INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

FAIR PLAN

REPORT OF THE ANNUAL MEETING

April 13, 2011

Insurance Placement Facility of Pennsylvania

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

Board of Directors

2010 - 2011

Ms. Susan A. Erney, Chairperson	The Harleysville Insurance Companies
Ms. Marci Thomas, Vice Chairperson	State Farm Insurance Companies
Mr. John D. Fillippo	ACE USA
Ms. Nicole W. Ford	Allstate Insurance Company
Mr. William W. Martin	The Hartford
Mr. Terry McConnell	Erie Insurance Group
Ms. Patricia Quinn	CNA

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 13, 2011 - 1:30 P.M.

---

1. Call to Order - 1:30 P.M. - Ms. Susan A. Erney, Chairperson, presiding
2. Approval of Minutes of Previous Year Annual Meeting - April 28, 2010
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 2011 - 2012

   Nominations are:

   1) ACE USA
   2) Allstate Insurance Company
   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 13, 2011
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 171 companies or 55.9% of the membership.

Upon motion duly made, seconded and carried, the Minutes of the April 28, 2010 Annual Meeting were approved as distributed.

A motion to ratify the actions of the Board of Directors for the 2010-2011 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 2010 financial audit report provided by the accounting firm of WeiserMazars 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, in the absence of Nominating Committee chairman, Mr. William W. Martin, Vice Chairman Mr. John D. Fillippo, placed into nomination the following Member Companies to serve on the Board of Directors for the 2011-2012 term.

ACE USA
Allstate Insurance Company
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 170 companies representing 55.9% 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 2012.

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

Approved by,

Ms. Susan A. Erney
Chairperson of the Board

Respectfully submitted by,

Mr. John M. Ogle
President

Report of the Chairperson
Ms. Susan A. Erney

43rd Annual Meeting
of the Members of the
Insurance Placement Facility of Pennsylvania
April 13, 2011

Good afternoon and welcome to the 43rd Annual Meeting of the Insurance Placement Facility of Pennsylvania. In 2010, 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 are unable to obtain such coverage in the voluntary market. Not only did the Plan meet its obligations as stated in the enabling legislation and in the Plan of Operations, it did so without cost to the member companies. As I conclude my term as 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 2010, the Insurance Placement Facility of Pennsylvania saw its business continue to decline but at a far lesser rate. The decline in Pennsylvania FAIR Plan business is part of a national trend among the non-coastal Plans and was first established in 2005. It has been a challenge for all those concerned with the operations of the various Plans.

The decline in Policies Issued did not decrease the FAIR Plan's actual loss counts as Losses Reported reflected the harsh weather experienced in 2010 and to some extent, the difficult economic times. Total Loss Incurred; rose by nearly 4.3% resulting in a year-end 2010 Net Result of Operations deficit of $42,035.

As I look back on 2010, it seems categorized as a year of waiting. Management waited on the direction of business 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.

2010 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 believe the industry in general, and the FAIR Plan in particular, will miss that expertise.

As I end my term as Chairman and 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 Acting Commissioner Pratter, 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 the 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 these past two years 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,

Susan A. Erney

Ms. Susan A. Erney
Chairperson of the Board of Directors

Report of the President
John M. Ogle

43rd Annual Meeting
of the Members of the
Insurance Placement Facility of Pennsylvania
April 13, 2011

Good Afternoon and welcome to the 43rd Annual Meeting of the Insurance Placement Facility of Pennsylvania.

Since the inception of the Pennsylvania FAIR Plan in late 1968, the Plan has now issued more than 2,726,550 policies and incurred more than $322,594,780 in losses. Total Premiums Written over that same time period exceeds $494,277,100. As I look back at some of those individual years, I am struck by the large swings in the Plan's business. In 1979 the Plan issued 113,672 policies while our 2010 count was just 26,976. Pure Loss Ratios have been as low as 37% in 2005 and as high 115.5% in 1974.

In 2010, the Insurance Placement Facility of Pennsylvania recorded $9,293,301 in Earned Premiums and $4,116,112 in Incurred Losses. Despite an 8.2% drop in Incurred General Expenses, the increased loss activity and the continued lack of a serious investment return resulted in a 2010 Net Result of Operations deficit of $42,035.

2010 was the year we saw the beginning of the end of the long running decline in FAIR Plan business activities. Although Renewal Business and Policies Issued were still below 2009, New Applications and total incoming phone traffic was essentially flat with the prior year after falling by double digit percentages in 2009 and 2008. Inspection counts, on the other hand, rose as did, unfortunately, claim counts. The lesson learned from this long slide surely must be that nothing is certain and Management must therefore stand ready to adjust accordingly. As the markets adjust to all the various economic stimuli, I believe the FAIR Plan stands ready to adjust its operations in whichever direction is appropriate.

In 2010, the Plan introduced to its producers and policyholders, the ability to have billings sent directly to a separate billing address. Although a simple task in theory, the change impacted every department at the Plan and involved a tedious review of many older, yet still operational, computer programs. I am pleased to report the change has been well received with almost half of the policyholders electing to have the renewal billing sent directly to the responsible party.

Last year the Plan continued to maintain and improve its interactive 24/7 website and in particular, the ability to take in new applications and premiums payments electronically. As the electronic world moves faster and further than ever imagined, the Plan hopes to continue to lower its future costs with greater use of electronic communications to reduce hard copy materials and mailings. At the same time, we believe electronic security is of the upmost importance and we intend to continue our policy of taking all reasonable steps to protect and secure our data.

As we close the year and look forward to the 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 is a major factor as to why this operation is able to serve the citizens of the Commonwealth and the member companies in an efficient and effective manner.

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 never ceases to amaze me. I believe we are very fortunate to have the guidance of such a talented group of people overseeing the organization.

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 2010, was no exception.

Respectively Submitted,

John M. Ogle
President

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

PENNSYLVANIA FAIR PLAN

Treasurer's Report

December 31, 2010

ASSETS

Cash in Bank	8,786,137.19
Investments, Short term at cost plus accumulated discount	5,413,375.25
Accrued Investment Income	0.00
Due from Participating Members	584,048.35
Premiums Receivable	6,309.40
Other Receivables	125,561.43
Equipment *	0.00
Total Assets	14,915,431.62

LIABILITIES AND MEMBERS' EQUITY

Unearned Premiums	4,397,369.00
Unearned Advance Premiums	248,376.00
Outstanding Losses	1,891,910.00
Outstanding Loss Adjustment Expenses	417,586.00
Accrued Expenses	78,008.00
Unpaid Post Retirement Benefits	821,277.00
Unpaid Pension	1,755,894.00
Accounts Payable	124,411.02
Claims Checks Payable	559,818.32
Unpaid Premium Tax	0.00
Total Liabilities	10,294,649.34
Members' Equity (Deficit)	4,620,782.28
Total Liabilities and Members' Equity	14,915,431.62

Respectfully Submitted,

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, 2010 and 2009**

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

Table of Contents

For the years ended December 31, 2010 and 2009

MAZARS

WeiserMazars

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, 2010, and the related statutory statements of operations and members' equity and cash flows for the year 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 audit. The financial statements of the Facility as of December 31, 2009, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated March 29, 2010.

We conducted our audit 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 audit 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, 2010, and the results of its operations and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The accompanying Supplemental Investment Risk Interrogatories, Summary Investment Schedule, and Reinsurance Interrogatories, as of and for the year ended December 31, 2010, 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 financial statements. Such information has been subjected to the auditing procedures applied in our audit of the statutory financial statements and, in our opinion, is fairly stated in all material respects in relation to the statutory 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.

Weiser Mazars LLP

April 11, 2011

WEISERMAZARS LLP
110 GIBRALTAR ROAD, SUITE 116 – HORSHAM, PENNSYLVANIA – 19044
TEL: 215.259.1000 – FAX: 215.259.1010 – WWW.WEISERMAZARS.COM

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA
Statutory Statements of Admitted Assets, Liabilities and Members' Equity
December 31, 2010 and 2009

	2010	2009
ADMITTED ASSETS		
Cash and cash equivalents	$ 14,199,512	$ 14,479,426
Due from related parties	125,562	163,996
Premiums receivable	6,309	7,557
Assessments receivable	584,048	-
Total admitted assets	$ 14,915,431	$ 14,650,979
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Unearned premiums	$ 4,397,369	$ 4,831,817
Claims/drafts payable	559,818	178,723
Unpaid losses and loss adjustment expenses	2,309,496	1,900,116
Unearned advanced premiums	248,376	290,277
Postretirement benefits payable	821,277	850,469
Pension liability	1,755,894	1,518,096
Other liabilities	202,419	184,457
Total liabilities	10,294,649	9,753,955
Members' equity	4,620,782	4,897,024
Total liabilities and members' equity	$ 14,915,431	$ 14,650,979

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, 2010 and 2009

	2010	2009
Underwriting:		
Premiums earned	$9,293,301	$9,717,171
Less:		
Losses incurred	4,116,112	3,947,396
Loss adjustment expenses incurred	1,156,396	1,080,057
Underwriting and other expenses incurred	4,089,266	4,455,846
	9,361,774	9,483,299
Net underwriting (loss) gain	(68,473)	233,872
Investment income	26,642	29,869
Other expense:		
Premium receivable charged off	(1,388)	(2,053)
Other income (expense)	1,184	(254)
Other expense, net	(204)	(2,307)
Net (loss) income	(42,035)	261,434
Members' equity, beginning of year	4,897,024	2,814,904
Change in nonadmitted assets	(96,884)	264,028
Change in additional minimum pension liability	(223,859)	1,530,249
Refunds/assessments charged-off	86,536	26,409
Members' equity, end of year	$4,620,782	$4,897,024

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, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Premiums collected, net	$ 8,819,564	$ 9,500,638
Net investment income	26,642	29,869
Other expense	(204)	(2,307)
Benefit and loss related payments	(3,795,479)	(3,673,412)
Commissions, expenses paid and aggregate write-ins for deductions	(5,128,198)	(5,478,984)
Net cash (used in) provided by operating activities	(77,675)	375,804
Cash flows from financing and other miscellaneous activities:		
Other cash (applied) provided	(202,239)	355,534
Net cash (used in) provided by financing and other miscellaneous activities	(202,239)	355,534
Net (decrease) increase in cash, cash equivalents and short-term investments	(279,914)	731,338
Cash, cash equivalents and short-term investments, beginning of year	14,479,426	13,748,088
Cash, cash equivalents and short-term investments, end of year	$ 14,199,512	$ 14,479,426

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:

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.

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 2010, the Facility approved a closeout of 2005, 2006 and 2007 policy years in the amount of $(6,269,960) with an offset assessment against 2009 and 2010 policy years in the amount of $6,269,960. At December 31, 2010, assessment receivable from Member Companies was $584,048

The Facility shares office space and the services 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, 2010 and 2009 are as follows:

	2010	2009
Short-term investments	$ -	$ -
Cash and cash equivalents	26,642	29,869
Investment income	$ 26,642	$ 29,869

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 89.58% in 2010 and 89.99% in 2009.

The following table sets forth the year-end status of the plans relating to the employees of the Facility:

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 10,981,469	$ 10,083,414	$ 469,523	$ 354,035
Service cost	171,443	170,542	43,612	-
Interest cost	632,628	617,831	30,862	27,670
Plan amendments	-	-	70,985	-
Actuarial loss	686,450	390,209	19,276	126,438
Benefits paid	(232,996)	(280,527)	(34,710)	(38,620)
Projected benefit obligation at December 31	$ 12,238,994	$ 10,981,469	$ 599,548	$ 469,523

5. Employee Benefits:

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Change in plan assets:				
Fair value of plan assets at January 1	$ 7,951,489	$ 5,743,089	$ -	$ -
Actual return on plan assets	917,966	1,888,897	-	-
Employer contributions	685,178	600,030	34,710	38,620
Benefits paid	(232,996)	(280,527)	(34,710)	(38,620)
Fair value of plan assets at December 31	$ 9,321,637	$ 7,951,489	$ -	$ -
Reconciliation of funded status:				
Funded status	$ (2,917,357)	$ (3,029,980)	$ (599,548)	$ (469,523)
Unrecognized net actuarial loss (gain)	3,244,962	3,174,232	(357,399)	(405,917)
Unrecognized prior service cost	-	-	27,749	(69,631)
Prepaid assets or (accrued) liabilities	$ 327,605	$ 144,252	$ (929,198)	$ (945,071)

The net periodic benefit cost includes the following components:

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Components of net periodic benefit cost:				
Service cost	$ 171,443	$ 170,542	$ 43,612	$ -
Interest cost	632,628	617,831	30,862	27,670
Expected return on plan assets	(574,894)	(463,287)	-	-
Amount of prior service cost recognized	-	-	(26,395)	(32,247)
Amount of loss (gain) recognized	272,648	508,687	(29,242)	(29,430)
Net periodic benefit cost (income)	$ 501,825	$ 833,773	$ 18,837	$ (34,007)

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

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Discount rate	6.00%	6.00%	6.00%	6.00%
Weighted average rate of compensation increase	3.00%	3.50%	3.50%	3.50%
Expected long-term rate of return	7.25%	8.00%	N/A	N/A

5. Employee Benefits:

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

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Discount rate	5.50%	6.00%	5.75%	6.00%
Rate of compensation increase	3.00%	3.50%	3.00%	3.50%

The accumulated benefit obligation for the pension plan was $10,954,172 and $9,494,198 at December 31, 2010 and 2009, respectively.

Prepaid pension benefit cost was $327,605 and $144,252 at December 31, 2010 and 2009, 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, 2010 and 2009, the plan had an AML of $1,960,140 and $1,686,961, respectively. Pursuant to the requirements of SSAP No. 89, changes to the AML are recorded directly to members' equity. The increase (decrease) in the AML during 2010 and 2009, respectively, was $273,179 and $(1,763,264).

The pension benefit obligation excludes liabilities for nonvested employees, which were $71,246 and $47,072 at December 31, 2010 and 2009, respectively.

The expected long-term rate of return on assets assumption is 7.25%. 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, 2010 and 2009, by asset category are as follows:

	2010	2009
Asset category:		
Equity securities	55.6%	58.1%
Debt securities	42.5%	39.0%
Cash	1.9%	2.9%

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:

Contributions to the pension and postretirement benefits plans are expected to be $889,040 and $50,757, respectively, in 2011.

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

	Pension Benefits	Postretirement Benefits
2011	$ 475,475	$ 50,751
2012	554,513	55,525
2013	620,595	59,236
2014	654,657	62,663
2015	721,009	66,710
2016-2020	4,360,055	372,636

For measurement purposes, for participants younger than age 65, healthcare cost trend increases of 10.0% and 10.5% were assumed for 2010 and 2009, 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	$ 7,337	$ (6,381)
Effects on postretirement obligation	50,751	(44,963)

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 $91,196 and $98,697 in 2010 and 2009, 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:

	2010	2009
Balance, January 1	$1,900,116	$1,528,854
Incurred related to:		
Current year	5,759,372	5,601,312
Prior years	(486,864)	(573,859)
Total incurred	5,272,508	5,027,453
Paid related to:		
Current year	3,562,706	3,775,159
Prior years	1,300,422	881,032
Total paid	4,863,128	4,656,191
Balance, December 31	$2,309,496	$1,900,116

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 $486,864 and $573,859 in 2010 and 2009, 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, 2010, minimum rental commitments under this noncancelable lease are as follows:

Year ending December 31:	
2011	$ 319,500
2012	325,933
2013	332,366
2014	338,799
2015 and thereafer	113,648
Total payments	$1,430,246

Total rental expense was $305,364 and $306,933 in 2010 and 2009, 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 2010 and 2009, $721,784 and $728,106, respectively, was paid on behalf of the Insurance Placement Facility of Delaware and $375,095 and $607,428, respectively, was paid on behalf of the West Virginia Essential Property Insurance Association. At December 31, 2010 and 2009, $111,775 and $78,043, respectively, is due from the Insurance Placement Facility of Delaware and $13,787 and $85,953, 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, 2010 and 2009.

10. Subsequent Events:

The Company has evaluated known recognized and nonrecognized subsequent events through April 11, 2011, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

Schedule 1

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

Supplemental Investment Risk Interrogatories

December 31, 2010

Total admitted assets at December 31, 2010 $14,915,431

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, 2010

Investment categories	Gross investment holdings*		Admitted assets as reported in the annual statement	
Cash and cash equivalents	$ 14,199,512	100.00%	$ 14,199,512	100.00%
Total invested assets	$ 14,199,512	100.00%	$ 14,199,512	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, 2010

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. 62R—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)