



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

July 20, 2010

President Barack H. Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

RE: Revised Criteria - Stafford Act Certifications for Louisiana

Dear Mr. President:

This letter will supplement and restate my August 10, 2007 letter to former President George W. Bush concerning the criteria and methodology being used in Louisiana with respect to waiver requests submitted to me, as Commissioner of Insurance for the State of Louisiana, pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. § 5121, *et seq.* ("Stafford Act"). The Stafford Act authorizes you, as President, to provide disaster assistance through grants to state and local governments as well as certain eligible non-profit organizations (hereinafter referred to as "Applicants") damaged by Presidentially-declared major disasters. As a condition to receive the eligible disaster assistance, the Stafford Act requires the Applicant obtain and maintain "such types and extent of insurance...as may be reasonably available, adequate, and necessary, to protect against future loss to such property." 42 U.S.C. § 5154(a)(1).

However, the Stafford Act specifically provides that "[i]n making a determination with respect to availability, adequacy, and necessity under Paragraph (1), the President shall not require greater types and extent of insurance than are certified to him as reasonable by the appropriate State insurance commissioner responsible for regulation of such insurance." 42 U.S.C. § 5154(a)(2).

In my August 10, 2007 letter, I provided the criteria under which requests made to me for Stafford Act certifications would be considered for local governments and non-profit entities eligible for federal assistance as a result of damages sustained in Hurricane Katrina and/or Hurricane Rita. The purpose of this letter is to advise you, and all Applicants, of revisions that apply to applications for Stafford Act assistance for damages from Hurricane Katrina and/or Hurricane Rita and from any subsequent Presidentially-declared major disasters including, but not limited to, Hurricane Gustav and/or Hurricane Ike.

Some of the modifications contained herein are the result of communications with representatives of the U.S. Department of Homeland Security, both at the Louisiana Transitional Recovery Office and in Washington DC (hereafter, "FEMA"). Among the issues discussed with FEMA were: (a) how my Stafford Act certification affects the treatment of an eligible Applicant's deductible in the event of a second disaster and (b) how my certification impacts the potential second-disaster recovery of an Applicant who has satisfied the Stafford Act by obtaining coverage through a blanket policy, insurance pool arrangement, layered arrangement or some combination of those options. In advance of my sending this letter, a letter was written to FEMA on August 21, 2009, informing it of my belief and understanding that a Stafford Act certification would impact each of those issues favorably for an eligible Applicant suffering subsequent disaster losses. (A copy of that August 21, 2009 letter is attached.) FEMA did not refute or contradict my position in its response thereto. Therefore, the following will include details concerning how my certification will affect an eligible Applicant's Stafford Act assistance in the unfortunate circumstance of a second disaster loss.

The aftermath of the unprecedented and devastating natural disasters of Hurricane Katrina and Hurricane Rita in 2005 and Hurricane Gustav and Hurricane Ike in 2008 remains significant. Local governments, as well as certain eligible non-profit organizations in the State of Louisiana, continue to struggle to carry out their missions to provide necessary and desirable public, educational, and charitable services. The availability and cost benefit of property and commercial flood insurance remains a serious concern for all of these entities.

Under the authority granted to me by the Stafford Act as the Commissioner of Insurance for the State of Louisiana, I hereby certify that commercial insurance coverage for the perils of flood and wind is not reasonably available to Applicants in order for Applicants to procure property insurance coverage for the full amount of their eligible disaster assistance to be received under the Stafford Act for damages sustained as a result of Presidentially-declared major disasters such as Hurricanes Katrina, Rita, Gustav and/or Ike. Under current insurance market conditions, the premium cost of flood insurance in excess of the coverage provided by the National Flood Insurance Program ("NFIP") and of wind coverage would require these Applicants to expend a substantially higher percentage of their annual budgets for property insurance than the median amount expended by similar entities and organizations regionally. In addition, many Applicants with large risks have been unable to obtain quotes for higher layers of excess flood insurance. To require Applicants to purchase coverage to the full extent of the eligible disaster assistance, if such coverage were even available at all, would impose such excessive expense on Applicants as to substantially impair their ability to carry out their missions to provide necessary and essential public, educational, and charitable services.

Further, I hereby certify that insurers providing commercial property insurance coverage in the areas affected by Presidentially-declared major disasters such as Hurricanes Katrina, Rita, Gustav or Ike are often requiring policyholders to accept deductibles significantly higher in amount than those which were required prior to those storms. Under these circumstances, the insurance coverage is not reasonably available for amounts within these increased policy deductibles.

If an Applicant cannot reasonably obtain and maintain full property insurance coverage as typically required for their disaster assistance, an Applicant can and should obtain and maintain such property insurance coverage as can be purchased by a reasonable expenditure from its current annual operating budget. Such reasonable expenditure shall include the following:

A. An Applicant shall procure NFIP flood insurance coverage for building and contents for at least every facility that sustained flood damages in Hurricanes Katrina, Rita, Gustav and/or Ike and in any subsequent Presidentially-declared natural disaster. The amount of this coverage shall be the maximum amount available from the NFIP. The amount of premium dollars spent by an Applicant on NFIP flood insurance coverage and excess flood coverage should be included in the calculation of the percentage of budget amount described in the following paragraph.

B. An Applicant shall allocate a reasonable proportion of its current annual operating budget to the purchase of property insurance, including protection for wind and flood, for each of its properties that are the subject of Stafford Act public assistance grants. The reasonable percentage for each type of organization is set forth below. These percentages have been modified from those stated in the August 10, 2007 letter to President George W. Bush. These percentages are now based on the median that organizations of these types are spending as a percent of budget for property insurance premiums, as compared to the sixtieth percentile used in the August 10, 2007 letter. Further, statistics from coastal states were used, as compared to the national statistics previously used, in an effort to apply regionally relevant data.

On an annual basis, the Applicant shall procure property insurance coverage that, coupled with the premium dollars spent on NFIP and excess flood coverage, totals a premium equal to the specified percent of the Applicant's annual operating budget (exclusive of capital outlay) according to the prior year's certified audited financial statement or the same percentage of the Applicant's annual operating budget for the current year of post-disaster operations:

	ORGANIZATION	PERCENTAGE OF BUDGET
1.	Local Governmental	0.33%
2.	Elementary and Secondary Education	0.29%
3.	Post-Secondary Education	0.17%
4.	Health Care	0.26%
5.	Non-Profit Association	2.91%
6.	Non-Profit Trust	1.41%
7.	Non-Profit Religious	2.61%

C. An Applicant shall comply with the following requirements regarding the expenditure of the designated percentage of its current annual operating budget for the purchase of property insurance coverage:

1. Procure NFIP coverage as described above;
2. Procure property coverage, including wind and other perils (exclusive of flood), up to the replacement cost; and
3. With remaining funds, procure excess flood coverage.

To the extent that an Applicant purchases coverage through a blanket insurance policy, insurance pool arrangement, layered policy arrangement or some combination of those options (hereafter, "blanket-type policy"), any such coverage must be scheduled in order to meet the waiver requirement. If an Applicant obtains such coverage, satisfies the criteria contained herein, and receives, or has already received, a confirmation of the certification of a Stafford Act waiver request from me by separate letter, the reduction of eligible damages for a future disaster by the amount of damages eligible on the same property in a past disaster that is described in 44 C.F.R. §206.253(b)(2) (referred to by FEMA as the "5903 reduction") will not apply. The elimination of the 5903 reduction as a result of my certification for blanket-type policies has been confirmed in the attached August 21, 2009 correspondence to FEMA, and FEMA has not refuted it.

I have certified herein that coverage within the increased deductibles being required by insurers is not reasonably available. To be eligible for a certification, an Applicant shall not have a deductible for property insurance coverage that exceeds 15%. Further, this property insurance coverage should not include a combined deductible with any business interruption coverage. If an Applicant obtains coverage that satisfies the criteria contained herein (whether of a blanket-type policy or not) and receives, or has already received, a confirmation of the certification of a Stafford Act

waiver request from me by separate letter, that certification shall have the effect of making the amount of the Applicant's deductible an element of the eligible Stafford Act assistance in the event of a subsequent disaster. In other words, a Stafford Act certification issued by me to an Applicant will eliminate any reduction of the Stafford Act grant assistance available to the Applicant in a subsequent disaster based on the amount of the Applicant's deductible. The inclusion of the deductible as eligible for subsequent disaster assistance as a result of my certification has been confirmed in the attached August 21, 2009 correspondence to FEMA and FEMA has not refuted it.

The premium cost of business interruption insurance (i.e., time element) coverage shall be separate from and shall not be included in the calculation of the premium to comply with the percentage provided above for the purchase of property insurance. Likewise, the premium costs for other lines of insurance (i.e., workers' compensation, general liability, automobile liability, etc.) shall not be included in the calculation of the premium to comply with the property insurance percentage unless it can be shown that this expense is being incurred so as to meet a requirement of a FEMA public assistance grant.

D. The Applicant shall provide documentation demonstrating compliance with the criteria established herein as part of the application process. Applications are to be addressed to Disaster Recovery Division, Governor's Office of Homeland Security and Emergency Preparedness ("GOHSEP"), 415 North 15th St., Baton Rouge, LA 70802. An application checklist is published at www.louisianapa.com. Telephone inquiries may be made to the Public Assistance Division at 225-338-6782 or by fax to 225-338-3259. All Applicants requesting Stafford Act certifications with respect to multiple properties or multiple project worksheets shall be required to complete and return a spreadsheet containing information concerning the type and amount of coverage obtained. The spreadsheet form will be provided by GOHSEP upon the Applicant's request and the completed form will be made part of the Applicant's application.

This certification is intended to apply retroactively with respect to all Applicants that have already obtained Stafford Act waiver certifications from me, provided those Applicants have continued to obtain and maintain compliance with the percent of budget criteria contained in my August 10, 2007 letter to President George W. Bush or the percent of budget criteria contained herein. If an Applicant has already purchased property insurance on any or all of its property that is the subject of a FEMA public assistance grant and has not previously obtained a certification from me, and has exceeded the new percentage of budget requirements set forth herein, this certification shall not authorize the Applicant to reduce the existing property insurance coverage already purchased. That Applicant may, however, submit an application requesting a Stafford Act waiver certification for consideration with respect to increased deductibles that may have been incurred (consistent with the 15% upper limit stated herein).

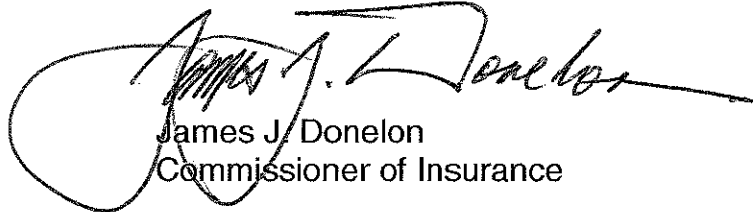
President Obama
July 21, 2010
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Applicants are advised that any certification made by me in response to their application for Stafford Act waiver will remain in full force and effect as long as the Applicant continues to obtain and maintain the insurance coverage consistent with the percent of budget criteria contained in this letter. Applicants are advised, again, that until modified, amended or altered by me, the criteria contained herein applies to Stafford Act assistance requests for damages resulting from Hurricanes Katrina, Rita, Gustav and/or Ike as well as any subsequent Presidentially-declared major disaster.

I issue this certification based on percentage of budget due to the substantial quantity of Stafford Act public assistance grants that have been filed, and will be filed, by qualifying entities. This certification and the requirements enumerated herein shall remain in effect until otherwise modified, altered, or amended by me. I will review this certification and requirements periodically and advise you of any modifications, alterations, or amendments accordingly as I deem appropriate.

With best wishes and kindest personal regards, I remain

Very truly yours,



James J. Donelon
Commissioner of Insurance

cc: Hon. Bobby Jindal, Governor
Janet Napolitano, Secretary U.S. Dept. of Homeland Security
James Walke, Director, Disaster Assistance, FEMA
Tony Russell, Administrator, Region VI, FEMA
Michael Karl, Acting Director, Louisiana Transitional Recovery Office, FEMA
Tracey Phillips, FEMA
K. Mike Winner, FEMA
Mark Cooper, Director, GOHSEP
Mark S. Riley, Dep. Director, Chief of Staff, GOHSEP
Mark DeBosier, Dep. Director-Disaster Recovery Division, GOHSEP
Al Ater, Chief Dep. Commissioner, LDI
Ed O'Brien, Deputy Commissioner, LDI
Warren E. Byrd, Esq., Executive Counsel, LDI
Ben Moss, LDI
W. Shelby McKenzie, Esq.
Margaret L. Tooke, Esq.

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August 21, 2009

Via Email and U.S. Mail

Mr. Tony Russell
Acting Director
U.S. Dept. of Homeland Security
Louisiana Transitional Recovery Office
1250 Poydras Street, Box #43
New Orleans, LA 70113

RE: Stafford Act -- Obtain and Maintain Waivers

Dear Mr. Russell:

On behalf of Louisiana Insurance Commissioner, James J. Donelon, and his Executive Counsel, Warren Byrd, we are writing to thank you for your letter of July 22, 2009 and the responses contained therein. The responses were very helpful.

Unless we hear differently from you, we will interpret your responses as follows and will apply these interpretations, along with Commissioner Donelon's other criteria, to the applications made by Louisiana public assistance applicants to Commissioner Donelon for Stafford Act certifications. Each of the following interpretations is applicable to a subsequent disaster scenario, i.e. when the eligible applicant has previously received FEMA/Stafford Act assistance for the same property resulting from the same peril:

- a. If Commissioner Donelon certifies that insurance coverage with a smaller deductible was not reasonably available to the applicant, FEMA will reimburse the applicant for eligible damages up to the amount of the deductible in the subsequent disaster. FEMA's reimbursement of the deductible in the subsequent disaster will occur regardless of whether the eligible applicant has blanket coverage or specific coverage, so long as Commissioner Donelon has issued such a certification concerning the deductible. Any 5900 reduction will still apply.
- b. If Commissioner Donelon provides a Stafford Act certification to an applicant that has secured insurance coverage under "a blanket insurance policy coverage all their facilities, an insurance pool arrangement, or some

combination of those options”,¹ including, but not limited to, a layered policy arrangement, there will be no 5903 reduction applied by FEMA in its consideration of the amount of the grant available to that applicant. Any 5900 reduction will remain intact.

We have attached hereto a spreadsheet of hypothetical examples of the application of these interpretations.

Further, given that your July 22, 2009 letter reflects the lack of any statute, regulation or FEMA internal guideline specifically defining “blanket insurance policy” or “insurance pool arrangement” as those terms are used in 44 C.F.R. §206.253(b)(2), Commissioner Donelon hereby declares to FEMA that the following well-established criteria, among other things, will be used in Louisiana in determining whether an applicant has obtained such coverage:

1. The policy covers one type of property at multiple locations or multiple types of property (e.g., buildings or buildings and business personal property) at one or more locations;
2. The policy has a single limit of liability or multiple limits of liability applying to one or more categories of coverage; and
3. The limit(s) apply to one occurrence in full, if necessary, to losses at one or more locations.

Commissioner Donelon will also consider the entirety of the package or program of coverages put in place by the applicant in his determination of reasonableness. If FEMA has any questions as to whether or not a particular applicant’s package is a “blanket insurance policy” or “insurance pool arrangement”, a layered policy arrangement or “some combination of those options”, Commissioner Donelon requests that he be consulted so that he can make that determination.

With the responses contained in your July 22, 2009 letter and the foregoing parameters, Commissioner Donelon, in conjunction with GOHSEP, will move forward with the re-evaluation of the certification criteria and the processing of applications for Stafford Act certifications.

Again, we thank you for your response to Mr. Byrd’s May 29, 2009 letter. We are very aware that the magnitude of losses suffered by local governments and non-profits as a result of Hurricane Katrina and Hurricane Rita (and subsequent storms) has created a unique and wide-ranging set of circumstances, made more complex due to the long time frames involved in the rebuilding or repair efforts. While we anticipate that there may be circumstances warranting additional inquiries to you or your team in the future, your July 22, 2009 response has done

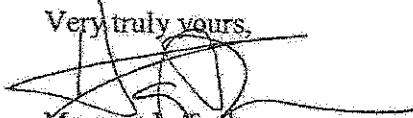
¹ Quoting from 44 C.F.R. § 206.253(b)(2).

August 21, 2009

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much to help the process move forward. We appreciate the time that you and your team have devoted, and continue to devote, to our inquiries in this unprecedented scenario.

Very truly yours,



Margaret L. Fooke

Enclosures - Excel spreadsheet examples

Cc with enclosures by email only:

Hon. James J. Donelon, Commissioner of Insurance

Warren Byrd, Executive Counsel, Louisiana Department of Insurance

James Walke, Acting Asst. Administrator, Disaster Assistance - FEMA

Mark S. Riley, Dep. Director, GOHSEP

Tracey Phillips, FEMA

Dan Jilek, GOHSEP

Kelvin Gipson, GOHSEP

K. Mike Winner, FEMA

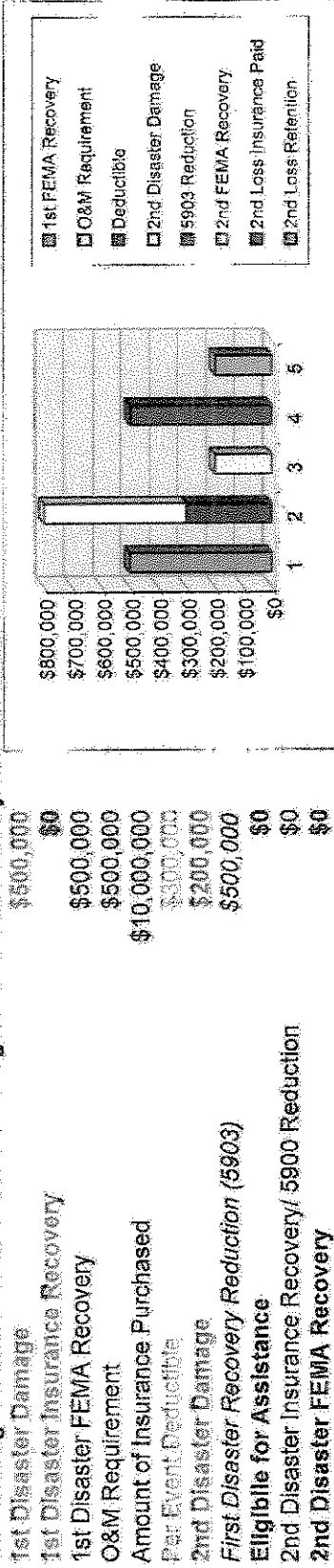
Tom Landers, FEMA

FEMA Blanket Policy Recovery Scenarios- All Wind Loss

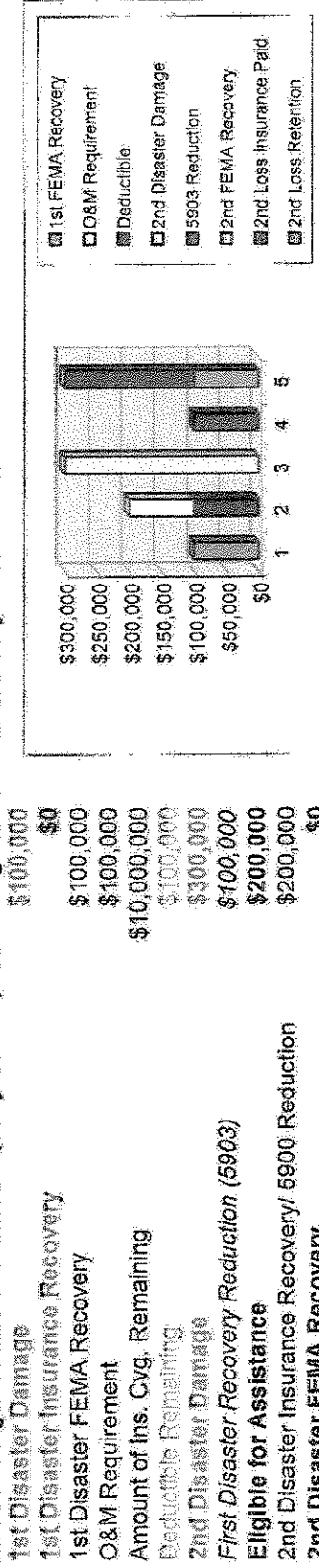
Scenario 1 - No Waiver from the Insurance Commissioner

Aggregate Policy Limit \$10,000,000 Total Insured Value \$30,000,000
 Per Event Deductible \$300,000

1st Building: Insurance deductible is NOT higher than 1st Recovery/5903 Reduction



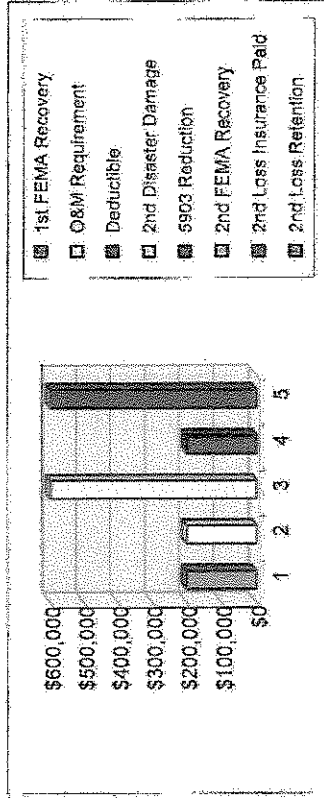
2nd Building: Insurance deductible (carryforward) IS NOT higher than 1st Recovery/5903 Reduction



Scenario 1 (continued) - No Waiver from the Insurance Commissioner

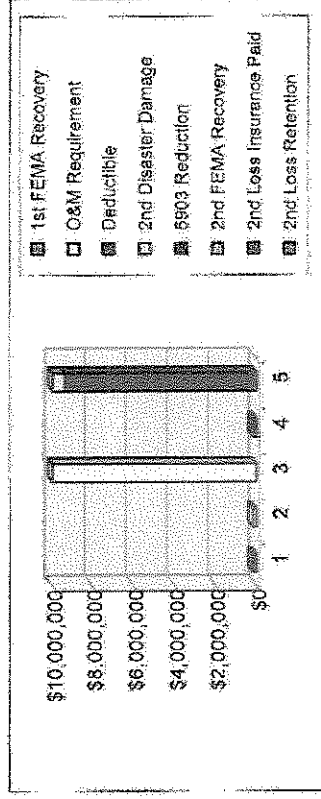
3rd Building: Insurance deductible used up

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,800,000
Deductible Remaining	\$0
2nd Disaster Damage	\$600,000
First Disaster Recovery Reduction (5903)	\$200,000
Eligible for Assistance	\$400,000
2nd Disaster Insurance Recovery/ 5900 Reduction	\$600,000
2nd Disaster FEMA Recovery	\$0
Insured Pays Out-of-Pocket	\$0
Deductible Carryforward	\$0



4th Building: Insurance deductible used up and policy limits exhausted

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,200,000
Deductible Remaining	\$0
2nd Disaster Damage	\$10,000,000
First Disaster Recovery Reduction (5903)	\$200,000
Eligible for Assistance	\$9,800,000
2nd Disaster Insurance Recovery/ 5900 Reduction	\$9,200,000
2nd Disaster FEMA Recovery	\$600,000
Insured Pays Out-of-Pocket	\$200,000
Deductible Carryforward	\$0



Scenario 1 (continued) - No Waiver from the Insurance Commissioner

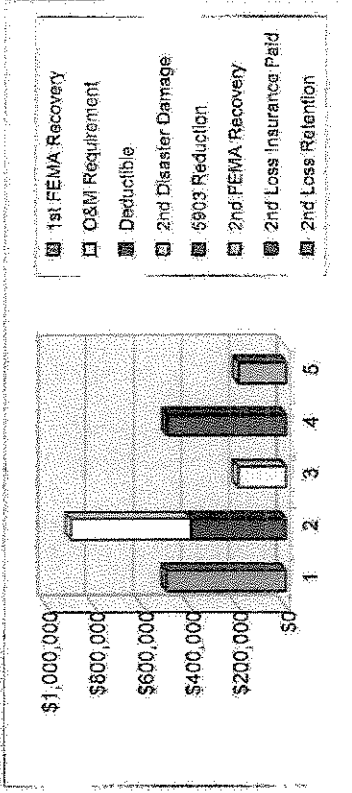
**Total 2nd Disaster FEMA
Recovery from all 4 Buildings
Without Waiver: \$600,000**

Scenario 2 - Higher Deductible; No Waiver from the Insurance Commissioner

Aggregate Policy Limit \$10,000,000 Total Insured Value \$30,000,000
 Per Event Deductible \$400,000

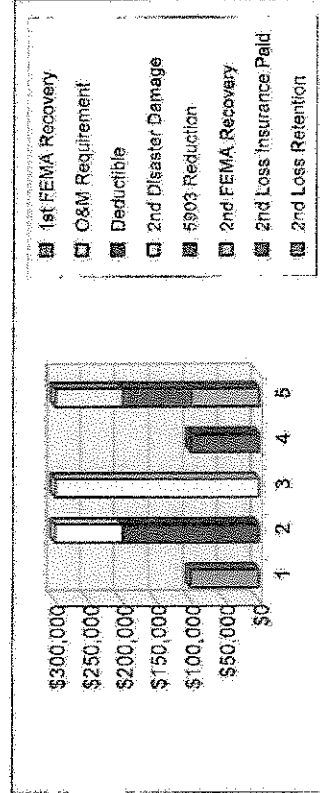
1st Building: Insurance deductible is NOT higher than 1st Recovery/5903 Reduction

1st Disaster Damage \$500,000
 1st Disaster Insurance Recovery \$0
 1st Disaster FEMA Recovery \$500,000
 O&M Requirement \$500,000
 Amount of Insurance Purchased \$10,000,000
 Per Event Deductible \$400,000
 2nd Disaster Damage \$200,000
 First Disaster Recovery Reduction (5903) \$500,000
 Eligible for Assistance \$0
 2nd Disaster Insurance Recovery/ 5900 Reduction \$0
 2nd Disaster FEMA Recovery \$0
 Insured Pays Out-of-Pocket \$200,000
 Deductible Carryforward \$200,000



2nd Building: Insurance deductible (carryforward) IS higher than 1st Recovery/5903 Reduction

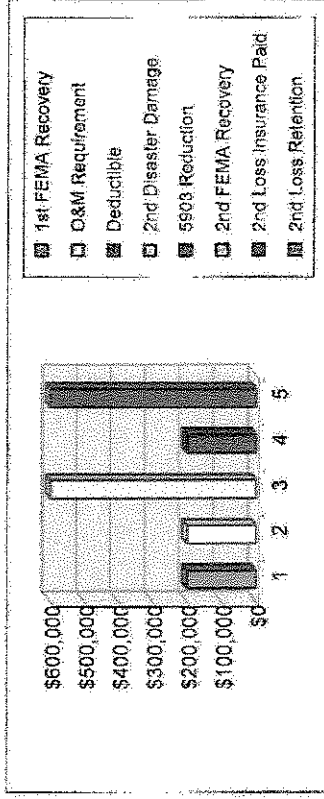
1st Disaster Damage \$100,000
 1st Disaster Insurance Recovery \$0
 1st Disaster FEMA Recovery \$100,000
 O&M Requirement \$100,000
 Amount of Ins. Cvg. Remaining \$10,000,000
 Deductible Remaining \$300,000
 2nd Disaster Damage \$300,000
 First Disaster Recovery Reduction (5903) \$100,000
 Eligible for Assistance \$200,000
 2nd Disaster Insurance Recovery/ 5900 Reduction \$100,000
 2nd Disaster FEMA Recovery \$100,000
 Insured Pays Out-of-Pocket \$100,000
 Deductible Carryforward \$0



Scenario 2 - (continued) Higher Deductible; No Waiver from the Insurance Commissioner

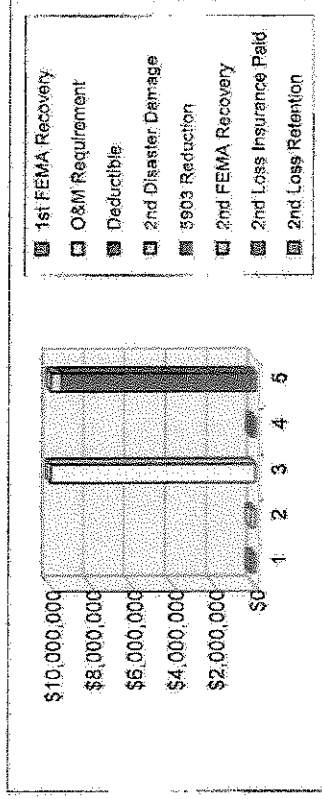
3rd Building: Insurance deductible used up

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,900,000
Deductible Remaining	\$0
2nd Disaster Damage	\$600,000
First Disaster Recovery Reduction (5903)	\$200,000
Eligible for Assistance	\$400,000
2nd Disaster Insurance Recovery/ 5900 Reduction	\$600,000
2nd Disaster FEMA Recovery	\$0
Insured Pays Out-of-Pocket	\$0
Deductible Carryforward	\$0



4th Building: Insurance deductible used up and policy limits exhausted

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,300,000
Deductible Remaining	\$0
2nd Disaster Damage	\$10,000,000
First Disaster Recovery Reduction (5903)	\$200,000
Eligible for Assistance	\$9,800,000
2nd Disaster Insurance Recovery/ 5900 Reduction	\$9,300,000
2nd Disaster FEMA Recovery	\$500,000
Insured Pays Out-of-Pocket	\$200,000
Deductible Carryforward	\$0



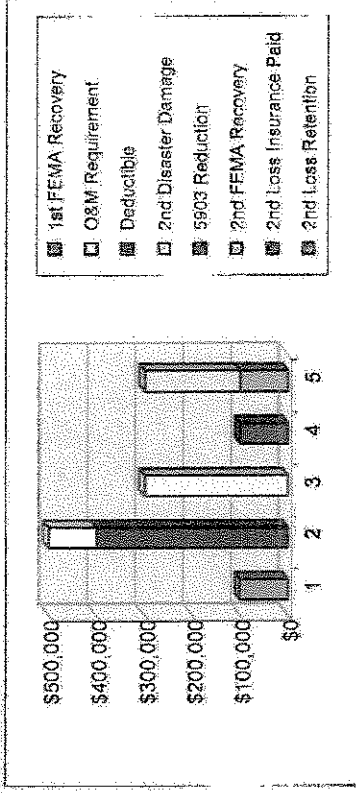
Scenario 2 - (continued) Higher Deductible; No Waiver from the Insurance Commissioner

**Total 2nd Disaster FEMA
Recovery from all 4 Buildings
Without Waiver: \$600,000**

**Scenario 3 - No Waiver from the Insurance Commissioner
Changing Order of Applying the FEMA Recovery/ Deductible (Building 1 and 2)**

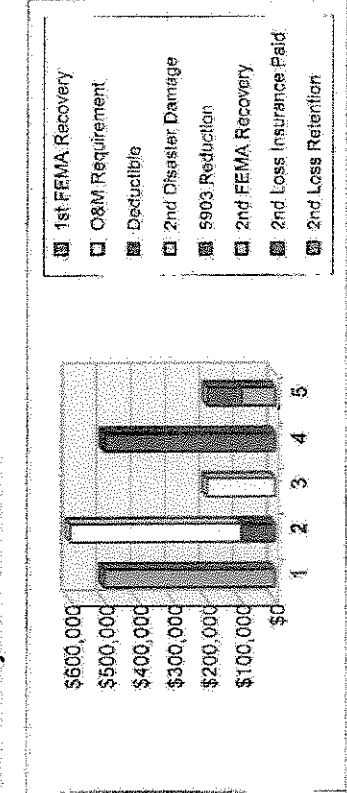
Aggregate Policy Limit \$10,000,000 **Total Insured Value** \$30,000,000
Per Event Deductible \$400,000

1st Building: Insurance deductible is higher than 1st Recovery/5903 Reduction



1st Disaster Damage \$100,000
1st Disaster Insurance Recovery \$0
1st Disaster FEMA Recovery \$100,000
O&M Requirement \$100,000
Amount of Ins. Purchased Per Event Deductible \$10,000,000
2nd Disaster Damage \$400,000
First Disaster Recovery Reduction (5903) \$300,000
Eligible for Assistance \$100,000
2nd Disaster Insurance Recovery/ 5900 Reduction \$200,000
2nd Disaster FEMA Recovery \$0
Insured Pays Out-of-Pocket \$200,000
Deductible Carryforward \$100,000

2nd Building: Insurance deductible (carryforward) is not higher than 1st Recovery/5903 Reduction

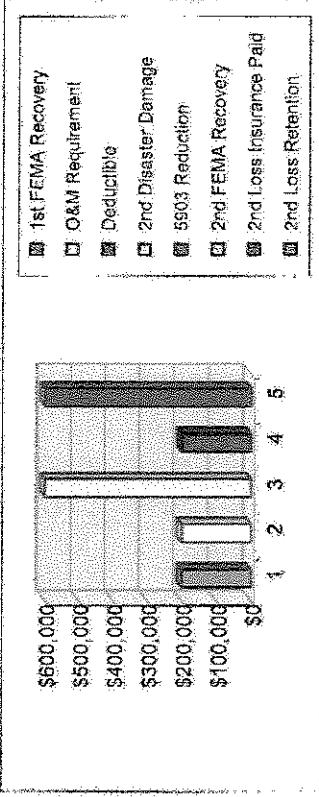


1st Disaster Damage \$500,000
1st Disaster Insurance Recovery \$0
1st Disaster FEMA Recovery \$500,000
O&M Requirement \$500,000
Amount of Ins. Cvg. Remaining Deductible Remaining \$10,000,000
2nd Disaster Damage \$100,000
First Disaster Recovery Reduction (5903) \$200,000
Eligible for Assistance \$500,000
2nd Disaster Insurance Recovery/ 5900 Reduction \$0
2nd Disaster FEMA Recovery \$100,000
Insured Pays Out-of-Pocket \$0
Deductible Carryforward \$0

**Scenario 3 (continued) - No Waiver from the Insurance Commissioner
Changing Order of Applying the FEMA Recovery/ Deductible (Building 1 and 2)**

3rd Building: Insurance deductible used up (5903 reduction irrelevant)

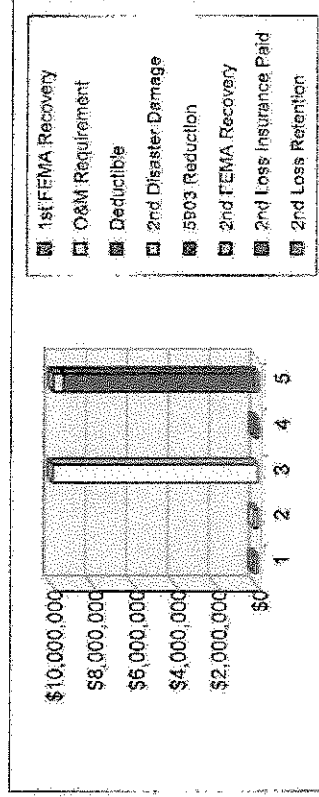
1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,900,000
Deductible Remaining	\$0
2nd Disaster Damage	\$500,000
First Disaster Recovery Reduction (5903)	\$200,000
Eligible for Assistance	\$400,000
2nd Disaster Insurance Recovery/ 5900 Reduction	\$600,000
2nd Disaster FEMA Recovery	\$0
Insured Pays Out-of-Pocket	\$0
Deductible Carryforward	\$0



- 1st FEMA Recovery
- O&M Requirement
- Deductible
- 2nd Disaster Damage
- 5903 Reduction
- 2nd FEMA Recovery
- 2nd Loss Insurance Paid
- 2nd Loss Retention

4th Building: Insurance deductible used up and policy limits exhausted

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,300,000
Deductible Remaining	\$0
2nd Disaster Damage	\$10,000,000
First Disaster Recovery Reduction (5903)	\$200,000
Eligible for Assistance	\$9,800,000
2nd Disaster Insurance Recovery/ 5900 Reduction	\$9,300,000
2nd Disaster FEMA Recovery	\$500,000
Insured Pays Out-of-Pocket	\$200,000
Deductible Carryforward	\$0



- 1st FEMA Recovery
- O&M Requirement
- Deductible
- 2nd Disaster Damage
- 5903 Reduction
- 2nd FEMA Recovery
- 2nd Loss Insurance Paid
- 2nd Loss Retention

Scenario 3 (continued) - No Waiver from the Insurance Commissioner
Changing Order of Applying the FEMA Recovery/ Deductible (Building 1 and 2)

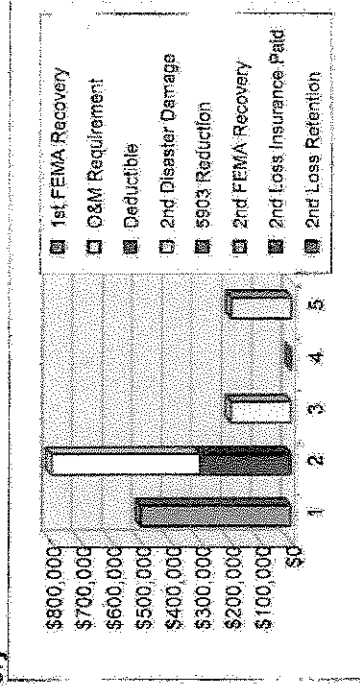
**Total 2nd Disaster FEMA
Recovery from all 4 Buildings
Without Waiver: \$700,000**

Scenario 1-With Waiver from the Insurance Commissioner Certifying that Insurance w/in the Applicants Deductible is Not Reasonably Available

Aggregate Policy Limit \$10,000,000 Total Insured Value \$30,000,000
 Per Event Deductible \$300,000

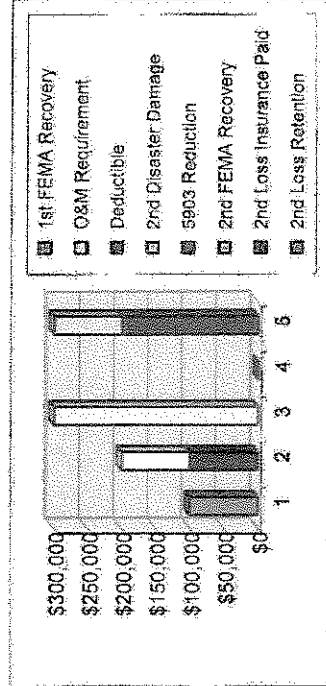
1st Building: Insurance deductible is NOT higher than 1st Recovery

1st Disaster Damage \$500,000
 1st Disaster Insurance Recovery \$0
 1st Disaster FEMA Recovery \$500,000
 O&M Requirement \$500,000
 Amount of Insurance Purchased \$10,000,000
 Per Event Deductible \$300,000
 2nd Disaster Damage \$200,000
 No 5903 Reduction b/c of waiver \$0
 Eligible for Assistance \$200,000
 2nd Disaster Insurance Recovery/ 5900 Ret \$0
 2nd Disaster FEMA Recovery \$200,000
 Insured Pays Out-of-Pocket \$0
 Deductible Carryforward \$100,000



2nd Building: Insurance deductible (carryforward) IS NOT higher than 1st Recovery

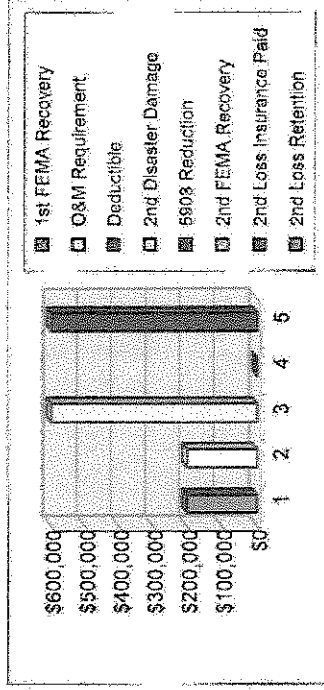
1st Disaster Damage \$100,000
 1st Disaster Insurance Recovery \$0
 1st Disaster FEMA Recovery \$100,000
 O&M Requirement \$100,000
 Amount of Ins. Cvg. Remaining \$10,000,000
 Deductible Remaining \$100,000
 2nd Disaster Damage \$300,000
 No 5903 Reduction b/c of waiver \$0
 Eligible for Assistance \$300,000
 2nd Disaster Insurance Recovery/ 5900 Ret \$200,000
 2nd Disaster FEMA Recovery \$100,000
 Insured Pays Out-of-Pocket \$0
 Deductible Carryforward \$0



Scenario 1 (continued) - With Waiver from the Insurance Commissioner Certifying that Insurance w/in the Applicants Deductible is Not Reasonably Available

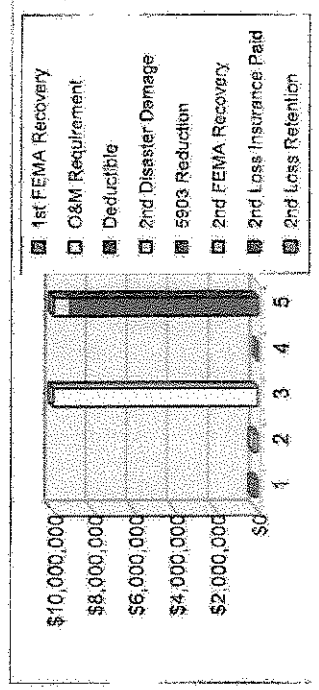
3rd Building: Insurance deductible used up

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,800,000
Deductible Remaining	\$0
2nd Disaster Damage	\$600,000
No 5903 Reduction b/c of waiver	\$0
Eligible for Assistance	\$600,000
2nd Disaster Insurance Recovery/ 5900 Ret	\$600,000
2nd Disaster FEMA Recovery	\$0
Insured Pays Out-of-Pocket	\$0
Deductible-Carryforward	\$0



4th Building: Insurance deductible used up and policy limits exhausted

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,200,000
Deductible Remaining	\$0
2nd Disaster Damage	\$10,000,000
No 5903 Reduction b/c of waiver	\$0
Eligible for Assistance	\$10,000,000
2nd Disaster Insurance Recovery/ 5900 Ret	\$9,200,000
2nd Disaster FEMA Recovery	\$800,000
Insured Pays Out-of-Pocket	\$0
Deductible Carryforward	\$0

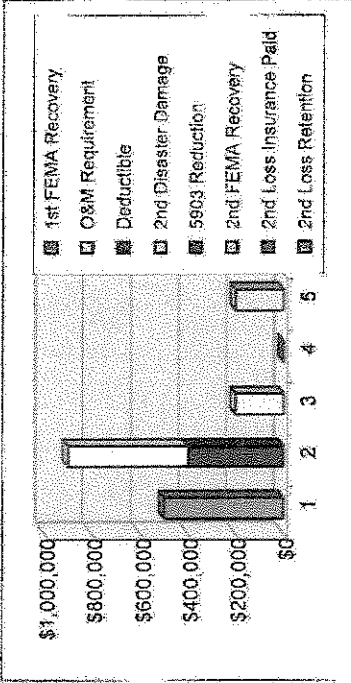


Scenario 2 - Higher Deductible; With Waiver from the Insurance Commissioner Certifying that Insurance w/in the Applicants Deductible is Not Reasonably Available

Aggregate Policy Limit \$10,000,000 Total Insured Value \$30,000,000
 Per Event Deductible \$400,000

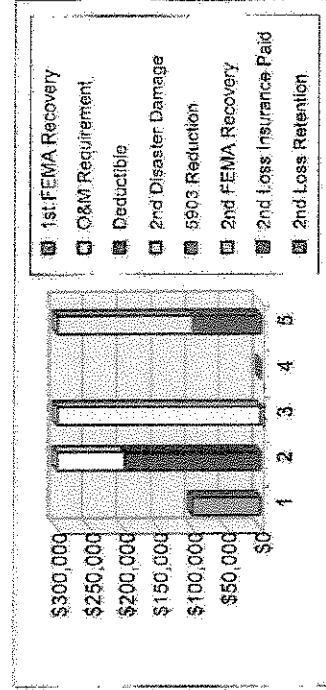
1st Building: Insurance deductible is NOT higher than 1st Recovery

1st Disaster Damage \$500,000
 1st Disaster Insurance Recovery \$0
 1st Disaster FEMA Recovery \$500,000
 O&M Requirement \$500,000
 Amount of Insurance Purchased \$10,000,000
 Per Event Deductible \$400,000
 2nd Disaster Damage \$200,000
 No 5903 Reduction b/c of waiver \$0
 Eligible for Assistance \$200,000
 2nd Disaster Insurance Recovery/ 5900 Re \$0
 2nd Disaster FEMA Recovery \$200,000
 Insured Pays Out-of-Pocket \$0
 Deductible Carryforward \$200,000



2nd Building: Insurance deductible (carryforward) IS higher than 1st Recovery

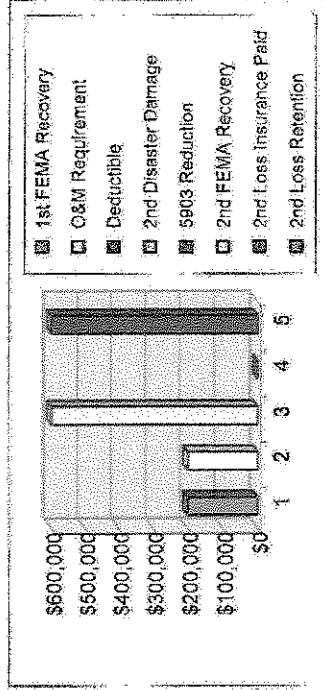
1st Disaster Damage \$100,000
 1st Disaster Insurance Recovery \$0
 1st Disaster FEMA Recovery \$100,000
 O&M Requirement \$100,000
 Amount of Ins. Cvg. Remaining \$10,000,000
 Deductible Remaining \$200,000
 2nd Disaster Damage \$300,000
 No 5903 Reduction b/c of waiver \$0
 Eligible for Assistance \$300,000
 2nd Disaster Insurance Recovery/ 5900 Re \$100,000
 2nd Disaster FEMA Recovery \$200,000
 Insured Pays Out-of-Pocket \$0
 Deductible Carryforward \$0



Scenario 2 - (continued) Higher Deductible; With Waiver from the Insurance Commissioner Certifying that Insurance w/in the Applicants Deductible is Not Reasonably Available

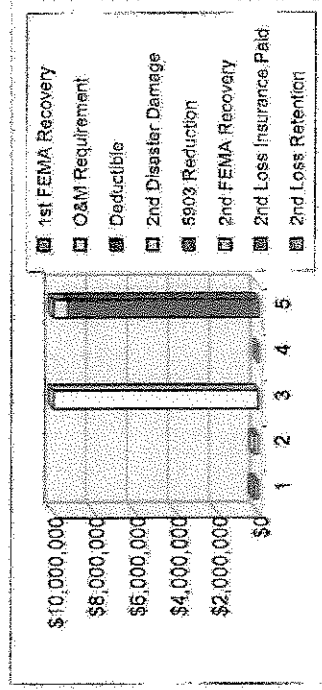
3rd Building: Insurance deductible used up

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,900,000
Deductible Remaining	\$0
2nd Disaster Damage	\$500,000
No 5903 Reduction b/c of waiver	\$0
Eligible for Assistance	\$600,000
2nd Disaster Insurance Recovery/ 5900 Ret	\$600,000
2nd Disaster FEMA Recovery	\$0
Insured Pays Out-of-Pocket	\$0
Deductible Carryforward	\$0



4th Building: Insurance deductible used up and policy limits exhausted

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,300,000
Deductible Remaining	\$0
2nd Disaster Damage	\$10,000,000
No 5903 Reduction b/c of waiver	\$0
Eligible for Assistance	\$10,000,000
2nd Disaster Insurance Recovery/ 5900 Ret	\$9,300,000
2nd Disaster FEMA Recovery	\$700,000
Insured Pays Out-of-Pocket	\$0
Deductible Carryforward	\$0



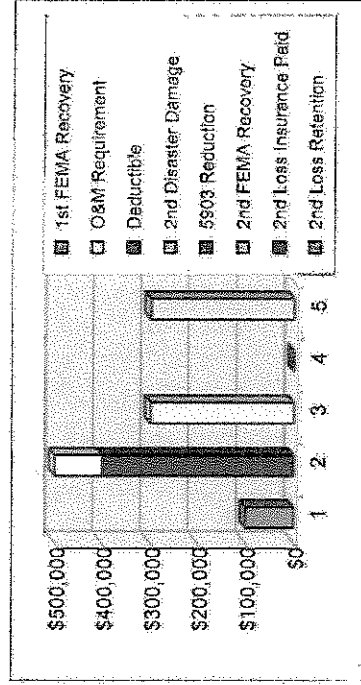
Scenario 2 - (continued) Higher Deductible; With Waiver from the Insurance Commissioner
Certifying that Insurance w/in the Applicants Deductible is Not Reasonably Available

Total 2nd Disaster FEMA
Recovery from all 4 Buildings
With Waiver: \$1,100,000 (Amount of insured's deductible
and excess of policy limits)

**Scenario 3 - With Waiver from the Insurance Commissioner
Changing Order of Applying the FEMA Recovery/ Deductible (Building 1 and 2)**

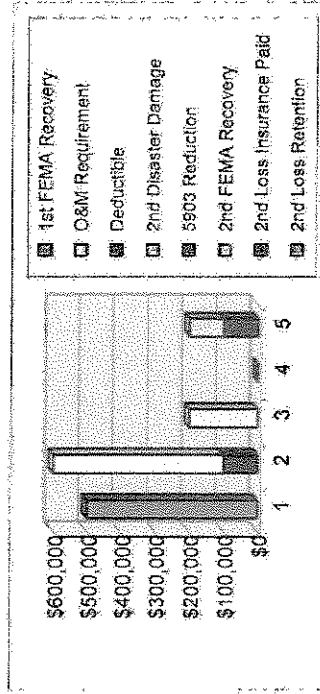
Aggregate Policy Limit \$10,000,000 Total Insured Value \$30,000,000
Per Event Deductible \$400,000

1st Building: Insurance deductible IS higher than 1st Recovery



1st Disaster Damage \$100,000
1st Disaster Insurance Recovery \$0
1st Disaster FEMA Recovery \$100,000
O&M Requirement \$100,000
Amount of Insurance Purchased \$10,000,000
Per Event Deductible \$400,000
2nd Disaster Damage \$300,000
No 5903 Reduction b/c of waiver \$0
Eligible for Assistance \$300,000
2nd Disaster Insurance Recovery/ 5903 Red \$0
2nd Disaster FEMA Recovery \$300,000
Insured Pays Out-of-Pocket \$0
Deductible Carryforward \$100,000

2nd Building: Insurance deductible (carryforward) is not higher than 1st Recovery

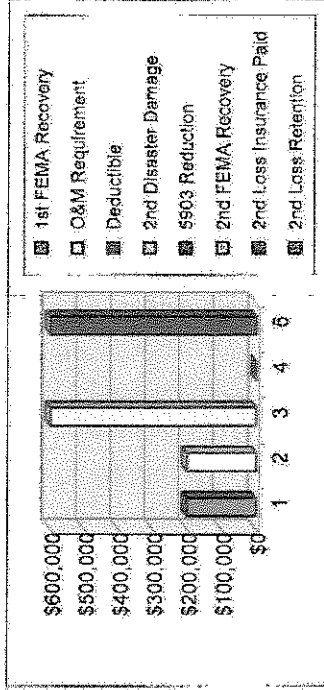


1st Disaster Damage \$500,000
1st Disaster Insurance Recovery \$0
1st Disaster FEMA Recovery \$500,000
O&M Requirement \$500,000
Amount of Ins. Cvg. Remaining \$10,000,000
Deductible Remaining \$100,000
2nd Disaster Damage \$200,000
No 5903 Reduction b/c of waiver \$0
Eligible for Assistance \$200,000
2nd Disaster Insurance Recovery/ 5903 Red \$100,000
2nd Disaster FEMA Recovery \$100,000
Insured Pays Out-of-Pocket \$0
Deductible Carryforward \$0

**Scenario 3 (continued) - With Waiver from the Insurance Commissioner
Changing Order of Applying the FEMA Recovery/ Deductible (Building 1 and 2)**

3rd Building: Insurance deductible used up

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,900,000
Deductible Remaining	\$0
2nd Disaster Damage	\$500,000
No. 5903 Reduction b/c of waiver	\$0
Eligible for Assistance	\$600,000
2nd Disaster Insurance Recovery/ 5900 Ret	\$600,000
2nd Disaster FEMA Recovery	\$0
Insured Pays Out-of-Pocket	\$0
Deductible Carryforward	\$0



4th Building: Insurance deductible used up and policy limits exhausted

1st Disaster Damage	\$200,000
1st Disaster Insurance Recovery	\$0
1st Disaster FEMA Recovery	\$200,000
O&M Requirement	\$200,000
Amount of Ins. Cvg. Remaining	\$9,300,000
Deductible Remaining	\$0
2nd Disaster Damage	\$10,000,000
No. 5903 Reduction b/c of waiver	\$0
Eligible for Assistance	\$10,000,000
2nd Disaster Insurance Recovery/ 5900 Ret	\$9,300,000
2nd Disaster FEMA Recovery	\$700,000
Insured Pays Out-of-Pocket	\$0
Deductible Carryforward	\$0

