

2011 Edition Number 2

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For additional information or clarification regarding any of the articles published in *The Guardian*, please contact Ms. Paula Anders, WNC First Marketing Manager at panders@wncfirst.com.

WNC's Mission

WNC is a well-known, trusted advisor whose mission is to deliver risk protection solutions to financial institutions, insurance companies and agents.

As a company, we continuously invest in our employees, developing their talents, to earn the confidence of our clients and the support of our shareholders.

From The President of Voluntary Sustaining Growth and Service

by Norman G. Heinrich
President, Voluntary Division



Norman G. Heinrich
President, Voluntary
Division

Where did 2011 go? It seems like yesterday I was planning for 2011 and now 2012 is right around the corner. With the exception of the losses sustained by Hurricane Irene, 2011 was a profitable year for the Voluntary Division.

The commercial flood program started to gain momentum and the Chubb flood program produced more than expected. The excess flood program grew in a very tough market and the primary flood program expanded in California. So where do we go from here?

We are now faced with the challenge of making 2012 an even better year. This will be accomplished by working with Kiln and their many relationships. We have already developed a working partnership with Philadelphia Insurance Companies, a subsidiary of Tokio Marine who also owns the Kiln syndicate, to provide them access to our flood products. Philadelphia Insurance Companies is a predominant writer of commercial insurance and should partner well with our commercial flood program.

We have developed numerous new producer relationships from our marketing efforts in 2011 and expect them to mature in 2012 resulting in steady premium growth. The Voluntary Division also received the endorsement from the American Bankers Association in 2011.

Our staff continues to be complimented by our customers for their excellent customer service in delivering insurance products and services with the highest level of professionalism. Our corporate commitment to delivering quality products keeps our many clients loyal to WNC. I look forward to the challenges of 2012 and am confident that we will be able to not only meet, but exceed our customers' expectations now and in the future.

Hot Issues

Welcome to the Winners' Circle!

As we first announced in our previous issue of *The Guardian*, WNC is now aligned with underwriting powerhouse Kiln Group Limited UK, a Tokio Marine Group company – one of the world's largest insurance organizations. Today, we are excited to introduce commercial insurance provider Philadelphia Insurance Companies, also a subsidiary of Tokio Marine Group. Together with WNC, we proudly welcome you to the Winners' Circle!

The Winners' Circle is your connection to decades of experience in property/casualty, commercial and specialty insurance. Your access to expertise that naturally flows from such experience. Your source of solutions or ideas on how to solve your persistent insurance worries. Your gateway to billions of dollars in insuring capacity that will never leave you



exposed or uninsured.

Here are some winning facts:

- Kiln Group is one of the longest-established and leading insurance and reinsurance underwriting groups at Lloyd's, London, with a wide portfolio

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of specialist risks. It now writes over 60 classes of business across 200 countries from 12 international offices. Kiln currently manages five syndicates at Lloyd's and, in terms of capacity, is one of the largest agencies trading in the Lloyd's insurance market.

- Philadelphia Insurance Companies designs and underwrites commercial property/casualty and professional liability insurance products that incorporate value added coverages and services. Rated A+ (Superior) by A.M. Best Company and nationally recognized as a member of Ward's Top 50 and Underwriter's Top 100, Philadelphia Insurance Companies has 48 offices strategically located across the US to provide superior service.
- Tokio Marine Group, parent company of the Kiln Group and Philadelphia Insurance Companies, is one of the world's largest insurance organizations with more than 29,000 employees and offices in 38 countries and 432 cities. Tokio Marine Group has over 100 companies engaged in a wide variety of insurance and financial related businesses.

In summary, the Winners' Circle can be your best ally against today's business perils. From multiple ways to manage risk, clarity on compliance issues, innovative products, proven technology, and reputable service – the Winners' Circle delivers. Find out more by calling your WNC representative today.

Another Big Endorsement

by *Lauren M. Savage, ASLI, VP Voluntary Sales and Marketing*

On August 8, 2011, The American Bankers Association (ABA), through its subsidiary the Corporation for American Banking (CAB), announced its endorsement of WNC's voluntary excess and commercial flood insurance products. This endorsement was awarded after an extensive review of flood insurance programs available in the industry after which CAB determined that WNC's Commercial and Excess Flood Insurance Programs provided the services needed by their bank members.

The ABA-endorsed flood insurance programs will enable WNC to help protect a financial institution's interests by offering one of the

most comprehensive flood insurance policies in the industry. WNC's excess flood and commercial flood products provide an alternative to the National Flood Insurance Program by offering consumers and businesses enhanced coverages and higher limits to better protect their property.

Additionally, WNC is the Preferred Service Provider of lender placed flood and hazard insurance and insurance tracking services for 4,300-member Independent Community Bankers of America (ICBA) and the Endorsed Provider of lender placed flood, hazard and collateral protection insurance and insurance tracking services for the New York Bankers Association (NYBA).

These endorsements by three of the country's influential banking organizations prove that WNC's programs provide the level of protection, compliance and security that banks need in today's increasingly complex business climate.

Compliance Corner New Guidance: Federal Agencies Flood Q&A

by *Jordan N. Gray, Esq., Senior Vice President, Compliance and Legal Affairs*

On October 14, 2011, the Federal Reserve issued a press release entitled "Agencies Release Guidance and Proposed Revisions to Interagency Questions and Answers Regarding Flood Insurance". This is important news for most of us involved with lender placed flood insurance. According to the release, this guidance updates the Interagency Questions and Answers Regarding Flood Insurance published on July 21, 2009 at 74 FR 35914-947 ("Flood Q&A"). The revised questions and answers were published in the Federal Register on Monday, October 17, 2011, at 76 FR 64175-183 ("Revised Questions").

Two years ago, six federal regulators issued five Supplemental Questions and Answers that created an uproar in the industry. These Agencies – the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Farm Credit Administration and the National Credit Union Administration ("Agencies") regulate all loans made by federal lending

institutions or guaranteed by the federal government. Although the Flood Q&A is neither law nor regulation, the answers seem to carry the weight of the law because the Flood Q&A is a direct statement by the Agencies to the lenders of how they intend to enforce their regulations.

Here's a brief history of the Flood Q&A. In 1997, the Federal Financial Institution Examination Council issued "informal guidance" with the initial release of the Interagency Questions and Answers ("1997 Q&A"). (62 FR 39523) Then, in 2008, the Agencies released for comment proposed revisions to the 1997 Q&A. Once final, the revised Questions and Answers would supersede the 1997 Q&A.

On July 21, 2009, the Agencies issued the results of the open comment period. The new Flood Q&A adopted 77 questions and answers and proposed five new questions and answers for public comment. The 77 revised questions became final on September 21, 2009. The five new questions and answers were reviewed based upon the new public comment period ending on September 21st.

Two years later, the Agencies have now taken the following new actions:

1. Finalized two of the five supplemental questions – Questions 9 and 61.
2. Withdrew one of the five supplemental questions – Question 10.
3. Changed two of the five supplemental questions – Questions 60 and 62.
4. Changed one of the finalized questions – Question 57.

The Agencies invite public comment on the changed answers to Questions 60 and 62, and on the changed answer to Question 57. Comments on the Revised Questions are due on or before December 1, 2011.

You can review the text of Revised Questions, the full text of the Flood Q&A, including the five Supplemental questions and answers, WNC's Official Comments and the 11-9-11 issue of *Compliance Matters* at <http://www.wncfirst.com/wncinsserv/downloads.asp>. *This article is intended for informational use only. WNC Insurance Services, Inc. is not engaged in rendering legal advice or recommendation. If you require legal guidance, please consult your legal counsel or a professional law practitioner. For comments, please call your WNC representative or our offices at 1-800-423-2497 and ask for the Compliance Department.*



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Revised Flood Q&A – WNC Filed its Comments

by Jordan N. Gray, Esq., Senior Vice President, Compliance and Legal Affairs

December 1, 2011 was the deadline to file comments on the revised Interagency Questions and Answers Regarding Flood Insurance (“Revised Q&A”) (See Compliance Corner New Guidance: Federal Agencies Flood Q&A, page 2). As with the 2009 Flood Q&A, WNC filed comments on the revised Question and Answer 60 and 62, and the inquiries raised at the end of the notice. Our hope was to give a voice to our lender clients.

Although WNC is generally pleased with the Agencies’ revised answer to Question 62, the answer raised three new issues: (1) a lender must have “express authority” in their loan agreement to be reimbursed for coverage during the 45-day notice period; (2) a private flood policy must be “equivalent in coverage and exclusions to an NFIP policy”; and (3) a lender’s flood policy must “cover the interests of both the borrower and the lender”. The following is a summary of the key highlights of WNC’s comments to these new issues.

Express Authority

WNC asserted that the lender’s authority at loan origination is sufficient to justify charging the borrower for all coverage, including coverage in force during the 45-day notice period. Force-placement merely continues that original authority. If the authority existed to require coverage at loan origination, it exists at force-placement. A lender needs no new authority.

Equivalent Coverage

WNC pointed out that there is no specific regulatory requirement that a private flood policy be “equivalent” to an NFIP policy. The general requirement is that the coverage be “sufficient”. In fact, FEMA notes that private coverage is sufficient if it is “at least as broad” as NFIP coverage. WNC provides a policy that is superior to the NFIP policy. Should that be unlawful?

Borrower’s Interest

There is no legal requirement to purchase flood insurance to protect interests of both the borrower and the lender in the loan collateral. The minimum amount of coverage necessary to comply with federal law is the lowest of either the outstanding loan balance or the maximum limit available under the Act. There is no requirement to insure more than the outstanding loan balance, which is always the measure of the lender’s interest in the collat-



eral. The answer to Question 62 overstates the amount of coverage necessary to comply with Federal law.

If you wish to read WNC’s full comment to the Revised Q&A, please visit our website at <http://www.wncfirst.com/portal/news.asp>. Questions about this article may be addressed to your WNC representative, or the author, Jordan N. Gray, Esq., Senior Vice President, Compliance and Legal Affairs, WNC Insurance Services, Inc., at 626-463-6472 or at JGray@WNCFirst.com.

This article is a publication of WNC Insurance Services, Inc. and intended for informational use only. WNC Insurance Services, Inc. is not engaged in rendering legal advice or recommendation. If you require legal guidance, please consult your legal counsel or a professional law practitioner. For comments, please call your WNC representative or our offices at 1-800-423-2497 and ask for the Compliance Department.

Product News

REO Security For \$25 A Month? It’s here.

by John Cannon, President/CEO of Security by Alert

Sophisticated, easy-to-use and portable video surveillance technology to protect REO properties is now available for less than \$1 a day.

Q&A with Security by Alert’s CEO John Cannon...

Q: Who is Security by Alert and why are your services relevant for the REO market?

A: We are one of the country’s largest security alarm installation and monitoring companies with a strong interest in alleviating the economic and social costs associated

with vacant and foreclosed homes. Our services are relevant because we’ve listened to the market participants – owners, mortgage servicers, property managers, real estate agents, insurance companies, etc. – and custom built a system that overcomes the challenges of securing an REO property.

Q: What are those challenges and how does your customized system address them?

A: An REO property faces inherent security disadvantages. It’s no secret in the community where these houses are, and the “unknown” individuals that frequent these properties (property managers, real estate agents, contractors, etc.) desensitize the community policing effect in a neighborhood. On the other hand, the “known” individuals which are the evicted prior owners are oftentimes the ones that cause the damage that property investors/owners must bear. In addition, the costs of traditional installed systems can be difficult to justify and manage for a large number of properties. When you add the uncertainty over how long a property may need to be secured prior to sale, it creates an environment where it’s easier to do nothing than to proactively manage the situation and preserve value in the property.

We’ve analyzed these complexities and developed a system based on the following critical criteria:

- Vacant home reality – *Security by Alert* is battery-powered and sends information via cellular transmission so power and phone line access in the home are not required;
- Ease of installation – *Security by Alert* comes pre-programmed and is simply “placed” throughout the home in minutes rather than installed;
- Portability – since *Security by Alert* is not installed but simply “placed”, it can be easily removed and redeployed at another home in the same market or even elsewhere;
- Video verification – *Security by Alert* includes transmission of video footage within the home which allows us to dispatch police based on a crime in progress rather than simply an alarm signal, the result of which is a priority response by police focused on apprehensions (the case studies speak for themselves);
- Price – in partnership with WNC Insurance Services, we’ve developed special pricing for WNC clients whereby we will loan the



equipment at no cost to the investors/owners of these properties and the only cost will be the monitoring fee of approximately \$300/year which is minimal relative to the costs of vacancy such as inspections, deductibles on insurance claims, and significant discounts when selling properties "as is" that have been burglarized or vandalized.



Q: Tell us more about the cost of vacancy you reference and any other considerations for securing an REO property.

A: The average foreclosure home sells at a 25-40% discount to market value, or \$50,000 below market value on average, the result among other things of homes falling into disrepair, evicted tenant damage, vandalism and theft. An REO property may incur \$5,000 or more annually in property management, insurance and repair costs. For an incremental \$300 a year, an investor/owner of a property can now have 24/7 real-time monitoring to minimize the significant discount of selling a foreclosed property by protecting the home with *Security by Alert* and not merely boarding up the windows and changing the locks. \$300 is well below the deductible usually incurred by an investor/owner that files an insurance claim for issues that *Security by Alert* is designed to prevent. *Security by Alert* creates a compelling value proposition for the investors/owners of REO properties anywhere in the U.S.

On top of that, the realities of the U.S. vacant/foreclosed home issue have begun to spring a legislative response where we've seen at least one municipality go so far as to push legislation that would require investors/owners of vacant homes that don't have sufficient security in place to post daytime guards for properties within 1,000 feet of a public school and night guards at all vacant buildings, or face fines up to \$1,000 per violation. This type of legislative response appears to be the outgrowth of the problems and costs of vacancy and underscores the need to be proactive regarding how investors/owners manage vacant properties.

Alert Holdings Group, Inc. (dba Security by Alert) is one of the largest security alarm monitoring companies in the United States, is the past recipient of the Security Dealer Magazine's Dealer of the Year Award, the United Technologies' Dealer of the Year Award, and monitors its customers through its 5-Diamond Central Station Alarm Association Monitoring Center that is UL-listed and Department of

Defense approved. WNC Insurance Services and Security by Alert have partnered on this initiative to bring much-needed security enhancement to the REO industry for the benefit of WNC's customers.

For more information, please contact John Cannon, President/CEO of Security by Alert at jc@securitybyalert.com.

Mortgage Impairment – Exciting Redesign

by Gina Worthington, Vice President, Lender Placed Products

The Mortgage Impairment policy has been around for years. It was initially developed as a way to protect lenders from errors made either at loan origination or in the maintenance of the loan where the lender needed to take an action. Items included for coverage were Flood Zone discrepancies, Real Estate Tax Payment errors, Life and Disability Insurance payments missed, and others that could result in a loss of coverage. All covered items were intended to protect the lender's loan balance and not impair its interest.



Some Mortgage Impairment policies evolved into adding coverage parts that did not really involve an error to the loan but instead added coverages for the lender's own property and extra expenses incurred when a loss occurs to the lender's own premises that may not otherwise be covered by the lender's package policy.

Because the program has evolved and the lending industry has changed since Mortgage Impairment was introduced many years ago, WNC is taking on this product and has created a team to review all the coverage components of Mortgage Impairment and their applicability in today's lending environment.

The WNC Mortgage Impairment review team includes staff from Underwriting, Compliance, and Claims. In addition to reviewing the WNC policy, the review team will include input from producers who currently sell this product and carriers who underwrite Mortgage Impairment policies.

The team is hard at work reviewing and writing the new Mortgage Impairment product

that WNC expects to launch in 2012. It's an exciting time at WNC and we are anxiously looking forward to the release of our new Mortgage Impairment product. Stay tuned!

Focus On Our Partners Creating More Value with Newcourse Communications

*by Jim Conde, President & CEO,
Newcourse Communications*

To increase the value of your relationship with WNC, we are excited to introduce Newcourse Communications – a full service print, creative & mail services provider to the banking, mortgage, credit union and mutual fund industries since 2005.

Based in Nashville, TN, Newcourse specializes in fast-turnaround, innovative and custom-designed customer communications in print or electronic media. Working closely with your communications specialists, Newcourse will deliver your organization's message and vision through thoughtfully designed account or billing statements, escrow analysis, year-end summaries, payment books, checkbooks, personalized customer letters, loss mitigation correspondence and more.

Led by a management team of former executives of LPS, CheckPrinters and Paymap, Newcourse services can complement or replace your current customer communications with improved and more effective pieces that speak to your customers.



In the mortgage and credit union industries, Newcourse clients include Navy FCU, GMAC, HomeStreet Bank, Utah Housing, First Interstate, Landmark CU, AMS, Green Planet, SPS Pioneer Bank, Iserv Mortgage and America First. Additionally, Newcourse has multiple print and mail relationships with five of the country's top mutual fund companies.

The following are highlights of Newcourse's capabilities:

- 11,000 sq. ft. expandable facility in

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Claims Corner The 2011 Atlantic Storm Season Revisited

by Mark Sarrett, Chairman, Precise Adjustments, Inc.

Looking back over the 2011 Atlantic storm season, I thought it would be interesting to review the season and compare the results with what was predicted. As well, it makes sense to compare the projected damages that this season cost the United States in relation to recent years.

First, most prognosticators predicted that this season would be a more active than average year. In fact, this season produced 17 named storms, which made this year the seventh most active season on record since 1851 (the year that record keeping of these statistics began). Only two of the 17 named storms made landfall in the United States. Hurricane Irene and Tropical Storm Lee were the two storms which caused damage on the mainland U.S., but this was the costliest and deadliest season since 2008 when Hurricane Ike hit Galveston, TX.

A total of 58 people were killed due to the two storms (45 for Irene and 13 for Lee), and over \$9 billion dollars in flood damages. Not to minimize anyone who was killed as a result of these storms, but the media and local, state and national politicians throughout the regions that were hit hardest were out in front of these

storms, and I believe it was their proactive decision making that may have limited the death toll.

The positive news with the season was that even though the storm activity was more active than most seasons, the wind shear steered many of the hurricanes and other tropical disturbances away from the mainland and more toward the open waters of the Atlantic Ocean.

At Precise, we continue to finish with the claims presented to us. As of the date of this writing, we are more than 90% complete with the handling of the claims we received, but given the long tail that sometimes surrounds the programs we administer, the chances of us receiving more newly presented claims continues to be very real. We are receiving a few new claims weekly, and we anticipate that new claims will be presented to us beyond the calendar year.

Of course, it seems as if we end one storm season only to have the next year's season upon us more quickly than we realize, so we will be informing you of the upcoming 2012 storm season as the predictive data becomes available. We are usually able to give the most definitive opinions regarding the season around April and then are able to provide more accurate findings in June – just before the season begins in earnest again.

Who is WNC?



Jim Sigafoos
Chief Operating Officer, Director of IT

Meet Jim Sigafoos

As Chief Operating Officer and Director of IT, Jim Sigafoos is responsible for the delivery of high quality and on-time services to WNC's clients. Our Insurance Service Centers in Dallas, Texas and South Pasadena, California, various support Departments and our Information Technology Department all report to Jim.

Jim has over 35 years experience in Lender Placed Insurance, which does not necessarily make him the most knowledgeable person in the company, but does guarantee he is the oldest. His previous experience includes senior executive positions with Insureco, Assurant and Balboa in which, at various times, he was responsible for Information Technology, Marketing, Insurance Tracking Operations, Claims, Voluntary Homeowners, Lender Placed Property and Lender Placed Auto products.

Jim is a graduate of the University of California, Los Angeles. He has been married for over forty years to his wife, Kathleen, a high school teacher. Jim and Kathleen have three adult children and live in "paradise" – San Clemente, California.



Quechee, Vt., September 11, 2011 – Quechee, VT., The Quechee bridge is a main thoroughfare and an integral part of the town. Residents cried as they watched their beloved bridge battered by flash flood waters caused by tropical storm Irene. Photo by Wendell A. Davis Jr.



**WNC Celebrating
50 Years of Service**

Conference Update

ABA American Bankers Association

February 19-22, 2012
JW Marriott Desert Springs
Palm Desert, CA
800.226.5377

MBA Mortgage Bankers Association

February 21-24, 2012
Orlando World Center Marriott
Orlando, FL
800.793.6222

ICBA Independent Community Bankers of America

March 11-15, 2012
Opryland Hotel
Nashville, TN
800.422.7285

Lender Processing Services, Inc./Fidelity Information Services

April 22-25, 2012
Gaylord Palms
Orlando, FL
904.357.1452

NFIP National Flood Insurance Program

May 06-09, 2012
Hilton Austin
Austin, TX
301.386.6346

Focus On Our Partners *continued from page 4*

Nashville, TN

- Facilities and systems have passed all client security requirements
- SAS 70 compliant and on track to be SSAE-16 compliant in February 2012
- Two backup sites in TN and FL
- USPS receives mail directly from Newcourse facility
- Special arrangement with Federal Express for same day turnaround, traceable delivery and significant discounts for critical packages
- High volume automated inserting or your current manual jobs that require fast turnaround
- Mutually established service levels to meet your requirements

- Correspondence available online via Newcourse or transferred to client storage system
- On-demand web services for client ordering, status and reporting
- Dedicated lines and integrated processing systems with LPS
- Industry standard applications/formats for custom graphic design

To learn more about Newcourse Communications and the value that they offer, please contact: Jim Conde, President & CEO, (615) 812-0197, jim.conde@newcoursecc.com

If you have questions regarding information disseminated at these meetings or need information about upcoming conferences please feel free to contact: Sheri Kordsmeier, 626-463-6311, Lisa Samaniego, 626-463-6341, Dava Wittig, 262-789-8202

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