FIRST HOME INSURANCE COMPANY

INSURANCE CAPITAL BUILD-UP INCENTIVE PROGRAM APPLICATION

January 16, 2007

PART I: BASIC INFORMATION

CONTACT INFORMATION:

Application Date: January 12, 2007

Insurer's* Name ("Applicant"*): First Home Insurance Company NAIC #: 10149

Group Name, if applicable: ______________________________Group NAIC #: __________

Address of Administrative Office: 4500 Salisbury Road, Suite 100, Jacksonville, Florida 32216

Contact Name and Title: W. Michael Lefler, President

Telephone Number: (904) 292-5200 x219 Fax Number: (904) 332-0613

Email Address: mlefler@firsthomeinsurance.com

SURPLUS NOTE* REQUESTED:

Principal Amount of Surplus Note Requested: $15.0 million

Date funds are desired: January 31, 2007

Amount of New Capital* contributed: $30.0 million

Anticipated date New Capital infused: January 31, 2007

Will the New Capital be encumbered? No If yes, describe: ______________________

Source of New Capital: The Capital Corporation and its co-investors

Address for the source of New Capital: 84 Villa Road, Greenville, SC 29615

Contact Name for the source of New Capital: C. Dan Adams

Telephone Number for the source of New Capital: (864) 542-2562

Fax Number for the source of New Capital: (864) 542-1661

Email Address for the Contact for the source of New Capital: cdadams1@thecapitalcorp.com

Source of New Capital: The Seibels Bruce Group, Inc.

Address for the source of New Capital: 150 Lady Street, Columbia, SC 29202

Contact Name for the source of New Capital: Michael A. Culbertson

Telephone Number for the source of New Capital: (803) 748-2666

Fax Number for the source of New Capital: (803) 748-2839

Email Address for the Contact for the source of New Capital: michael.culbertson@seibels.com

Name of depository for New Capital: JPMorgan Chase Bank, NA

Address of depository for New Capital: 1111 Polaris Parkway, Suite 2N, OH1-0634, Columbus, OH 43240

Contact Name for the depository and Title: Alan Cooper, Client Service Professional

Telephone Number for the depository: (614) 248-4029 Fax Number for the depository: (614) 244-0776

Email Address for the Contact at the depository: alan.j.cooper@jpmorgan.com

FINANCIAL INFORMATION:

Current Surplus* amount as of latest month end: $5,000,430

Surplus as of most recently filed financial statement with the Office*: $5,000,430

Annualized Net Written Premium* as of latest month end: $17,625,135

Annualized Net Written Premium as of most recently filed financial statement with the Office: $17,625,135

Current ratio of Net Written Premium to Surplus as of latest month end: 3.52x

Date Applicant estimates reaching the Minimum Writing Ratio*, if not already obtained: December 31, 2007

PART II: BUSINESS PLAN/ REINSURANCE PROGRAM

Business Plan:

Executive Summary

While First Home Insurance Company ("FHIC" or the "Company") has not yet entered the voluntary market, the Company plans to start writing new business in February 2007. FHFC plans to pursue new business opportunities through a variety of means, including:

- Independent Agents – The Company will establish relationships with independent agents known by Mr. Lefler that will produce business for FHIC or expand its current relationships with agents that FHIC inherited through the depopulation process from Citizens.
- Acquisition of Books of Business from Existing Carriers – Certain larger existing Florida homeowners insurance companies have publicly declared their intent to reduce their new business writings within the State of Florida. These larger carriers are willing to transfer policies from their existing portfolios to FHIC. Smaller carriers that have sustained substantial erosion to their capital bases and may need to reduce their premium bases to avoid underwriting leverage issues, may also be interested in reducing their policy counts.
- Additional Takeouts from Citizens – To supplement its new business initiative, FHIC also plans to pursue takeouts from Citizens on an opportunistic basis.
- Partnership with Mortgage Lenders – Mortgage lenders will typically not provide financing unless the insured's property has homeowners insurance. If FHIC were to partner with a large mortgage lender like Wells Fargo, the Company could obtain access to a large pool of potential customers.

FHIC expects that it will write approximately $100 million of premium in 2007, including (i) $40 million of renewal business, (ii) $37 million of assumed premium from an existing insurance carrier and (iii) $23 million of new business. Based on an assumed average premium size of $1,945 per policy, FHIC will write approximately 11,600 new policies in 2007. The Company expects to write another 24,000 new policies in 2008 as well.

Target Area

While the Company does plan to write new policies across the State of Florida, it is not targeting any particular area of the State for growth. The Company will look to grow in areas of the State that will provide the Company with the greatest geographic diversification benefits.

Essentially, FHIC will focus on underwriting homeowners policies that reduce the Company's probable maximum loss ("PML") to premium ratio and can be underwritten profitably. FHIC is focused more on underwriting to reduce its current PML to premium ratio and less on underwriting in particular areas of Florida because reinsurers primarily base the cost of catastrophe reinsurance on this ratio. Because catastrophe reinsurance is the Company's largest annual expense, FHIC will initially be focused on underwriting insurance that reduces its PML to premium ratio and thus its catastrophe reinsurance costs.

Prospects for the Long-Term Repayment of the Surplus Note

Based on the projected financials, the Company expects that it will be able to begin paying down the principal of the Surplus Note according to the guidelines outlined by the Insurance Capital Build-Up

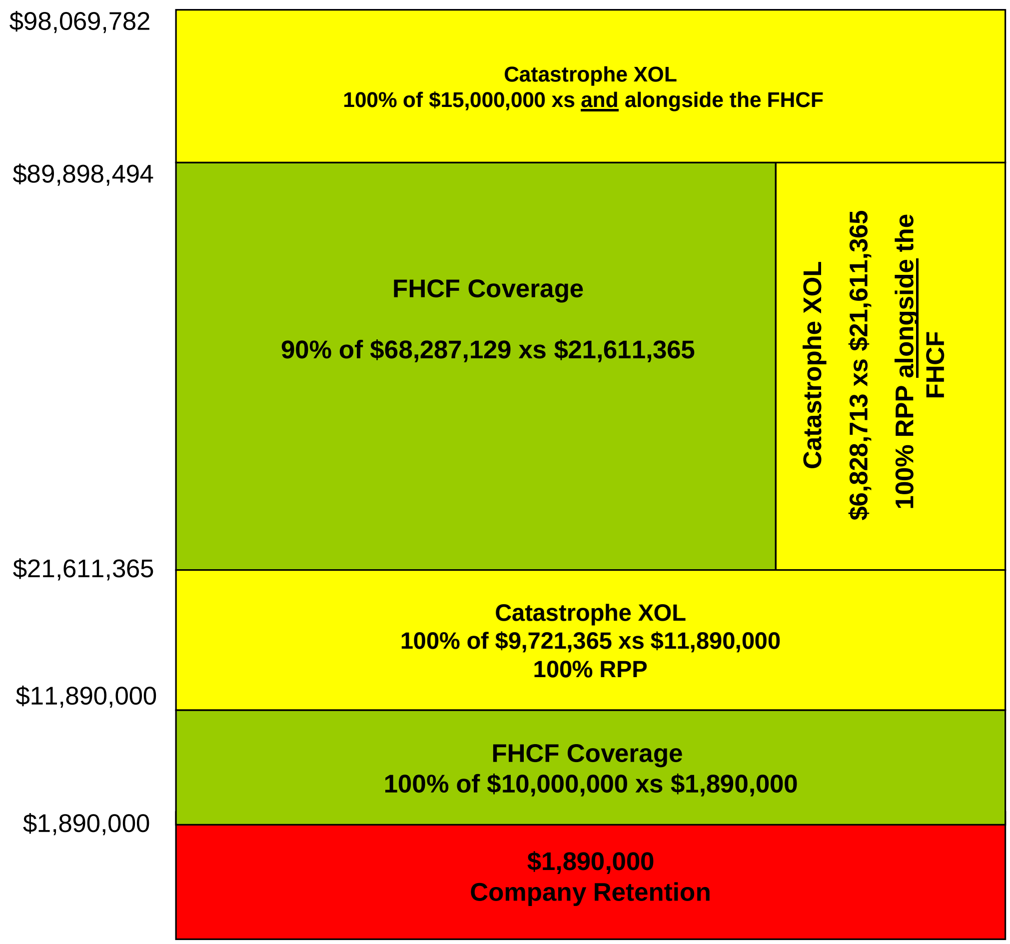
Incentive Program. The Company does not expect to begin repaying the principal during the first three years of the term of the Surplus Note.

Reinsurance Program:

1. **Current 2006 Program**

First Home is currently reinsured to a PML of $98,069,782.

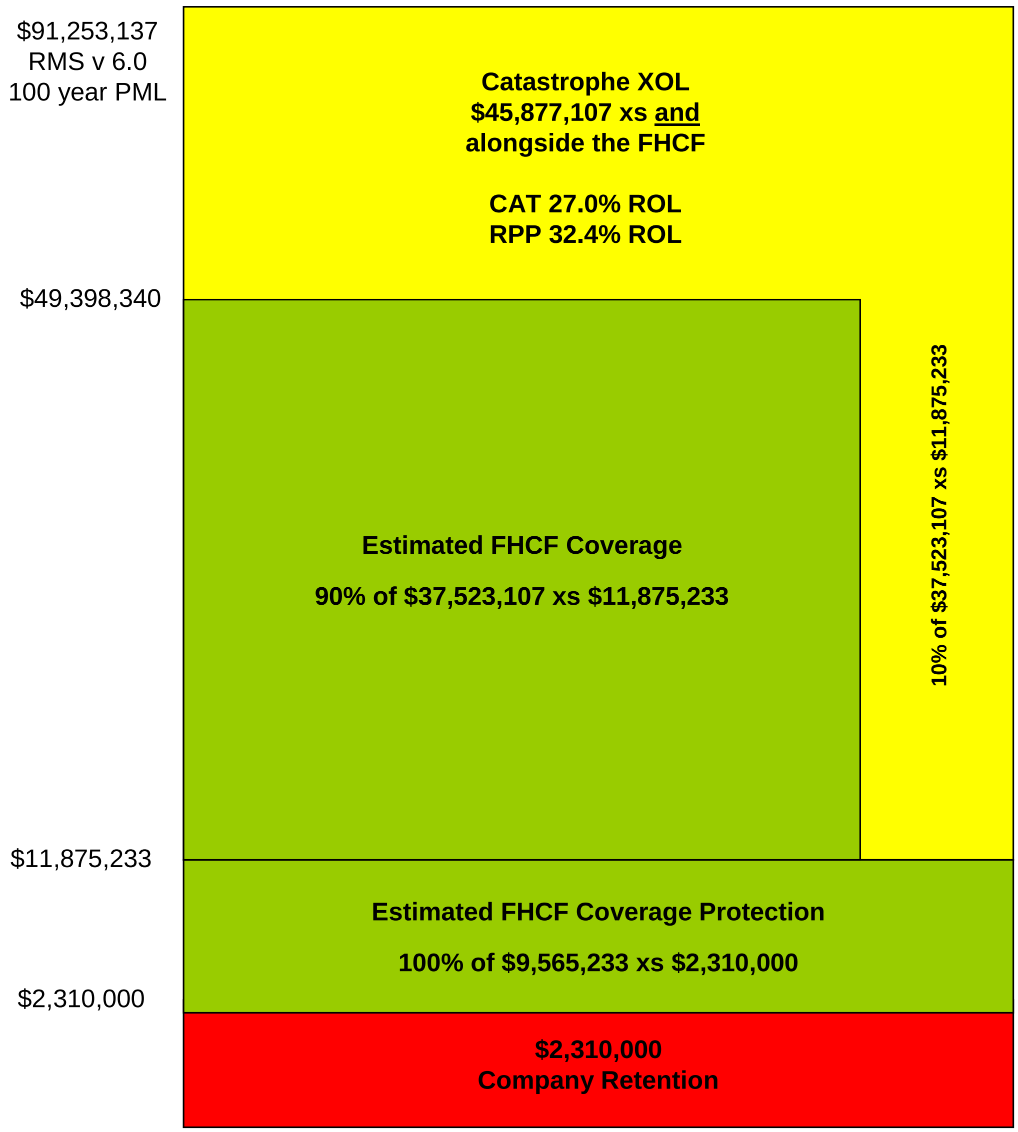
First Home Insurance Company
2006 Reinsurance Structure



2. Projected 2007 Reinsurance Program – Status Quo – 13,973 Policies

The following reinsurance structure is based on the Status Quo being 13,973 policies. Under this reinsurance structure the PML is $91,253,137 covering a 1 in 100 year event.

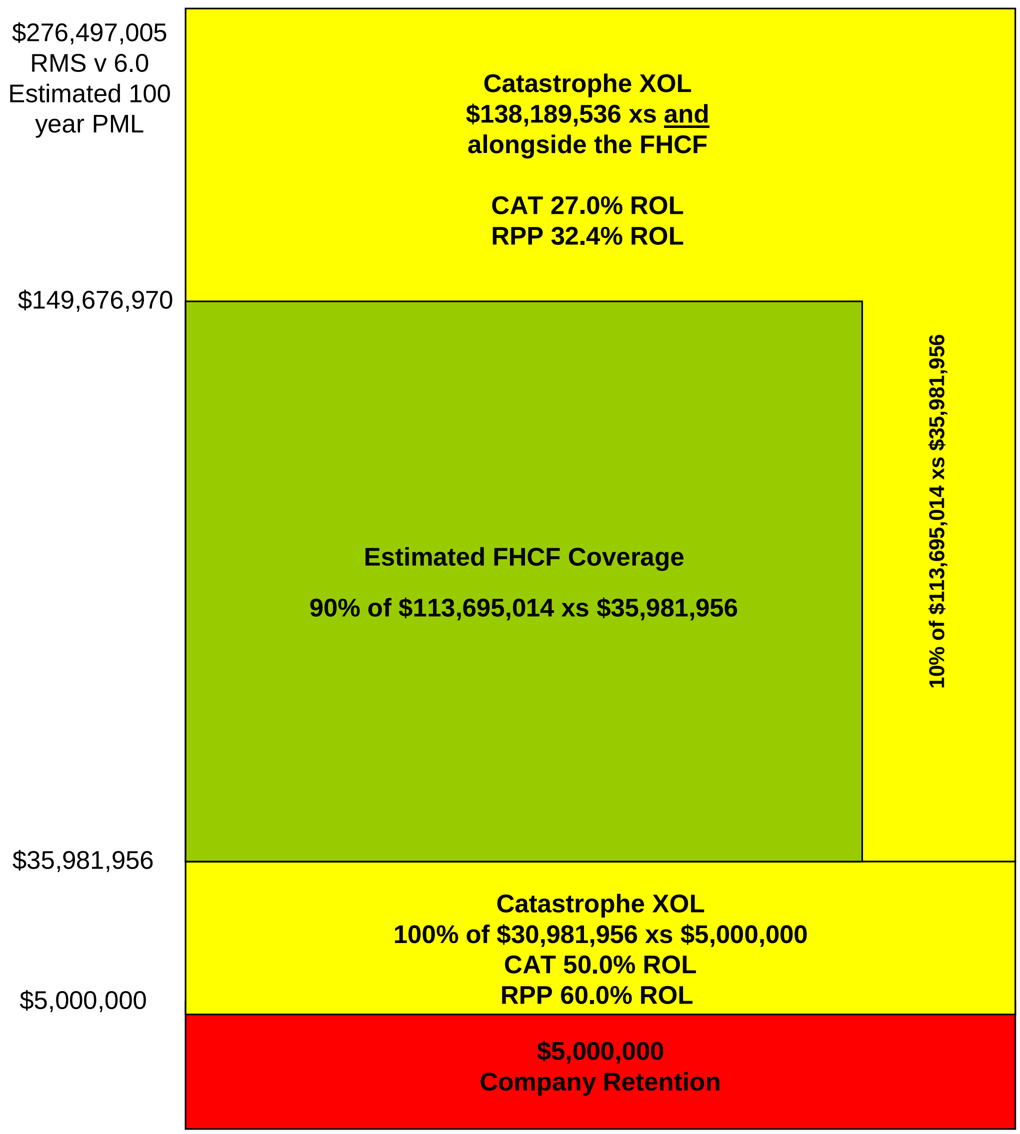
First Home Insurance Company
2007 Estimated Reinsurance Structure and Costs
Status Quo – 13,973 Policies



3. Projected 2007 Reinsurance Program - $44m of Additional Capital – 42,308 Policies

The following reinsurance structure is based on 42,308 policies. Under this reinsurance structure the estimated PML is $276,497,005 covering a 1 in 100 year event.

First Home Insurance Company
2007 Estimated Reinsurance Structure and Costs
$44M of additional Capital – 42,308 Policies



PART III: INTERROGATORIES

1. **Will the New Capital contribution be in excess of the Minimum Contribution*?**
   The New Capital Contribution is expected to be $30.0 million, which is equal to the Minimum Contribution.

2. **Have profits been retained to grow Surplus over the last five years? If yes, how much has been retained or contributed to Surplus each year?**
   The Company was started in May 2005 and did not earn a profit during its first year of operations.

3. **Will profits be retained to grow Surplus should the Applicant be granted the Surplus Note proceeds associated with this Program?**
   Yes.

4. **Does the Applicant have a related company or other person or entity that is willing to guarantee the Applicant's Surplus Note under this Program? If yes, provide details.**
   No.

5. **Although not required, is the Applicant willing to commit collateral for the purpose of securing the state's interest in the proceeds of the Surplus Note?**
   No.

6. **Although not required, is the Applicant willing to deposit 10% or more of the proceeds derived from the Surplus Note in an account managed by the state?**
   Yes.

7. **Although not required, is the Applicant willing to prepay interest and principal for one year in advance?**
   To the extent the Company is able to prepay principal and interest payments, the Company is willing to do so.

8. **Are there any commitments that the Applicant is willing to make as a condition of issuing the Surplus Note that would lessen the risk of default?**
   No.

9. **Has the Applicant fully placed its 2006 hurricane season reinsurance program?**
   Yes.

10. **If the 2006 hurricane season reinsurance program has been fully placed, can the Insurer withstand a 1 in 100-year event?**
    No. Due to the excessive cost of the reinsurance program for a 1 in 100 year event, the Florida OIR allowed First Home to purchase a reinsurance program that covered the Company for a 1 in 66 year event during the 2006 hurricane season.

11. **What is the Applicant's current writing ratio?**

The Company's current writing ratio is 3.52 to 1.00.

12. **What was the Applicant's writing ratio for the last five years?**
The Company has only operated since May 2005. During 2005, the Company's current writing ratio was 2.42 to 1.00.

13. **Is the Applicant willing to commit to a writing ratio in excess of the minimum for the duration of the Surplus Note? If so, note any adverse impact upon policyholder security.**
Yes. The Company does not expect any adverse impacts to policyholder security during the duration of the Surplus Note because the Company plans to adequately diversify geographically and to purchase adequate reinsurance going forward.

14. **Does the Applicant have a rating from a rating agency? If so, indicate the agency and the rating, how long the rating has been in effect, and whether or not the Applicant has ever been downgraded by a rating agency and the circumstances.**
Yes. The Company has been rated "A" (Exceptional) by Demotech since its inception in May 2005. The Company has never been downgraded by Demotech.

15. **Is the Applicant currently being investigated by any federal or state regulatory authority?**
No.

16. **Is the Applicant under any type of regulatory control or order?**
No.

PART IV: ADDITIONAL DOCUMENTATION

1. Business Plan

January 2007

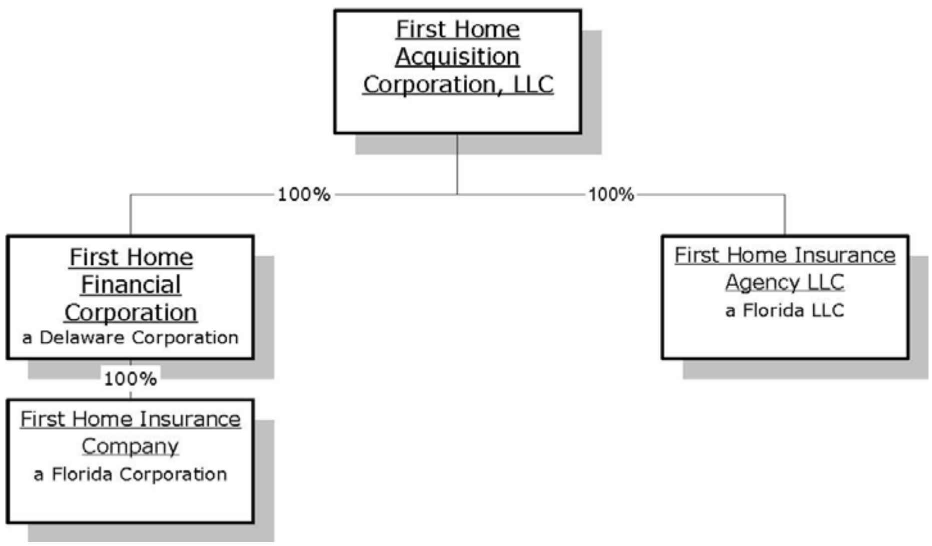
Business Plan

First Home Insurance Company

A. Business Overview

First Home Insurance Company ("FHIC"), underwrites homeowners insurance exclusively in the state of Florida. FHIC was formed by Glencoe Capital, LLC ("Glencoe") in May 2005 and commenced operations with the assumption of 24,880 policies from Citizens Property Insurance Corporation ("Citizens"), Florida's state-run insurer. FHIC completed two additional takeouts in June 2005 and August 2005, which provided FHIC with an additional 5,000 homeowners and dwelling fire policies. FHIC is headquartered in Jacksonville, Florida and led by W. Michael Lefler, a former founder and President of Florida Select Insurance Company.

In addition to FHIC, three other legal entities comprise the homeowners' insurance organization established by Glencoe, including (i) First Home Insurance Agency, LLC ("FHIA"), a Florida-domiciled managing general agent that provides policy administration, marketing and other related insurance services to FHIC, (ii) First Home Financial Corporation ("FHFC"), an insurance holding company incorporated in Delaware and (iii) First Home Acquisition Corporation, LLC ("FHAC"), a limited liability company organized in Florida that owns 100% of both FHFC and FHIA (collectively, FHAC, FHFC, FHIA and FHIC are the "Company"). The following chart illustrates the organizational structure of the Company:



FHIA is a licensed managing general agent in Florida that manages the insurance operations of FHIC. A management agreement between FHIA and FHIC contractually requires FHIC to pay to FHIA a management fee of up to 28% of its gross premiums written ("GPW") for policy administration, claims, underwriting, marketing and agency management services.

FHIC was originally capitalized with $10 million of statutory surplus. The equity for the transaction was contributed by the shareholders of FHAC, which include Glencoe Capital Partners Fund III, L.P., Jerome Shaw and Richard Smith, who own 87.0%, 6.5% and 6.5% of FHAC, respectively. Mr. Shaw and Mr. Smith are members of the senior management team of First Mercury Financial Corporation ("FMFC"), which played a critical role in the formation of FHIC.

FMFC currently provides certain "back office" functions, including accounting, human resource, regulatory and technology services to FHIA pursuant to a management agreement. The management agreement between FHIA and FMFC expires in May 2008 (but may be terminated by FHIA or by FMFC upon 180 days notice).

It is currently contemplated that concurrent with the completion of the equity financing transaction, the management agreement between FHIA and FMFC would be terminated, and a new management agreement between FHIA and The Seibels Bruce Group, Inc. ("SBG") would be established. SBG is an insurance services provider headquartered in Columbia, South Carolina that currently provides outsourced insurance services to a number of Florida homeowners' insurance companies, including St. John's Insurance Company and Gulfstream Insurance Company.

B. Transaction Overview

The Company will raise $30.0 million of equity financing to: (i) increase the capital and surplus of the FHIC to allow the Company to adequately diversify its portfolio in Florida, (ii) become licensed in and write homeowners insurance in non-correlated U.S. states like Hawaii, South Carolina and/or Texas to effectively leverage the Company's reinsurance costs and (iii) finance general corporate infrastructure investments. With the $30.0 million of equity financing, FHIC expects to qualify for an opportunity to enhance the surplus by $15.0 million by securing a surplus note from the Florida SBA loan program.

C. Investment Highlights

- **Established Platform with an Improving Book of Business** – FHIC is a licensed Florida homeowners' insurance company that wrote approximately $44 million of gross premiums in 2006. The Company has re-underwritten its entire book of business by ordering and reviewing inspections on each of the policies acquired from Citizens, which has led to a significant improvement in the Company's non-cat loss ratio.
- **Unique Opportunity to Expand FHIC's Presence in the Florida Homeowners' Insurance Market –** The exit or pullback from the Florida market by many insurance carriers following Hurricanes Charley, Frances, Ivan and Jeanne in 2004 and Katrina and Wilma in 2005 led to an increase in the number of homeowners forced to seek coverage from Citizens, Florida's state-run insurer. Currently, while the supply for residential homeowners' property insurance coverage in Florida is flat or declining, demand is increasing as the state's population continues to grow faster than the national average and construction of new properties continues. With strong population growth, robust new construction and a pullback from the three largest competitors in the state, the opportunity to enter the market and capture significant market share is strong.
- **Significant Growth Opportunities –** While FHIC assumed over $45 million of annualized take-out premium during from Citizens, natural policyholder attrition has reduced this base of business. Numerous other opportunities exist, however, to replace this lost premium. These include: (i) independent agent relationships, (ii) takeouts from Citizens and other private insurance carriers, (iii) partnerships with mortgage lenders and (iv) expansion into contiguous states.
- **Opportunity to Pursue a Non-Correlated High Risk Portfolio** – While there is inherent catastrophe risk in insuring Florida residential property, this risk can be mitigated by pursuing a non-correlated insurance strategy. By adding non-correlated exposure to the Company (that on a standalone basis may seem risky, such as Hawaiian homeowners insurance), the Company can expand its premium base while utilizing the same levels of excess of loss catastrophe reinsurance for a similar cost. In other words, because Florida hurricanes and

Hawaiian hurricanes are basically non-correlated events, reinsurers will charge practically the same price for the excess of loss reinsurance on one type of catastrophic exposure as they would charge for two types of catastrophic exposure. In addition, combining non-correlated exposures makes the Company's business less risky because of geographic diversification benefits. Pursuing a non-correlated strategy not only diversifies the catastrophe risk of the Company, but also may lead to increased interest from financial and strategic buyers upon exit.

D. Business Strategy

While the Company has not yet entered the voluntary market, FHIC plans to start writing new business in February 2007. FHFC plans to pursue new business opportunities through a variety of means, including:

(i) Independent Agents – The Company will establish relationships with independent agents known by Mr. Lefler that will produce business for FHIC or expand its current relationships with agents that FHIC inherited through the depopulation process from Citizens.

(ii) Acquisition of Books of Business from Existing Carriers – Certain larger existing Florida homeowners insurance companies have publicly declared their intent to reduce their new business writings within the State of Florida. These larger carriers are willing to transfer policies from their existing portfolios to FHIC. Smaller carriers that have sustained substantial erosion to their capital bases and may need to reduce their premium bases to avoid underwriting leverage issues, may also be interested in reducing their policy counts.

(iii) Additional Takeouts from Citizens – To supplement its new business initiative, FHIC also plans to pursue takeouts from Citizens on an opportunistic basis.

(iv) Partnership with Mortgage Lenders – Mortgage lenders will typically not provide financing unless the insured's property has homeowners insurance. If FHIC were to partner with a large mortgage lender like Wells Fargo, the Company could obtain access to a large pool of potential customers.

(v) Expansion into Neighboring States – Another growth opportunity consists of diversifying the company's risk profile by expanding into states such as Alabama, Georgia, North Carolina, South Carolina, Texas or California. Several of these states are near the Company's Jacksonville headquarters, yet less prone to catastrophic hurricane risk.

FHIC expects that it will write approximately $100 million of premium in 2007, including (i) $40 million of renewal business, (ii) $37 million of assumed premium from an existing insurance carrier and (iii) $23 million of new business. Based on an assumed average premium size of $1,945 per policy, FHIC will write approximately 11,600 new policies in 2007. The Company expects to write another 24,000 new policies in 2008 and 2009 as well.

While the Company does plan to write new policies across the State of Florida, it is not targeting any particular area of the State for growth. The Company will look to grow in areas of the State that will provide the Company with the greatest geographic diversification benefits. The Company's underwriting process, will carefully monitor performance by zip code and policy type to determine the return on equity being generated from each segment. This will allow the Company to make rate adjustments in order to enhance profitability and build an optimized portfolio. The Company will maintain a strict inspection program and will inspect every policy within 60 days of the policy's inception.

Essentially, FHIC will focus on underwriting homeowners policies that reduce the Company's probable maximum loss ("PML") to premium ratio and can be underwritten profitably. FHIC is focused more on underwriting to reduce its current PML to premium ratio and less on underwriting in particular areas of Florida because reinsurers primarily base the cost of catastrophe reinsurance on this ratio. Because catastrophe reinsurance is the Company's largest annual expense, FHIC will initially be focused on underwriting insurance that reduces its PML to premium ratio and thus its catastrophe reinsurance costs.

E. Financial Summary

Transaction Structure

The following table summarizes the proposed sources and uses of funds at closing:

Sources and Uses

(Dollars in thousands)

Uses	Amount	%	*Sources*	Amount	%
Capital Contribution	$45,000	100 0%	Surplus Note	$15,000	33 3%
			Common Equity	30,000	66 7%
Total Uses of Funds	$45,000	100 0%	Total Sources of Funds	$45,000	100 0%

Assumptions

The projections assume that the Company raises $45 million of new capital, including (i) $30.0 million of new equity capital and (ii) a $15.0 million surplus note from the Florida SBA. Other detailed model assumptions include:

Key Assumptions

(Dollars in thousands)

	2005	**2006**	**2007**	**2008**	**2009**
Premium Assumptions					
Gross Written Premium - Total	$46,060	$43,623	$100,024	$132,581	$162,507
New Policies Written	0	0	11,600	24,000	24,000
Total Policies Written	28,813	19,143	42,308	57,846	70,277
Average Premium Per Policy	$1,599	$2,279	$2,364	$2,292	$2,312
Loss & LAE Assumptions					
Non-Cat Loss & ALAE	34 7%	27 1%	23 0%	23 0%	23 0%
Unallocated Loss Adjustment Expense	6 0%	4 0%	3 9%	3 9%	4 0%
Underwriting Expense Assumptions					
MGA Commissions (% of GWP)	22 0%	10 0%	19 0%	19 0%	19 0%
Premium Taxes (% of GPW)	0 6%	1 7%	2 0%	2 0%	2 0%
Management Fees (% of GWP)	1 0%	0 0%	1 0%	1 0%	1 0%
Reinsurance Assumptions					
Quota Share Reinsurance	50 0%	0 0%	0 0%	0 0%	0 0%
Premiums Ceded to Q/S Reinsurers	22,926	14,962	0	0	0
Premiums Ceded to Cat Reinsurers	10,472	26,144	40,188	53,633	65,992
% of Premiums Ceded to Cat Reinsurers	45 5%	59 9%	40 2%	40 5%	40 6%
Cat Event Retention	1,500	1,890	5,000	5,000	5,000

Premiums

- GPW of $100 million, $133 million and $163 million in 2007, 2008 and 2009, respectively. GPW growth is driven by new business.
- 11,600 new policies are projected to be underwritten in 2007 and 24,000 new policies in 2008 and 2009.
- An assumption of 20,400 policies from Citizens or a private insurance carrier is expected to occur during the first half of 2007.

Losses and Loss Adjustment Expenses

- 23.0% of gross earned premiums non-catastrophe loss ratio based on recent FHIC and statewide recent homeowners' multi-peril experience.
- 3.9% of gross earned premium paid to FHIA for claims handling fees.

Underwriting Expense Assumptions

- 19.0% commission paid to FHIA on gross written premium for underwriting, general administration, marketing and payment of agent commissions.
- A $28 inspection fee for each new policy underwritten.
- A management fee of 1.0% of gross written premium for general management paid to FHFC.
- $25 per policy fee billed to insureds and paid to FHIA for billing and collection.
- Premium tax of 2.00% of gross premiums written.

Reinsurance

- FHIC will buy catastrophe reinsurance to cover a 1 in 100-year event going forward, including a provision for one reinstatement.
- FHIC's net retention will be $5.0 million or 10% of statutory surplus.
- Cost of catastrophe reinsurance is projected to be 40% of gross written premiums.
- No quota share reinsurance.

Investment Yield

- Pre-tax investment yield assumption is 4.5%, net of investment expenses.
- After-tax investment yield assumption is 3.0%, net of investment expenses.

Projected Financials

Consolidated Financial Summary 2005 - 2009

(Dollars in thousands)

	Actual	Projected			
	2005	2006	2007	2008	2009
Premiums					
Gross Premiums Written	$46,060	$43,623	$100,024	$132,581	$162,507
Ceded Premiums Written:					
Quota Share	(22,926)	146	0	0	0
Excess of Loss	(10,472)	(26,144)	(40,188)	(53,633)	(65,992)
Total Ceded Premiums	(33,398)	(25,998)	(40,188)	(53,633)	(65,992)
Net Premiums Written	$12,662	$17,625	$59,836	$78,947	$96,515
Revenue					
Net Premiums Earned	$7,781	$16,310	$46,203	$65,308	$86,876
Investment Income	470	1,022	3,317	4,245	5,208
Realized Gains	(310)	0	0	0	0
Policy Fee Income	209	479	1,058	1,446	1,757
Other Income	0	0	0	3,794	0
Total Revenue	8,150	17,811	50,578	74,794	93,842
Expenses					
Loss & LAE:					
Gross Loss & LAE	95,588	12,216	18,519	26,071	34,009
Ceded Loss & LAE	(87,102)	(2,815)	0	0	0
Net Loss & LAE	8,486	9,401	18,519	26,071	34,009
Total Underwriting Expenses	3,335	6,881	22,348	29,330	36,405
Total Expenses	11,821	16,282	40,867	55,401	70,414
Pretax Income	(3,670)	1,529	9,711	19,393	23,427
Interest Expense	0	0	(750)	(750)	(750)
Earnings Before Taxes	(3,670)	1,529	8,961	18,643	22,677
Tax Expense	856	(535)	(3,136)	(6,516)	(7,945)
Net Income	($2,815)	$994	$5,825	$12,127	$14,732
Key Ratios					
GAAP Combined Ratio:					
Loss & LAE Ratio	109 1%	57 6%	40 1%	39 9%	39 1%
Expense Ratio	42 9%	42 2%	48 4%	44 9%	41 9%
Combined Ratio	151 9%	99 8%	88 5%	84 8%	81 1%
Return on Equity:					
Net Income	($2,815)	$994	$5,825	$12,127	$14,732
Shareholders' Equity	$7,637	$38,631	$44,456	$56,558	$71,313
ROE	-36 9%	2 6%	13 1%	21 4%	20 7%
Operating Leverage					
GPW/Surplus	10 4x	1 0x	2 1x	2 5x	2 6x
NPW/Surplus	2 9x	0 4x	1 3x	1 5x	1 6x
Interest Coverage Ratio					
Pretax Income		$1,529	$9,711	$19,393	$23,427
Interest Expense		$0	$750	$750	$750
Interest Coverage Ratio		NM	12 9x	25 9x	31 2x

F. Repayment of the Surplus Note

Based on the projected financials, the Company expects that it will be able to begin paying down the principal of the Surplus Note according to the guidelines outlined by the Capital Build-Up Incentive Program. The Company does not expect to begin repaying the principal during the first three years of the term of the Surplus Note.

G. Operations

Underwriting, Policy Administration, Claim Administration and Computer System Capabilities

FHIA will contract with subsidiaries of SBG for underwriting management services, accounting and reporting services and claims administration services. SBG's servicing units have extensive experience in underwriting, accounting, claims, and catastrophe management.

The underwriting management services are performed by Seibels, Bruce & Co ("SBC"). These services include underwriting, rating, policy processing, customer service, and financial reporting. FHIC will retain control over all product, actuarial and marketing related disciplines. SBC is given specific authorities and operates within the confines of the underwriting and rating manuals. FHIC's executive staff will monitor and manage SBC and retains exception authority.

SBC's Insurance Processing System features Internet rating, which allows agencies to receive a quote, complete an application, bind the policy and submit the voluntary risk on-line. The system provides real-time underwriting of agents' entry for risk acceptability and rating and interfaces with third party vendors to allow for geocode information that is used to help manage catastrophe exposures. SBC's business analysts and technical staff have substantial experience in systems development and with systems conversions, including a Citizens takeout. SBC's policy administration and claims administration systems are fully integrated and provide for efficient data interface with the accounting general ledger system.

Claims administration services will be contracted with SBG's subsidiary, Insurance Network Services, Inc. ("INS"). INS will provide claims administration of daily and catastrophe-related claims as outlined and required in FHIC's Claims Guidelines. This includes all related activities, including first notice of loss, investigation, adjusting, and salvage and subrogation. Claims activities will be monitored closely by the FHIC claims executive. INS will have specific authority on a per file level for administering claims. Any financial activity, payments or reserves in excess of this authority must be approved by the claims executive. All claims administration is handled using SBG's proprietary claims system ClaimsXpert.

Accounting and financial reporting services are performed by SBC and are inclusive of all activities that are typical for an insurance holding company system, including general ledger, receivables management, accounts payable, fixed assets, statutory reporting and GAAP consolidation reporting. All accounting and reporting policies and procedures are performed under the direction and authority of FHIC's treasurer, who also maintains final approval of all financial reporting.

Marketing

FHIC intends to establish a relationship with agents throughout the state in order to maintain a continuous flow of new voluntary business. FHIC will market its products through its exclusive managing general agency agreement with FHIA. FHIA, through a marketing arrangement with an MGA, will use a multiple distribution channel strategy that could include some or all of the following channels:

(i) independent agents;

(ii) captive agents of direct writers such as Allstate and Nationwide who do not have capacity to write new business with their carriers;

(iii) agents of title insurance companies who can reach potential customers at the point of a real estate transaction;

(iv) homebuilder agencies and brokers / general agents who serve the homebuilding industry; and

(v) financial institution related agencies.

It is expected that the commission rate will be market driven, but a commission rate of 10% will be paid to agents for new business going forward.

Reinsurance

FHIC utilizes the reinsurance expertise of Benfield Inc., the largest independent reinsurance intermediary in the world. Benfield has significant Florida reinsurance expertise including having worked on removing over 1,000,000 policies from the FRPCJUA and Citizens. Benfield provides reinsurance program design and placement as well as catastrophe modeling and other risk management services.

Mr. Lefler oversees reinsurance purchases for FHIC. He works closely with Benfield personnel in designing and executing a reinsurance platform.

Actuarial

- Rating – Paul Struzzieri and Tom Ryan of the New York office of Milliman USA perform the rating and forms work for FHIC. Both Paul and Tom are FCAS and have substantial property rating experience. Tom Ryan has specific experience in Florida homeowners, including work for the former Florida Home Owners JUA through a previous position at ISO.
- Reserving – Paul Struzzieri and Tom Ryan of Milliman USA support the reserving process through certification of the FHIC reserves. Jim Thomas, CPA, Vice President of Finance of FMFC, is the internal person responsible for reserving, as well as all aspects of accounting. Jim has over 30 years of insurance experience and has been employed by FMFC for almost 9 years.

Accounting

Jim Thomas, Vice President of Finance for FMFC, currently oversees the accounting functions of the Company, including all regulated subsidiaries and affiliated companies. It is contemplated that concurrent with or shortly following the completion of the capital raising transaction, Mr. Thomas would be replaced by a dedicated CFO.

Investments

Steven Guyer of Wellspring Capital Advisors oversees the investment portfolio. He has over 20 years of experience in managing insurance company investment portfolios. He spent 17 years at Asset Allocation and Management Company (AAM), where he was a Partner, Senior Portfolio Manager and a member of the Board of Directors responsible for $1.5 billion of insurance company assets. Steven's primary focus was managing property and casualty insurance companies. In addition to co-chairing AAM's Investment Committee, Steven was also responsible for directing the firm's tax advantaged investment strategies, including $1.4 billion of municipal bonds and preferred stocks. Steven was a frequent speaker at a variety of insurance related conferences including the Insurance Tax Conference, Society of Actuaries, as well as educational sessions for a variety of State Insurance Departments. Steven graduated from Northwestern University in 1985.

H. Senior Management Team

W. Michael Lefler, President

Mr. Lefler is the President of FHIC. Prior to joining FHIC in October 2005, Mr. Lefler was the President & CEO of Florida Select Insurance Company. He joined Florida Select in January 1997 and was the first employee of the company. Mr. Lefler was a member of the original Florida Select team that worked on the project to create Florida Select Insurance Company and remove policies from the JUA. He was responsible for setting the original criteria for policy selection, the filing of the original rates, rules, and forms and the licensing of the company.

Mr. Lefler began his insurance career in 1975 as an underwriter for Seibels Bruce and Company where he held various management positions including personal lines underwriting manager, commercial lines underwriting management, assistant branch manager, branch manager, and regional vice president of the company's largest division. He then joined Kellogg Morgan Insurance agency as its general manager and worked for Policy Management Systems as a product manager for the BPO division. He is currently a member of the Board of Directors of the Florida Insurance Council.

Pam Johnson, Manager Underwriting/Customer Service

Ms. Johnson is Manager of Underwriting and Customer Service for FHIC. Prior to joining FHIC in November 2005 she had worked in the capacity of Underwriting Consultant for Vanguard Fire and Casualty Company and then was hired as Manager to develop their Quality Assurance Department.

Pam began her insurance career with the Independent Insurance Group in Jacksonville, Florida where she worked for 20 years in various Property and Casualty positions including Underwriter, Manager of Personal Lines, Automobile, Commercial and Home Service Departments. She was assigned to coordinate the consolidation of all operations from Jacksonville to Nashville; after Independent was purchased by American General in 1997.

She then joined Fortune Insurance Company as Underwriting Manager for Property, Auto and Surplus Lines including the AJUA and FRPCJUA.

Robert Mills, Claims Manager

Mr. Mills is the Claim Manager for FHIC. He joined FHIC in January 2006. Prior to joining FHIC Mr. Mills was employed by Florida Select Insurance Company in as a Catastrophe and Mediation Consultant. Mr. Mills also worked with Risk Enterprise Management a large claims TPA in Maitland Florida.

Mr. Mills started his insurance career with General Adjustment Bureau in 1965 as a property field adjuster and entered management as a Branch Manager for 3 of their offices in Southern New England. He opened his own adjusting company in Boston, MA in 1977. He joined CNA Insurance Company where he held various positions including Property Specialist, Home Office Quality Control Manager, and Senior Quality Control Specialist.

2. Audited Financial Statements

3. NAIC Annual Statement

4. Board Resolution

UNANIMOUS WRITTEN CONSENT OF BOARD OF DIRECTORS

OF

FIRST HOME INSURANCE COMPANY

The undersigned, being all of the directors of First Home Insurance Company, a Florida corporation (the "Corporation"), do hereby consent and agree to the adoption of the following resolutions:

> RESOLVED: That the recitals and resolutions attached hereto and incorporated herein by reference as Exhibit A are hereby approved and adopted.
>
> FURTHER RESOLVED: That this consent may be signed in any number of counterparts and by facsimile signature, each of which shall be deemed to be an original, and all of which taken together shall be deemed to be a single consent.

Dated as of January 12, 2007

______________________________	______________________________
G. Douglas Patterson	Louis J. Manetti
______________________________	______________________________
Dennis E. Golem, Jr.	Thomas M. Dulapa
______________________________	
James M. Thomas	

BEING ALL OF THE DIRECTORS OF THE CORPORATION

EXHIBIT A

1. **Approval of Loan under Insurance Capital Build-Up Program**

WHEREAS, the Corporation desires to participate in the State Board of Administration of Florida Insurance Capital Build-Up Incentive Program (the "Program") and, in connection therewith, enter into a Surplus Note in the original principal amount of $15,000,000 (the "Note") in substantially the form attached hereto as Exhibit A-1; and

WHEREAS, the directors have reviewed the Note and deem it desirable and in the best interest of the Corporation to authorize and approve the Note and the Corporation's participation in the Program and the Note.

NOW, THEREFORE, BE IT RESOLVED, that the directors of the Corporation have reviewed the Note and determined that the Corporation is able to comply and intends to comply with the requirements of the Note, including the requirement that the New Capital (as defined in Rule 19-15.001, F.A.C.) be unencumbered.

FURTHER RESOLVED, that the directors of the Corporation hereby authorize and approve the Corporation's participation in the Program and the Note, and any and all modifications or amendments thereto, and all documents to be executed and delivered in connection therewith, such documents to be in substantially the form presented to the directors of the Corporation with such changes, modifications and amendments thereto as the Designated Officers (as defined below) shall deem necessary or appropriate, the approval of which shall be conclusively established by the execution and delivery thereof.

FURTHER RESOLVED, that the President, any Vice President, Treasurer, and any Secretary or Assistant Secretary of the Corporation (the "Designated Officers") be, and each hereby is, authorized, directed and empowered to execute and deliver, in the name and on behalf of the Corporation, the Note and any and all amendments or modifications thereto, and any and all other documents or instruments to be executed and delivered in connection therewith and in connection with the Program, and to take such action, on behalf of the Corporation, as they determine to be necessary or desirable to effect the consummation of the transactions contemplated, including but not limited to, the execution and delivery of such other related agreements as shall be necessary or desirable in order for the Corporation to comply with and perform its obligations under the Note and the Program.

FURTHER RESOLVED, that the Designated Officers be, and each hereby is, authorized, directed and empowered to take such action, on behalf of the Corporation, as they determine to be necessary or desirable to cause the Corporation to meet all the requirements of the Program, including but not limited to meeting the Surplus (as defined in Rule 19-15.001, F.A.C.) and writing ratios.

2. **Miscellaneous**

RESOLVED, that the officers of the Corporation hereby are authorized, empowered and directed, in the name and on behalf of the Corporation, to execute and deliver any and all other agreements, certificates and documents (including all instruments contemplated by any of the above documents), and/or perform any and all further acts, as any such officer shall deem necessary or appropriate to effect the purposes and intent of the foregoing resolutions.

FURTHER RESOLVED, that all acts and deeds heretofore done or actions taken by the directors, any officer or any agent of the Corporation, for and on behalf of the Corporation, in entering into, executing, acknowledging or attesting any arrangements, agreements, instruments or documents which carry out the terms and intentions of any of the forgoing recitals and resolutions are hereby in all respects ratified, approved, and confirmed.

EXHIBIT A-1

5. Officers and Board Members

FHIC Officers
W. Michael Lefler – President
James Thomas – Treasurer
Thomas Dulapa – Secretary
Marcia Paulsen – Assistant Secretary
Louis Manetti – Assistant Treasurer and Assistant Secretary
Doug Patterson – Vice President and Assistant Secretary
Dennis Golem, Jr. – Vice President, Assistant Treasurer and Assistant Secretary

FHIC Board Members
Doug Patterson
Louis Manetti
James Thomas
Thomas Dulapa
Dennis Golem, Jr.

6. Biographical Information

W. Michael Lefler, President

Mr. Lefler is the President of FHIC. Prior to joining FHIC in October 2005, Mr. Lefler was the President & CEO of Florida Select Insurance Company. He joined Florida Select in January 1997 and was the first employee of the company. Mr. Lefler was a member of the original Florida Select team that worked on the project to create Florida Select Insurance Company and remove policies from the JUA. He was responsible for setting the original criteria for policy selection, the filing of the original rates, rules, and forms and the licensing of the company.

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James Thomas, Treasurer

Mr. Thomas is the Treasurer of FHIC. He oversees the accounting and finance functions of the Company.

Mr. Thomas has also served as First Mercury Financial Corporation's Vice President of Finance since 1998. From 1997 to 1998 he was employed by PRS International, Inc. From 1993 to 1996 he served as a Vice President of the Greentree Group. Mr. Thomas began his career in public accounting in 1972, where his clients included several insurance carriers. Mr. Thomas is a Certified Public Accountant.

Thomas B. Dulapa, Secretary

Mr. Dulapa is the Secretary of FHIC. He has overseen the Company's Operations since 2005.

Mr. Dulapa also services as the Vice President of Operations for First Mercury Financial Corporation. In his present position, he oversees operations for FMIC and ANIC and related entities. He joined the Company in 1990, serving as our Controller from 1990 to 1997. Prior to joining the Company, he held various positions including Accounting Manager and Assistant Treasurer for The First Reinsurance Company of Hartford from 1988 to 1990 and Russell Reinsurance Agency from 1984 to 1988.

Pam Johnson, Manager Underwriting/Customer Service

Ms. Johnson is Manager of Underwriting and Customer Service for FHIC. Prior to joining FHIC in November 2005 she had worked in the capacity of Underwriting Consultant for Vanguard Fire and Casualty Company and then was hired as Manager to develop their Quality Assurance Department.

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7. Attestation

To be eligible and to be considered for participation in the Program, Applicants must meet each of the statutory requirements listed below. To certify that the Applicant meets each requirement, check each of the boxes which follow the list of requirements.

1. The Surplus Note amount sought by the Applicant, or if the Applicant is part of a group, the amount sought by all group members when added together, does not exceed $50 million.
2. An Applicant filing an application prior to July 1, 2006, must be able, prior to the execution of the Surplus Note, to show that the New Capital contributed equals the amount of the approved Surplus Note. The New Capital contributed must be in the form of Cash* or Cash Equivalents* as defined in Rule 19ER06-3, F.A.C.
3. An Applicant filing applications after July 1, 2006, must be able, prior to the execution of the Surplus Note, to show that the New Capital contributed is twice the amount of the approved Surplus Note. The New Capital must be in the form of Cash or Cash Equivalents.
4. Applicant's Surplus, New Capital contributions, and the Surplus Note must total at least $50 million.

Applicant must be willing to commit to meeting a Minimum Writing Ratio of Net Written Premium to Surplus of 2:1 for the 20-year term of the Surplus Note.

☐ Affirms Applicant meets minimum qualifications.

☐ Affirms Surplus Note, Form SBA 15-2, has been reviewed and terms and conditions contained therein can be met by Applicant.

☐ Acknowledges and accepts all terms and conditions of Surplus Note.

We are each, respectively, executive officers of the Insurer making this application, acting within our authority in making the declarations listed in this application.

BY: ______________________________

TYPED NAME: W. Michael Lefler

TITLE: President

DATE: January 12, 2007

BY: ______________________________

TYPED NAME: Dennis Golem, Jr.

TITLE: VP, Asst. Treasurer & Asst. Sec.

DATE: January 12, 2007

8. Missing Items

None