INSURANCE PLACEMENT FACILITY

FAIR PLAN

OF PENNSYLVANIA

REPORT OF THE ANNUAL MEETING

April 28, 2010

Insurance Placement Facility of Pennsylvania

530 Walnut Street, Suite 1650
Philadelphia, PA 19106-3698

Board of Directors

2009 - 2010

Ms. Susan A. Erney	The Harleysville Insurance Companies
Ms. Marci Thomas	State Farm Insurance Companies
Mr. John D. Fillippo, Chairman	ACE USA
Mr. William W. Martin	The Hartford
Ms. Joanne K. Martyn	Chubb Group of Insurance Companies
Mr. Terry McConnell	Erie Insurance Group
Ms. Andrea Short	Allstate Insurance Companies

Mr. Daniel M. Taylor, Jr., Esq., General Counsel	Swartz Campbell LLC
Mr. John M. Ogle, President	Insurance Placement Facility of Pennsylvania

AGENDA FOR THE ANNUAL MEETING

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

April 28, 2010 - 1:30 P.M.

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1. Call to Order - 1:30 P.M. - Ms. Susan A. Erney, Chairperson, presiding
2. Approval of Minutes of Previous Year Annual Meeting - April 20, 2009
3. Ratification of Board Action
4. Report of the Chairman
5. Report of the President
6. Treasurer's Report
7. New Business
8. Election of Board of Directors 2010 - 2011

   Nominations are:

   1) ACE USA
   2) Allstate Insurance Companies
   3) CNA
   4) Erie Insurance Group
   5) State Farm Insurance Companies
   6) The Harleysville Insurance Companies
   7) The Hartford
9. Adjournment of Meeting

Insurance Placement Facility of Pennsylvania
Minutes of the Annual Meeting
April 28, 2010
Administrative Offices of the Facility
1:30 p.m.
530 Walnut Street, Suite 1650
Philadelphia, PA

The Annual Meeting of the Insurance Placement Facility of Pennsylvania was called to order with Chairperson Susan A. Erney presiding. President John M. Ogle served as secretary and reported that a quorum was present in person or by proxy. Mr. Ogle reported that attendees represented 115 companies or 53.7 % of the membership.

Upon motion duly made, seconded and carried, the Minutes of the April 20, 2009 Annual Meeting were approved as distributed.

A motion to ratify the actions of the Board of Directors for the 2009-2010 term was duly made, seconded and carried.

Motions were made, seconded and carried to waive the reading of the Chairman's report, the President's report and the Treasurer's report, as all three reports will be incorporated into the Annual Report. The reports were accepted as presented.

The President noted the 2009 financial audit report provided by the accounting firm of Smart and Associates, LLP as presented and accepted by the Board of Directors will be made part of the Annual Report submitted to Member Companies.

With no new business, Nominating Committee Chairman Mr. William W. Martin, placed into nomination the following Member Companies to serve on the Board of Directors for the 2010-2011 term.

ACE USA
Allstate Insurance Companies
CNA
Erie Insurance Group
State Farm Insurance Companies
The Harleysville Insurance Companies
The Hartford

There being no other nominations, it was moved, seconded and carried to close nominations. Chairperson Erney requested and received confirmation from the secretary that a sufficient amount of ballots had been cast for the nominees. Mr. Ogle reported that 105 companies representing 52.7 % of the membership indicated their intention to cast ballots in person or by proxy in favor of the nominees. Therefore, upon motion duly made seconded and carried, the slate was declared elected.

The next annual meeting was set for April 2011.

There being no further business and upon motion duly made, seconded and carried, the meeting was adjourned.

Approved by,	Respectfully submitted by,
Ms. Susan A. Erney	Mr. John M. Ogle
Chairperson of the Board	President

Report of the Chairperson
Ms. Susan A. Erney

42^{nd} Annual Meeting
Of the Members of the
Insurance Placement Facility of Pennsylvania
April 28, 2010

Good Afternoon and welcome to the 42nd Annual Meeting of the Insurance Placement Facility of Pennsylvania. In 2009, as it has done for more than four decades, the Pennsylvania FAIR Plan continued to provide a basic property insurance policy to those property owners who were unable to obtain such coverage in the voluntary market. Not only did the Plan meet its obligations as outlined in the enabling legislation and in the Plan of Operations, it did so without cost to the member companies. As I conclude my first year as the Chairperson of the Board, I am pleased to report the Pennsylvania FAIR Plan continued to meet its purposes and serve the citizens of the Commonwealth.

In 2009, the Insurance Placement Facility of Pennsylvania saw its business continue to decline. New Applications Received declined by just over 19% and Total Policies Issued fell by 10%. The decline in FAIR Plan business activity is part of a national trend established in 2005 and has been a challenge for all those concerned with the operations of the various Plans.

The 10% decline in Policies Issued did not directly decrease the FAIR Plan's actual loss counts as Losses Reported fell by just 4.6%. Total Loss Incurred; however, fell by nearly 12% resulting in a year-end 2009 Net Result of Operations surplus of $261,434.

As I look back on 2009, it seems best categorized as a year of waiting. Management waited on the direction of New Application counts and our Claims personnel waited on the seasonal changes that might bring about corresponding declines in loss activity. I think we all waited to see the extent of the fallout from a serious economic recession and a free fall decline in the housing markets.

2009 brought with it many changes to our Board and governing committees. As the years go by, duties, companies and people may change but nothing erases the years of accomplishments and friendships forged over that time. To those who left the service of the Plan, I would like to extend my thanks for a job well done. I consider it my privilege to have served with so many fine individuals and I truly believe the industry in general, and the FAIR Plan in particular, will miss that expertise.

As I look ahead to the coming year, I believe the Insurance Placement Facility of Pennsylvania is ready to meet the challenges that lie ahead in the ever changing world of the Pennsylvania property insurance marketplace.

Throughout the last few years, management has been taking the necessary steps to properly staff operations and control future costs in an uncertain environment. I am confident the management of the Pennsylvania FAIR Plan is positioned to make whatever adjustments are needed in relation to whatever direction the Pennsylvania marketplace may move.

In closing, I would like to thank the members of the Pennsylvania Insurance Department staff and specifically Commissioner Ario, for their assistance in the operation of the Plan.

I would also like to thank each member of our committees and specifically, the Committee Chairmen, for all that they do in helping to guide to Plan. I believe we are very lucky to have their assistance and their efforts are appreciated.

I would also like to thank General Counsel Dan Taylor for his service to the Plan and to this Board. His concise and well reasoned approach is a reassurance in what seems to be an ever changing world. I would also like to thank our independent auditors from Smart and Associates for their advice over the year and for their thorough yet, timely review.

Of course nothing gets accomplished without the dedication of the management and staff of the Insurance Placement Facility of Pennsylvania. Little of what we do at the Board level would ever translate into results if it weren't for the tireless efforts of the staff.

Lastly, I would like to thank each of my fellow Board Members. Your efforts to attend meetings and remain engaged is commendable and appreciated. Your support over this past year has been appreciated.

Every time I read media reports in other industries about questionable decisions, conflicts of interests or ethical failures, I look at all the individuals that sit in service to the Insurance Placement Facility of Pennsylvania and I give thanks. I believe your discussions, your attention to detail and your willingness to objectively look at the landscape and make decisions in the best interests of the Pennsylvania FAIR Plan are admirable qualities.

Thank you and Best Regards,

S A E

Ms. Susan A. Erney
Chairperson of the Board

Report of the President
John M. Ogle

42nd Annual Meeting
Of the Members of the
Insurance Placement Facility of Pennsylvania
April 28, 2010

Good afternoon and welcome to the 42nd Annual Meeting of the Insurance Placement Facility of Pennsylvania.

This past year brought a continuation of a depopulation trend originally noted four years ago. As we enter our 43rd year of operation, it appears the bottom of that trend may soon be reached and the challenges of a new insurance cycle may not be far off.

Pennsylvania, despite an economic recession, increased foreclosures and decreased housing prices, remains home to a competitive property insurance market. As such, the Pennsylvania FAIR Plan is a small residual market of last resort. Despite our declining policy count, falling premiums and falling employee headcount, I am pleased to report the Pennsylvania FAIR Plan continues to meet its obligations to provide the citizens of the Commonwealth of Pennsylvania with a property insurance policy in a timely and efficient manner.

In 2009, the Pennsylvania FAIR Plan recorded Earned Premiums of $9,717,171 and Losses Incurred of $3,947,396. With $1,080,057 in Loss Adjustment Expense and $4,455,846 in Underwriting Expense, the Plan recorded an Underwriting Surplus of $233,872. Taking into account Investment Income and Other Income and Expenses the Insurance Placement Facility of Pennsylvania recorded a 2009 Net Result of Operations Surplus of $261,434.

The aforementioned decline in business was evident throughout the result. Premiums Earned declined 10.5% from 2008 and 20.4% from 2007. Total Policies Issued fell 9.2% from 2008 and almost 19% since 2007. Claim counts fell at a slower pace in that the 2009 claim volume was only 4.6% less than 2008 and just 8.5% below 2007, but Total Loss Paid fell just over 26% from 2008.

Since the inception of the Pennsylvania FAIR Plan in 1968, the Plan has issued more than 2,699,500 policies and paid more than $318,478,600 in claims.

As it has done for many years, the Pennsylvania FAIR Plan continued to provide services to both the Insurance Placement Facility of Delaware as well as the West Virginia Essential Property Insurance Association. That arrangement continued to serve all three Plans well with a cost effective and efficient use of resources.

2009 was a difficult year to predict as the usual staples in the American economy were all in a state of disarray during various times over the past two years. The near collapse of the many trusted names in the banking, financial and housing industries made it a challenge to look ahead and plan for the future.

As the marketplace again adjusts to the realities of 2010, the Pennsylvania FAIR Plan stands ready to meet the needs of the Commonwealth's property insurance buyers. So as to be accessible to any interested Pennsylvania property owner, the Plan maintains a website for 24/7 access to information, rates, applications and premium payments. So as to be as streamlined and efficient as possible, the Plan encourages electronic communication with the Pennsylvania producers and/or its insureds for new application submissions, claim reporting, binders and other necessary communications.

As we close the year and look forward to a new decade, I would like to thank the members of the Pennsylvania Insurance Department for their support of the operations of the Pennsylvania FAIR Plan. I believe the excellent working relationship between the Department and the Pennsylvania FAIR Plan, as encouraged by Commissioner Ario, is a major factor as to why this operation is able to well serve the citizens of the Commonwealth and the member companies.

I would also like to express my thanks to General Counsel Dan Taylor and his fine staff for all their timely advice and counsel. The Plan is also supported by many talented individuals who offer their expert advice and counsel on a variety of issues. From investment and banking issues to underwriting or claims, the Pennsylvania FAIR Plan has the services of its many committee members and I wish to express my gratitude for their efforts.

Everything that is accomplished by this operation is done so because of the employees of the Insurance Placement Facility of Pennsylvania. It is through their efforts that policies are issued and claims are paid. I would be remiss if I did not take this opportunity to thank each employee for their various contributions. In particular, I would like to thank the senior staff members who see this operation through its day to day struggles. These are the individuals that grease the skids of the operation, always striving to ensure every policyholder or applicant gets timely and accurate service in a fair and respectful manner. I believe we are very fortunate to have such a fine dedicated staff.

Lastly, I would like to thank each member of the Board of Directors. Your dedication to the organization and support of the management is appreciated.

In closing I would also like to thank the many individuals who have left the service to this organization over the past year. Whether through retirement or reorganization, each year we lose the services of some very talented individuals and 2009 was no exception.

Respectively Submitted,

John M. Ogle
President

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

PENNSYLVANIA FAIR PLAN

Treasurer's Report

December 31, 2009

ASSETS	
Cash in Bank	6,079,193.54
Investments, Short term at cost plus accumulated discount	8,400,232.04
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	7,556.90
Other Receivables	163,995.98
Equipment *	0.00
Total Assets	14,650,978.46

LIABILITIES AND MEMBERS' EQUITY	
Unearned Premiums	4,831,817.00
Unearned Advance Premiums	290,277.00
Outstanding Losses	1,571,277.00
Outstanding Loss Adjustment Expenses	328,839.00
Accrued Expenses	49,291.00
Unpaid Post Retirement Benefits	850,469.00
Unpaid Pension	1,518,096.00
Accounts Payable	135,165.79
Claims Checks Payable	178,722.96
Unpaid Premium Tax	0.00
Total Liabilities	9,753,954.75
Members' Equity (Deficit)	4,897,023.71
Total Liabilities and Members' Equity	14,650,978.46

Respectfully Submitted,

RoseMarie McDonald

RoseMarie McDonald
Accounting Manager

* E. D. P. Equipment

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

Statutory Financial Statements,
Independent Auditors' Report and
Supplemental Schedules

For the years ended December 31, 2009 and 2008

SMART AND ASSOCIATES, LLP

Board of Directors
Insurance Placement Facility of Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory basis financial statements of Insurance Placement Facility of Pennsylvania (the "Facility") for the year ended December 31, 2009 and have issued our report thereon dated March 29, 2010. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Facility and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants.

b. The engagement partner is a certified public accountant and is experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Facility intends to file the audited statutory financial statements and our report thereon with the Insurance Department of the Commonwealth of Pennsylvania and that the insurance commissioner of that state will be relying on that information in monitoring and regulating the statutory financial condition of the Facility.

While we understand that an objective of issuing a report on the statutory financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Facility and insurance commissioners should understand that the objective of an audit of statutory financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus, results of operations and cash flows in conformity with accounting practices prescribed or permitted by the respective department of insurance. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud.

Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement caused by fraud. In addition, an audit does not address the possibility that material misstatements resulting from fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of the Facility to adopt sound accounting policies, to maintain an adequate and effective system of accounts and to establish and maintain an internal control structure that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditors' report.

d. We will retain the workpapers prepared in the conduct of our audit no longer than seven years, and on instructions from the Facility, will make them available for review by the Insurance Department of the Commonwealth of Pennsylvania.

e. This is our fifth year as auditor of the Facility and the engagement partner is a member in good standing of the American Institute of Certified Public Accountants.

f. To the best of our knowledge and belief, we are in compliance with the requirements of section 7 of the NAIC's *Model Rule Requiring Annual Audited Financial Reports* regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Insurance Department of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

Smart and Associates, LLP

March 29, 2010

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA
Table of Contents
For the years ended December 31, 2009 and 2008

SMART AND ASSOCIATES, LLP

Independent Auditors' Report

The Board of Directors
Insurance Placement Facility of Pennsylvania

We have audited the accompanying statutory statements of admitted assets, liabilities, and members' equity of Insurance Placement Facility of Pennsylvania (the "Facility") as of December 31, 2009 and 2008, and the related statutory statements of operations and members' equity and cash flows for the years then ended. These statutory financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these statutory financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1 to the statutory financial statements, the Facility prepared these statutory financial statements using accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and members' equity of Insurance Placement Facility of Pennsylvania as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Our audits were made for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The accompanying Investment Risk Interrogatories, Summary Investment Schedule, and Reinsurance Interrogatories, as of and for the year ended December 31, 2009, are presented to comply with the National Association of Insurance Commissioner's Accounting Practices and Procedures manual and are not a required part of the statutory-basis financial statements. Such information has been subjected to the auditing procedures applied in our audit of the statutory-basis financial statements and, in our opinion, is fairly stated in all material respects in relation to the statutory-basis financial statements taken as a whole.

This report is intended solely for the information and use of the Facility and for filing with the Insurance Department of the Commonwealth of Pennsylvania and other state insurance departments to whose jurisdiction the Facility is subject and is not intended to be and should not be used by anyone other than these specified parties.

Smart and Associates, LLP

March 29, 2010

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA
Statutory Statements of Admitted Assets, Liabilities and Members' Equity
December 31, 2009 and 2008

	2009	2008
ADMITTED ASSETS		
Cash and cash equivalents	$ 14,479,426	$ 13,748,088
Due from related parties	163,996	94,587
Premiums receivable	7,557	9,026
Assessments receivable	-	187,715
Total admitted assets	$ 14,650,979	$ 14,039,416
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Unearned premiums	$ 4,831,817	$ 5,068,958
Claims/drafts payable	178,723	174,461
Unpaid losses and loss adjustment expenses	1,900,116	1,528,854
Unearned advanced premiums	290,277	284,511
Postretirement benefits payable	850,469	899,950
Pension liability	1,518,096	3,051,034
Other liabilities	184,457	216,744
Total liabilities	9,753,955	11,224,512
Members' equity	4,897,024	2,814,904
Total liabilities and members' equity	$ 14,650,979	$ 14,039,416

The accompanying notes are an integral part of these statutory financial statements.

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA
Statutory Statements of Operations and Members' Equity
For the years ended December 31, 2009 and 2008

	2009	2008
Underwriting:		
Premiums earned	$ 9,717,171	$ 10,859,814
Less:		
Losses incurred	3,947,396	4,479,998
Loss adjustment expenses incurred	1,080,057	996,773
Underwriting and other expenses incurred	4,455,846	4,153,614
	9,483,299	9,630,385
Net underwriting gain	233,872	1,229,429
Investment income	29,869	369,637
Other (expense) income:		
Premium receivable charged off	(2,053)	(1,998)
Other (expense) income	(254)	7,054
Other (expense) income, net	(2,307)	5,056
Net income	261,434	1,604,122
Members' equity, beginning of year	2,814,904	4,651,870
Change in nonadmitted assets	264,028	(398,108)
Change in additional minimum pension liability	1,530,249	(3,051,034)
Refunds/assessments charged-off	26,409	8,054
Members' equity, end of year	$ 4,897,024	$ 2,814,904

The accompanying notes are an integral part of these statutory financial statements.

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA
Statutory Statements of Cash Flows
For the years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Premiums collected, net	$ 9,500,638	$ 10,149,219
Net investment income	29,869	369,637
Other (expense) income	(2,307)	5,054
Benefit and loss related payments	(3,673,412)	(4,976,774)
Commissions, expenses paid and aggregate write-ins for deductions	(5,478,984)	(5,272,100)
Net cash provided by operating activities	375,804	275,036
Cash flows from financing and other miscellaneous activities:		
Other cash applied	355,534	(982,670)
Net cash provided by (used in) financing and other miscellaneous activities	355,534	(982,670)
Net increase (decrease) in cash, cash equivalents and short-term investments	731,338	(707,634)
Cash, cash equivalents and short-term investments, beginning of year	13,748,088	14,455,722
Cash, cash equivalents and short-term investments, end of year	$ 14,479,426	$ 13,748,088

The accompanying notes are an integral part of these statutory financial statements.

1. Summary of Significant Accounting Policies:

The statutory financial statements of Insurance Placement Facility of Pennsylvania (the "Facility") have been prepared on the basis of accounting practices prescribed or permitted by the National Association of Insurance Commissioners ("NAIC") and the Insurance Department of the Commonwealth of Pennsylvania.

The more significant accounting policies are as follows:

Premiums:

Premiums are recognized as revenues ratably over the terms of the policies. Unearned premiums are computed on the monthly pro rata basis.

Commissions:

Commissions and other costs of acquiring business are charged to operations as incurred.

Nonadmitted Assets:

Certain assets designated as "nonadmitted" are not reflected in the statutory statements of admitted assets, liabilities, and members' equity. Nonadmitted assets include furniture, fixtures, and leasehold improvements and are charged directly against members' equity.

Unpaid Losses and Loss Adjustment Expenses:

Unpaid losses and loss adjustment expenses are estimated based on losses reported and the Facility's past experience for losses incurred but not yet reported. Management believes that such provisions are adequate to cover the ultimate liability. However, such estimates could differ from the amounts ultimately paid when claims are settled. Subsequent changes in estimates are reflected in earnings currently.

Use of Estimates:

The preparation of statutory financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and other highly liquid temporary investments. The carrying value of cash equivalents approximates fair value. Interest and dividend income from cash and cash equivalents is included in investment income on the statutory statements of operations.

1. Summary of Significant Accounting Policies, continued:

Variances from Generally Accepted Accounting Principles:

Certain of the prescribed or permitted insurance accounting practices followed by the Facility differ from accounting principles generally accepted in the United States of America. The principal differences are as follows:

- Commissions and other acquisition costs, if recoverable from future operations, would be deferred and charged against operations on the same basis that related premiums are recognized as revenues.;
- Certain assets designated as "nonadmitted" would be reflected in the statutory statements of admitted assets, liabilities, and members' equity.
- Fixed income securities are carried at amortized cost regardless of their classification.
- Calculation of the pension obligation excludes non-vested employees.

The effects on the statutory financial statements of these differences have not been determined.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. General:

The Facility was created by an act of the General Assembly of the Commonwealth of Pennsylvania (The Pennsylvania Fair Plan Act) to make available basic property insurance against fire and other perils for residential and business properties located in the Commonwealth. Each authorized insurance company ("Member Company") in the Commonwealth participates in the profits and losses of the Facility in the proportion that certain premiums written in the Commonwealth by each company during the second preceding calendar year bear to the aggregate of such premiums written by all authorized companies and is subject to future cash assessments, if required.

During 2008, the Facility approved a closeout of 2003 and 2004 policy years in the amount of $(2,718,529) with an offset assessment against 2008 policy year in the amount of $2,718,529.

The Facility shares office space and the service of certain employees with the Insurance Placement Facility of Delaware and the West Virginia Essential Property Insurance Association, both of which pay the Facility a portion of such joint expenses based on estimates of actual usage.

3. Federal Income Taxes:

The Facility files as a partnership for federal income tax purposes. Consequently, the Facility provides each Member Company with an annual statement of its relative share of the Facility's annual results of operations for inclusion in each participating member's tax return.

4. Investments:

The components of net investment income earned for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Short-term investments	$ -	$ 167,322
Cash and cash equivalents	29,869	202,315
Investment income	$ 29,869	$ 369,637

5. Employee Benefits:

The Facility, in conjunction with the Insurance Placement Facility of Delaware and the West Virginia Essential Property Insurance Association and other unaffiliated organizations, is a participant in the Prudential Retirement Insurance and Annuity Company Pension Plan (the "pension plan"), which covers all of its employees. The pension plan qualifies under the provisions of Section 501(a) of the Internal Revenue Code and is exempt from federal income taxes. The pension plan provides retirement income based upon employee average annual compensation and years of service. The pension plan is funded through the trustee by contributions to group annuity contracts.

The Facility provides life insurance for active employees upon the date of hire. The amount of insurance provided is equal to two times the employee's basic annual salary. For employees who are under age 65 at retirement, the Facility continues to pay the full cost of life insurance until the employee reaches age 65, at which time coverage is reduced to $5,000. For employees who retire at age 65 or older, the Facility pays the full cost of life insurance with coverage limited to $5,000.

Retired employees of the Facility are provided Medicare HMO coverage. The HMO provides coverage for certain hospital, surgical, and medical costs not covered by Medicare. To be eligible for the HMO, a retiree must be 65 years of age or older and have at least five years of service with the Facility.

The Facility uses a December 31 measurement date for its pension and postretirement benefits plan. Assets, liabilities and expenses of the plan are allocated to the Facility based on its underwriting activity. The allocation percentage used for the Facility was 89.99% in 2009 and 88.43%in 2008.

The following table sets forth the year-end status of the plans:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Change in projected benefit obligation:				
Benefit obligation at January 1	$ 10,083,414	$ 9,197,161	$ 354,035	$ 266,723
Service cost	170,542	164,883	-	57,662
Interest cost	617,831	583,355	27,670	16,415
Actuarial loss (gain)	390,209	383,768	126,438	38,301
Benefits paid	(280,527)	(245,753)	(38,620)	(25,066)
Benefit obligation at December 31	$ 10,981,469	$ 10,083,414	$ 469,523	$ 354,035

5. Employee Benefits, continued:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Change in plan assets:				
Fair value of plan assets at January 1	$ 5,743,089	$ 7,882,023	$ -	$ -
Actual return on plan assets	1,888,897	(2,463,025)	-	-
Employer contributions	600,030	569,844	38,620	25,066
Benefits paid	(280,527)	(245,753)	(38,620)	(25,066)
Fair value of plan assets at December 31	$ 7,951,489	$ 5,743,089	$ -	$ -
Reconciliation of funded status:				
Funded status	$ (3,029,980)	$ (4,340,325)	$ (469,523)	$ (354,035)
Unrecognized net actuarial loss (gain)	3,174,232	4,718,320	(405,917)	(561,785)
Unrecognized prior service cost	-	-	(69,631)	(101,878)
Prepaid assets or (accrued) liabilities	$ 144,252	$ 377,995	$ (945,071)	$ (1,017,698)

The net periodic benefit cost includes the following components:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Components of net periodic benefit cost:				
Service cost	$ 170,542	$ 164,883	$ -	$ 57,662
Interest cost	617,831	583,355	27,670	16,415
Expected return on plan assets	(463,287)	(639,950)	-	-
Amount of prior service cost recognized	-	-	(32,247)	(32,247)
Amount of loss (gain) recognized	508,687	35,319	(29,430)	(53,358)
Net periodic benefit cost (income)	$ 833,773	$ 143,607	$ (34,007)	$ (11,528)

Weighted average assumptions used to determine the net periodic benefit cost:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Discount rate	6.00%	6.50%	6.00%	6.00%
Weighted average rate of compensation increase	3.50%	4.00%	3.50%	4.00%
Expected long-term rate of return	8.00%	8.00%	N/A	N/A

5. Employee Benefits, continued:

Weighted average assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Discount rate	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

The accumulated benefit obligation for the pension plan was $9,494,198 and $8,815,319 at December 31, 2009 and 2008, respectively.

Prepaid pension benefit cost was $144,252 and $377,995 at December 31, 2009 and 2008, respectively.

An additional minimum pension liability ("AML") is required when the actuarial present value of the accumulated plan benefit obligation exceeds plan assets and accrued pension liabilities. As of December 31, 2009 and 2008, the plan had an AML of $1,686,961 and $3,450,225, respectively. Pursuant to the requirements of SSAP No. 89, changes to the AML are recorded directly to members' equity. The decrease (increase) in the AML during 2009 and 2008, respectively, was $1,763,264 and $(3,450,225).

The pension benefit obligation excludes liabilities for nonvested employees, which were $47,072 and $50,473 at December 31, 2009 and 2008, respectively.

The expected long-term rate of return on assets assumption is 8.00%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The pension plan's weighted average asset allocations at December 31, 2009 and 2008, by asset category are as follows:

	2009	2008
Asset category:		
Equity securities	58.1%	50.6%
Debt securities	39.0%	45.9%
Cash	2.9%	3.5%

The primary investment objective for the pension plan assets is to achieve maximum rates of return commensurate with safety of principal, given the asset mix, credit quality and diversification guidelines and restrictions approved by the plan administrator's board of directors. The pension asset allocation is reviewed quarterly to determine whether the portfolio mix is within an acceptable range of target allocation. Target asset allocations are based on asset and liability studies with the goal to enhance the expected return of the pension portfolio while maintaining acceptable levels of risk. The target asset allocation is 60% equity securities and 40% debt securities.

5. Employee Benefits, continued:

Contributions to the pension and postretirement benefits plans are expected to be $680,138 and $39,025, respectively, in 2010.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Postretirement Benefits
2010	$ 394,115	$ 39,025
2011	485,954	42,562
2012	558,461	46,841
2013	619,341	50,151
2014	651,206	53,212
2015-2019	4,082,995	309,454

For measurement purposes, for participants younger than age 65, healthcare cost trend increases of 10.5% and 11% were assumed for 2009 and 2008, respectively. These rate increases were assumed to decrease through 2020 and later when they level off at 5%. The healthcare cost trend rate assumption has an effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Point Increase	1% Point Decrease
Effects on total service and interest cost components	$ 2,142	$ (1,906)
Effects on postretirement obligation	37,845	(33,669)

The employees of the Facility are eligible to participate in the Insurance Company Supported Organization 401(k) Savings Plan, a defined contribution plan. The plan is administered by the Prudential Retirement Insurance and Annuity Company. Participation in the plan is voluntary. Employees are vested in employer contributions upon participation. Employees may contribute 1% to 16% of their annual compensation on a before-tax basis and/or 1% to 16% of their annual compensation on an after-tax basis for a total of 16%. The Facility matches employee contributions up to a maximum of 6% of an employee's annual compensation. Contributions by the Facility amounted to $98,697 and $103,268 in 2009 and 2008, respectively.

6. Liability for Unpaid Losses and Loss Adjustment Expenses:

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	2009	2008
Balance, January 1	$ 1,528,854	$ 2,136,300
Incurred related to:		
Current year	5,601,312	5,908,236
Prior years	(573,859)	(431,465)
Total incurred	5,027,453	5,476,771
Paid related to:		
Current year	3,775,159	4,440,724
Prior years	881,032	1,643,493
Total paid	4,656,191	6,084,217
Balance, December 31	$ 1,900,116	$ 1,528,854

As a result of changes in estimates for anticipated losses and loss adjustment expenses to insured events of prior years, the liability for losses and loss adjustment expenses decreased by $573,859 and $431,465 in 2009 and 2008, respectively. Paid amounts above are net of salvage and subrogation recoveries.

7. Lease Commitments:

The Facility conducts its operations in leased premises under a lease that will expire April 30, 2015. At December 31, 2009, minimum rental commitments under this noncancelable lease are as follows:

Year ending December 31:	
2010	$ 313,486
2011	319,927
2012	326,369
2013	332,810
2014 and thereafer	453,051
Total payments	$ 1,745,643

Total rental expense was $306,933 and $279,288 in 2009 and 2008, respectively.

Rentals included above are net of amounts allocated to the Insurance Placement Facility of Delaware and the West Virginia Essential Property Insurance Association for common facilities.

8. Related Party Transactions:

The Facility issues all checks for claims and other payables for the Insurance Placement Facility of Delaware and the West Virginia Essential Property Insurance Association, and is then reimbursed by these facilities. Throughout 2009 and 2008, $728,106 and $906,336, respectively, was paid on behalf of the Insurance Placement Facility of Delaware and $607,428 and $562,650, respectively, was paid on behalf of the West Virginia Essential Property Insurance Association. At December 31, 2009 and 2008, $78,043 and $35,339, respectively, is due from the Insurance Placement Facility of Delaware and $85,953 and $59,248, respectively, is due from the West Virginia Essential Property Insurance Association.

9. Annual Statement Reconciliation:

There are no material differences between net income and capital and surplus as reported herein and the Annual Statement as previously filed with the Department for the years ended December 31, 2009 and 2008.

SUPPLEMENTAL SCHEDULES

Schedule 1

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA
Supplemental Investment Risk Interrogatories
December 31, 2009

Total admitted assets at December 31, 2009	$ 14,650,979

1. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt; (ii) property occupied by the Company; and (iii) policy loans.

Investment category	Amount	Percentage of total admitted assets
None	$ -	0.00%

2. State the amount and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

Bonds			Preferred stocks		
None	$ -	0.00%	None	$ -	0.00%

3. The Company holds no foreign investments.
4. The Company holds no Canadian investments.
5. The Company holds no investments with contractual sales restrictions.
6. State the amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1).

Investment category	Amount	Percentage of total admitted assets
None	$ -	0.00%

7. The Company holds no nonaffiliated, privately placed equities.
8. The Company holds no general partnership interests.
9. The Company holds no mortgage loans.
10. The Company holds no real estate.
11. The Company has no repurchase agreements.
12. The Company does not hold warrants.
13. The Company does not have exposure to collars, swaps, or forwards.
14. The Company does not have exposure for futures contracts.
15. The Company does not have amounts in the Write-Ins for Invested Assets category on the Summary Investment Schedule.

See accompanying independent auditors' report.

Schedule 2

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

Summary of Investments

December 31, 2009

Investment categories	Gross investment holdings*		Admitted assets as reported in the annual statement	
Cash and cash equivalents	$ 14,479,426	100.00%	$ 14,479,426	100.00%
Total invested assets	$ 14,479,426	100.00%	$ 14,479,426	100.00%

*Gross investment holdings as valued in compliance with NAIC Accounting Practices and Procedures Manual.

See accompanying independent auditors' report.

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA
Reinsurance Interrogatories
December 31, 2009

Provided below are management's responses to certain reinsurance interrogatories required by NAIC Statutory Accounting Principles:

Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes ( ) No (X)

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancelable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) An unconditional or unilateral right by either or both parties to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes ( ) No (X)

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty–five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes ( ) No (X)

Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62—Property and Casualty Reinsurance, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes ( ) No (X)