

AVATAR PROPERTY & CASUALTY INSURANCE COMPANY
Claims Handling – Cat and Non-Cat

INTRODUCTION

Avatar Property & Casualty Insurance Company (the “Company”) is applying to “Assume” approximately 10,000 residential policies for the October 14th “take-out” under Florida State’s Citizens Property Insurance Corporation PR-M Assumption Plan.

Corporate and Operating Structure

The Company is a newly organized stock property and casualty insurer domiciled in the State of Florida. The Company is a for-profit corporation that seeks to become licensed to write property and casualty insurance as defined in the Florida Statutes. The company is funded with \$10 Million in initial capital.

Offices

The Company’s home office is presently located at;

1408 N. Westshore Blvd.
Suite 805
Tampa, Florida 33607
Phone: (813) 514 – 0333
Fax: (813) 514 – 0255
www.avatarins.com

DEPOPULATION PLAN FOR OCTOBER 14, 2008 TAKEOUT

Avatar has targeted approximately 10,000 residential policies for the October 14th takeout.

(See Exhibit 3 for additional narrative, details, sample letters, etc.)

CLAIMS PROCESSING & CUSTOMER SERVICE

The Company will engage a nationally recognized claims adjuster group to service its policyholders for claims services (See Exhibit 4). Manager of Claims Services at Avatar will monitor the performance of these independent contractors to ensure claims and customer service is provided to our policyholders on a timely basis and payments are done according to the Best Practices observed by P&C insurance companies. Consideration will be given to catastrophe claims services and the company’s track record in providing such services.

CATASTROPHE PLAN

At Avatar, customer service and exceptional claims service is a part of our daily procedure. During a catastrophic event, we will continue to provide exceptional claims service and will expand or contract the Catastrophe Plan as needed. All of the below sections are outlined in further detail in the Avatar Claims Manual and Catastrophe Procedures.

1. **Weather monitoring:** At Avatar we constantly monitor the weather, track potential hurricanes and estimate the claims volume based on the storm strength, the path and the distribution of our policyholders. Once we have determined that it is probable that a storm will make landfall in Florida we immediately contact our catastrophe vendor and reserve a given number of catastrophe adjusters based on our anticipated need. The vendor will then dispatch catastrophe adjuster located in other states who will make arrangements to proceed to the storm path in Florida. We will also notify our call center to enable them to increase their staff to handle the anticipated increase in claim calls.
2. **Alternative Headquarters:** In the event that a storm of sufficient magnitude should impact the Tampa Bay area, Avatar will relocate the claims department to a hotel outside of Tampa Bay. Various hotels have been placed on the Avatar Claims Manual and Catastrophe Procedures so that Avatar can continue the claims operation without any interruption. Both vendors and Avatar claims systems can be accessed remotely via the Internet to ensure continued service to our policyholders. All telephone inquiries would be routed through the call center to the new location.
3. **Contact information for vendors and call center:**

Information will be populated as we execute the contracts.

4. **Claim Transmission:** Claims will be routed from the call center to the catastrophe vendor who will determine which field adjuster to assign and will dispatch the adjuster within 24 hours of receipt of the assignment. Upon receipt of the assignment, the vendor is required to contact the policyholder within 4 hours and obtain additional information as well as to provide the policyholder with their contact information. If applicable, the field adjuster will notify the assigned Avatar adjuster that mitigation is needed to cover a roof or any other required mitigation. The Avatar adjuster will contact the proper vendor to direct mitigation.
5. **Licensing:** All catastrophe adjusters must be properly licensed in the state of Florida. Any adjusters which do not have current adjuster licenses must obtain the license through the emergency licensing procedure as outlined by the

Department of Financial Services prior to being assigned a claim from Avatar. The vendors have all been informed of this requirement and will provide a complete list of their adjusters and license information upon dispatch.

6. Reserving: In order for Avatar to properly handle a high volume of claims, proper reserving is critical. Each claim will have an initial standard reserve set upon creation of the claim. Upon receiving contact from the field adjuster, the reserve will be adjusted up or down as needed to reflect the proper amount for the reserve on a given claim.
7. Claim Documentation: All field adjusters will upload their estimate utilizing standard estimating software into the claims system. This includes their notes, estimates, ALE if applicable and sufficient digital photographs to properly show the damaged area of the property. Any personal property will be uploaded on the proper forms as soon as they are received from the insured.
8. Check Request: Once the estimate is completed, the vendor will forward a check request to Avatar including any reduction for applicable deductibles. This is a request only and the final payment amount and coverage confirmation will be completed by the Avatar adjuster.
9. Check Issuance: Once the payment has been approved, a check will be issued by Avatar to the insured. If needed, the check will be sent via overnight delivery utilizing a nationally recognized firm such as DHL or FedEx. Supervisor approval is required for overnight delivery.
10. Claim Closure: The claim will only be closed once final payment is processed. In the event of a supplement after file closure, the file will be reopened for continued handling.
11. Consumer Complaints: All consumer complaints filed with the Department of Financial Services will be logged into an electronic file as well as into a physical binder. The date of receipt, due date and nature of complaint will be recorded. A Supervisor will then be assigned the complaint and an answer will be provided promptly to the Department of Financial Services. A copy of the answer and all subsequent correspondence will be kept in the electronic and physical binder.
12. SIU: Any claims which appear to have “red flags” which may indicate fraud or other improper or suspicious information must be brought to the attention of a Supervisor. If it is determined that further investigation is needed, and SIU adjuster will be assigned and the claim will be investigated for any potential fraud. Should it be determined that there is fraudulent activity, the Department of Financial Services will be contacted as outlined on their fraud reporting procedures. A denial or other actions based on fraud must be approved by the Manager of Claims. All claims reported to the Department of Financial Services

will be recorded in both an electronic and a physical binder. A year-end audit will be completed relating to the fraudulent cases for the calendar year.

13. Audit: Claims will be audited both during and post catastrophe to ensure proper and timely claims handling. The audit report will be provided monthly to the VP of Claims with findings and suggestions on how to better serve the policyholders.
14. Post Catastrophe Evaluation: Following each catastrophic event, Avatar will map the storm path and the individual claims with the amount of each claim and the impact of the event on various types of policyholders. This analysis will enable Avatar to utilize this data for future losses and determine what worked well and what can be improved in our customer service to our policyholders.

REINSURANCE

The Company has obtained reinsurance based on Actuarial Data by participating in (1) the Florida Hurricane Catastrophe Fund, (2) the Temporary Increase in Coverage Limit Option as approved by the Florida House and Senate in 2007, and (3) additional reinsurance coverage obtained in the open market.

Reinsurance broker is Axiom Re.

(See Exhibit 5 for reinsurance charts, models, agreements, etc.)

FINACIAL RATING

Demotech, Inc., a nationally recognized financial rating agency, has rated Avatar as “A Exceptional” Financial Stability Rating.