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INSURANCE PLACEMENT FACILITY
FAIR PLAN
OF DELAWARE

June 2012

RE: The Delaware FAIR Plan
Hurricane Exposure Study

Periodically, the Delaware FAIR Plan contracts with outside vendors to estimate our potential exposure to hurricanes. In 2012, the reinsurance brokerage firm of Guy Carpenter Inc. provided the Delaware FAIR Plan with such a report, which is summarized below.

To provide the report, Guy Carpenter used two catastrophe models, the RMS Risklink 11.0 and the AIR Clasic/2 13.0. These models forecasted losses from simulated storms against the FAIR Plan policy detail as of 4/01/12.

The revised models revealed that the Delaware FAIR Plan exposure to hurricane loss increased 7.1% despite a 1.0% decline in the number of risks and a total limits increase of 3.4%. Using the higher loss results of the two models, the Delaware FAIR Plan can expect:

Storm Cycle	**Probable Gross Loss**
100 Year	\$3,207,998
250 Year	\$6,928,770
500 Year	\$11,069,679
1,000 Year	\$15,660,637

The average aggregate annual loss was modeled to be \$128,200. The largest Delaware loss event modeled was a maximum loss of \$68,540,000. As a point of reference, Hurricane Irene only produced \$33,063 in Incurred Loss for the Delaware FAIR Plan.

To calculate your company's portion of any loss assessment that may result from an event, apply your participation factor against any modeled number. Your participation factor is noted on your year end equity letter mailed each February. You may also obtain your factor on the PIPSO secured website at www.pipso.com. Use the link to downloads; enter USERNAME pipsodata; enter PASSWORD bost27ma; select Insurance Placement Facility of DE; select Percent Participation. Your reinsurance contracts should also be reviewed to be sure that residual market losses are included in your coverage, if so desired.

If you have any questions or would like to discuss any aspect of the review, please feel free to contact me at your convenience at 215-409-9120.

Best regards,

John M. Ogle, CPCU
President