

June 2013

RE: The Pennsylvania FAIR Plan
Hurricane Exposure Study

Periodically, the Pennsylvania FAIR Plan contracts with outside vendors to estimate our potential exposure to hurricanes. In 2013, the reinsurance brokerage firm of Guy Carpenter Inc. provided the Pennsylvania 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 14.0. These models forecasted losses from simulated storms against the FAIR Plan policy detail as of 4/01/13.

The models revealed that the Pennsylvania FAIR Plan exposure to hurricane loss decreased -0.3% as the number of risks decreased -7.2% and our total limits fell -0.4%. Using the higher loss results of the two models, the Pennsylvania FAIR Plan can expect:



<u>Storm Cycle</u>	<u>Probable Gross Loss</u>
100 Year	\$2,189,577
250 Year	\$7,030,002
500 Year	\$14,182,715
1,000 Year	\$24,992,456

The average aggregate annual loss was modeled to be \$127,500. The largest Pennsylvania loss event modeled was a maximum loss of \$141,200,000. As a point of reference, Hurricane Irene produced \$419,578 and Superstorm Sandy produced \$479,680 in Incurred Loss.

To calculate your company's portion of any loss assessment that may result from such events, 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 PA; 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