures over the Atlantic subtropical ridge (known as the Azores High) and weaker-than-normal trade winds.

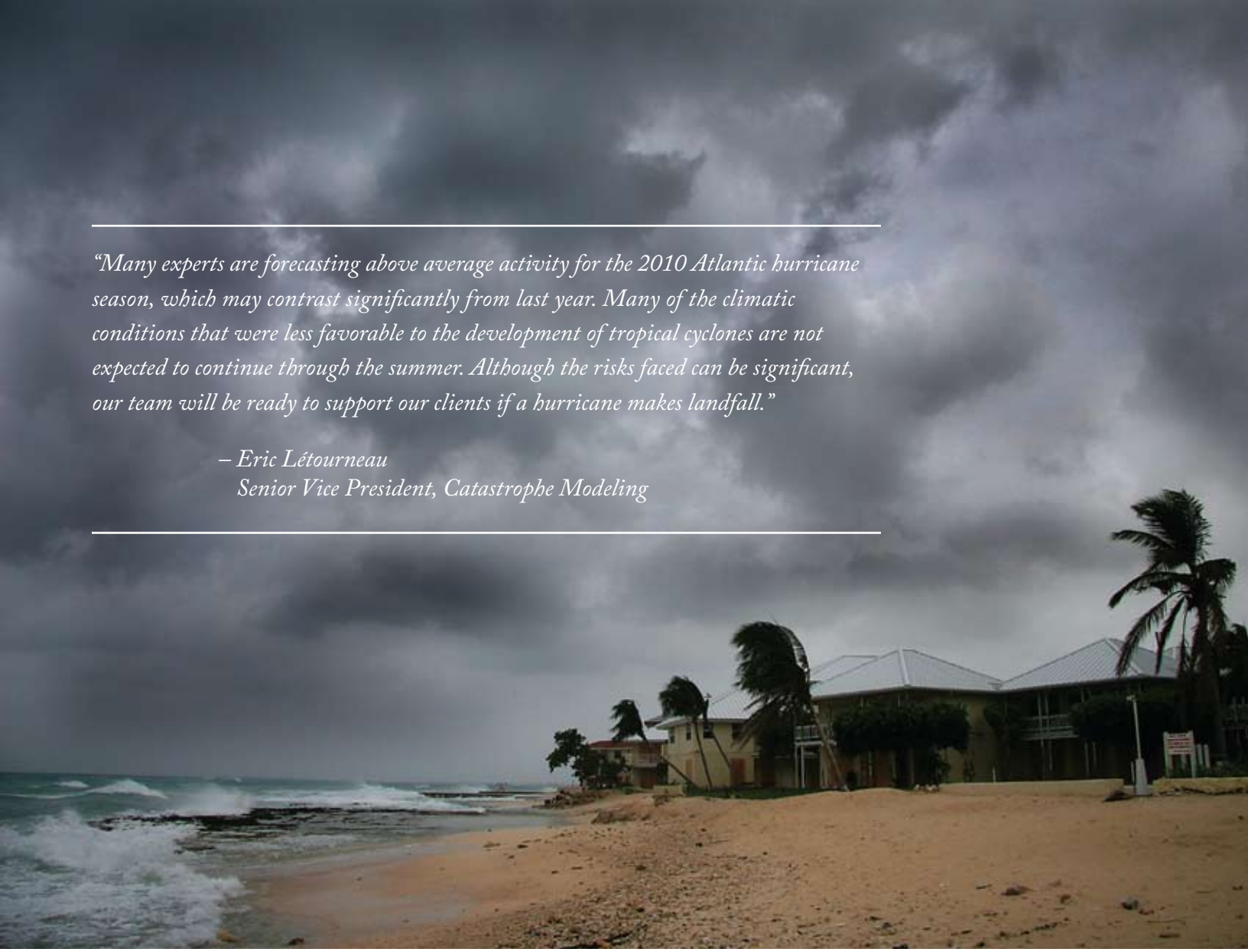


The above-average SSTs are clearly visible in the main development region of the tropical Atlantic, where most hurricanes develop. Map courtesy of AccuWeather.

- Weaker trade winds reduce the transfer of heat from the ocean into the atmosphere, allowing SSTs to rise. These features contribute to a reduction in vertical wind shear, increased vertical instability and a less-stable atmosphere during August and October, typically leading to an active hurricane season.

- The main development region in the tropical Atlantic, where the majority of major hurricanes form, is experiencing well-above-average SSTs; increasing favorable conditions for hurricanes.

2. **Weakening of current El Niño conditions in the Pacific**
   - Most statistical models are indicating a transition from El Niño to neutral conditions by the peak of the hurricane season (August through October).



"Many experts are forecasting above average activity for the 2010 Atlantic hurricane season, which may contrast significantly from last year. Many of the climatic conditions that were less favorable to the development of tropical cyclones are not expected to continue through the summer. Although the risks faced can be significant, our team will be ready to support our clients if a hurricane makes landfall."

– Eric Létourneau
Senior Vice President, Catastrophe Modeling

- Due to the weakening El Niño, the tropical Atlantic is expected to experience decreased wind shear, leading to favorable conditions for tropical development and intensification.

Forecasting and Technological Advancements for 2010

New Satellite Accuracy: In March, NOAA and NASA officials announced the launch of a new geostationary operational environmental satellite that can capture higher resolution images of weather patterns and atmospheric measurements than those provided by earlier satellites. The higher resolution allows forecasters to pinpoint the location of severe weather with greater accuracy.

New Hurricane Scale: NOAA's National Weather Service will use a new hurricane scale, the Saffir-Simpson Hurricane Wind Scale. The scale keeps the same wind-speed ranges as the original Saffir-Simpson Scale for each of the five hurricane categories, but no longer ties specific storm surge and flooding effects to each category.

You Can Count on Us to be Prepared

We know that catastrophes can occur at any time, or anywhere. That's why we forecast year-round. And in the event of a significant catastrophe, we maintain excess capacity and streamline our processes throughout our organization. In times of high volume, we can immediately balance our workload between our regional offices across the country.

Daily Reports Provided by our Risk Management Team

Our senior executives and operational management team are briefed daily in the aftermath of a catastrophe so they can quickly pass on vital information to our clients. Other key departments including Customer Care, Tracking, Claims and Loss Draft Services are also briefed daily. At these briefings, our catastrophe risk management team provides reports to help us quickly identify resources and realign staff.

Maintaining Excess Capacity

Our dedication to maintaining excess capacity is demonstrated by our ability to quickly mobilize associates throughout the country to handle increased call volumes in the wake of a catastrophe.

Regional Offices

Our multiple locations work together to give your customers the service and support they need in the aftermath of a catastrophe.

Western Regional Office
Chandler, AZ

Central Regional Office
Fort Worth, TX

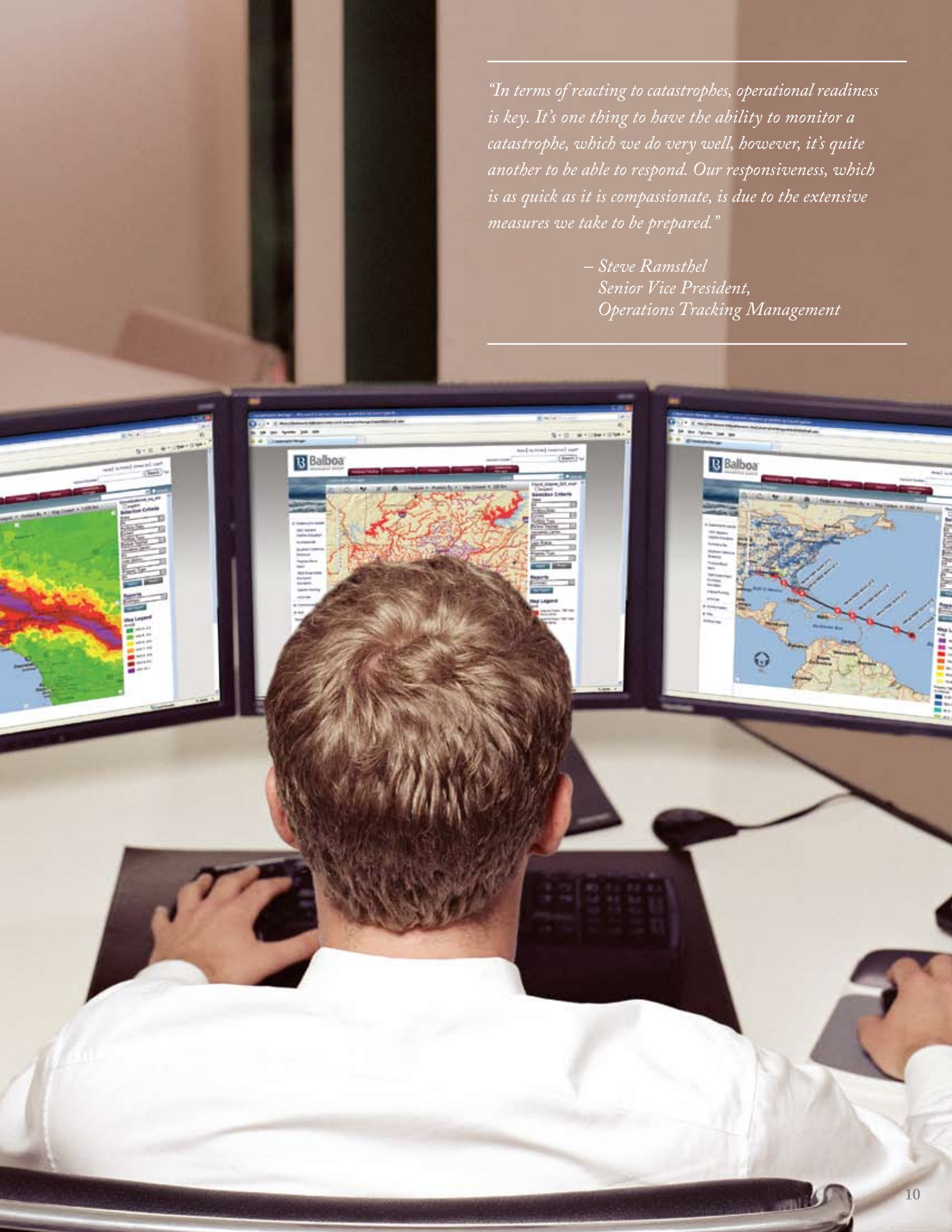
Eastern Regional Office
Pittsburgh, PA

International Processing Locations

Costa Rica
San Juan

India
Hyderabad, Mangalore, Mumbai and Pune

Philippines
Laguna and Parañaque



"In terms of reacting to catastrophes, operational readiness is key. It's one thing to have the ability to monitor a catastrophe, which we do very well, however, it's quite another to be able to respond. Our responsiveness, which is as quick as it is compassionate, is due to the extensive measures we take to be prepared."

– Steve Ramsthel
Senior Vice President,
Operations Tracking Management

Multiple Teams Ensure Quality Care

Balboa is committed to providing quality care and service to your customers in the aftermath of a catastrophe. Our primary goal is for their properties to be restored and rebuilt as quickly as possible.

To make this happen, we rely on the strength of our experienced teams to help your customers put their lives back together:

- **Realigned Network of Adjusters—**At the beginning of 2010, we realigned our network of adjusters to have the scalability to inspect properties damaged by a catastrophic event the size of Hurricane Katrina within 30 days of impact. Our agreements with several adjusting firms, who represent hundreds of qualified, licensed, on-site adjusters across the country, help ensure that your customers receive priority service.
- **Management Field Team—**The immediate presence of our management-level operations personnel in the affected area of a significant catastrophe often gives us the ability to activate a claim even before your customer makes contact.
- **Catastrophe Claims Team—**Our permanent, dedicated Catastrophe Claims Team provides quick contact and claims turnaround times.

Prioritized Workflow and Procedures

When we're notified by our catastrophe risk management team of a threat assessment that shows the potential for increased exposure from a specific event, Balboa immediately goes into action. Our document processing workflows and outbound calls are reprioritized through TrackSource,® our proprietary insurance tracking system. This advanced technology quickly moves all loans secured by properties in a projected hurricane path to the top of operational queues.

These loans are then prioritized for:

- **Priority Outbound Calls—**We prioritize outbound calls to your customers' agents/carriers in affected areas to confirm insurance information.
- **Accelerated Escrow Disbursements—**Disbursements for agents/carriers will be accelerated, providing an additional layer of assurance that coverage remains in force.

- **Document Processing—**Our advanced document processing capabilities that include electronic data interchange (EDI) and optical character recognition (OCR) allows us to process cancellations, reinstatements, policy renewals and outstanding checks for bank reconciliation even faster.

Putting Your Customers First

Our associates have the experience and compassion to help your customers cope during a difficult time. Both training and staffing are vital to ensuring your customers get the response they need, and expect, in the aftermath of a catastrophe.

Dynamic Staffing and Call Routing

- We leverage our flexible call routing infrastructure to ensure customer care calls are routed and prioritized throughout our locations in the United States. This includes recognizing the severity of the loss reported, and acting promptly and appropriately.
- We maintain load balancing between inbound and outbound call activities, providing an additional level of scalability during critical events. Specific roles are assigned to our staff so not only can your customers reach us; but we can also reach out to them, if necessary.
- We use Catastrophe Manager to monitor potential catastrophic events to help ensure that staffing needs are met, even before an event occurs. Candidates are identified, interviewed and verified to ensure we have the most qualified staff in place in the aftermath of an event.
- We maintain additional staffing capacity and have contractors standing by in preparation for hurricane season. This allows us to expand quickly to meet customer demand.
- Supplemental staff will have immediate access to workstations and all necessary equipment in response to an event.

Ready to Meet Demand

Our commitment to your customers in the aftermath of a catastrophic event is demonstrated by our history of quick turnaround times, even with high claims volume. We know this is paramount for your customers. The sooner they can get their lives back together and rebuild, the sooner recovery can begin.

Working with Your Customers 24/7

The associates in our catastrophe claims unit work year-round to give your customers the support they need. Almost immediately after an event, they begin working with your customers inspecting their homes and providing them with settlement and rebuilding advice. We also have a 24/7 Catastrophe Hotline staffed with experienced claims associates ready to take your customers' calls.

Bilingual Assistance

Catastrophes are traumatic for everyone, but imagine experiencing one and then having difficulty communicating with your insurance company. That's why we make sure we have bilingual associates deployed to the site of a catastrophe as well as Spanish-speaking claims representatives in our Costa Rica office. In fact, government and state agencies have turned to Balboa for help over the years. For example, in the aftermath of Hurricane Ike, FEMA and the Texas State Department of Insurance asked us to provide Spanish translation assistance for individuals impacted by this event who had difficulty communicating in English.

Our Commitment to You

After a catastrophe, it's important that you get all the information necessary regarding damage to your portfolio. To make sure that happens, our on-site loss assessment team works closely with our catastrophe risk management team to provide you with preliminary evaluations on damage to your portfolio.

Catastrophe Hotline

We offer a 24/7 hotline staffed by experienced associates to ensure your customers can get the help they need during a difficult time.

"Even though 2009 was a relatively quiet year in terms of major events, our team continued to step up their preparedness efforts and explore new ways and technologies to assist customers in 2010. By tapping into what we've learned from previous events, we can alter our processes and make adjustments to ensure that all plans, processes and staffing models are up to date."

– Dana Alioto
Senior Vice President, Central Claims

Formalized Training

- All general claims customer service representatives must complete a formal training program prior to assisting any customer.
- A two-week training program is required for all supplemental loss-draft specialists.
- Cross training for associates who support other functions helps us adapt quickly and provides added assistance at a moment's notice in the event of catastrophe.

To further expedite the claims process in 2010, we plan to hire former contracted staff, who have previously worked with Balboa. Using this network of available contractors makes on-boarding faster so they can start handling claims almost immediately.

Catastrophe Communications—An Ongoing Commitment

We're committed to providing you as much information as possible about how catastrophes might affect the properties in your portfolio. We track catastrophes and monitor their unpredictable conditions so we can notify you even before an event occurs, whenever possible.

Catastrophe Manager is the cornerstone of our communication efforts. For example, Balboa monitors hurricanes before they make landfall and provides the following information on the site:

- Current storm track information
- A map of all properties within the anticipated hurricane windfield
- Loan-level information, including outstanding loan balance, coverage amount and policy expiration on all loans within projected impact areas
- Damage estimates, which are based on the above information

In addition to Catastrophe Manager, we communicate with you via email alerts, *The Source* newsletter and bi-annual catastrophe booklets. You can also depend on your senior client manager for personal contact and ClientSource, our secure client portal, for enhanced reports.

We also keep your customers informed during a catastrophe in several different ways. We maintain 24/7 call center availability during a catastrophe, your customers can report claims directly on our website at balboainsurance.com and we run ads during major catastrophes that include critical contact information for customers who have claims questions.

Catastrophes Posted on the Site

While Balboa monitors all catastrophes, we send updates only about those most likely to affect portfolios. Below are details about how we decide which catastrophic events appear on Catastrophe Manager.

Hurricanes—We post an update whenever a system develops into a tropical storm. We update content on a daily basis should any tropical systems threaten to make landfall within the United States. Another update will be issued if any of the following criteria are met:

- A tropical storm is upgraded to a hurricane.
- A tropical storm threatens to make landfall in the United States within three days.
- A system deteriorates and no longer has tropical storm characteristics.

Earthquakes—We post an update if the quake measures at least 5.5 on the Richter scale for earthquakes in California; 5.0 or greater for earthquakes that occur in other states.

Fires—We post an update if:

- At least 25 homes have been destroyed or evacuated.
- The fire could cause significant losses.
- If either of the above triggers occur, we will update the site daily until the threat to homes has largely diminished.

Tornadoes—We post an update if:

- At least 50 homes are destroyed by one tornado.
- At least 200 homes are destroyed in a tornado outbreak.

Floods—Our ability to post updates about floods is determined by the timely availability of data regarding the impacted areas. As the magnitude of the flood increases, our ability to pinpoint the exact homes affected decreases. For smaller events, we can often provide a very detailed map; for larger events we may get only enough information to post a list of affected ZIP codes or counties.

We will update Catastrophe Manager for any disaster—natural or man-made—that threatens a significant number of homes in accordance with our clients' demands or when a particular event receives a high volume of media attention. You can also run a Catastrophe Manager report on your portfolio at any time, independent of an official posting.

Catastrophe Manager: Your 24/7 Total Resource Tool

Our business is protecting your business. As a true catastrophe risk management tool, our award-winning Catastrophe Manager website helps you make informed decisions before, during and after a catastrophe, so you can quickly develop and update contingency plans. Backed by the powerful combination of cutting-edge technology and dedicated resources, Catastrophe Manager covers hurricanes, floods, tornadoes, wildfires and earthquakes. Its many features include:

- Detailed catastrophe updates
- News about recent and/or ongoing catastrophes
- Continually updated damage estimates for a specified impact region of a catastrophe
- Critical information to support your interaction with customers
- Map-viewing capabilities for catastrophes and their potential impact on your portfolio
- Zoom function to magnify a map so you can view closer details of your portfolio and drill down to specific properties
- Capability to download up to 1 million records
- A tool that corrects incomplete addresses using longitude and latitude coordinates
- Automated calculations, based on parameters specific to each event, to help determine various risk and loss statistics for relevant properties

2009 ESRI Award Winner

Catastrophe Manager received a Special Achievement in Geographic Information Systems (GIS) award from ESRI, the Environmental Systems Research Institute, Inc. It was one of only 152 sites selected out of more than 100,000 considered from around the world. According to ESRI, Balboa was selected because our application of cutting-edge technology surpasses what other companies in the Financial Institutions and Insurance category have done.

Catastrophe Manager Maps

The purple line above shows the path of a hurricane as it moves through different wind speed levels.

Catastrophe Manager tracks a hurricane before it makes landfall and displays the dates and times of name and category changes.

This map shows the perimeter of the 2009 Station Fire in California. Loans that fell within the fire boundary were considered at risk.

This map of the 2009 Atlanta flood shows the 100-year flood zone (red) and the 500-year flood zone (purple).

"We continue to evaluate ways to make Catastrophe Manager even stronger based on technological advancements and the features our clients tell us they'd like to have. We then implement those enhancements so our clients can access more thorough reports, better pinpoint which properties in their portfolio are affected and get updates more quickly."

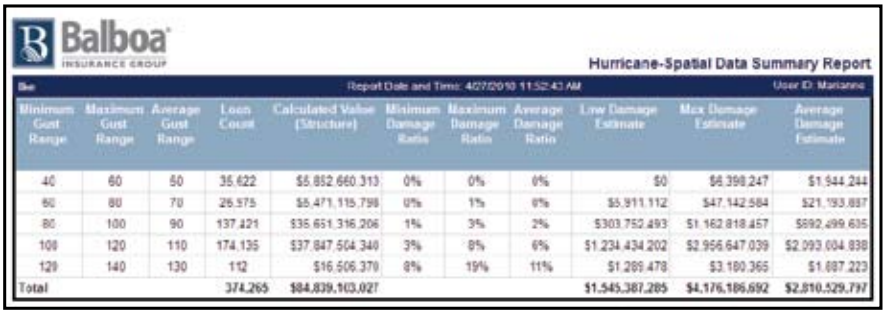
– Justin Skelton
Senior Vice President, Insurance Business Support Technology

Balboa offers two powerful online platforms that allow you to access and run reports: Catastrophe Manager (for reports such as catastrophe status, damage ratios, ZIP code lists, potentially impacted homes and loan-level detail of threatened homes) and ClientSource (for robust management reports and claims status information). This combination of powerful platforms helps you assess how an event might impact you, your customers and your portfolio—both before and after a catastrophe.

Catastrophe Manager Reports

Catastrophe Manager provides access to predefined and custom reports, including:

- Real-time hurricane storm development patterns
- Nonhurricane catastrophic event reporting
- Automated damage ratio loss estimate calculations of all properties located in the path of a hurricane



Balboa INSURANCE GROUP

Hurricane-Spatial Data Summary Report

Report Date and Time: 4/27/2010 11:52:43 AM

Minimum Gust Range	Maximum Gust Range	Average Gust Range	Loss Count	Calculated Value (Structure)	Minimum Damage Ratio	Maximum Damage Ratio	Average Damage Ratio	Low Damage Estimate	Max Damage Estimate	Average Damage Estimate
40	60	50	35,622	$5,852,660,313	0%	0%	0%	$0	$6,398,247	$1,944,244
60	80	70	26,575	$5,471,115,798	0%	1%	0%	$5,911,112	$47,142,584	$21,193,887
80	100	90	137,421	$35,651,316,206	1%	3%	2%	$303,752,493	$1,162,818,457	$692,499,635
100	120	110	174,135	$37,847,504,340	3%	8%	6%	$1,234,434,202	$2,956,647,039	$2,093,604,838
120	140	130	112	$16,506,379	8%	19%	11%	$1,289,478	$3,180,365	$1,887,223
Total			374,265	$84,839,103,027				$1,545,387,285	$4,176,186,692	$2,810,529,797

Among the many reports you can create with Catastrophe Manager is a summary of the damage caused by a disaster.

Comprehensive Claims Reports

To give you a bigger picture of how a disaster affects you from a claims perspective, as soon as we receive disaster-related claims, we start creating a catastrophe claims report with both a summary and details on all the disaster claims related to your portfolio. The claims report will be updated daily during a catastrophe, then weekly as the situation becomes more stable. We post this report on ClientSource and send a copy to your client manager.

The report includes:

- Filing date for each claim
- Property status
- Claim status
- Reported loss amount
- Coverage amount
- Amount paid to date
- Property address

Our Hurricane Season Timelines for Claims	
Preseason	
Loss Forecasting	March/April
Staffing Analysis	April/May
Vendor Management	April/May
Set up Corporate and Ancillary Locations	May/June
Pre-event	
Loss Forecasting	More than five days prior to landfall
Catastrophe Leadership Meetings	More than five days prior to landfall
Executive Meetings	More than five days prior to landfall
Contract Additional Associates	More than seven days prior to landfall
Post Event (depending upon access granted by authorities)	
Damage Assessment Team Deployed	Two days or less post event
On-site Vendor Orientation	Two days or less post event
Customer Outreach Programs	Two days or less post event
Daily Meetings	Ongoing for 60 days from day of event
Assess Potential Loss Exposure	Less than five days post event
Reporting	Ongoing for 90 days from day of event

Hurricanes

- The Saffir-Simpson Hurricane Scale divides hurricanes into five categories distinguished by the intensities of their sustained winds:[1]
  - Category 1 Hurricane: 74 to 95 m.p.h.
  - Category 2 Hurricane: 96 to 110 m.p.h.
  - Category 3 Hurricane: 111 to 130 m.p.h.
  - Category 4 Hurricane: 131 to 155 m.p.h.
  - Category 5 Hurricane: 156 m.p.h. and greater

- The terms *hurricane* and *typhoon* are regionally specific names for a strong tropical cyclone. Once a tropical cyclone reaches winds of at least 39 m.p.h., it's typically called a tropical storm and assigned a name. If winds reach 74 m.p.h. it's called a *hurricane* (in the North Atlantic Ocean, the Northeast Pacific Ocean east of the dateline, or the South Pacific Ocean east of 160° E) or a *typhoon* (in the Northwest Pacific Ocean west of the dateline).[1]

- The eye of a hurricane is a roughly circular area of comparatively light winds and fair weather found at the center of a severe tropical cyclone. Although the winds are calm at the axis of rotation, strong winds may extend well into the eye. There is little or no precipitation and sometimes blue sky or stars can be seen. Eyes range in size from five to 120 miles in diameter, with most of them reaching 20 to 40 miles.[1]

- In 2010, NOAA added 12 hours to its watch/warning lead time, issuing watches 48 hours before landfall and warnings 36 hours ahead of time.

2010 Atlantic Hurricane Names

The 2010 hurricane name list is the same as the 2004 list minus four names retired after the devastating 2004 hurricane season: Charley, Frances, Ivan and Jeanne.

Alex	Lisa
Bonnie	Matthew
Colin	Nicole
Danielle	Otto
Earl	Paula
Fiona	Richard
Gaston	Shary
Hermine	Tomas
Igor	Virginie
Julia	Walter
Karl	-

The letters Q, U, X, Y and Z are not included because of the scarcity of names beginning with those letters.[1]

Floods

- **100-Year Flood:** Represents a 1% chance of a flood occurring each year.
  500-Year Flood: Represents a 0.2% chance of a flood occurring each year.[2]

- Flood hazard areas are determined using statistical analyses of records of river flow, storm tides and rainfall; information obtained through community consultations; floodplain topographic surveys; and hydrologic and hydraulic analyses.[2]

- The most widely distributed flood map product is the Flood Insurance Rate Map (FIRM). Flood risk information presented on a FIRM is based on historic, meteorologic, hydrologic and hydraulic data, as well as open-space conditions, flood control works and development.[2]

- New land development can increase flood risk, especially if the construction changes natural runoff paths.[3]

- In 2009, one-third of all claims paid by the National Flood Insurance Program were for policies in low-risk communities.[3]

Wildfires

- An average of 1.2 million acres of U.S. woodland burn every year.[4]
- More than four out of every five wildfires are caused by people.[4]
- Weather conditions can contribute to the occurrence of wildfires directly, such as lightning, or indirectly, such as an extended dry spell or drought that contributes to the availability of fuel.[4]
- Wildfires can occur anywhere.[4]
- Lightning strikes the earth over 100,000 times a day. Of these, 10% to 20% cause a fire.[5]
- A wildfire moves at speeds of up to 14 miles an hour, consuming everything—trees, brush, homes, even humans—in its path.[6]
- Three conditions need to be present in order for a wildfire to burn: fuel, oxygen, and a heat source. Firefighters refer to them as the fire triangle and they fight wildfires by depriving them of one or more of the fire triangle fundamentals.[6]
- The secondary effects of wildfires, including erosion, landslides, introduction of invasive species and changes in water quality, are often more disastrous than the fire itself.[7]
- The federal government annually spends billions of dollars to suppress wildfires.[7]
- Wildfires increase the potential for flooding, debris flows and landslides.[7]
- Smoke and other emissions contain pollutants that can cause significant health problems.[7]

Earthquakes

- The hypocenter of an earthquake is the location beneath the earth's surface where the rupture of the fault begins. The epicenter of an earthquake is the location directly above the hypocenter on the surface of the earth.[7]

- Alaska is the most earthquake-prone state and one of the most seismically active regions in the world. Florida and North Dakota have the smallest number of earthquakes in the United States.[7]

- Overall, earthquakes took the lives of people in 15 countries on four continents in 2009. Earthquakes injured people in 11 additional countries, including the United States.[7]

- In 2009, 17 earthquakes reached a magnitude of 7.0 or higher and one exceeded a magnitude of 8.0. These statistics are higher than those of 2008, during which there were only 12 earthquakes over a magnitude 7.0 and none over 8.0.[7]

While 2010 earthquakes in Haiti, Chile and Mexico have gotten the bulk of coverage, this year has already seen 17 earthquakes with a magnitude of 6.0 and above.[7]

Location	Magnitude	Date
Solomon Islands	6.6	January 3
Solomon Islands	7.1	January 3
Solomon Islands	6.8	January 5
Offshore Northern California	6.5	January 10
Haiti	7.0	January 12
Papua New Guinea	6.2	February 1
China-Russia-North Korea Border	6.9	February 18
Japan	7.0	February 26
Chile	8.8	February 27
Chile	6.6	March 5
Indonesia	6.8	March 5
Eastern Turkey	6.1	March 8
Chile	6.9	March 11
Japan	6.5	March 14
Chile	6.7	March 16
Mexico	7.2	April 4
Indonesia	7.7	April 6

Modified Mercalli Intensity/Richter Scale

Richter Scale	1.0 to 2.9	3.0 to 3.9	4.0 to 4.9		5.0 to 5.9		6.0 to 6.9		7.0+
Perceived Shaking	Not Felt	Weak	Light	Moderate	Strong	Very Strong	Severe	Violent	Extreme
Potential Damage	None	None	None	Very Light	Light	Moderate	Moderate/Heavy	Heavy	Very Heavy
Peak Acceleration (%g)	<.17	.17 to 1.4	1.4 to 3.9	3.9 to 9.2	9.2 to 18	18 to 34	34 to 65	65 to 124	>124
Peak Velocity (cm/s)	<0.1	0.1 to 1.1	1.1 to 3.4	3.4 to 8.1	8.1 to 16	16 to 31	31 to 60	60 to 116	>116

Chart Legend

Potential Damage: The potential damage one would find at each location.
Peak Acceleration: A measure of the maximum acceleration movement in g-forces at each location.
Peak Velocity (cm/s): A measure of the maximum velocity shaking (in cm/sec) at each location.

Source: U.S. Geological Survey

Tornadoes

- Tornadoes can generate the fastest winds on earth with speeds up to 300 m.p.h.[6]
- Damage paths can be in excess of one mile wide and 50 miles long. Once a tornado in Broken Bow, Oklahoma, carried a motel sign 30 miles and dropped it in Arkansas.[1]
- Some tornadoes may form during the early stages of rapidly developing thunderstorms. This type of tornado is most common along the front range of the Rocky Mountains, the Plains, and the Western States.[1]
- Occasionally, two or more tornadoes may occur at the same time.[1]
- Sixty-nine percent of all tornadoes are classified as weak and generally last for 10 minutes or less; 29% of all tornadoes are considered strong and may last 20 minutes or longer; 2% of tornadoes are violent and can last for more than one hour.[1]
- No place is safe from tornadoes, and they can occur at any time of the year.[1]
- Tornadoes are most likely to occur between 3 p.m. and 9 p.m. but have been known to occur at all hours of the day or night.[1]
- In the southern states, peak months for tornadoes are March through May, while peak months in the northern states are during the summer.[1]
- Before a tornado, it's not uncommon to see a greenish sky, wall cloud or large hail and/or hear a loud roar similar to a freight train.[1]
- Some tornadoes are clearly visible, while others are obscured by rain or low-hanging clouds.[1]

FACTS SOURCES:

1. National Oceanic and Atmospheric Administration
2. Federal Emergency Management Agency
3. National Flood Insurance Program
4. www.weather.com
5. Virginia Department of Forestry
6. National Geographic
7. U.S. Geological Survey

Balboa takes protecting your portfolio very seriously throughout the year. We know catastrophes pose special challenges, so we work hard, through our advanced technology and experienced associates, to minimize their effects as much as possible. We appreciate the trust you've placed in us and are eager to hear if there are any additional ways we can help you. For questions about any of our products, services or catastrophe preparedness tools, please contact your client manager for more information.

About Balboa

Balboa Insurance Group combines a rich history of technological innovation and superior service to provide industry-leading risk management and loss mitigation solutions to the mortgage and auto finance industries. Our consultative approach, compliance expertise and measurable performance excellence are the foundation of our products and services, which differentiates us from others in the industry.

Our Ratings

The property and casualty insurance companies of Balboa Insurance Group (Balboa Insurance Company, Meritplan Insurance Company and Newport Insurance Company) have earned an A.M. Best Company® "A" rating (Excellent).

These ratings were affirmed by A.M. Best on November 17, 2009.

AccuWeather

www.accuweather.com

American Red Cross

www.redcross.org

Federal Emergency Management Agency (FEMA)

www.fema.gov

FEMA produces a series of free flood brochures that you can order to pass along to your customers. They include:

- Top 10 Facts for Consumers
- Why You Need Flood Insurance
- Flood Preparation and Safety

Fax your request for a list of brochures to the FEMA Distribution Center at 1.301.362.5335.

To access other FEMA publications, visit *www.fema.gov/library*

Insurance Information Institute

www.iii.org

National Oceanic and Atmospheric Administration (NOAA) National Hurricane Center

www.nhc.noaa.gov

U.S. Fire Administration

www.usfa.dhs.gov

The following sections can be used as helpful guides to inform your customers about what they can do to be prepared for—and respond to—a catastrophe. These sections include general and catastrophe-specific guidelines.

Create a Family Disaster Plan

Talk with your family about potential disasters and why it's necessary to prepare for them. Involve each member of your family in the planning process. By showing them simple steps that can increase their safety, you can help reduce their anxiety about emergencies.

- Make sure everyone knows where to find your emergency supply kit and go-bags.
- Have a flashlight and a pair of shoes under everyone's bed in case there is an earthquake during the night. Use a plastic bag tied to the leg of the bed to keep these items from moving during an earthquake.
- Plan where to meet after a disaster if your home becomes unsafe. Choose two places, one just outside your home and one outside your neighborhood in case you are told to evacuate.
- Determine the best escape routes from your home. Try to identify two escape routes.
- Make sure each family member knows who your family's out-of-state contact is and instruct them to call this person and tell him/her where they are.
- Locate the gas main and other utilities and make sure family members know when and how to turn them off.
- Practice your evacuation routes; Drop, Cover and Hold; and Stop, Drop and Roll drills.
- Teach each member of your family how to use a fire extinguisher.
- Create emergency response cards for each of your family members.
- Take into account the special needs of children, seniors, people with disabilities, family members who don't speak English and pets.

Source: www.72hours.org

Build an Emergency Kit

After a major disaster, the usual services we take for granted such as running water, refrigeration and telephones, may be unavailable. Experts recommend that you should be prepared to be self-sufficient for at least three days. Put contents in a large, water-tight container that you can move easily, and store your household disaster kit in a readily accessible location. Also consider keeping a similar kit of essentials in your car.

Your basic emergency kit should include:

- Water—one gallon per person, per day
- Food—ready-to-eat or requiring minimal water
- Manual can opener and other cooking supplies
- Plates, utensils and other feeding supplies
- First-aid kit and instructions
- A copy of important documents and phone numbers
- Warm clothes and rain gear for each family member
- Heavy work gloves
- Disposable camera
- Unscented liquid household bleach and an eyedropper for water purification
- Personal hygiene items
- Plastic sheeting, duct tape and utility knife for covering broken windows
- Tools such as a crowbar, hammer and nails, staple gun, adjustable wrench and bungee cords
- Blanket or sleeping bag
- Large heavy duty plastic bags and a plastic bucket for waste and sanitation
- Any special-needs items for children, seniors or people with disabilities
- Water and supplies for your pets

Source: www.72hours.org

Evacuation Guidelines During a Hurricane

Always:

- Keep a full tank of gas in your car if an evacuation seems likely. Gas stations may be closed during emergencies and unable to pump gas during power outages. Plan to take one car per family.
- Make transportation arrangements with friends or your local government if you do not own a car.
- Listen to a battery-powered radio and follow local evacuation instructions.
- Gather your family and leave immediately if you are instructed to evacuate.
- Leave early enough to avoid being trapped by severe weather.
- Follow recommended evacuation routes. Don't take shortcuts; they may be blocked.
- Be alert for washed-out roads and bridges. Don't drive into flooded areas.
- Stay away from downed power lines.

If Time Permits:

- Gather your disaster supplies kit.
- Wear sturdy shoes and clothing that provide some protection, such as long pants, long-sleeved shirts and a cap.
- Secure your home:
  - Close and lock doors and windows.
  - Unplug electrical equipment, such as radios and televisions, and small appliances such as toasters and microwave ovens.
  - Leave freezers and refrigerators plugged in unless there is a risk of flooding.
- Let others know where you're going.

Source: Federal Emergency Management Agency (FEMA)

Protective Measures: Floods

Before a Flood

To prepare for a flood, you should:

- Avoid constructing in a floodplain unless you elevate and reinforce your home.
- Elevate the furnace, water heater and electric panel if susceptible to flooding.
- Install "check valves" in sewer traps to prevent flood water from backing up into the drains of your home.

- Construct barriers (levees, berms, floodwalls) to stop floodwater from entering the building.
- Seal walls in basements with waterproofing compounds to avoid seepage.

During a Flood

If a flood is likely in your area, you should:

- Listen to the radio or television for information.
- Be aware that flash flooding can occur. If there is any possibility of a flash flood, move immediately to higher ground. Don't wait for instructions to move.
- Be aware of streams, drainage channels, canyons and other areas known to flood suddenly. Flash floods can occur in these areas with, or without, such typical warnings as rain clouds or heavy rain.

If you must evacuate, do the following:

- Secure your home. If you have time, bring in outdoor furniture. Move essential items to an upper floor.
- Turn off utilities at the main switches or valves if instructed to do so. Disconnect electrical appliances. Don't touch electrical equipment if you are wet or standing in water.
- Don't walk through moving water. Six inches of moving water is enough to make you fall. If you have to walk in water, walk where the water isn't moving. Use a stick to check the firmness of the ground in front of you.
- Don't drive into flooded areas. If floodwaters rise around your car, abandon the car and move to higher ground if you can do so safely. You and the vehicle can be quickly swept away.

REMEMBER: While you can rebuild your home and buy new furniture, some things can't be replaced. When evacuating, be sure to bring (or at least move to an upper floor) photos, family movies, important documents and other irreplaceable items.

After a Flood

The following are guidelines for the aftermath of a flood:

- Listen for news reports to learn whether your community's water supply is safe to drink.
- Avoid floodwaters; this water may be contaminated by oil, gasoline or raw sewage. Water may also be electrically charged from underground or downed power lines.
- Avoid moving water.

- Be aware of areas where floodwaters have receded. Roads may have weakened and could collapse under the weight of a car.
- Stay away from downed power lines and report them to the power company.
- Return home only when authorities indicate it's safe.
- Stay out of any building if it's surrounded by floodwaters.
- Use extreme caution when entering buildings; there may be hidden damage, particularly in foundations.
- Service damaged septic tanks, cesspools, pits and leaching systems as soon as possible. Damaged sewage systems are serious health hazards.
- Clean and disinfect everything that got wet. Mud left from floodwater can contain sewage and chemicals.

Source: Federal Emergency Management Agency (FEMA)

Protective Measures: Wildfires

Create a 30- to 100-foot safety zone around your home. Within this area, you can take steps to reduce potential exposure to flames and radiant heat. Homes built in pine forests should have a minimum safety zone of 100 feet. If your home sits on a steep slope, standard protective measures may not suffice. Contact your local fire department or forestry office for additional information.

- Rake leaves, dead limbs and twigs. Clear all flammable vegetation from under and around structures.
- Prune tree branches and shrubs within 15 feet of a stovepipe or chimney outlet.
- Ask the power company to clear branches from power lines.
- Remove vines from the walls of your home.
- Mow your lawn regularly.
- Clear a 10-foot area around propane tanks and your barbecue. Place a screen over the grill using nonflammable material with mesh no coarser than one quarter of an inch.
- Regularly dispose of newspapers and rubbish at an approved site. Follow local burning regulations.
- Place stove, fireplace and grill ashes in a metal bucket, soak in water for two days; then bury the cold ashes in mineral soil.
- Store gasoline, oily rags and other flammable materials in approved safety cans. Place cans in a safe location away from the base of buildings.

- Stack firewood at least 100 feet away and uphill from your home. Clear combustible material within 20 feet.
- Review your homeowners insurance policy and also prepare/update a list of your home's contents.

Source: www.usfa.dhs.gov/citizens/all_citizens/home_fire_prev/wildfire/

Protective Measures: Tornadoes and Hurricanes

Extreme windstorms in many parts of the country pose a serious threat to buildings and their occupants. Your residence may be built "to code," but that doesn't mean it can withstand winds from extreme events such as tornadoes and major hurricanes. The purpose of a safe room or a wind shelter is to provide a space where you and your family can seek refuge that provides a high level of protection. You can build a safe room in one of several places in your home.

- Your basement.
- On top of a concrete slab-on-grade foundation or garage floor.
- An interior room on the first floor.

Safe rooms built below ground level provide the greatest protection, but a safe room built in a first-floor interior room also can provide the necessary protection. Below-ground safe rooms must be designed to avoid accumulating water during the heavy rains that often accompany severe windstorms. To protect its occupants, a safe room must be built to withstand high winds and flying debris, even if the rest of the residence is severely damaged or destroyed.

Consider the following when building a safe room:

- The safe room must be adequately anchored to resist overturning and uplift.
- The walls, ceiling, and door of the shelter must withstand wind pressure and resist penetration by windborne objects and falling debris.
- The connections between all parts of the safe room must be strong enough to resist the wind.
- Sections of either interior or exterior residence walls that are used as walls of the safe room, must be separated from the structure of the residence so that damage to the residence will not cause damage to the safe room.

Source: Federal Emergency Management Agency (FEMA)

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3349 Michelson Dr., Suite 200
Irvine, CA 92612
1.800.570.5251
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