

# GUY CARPENTER

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January 9, 2014

Subject: Delaware Grange Mutual Insurance Company  
Reinsurance Program Outline Letter

To Whom It May Concern:

At the request of Mr. Warner J. Clark, President, of the Delaware Grange Mutual Insurance Company, of Dover, Delaware we are writing to outline the Company's reinsurance program, which is effective January 1, 2014.

The Company disposes their surplus Property (Fire & Section I HO, FO) liabilities on a per risk basis through the use of a Property First Surplus Reinsurance Treaty and a Facultative Automatic Binding Agreement. The Company retains \$40,000 and cedes pro-rata the remaining amount up to \$400,000 to its reinsurer. The Company and reinsurer share proportionally in the losses and premiums. In the event of a total loss, the Company is only exposed for its \$40,000 retention. All risks above \$440,000 are reinsured individually (facultatively) through our office.

The Company disposes of their surplus Casualty (Section II HO, FO) liabilities on a per occurrence basis through the use of a Casualty Excess of Loss Reinsurance contract. They retain \$20,000 per occurrence with a limit of \$580,000. Policies with limits greater than \$500,000 are reinsured individually through our office.

In the event of a catastrophic event or poor underwriting results, the Company purchases Aggregate Excess of Loss Reinsurance. This protects the Policyholder's Surplus from being impacted by either of the aforementioned occurring individually or in unison in any one year. The Aggregate attaches after net losses to the Company exceed 70.0% of subject net premiums or about \$145,600. The Aggregate provides coverage limits of 95% of 320.0% of subject net premiums or about 95% of \$998,400. The company purchases additional Aggregate protection providing coverage of 100% of losses above an attachment point of 390.0% of subject net premiums with a limit of 610.0% of subject net premiums or approximately \$1,586,000.

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The reinsurance program is subscribed to by the following reinsurers:

	<u>Share</u>	<u>Best Rating</u>	<u>PHS @ 6/30/13</u> <u>( in millions)</u>
American Agricultural Insurance Company	13.225%	A-	\$453.1
Hannover Ruckversicherung AG	7.50%	A+	\$5,575.3*
Employers Mutual Casualty Company	24.675%	A	\$1,019.4
Allied World Insurance Company	19.00%	A	\$1,020.7
Transatlantic Reinsurance Company	5.00%	A	\$4,425.3
The Toa Reinsurance Company of America	16.50%	A+	\$626.0
Farmers Mutual Hail Insurance Company	8.225%	A	\$352.4
Berkley Re America o/b/o Berkley Ins Co	5.875%	A+	\$4,564.2
* @ 12/31/12			

We feel this outline of the Delaware Grange Mutual Insurance Company's reinsurance program will enable you to accept their policies on behalf of your mortgagees. Please let us know if we can supply additional relevant information.

Very truly yours,

Anthony DeBarberie  
Vice President