INSURANCE PLACEMENT FACILITY

FAIR PLAN

OF PENNSYLVANIA

REPORT OF THE ANNUAL MEETING

April 26, 2012

Insurance Placement Facility of Pennsylvania

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

Board of Directors

2011- 2012

AGENDA FOR THE ANNUAL MEETING

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

April 26, 2012 - 1:30 P.M.

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1. Call to Order - 1:30 P.M. - Ms. Marci Thomas, Chairperson, presiding
2. Approval of Minutes of Previous Year Annual Meeting - April 13, 2011
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 2012 - 2013

   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 26, 2012
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 Marci Thomas 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 124 companies or 51.1% of the membership.

Upon motion duly made, seconded and carried, the Minutes of the April 13, 2011 Annual Meeting were approved as distributed.

A motion to ratify the actions of the Board of Directors for the 2011-2012 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 2011 financial audit report provided by the accounting firm of WeiserMazars as 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. Terry McConnell , placed into nomination the following Member Companies to serve on the Board of Directors for the 2012-2013 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 Thomas requested and received confirmation from the secretary that a sufficient amount of ballots had been cast for the nominees. Mr. Ogle reported that 50.3% 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 2013.

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

Approved by,	Respectfully submitted by,
Marci M. Thomas	
Ms. Marci Thomas	Mr. John M. Ogle
Chairperson of the Board	President

Report of the Chairperson

Ms. Marci Thomas

44th Annual Meeting

of the Members of the

Insurance Placement Facility of Pennsylvania

April 26, 2012

Good Afternoon. It is my pleasure to welcome you to the 44th Annual Meeting of the membership of the Insurance Placement Facility of Pennsylvania. I am pleased to report that in 2011 the Facility continued to meet all its obligations and purposes as outlined in the enabling legislation and in Facility's Constitution and By-Laws.

The Pennsylvania FAIR Plan was established in 1968 as the core urban market had become somewhat dysfunctional due to concerns about the urban areas caught up in the riots of the time. With the urban market as its dominant source of business and loss, the Facility ebbed and flowed in response to the familiar insurance cycles of the day. It wasn't until well after inception that urban market concerns lessened, giving way; however, to concerns of a potential devastating weather event.

All along Pennsylvania was known to be a predictable insurance market with exposure to severe winter weather being the market's most likely source of large numbers of loss. As 2011 demonstrated; however, the state also has the potential for serious windstorm loss due to a hurricane. As to how that realization impacts the future Pennsylvania marketplace is anyone's guess, but I am confident that the Insurance Placement Facility of Pennsylvania will continue to meet the property insurance needs of the Commonwealth's property owners.

Although the President's report will provide details of Hurricane Irene's impact on the Plan, it is fair to say 2011 was not a good year for the Plan. The Facility recorded Earned Premiums of $8,498,711 while Loss Incurred and Loss Adjustment Expense Incurred totaled $4,283,443 and $1,402,425 respectively. General Expenses totaled $4,126,400 resulting in an Underwriting deficit of $1,313,566.

As I look to the coming year, it seems fair to presume we will continue to see some instability in the insurance market with limited returns from the investment markets and continuing uncertainty concerning the economy.

In looking back, I think we confirmed that the catastrophe plans developed over the years would in fact, hold up to the tests of an event like Irene. I think we also learned; however, that some of the best laid plans will not always yield the hoped for results in a far larger event. In the case of Irene, I am pleased to report that the staff and management of the FAIR Plan performed well and I am confident that the lessons learned as result, will pay dividends if events ever unfold with a far larger, second event.

It goes without saying that none of what we do here in the boardroom accomplishes anything without the efforts of the management team that we have in place. I would like to thank President John Ogle and his staff for all their tireless efforts to ensure that all aspects of the operation go smoothly, no matter the event and no matter the circumstance.

In 2011 the Plan was not only tested by a large hurricane, but also with retirements of some of its key senior people. Like the staff, the Board and the Committees also saw some long time participants' move on to other callings. I would like to acknowledge and thank everyone for all of their efforts and wish them all the best in their future endeavors.

I would also like to thank General Counsel Dan Taylor for his years of service to the Plan. Every year seems to bring us something new, or at the very least, different. Dan has helped us navigate those waters and I believe we are a far better organization because of those efforts.

In closing, I would like to acknowledge all of those individuals who routinely assist the Facility in its day to day operations. The Plan's paid vendors are both diligent and professional while our many committee members, insurance department staffers and or committee chairman deliver outstanding service and clear advice when called upon.

Most of all I would like to thank all of my fellow Board members. Your willingness to be actively engaged in the many aspects in the operation makes my job of Chairman of the Board a rewarding experience.

Best Regards,

Marci M. Thomas

Marci Thomas
Chairperson of the Board of Directors

Report of the President

John M. Ogle

44th Annual Meeting

Of the Members of the

Insurance Placement Facility of Pennsylvania

April 26, 2012

Good afternoon and welcome to the 44th Annual Meeting of the Insurance Placement Facility of Pennsylvania.

Over the course of the last few meetings, I have speculated about the current time period, using words like "uncertainty", "unexpected" or "change". As I look back on 2011, I think it is safe to say the year was filled with unexpected events, uncertain outcomes and changing conditions.

On a global scale, the year saw the wholesale destruction of large areas of Japan and Thailand. On the east coast, residents experienced what was for many, the unexpected power of an earthquake and locally, Pennsylvania and it neighboring states, experienced the significant impact of two hurricanes.

From a business perspective, the earthquakes and far off flooding merely served to remind us of what conceivably could happen but locally, the twin events of late August and early September; made it very clear that the Northeastern United States is not immune to substantial damage from a hurricane. Despite diminished strengths and limited wind-fields, large areas of eastern Pennsylvania suffered windstorm damage and or flooding. The Pennsylvania FAIR Plan recorded over 45% of its total reported claims from just those two storms, a number that could have been considerably higher if the forecasted power of Hurricane Irene had come to pass. As it was, claim payments from the two events still exceeded $400,000.

For the year, Plan had 1,220 reported losses, an increase of almost 64% over 2010. Loss Incurred exceeded $4,283,000 and corresponding Loss Adjustments Incurred climbed just over 21% to $1,402,425. With another year of limited investment returns, the Pennsylvania FAIR Plan recorded a 2011 Net Result of Operations loss of $1,301,986.

2011 also saw a change in the local marketplace. FAIR Plan New Business Received levels changed as monthly and yearly numbers reversed themselves from their downward trends and grew, finishing up by almost 6.6%.

Change also occurred within the FAIR Plan staff itself as several long time senior people left their positions for retirement. Even our membership experienced change when Nationwide announced its intention to acquire Harleysville Insurance.

Over the last four plus decades the Pennsylvania FAIR Plan has experienced both significant growth and sustained depopulation trends. Premiums have exceeded $15 million and have been as low as $5 million. Annual Policy Issued counts have ranged from 10,000 to 113,000. For the most part, staff has been able to accurately forecast the coming years but it remains to be seen if 2012 will see the increased business activity of its predecessor.

In closing, I would like to thank the members of the FAIR Plan management staff and all of our employees for their fine efforts over these past 12 months. Much of what we accomplish was done so because of the efforts of many individuals working for the betterment of all. 2011 forced many employees to wear many hats during the year and I am very proud as to how they performed. In particular, I want to thank Claim's Manager John Rusinko and his fine staff for their efforts over the past few months. The onslaught of claims challenged most every aspect of their operation yet; confusion, delays or complaints were held to a minimum. I believe we are very fortunate to have such a dedicated Claim Department and I am proud of their sustained efforts.

I would also like to thank General Counsel Daniel Taylor for his timely and sound legal advice throughout the year. Today's working and social environments have changed so dramatically from just a few years ago, but Dan has managed to steer the organization clear of the many potential pitfalls.

I also think it is appropriate to thank the Pennsylvania Insurance Department. Over the years, we have maintained a very close relationship with the Department and that relationship is made possible by the support of Commissioner Consedine and his senior staff. Time does not permit me to personally thank all those folks inside the Department who have lent us their knowledge and expertise, but suffice it to say, their efforts are appreciated.

Lastly, I would like to thank all the members of the Board and its various Committees. Your interest, support and enthusiasm go a long way in running this organization. Whether it has been an email, a phone conversation or a meeting, members repeatedly go to great lengths to be engaged in the operation of the Plan. I lack the proper words to express my gratitude other than to simply say, thank you.

Respectively Submitted,

John M. Ogle, CPCU
President

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

PENNSYLVANIA FAIR PLAN

Treasurer's Report

December 31, 2011

ASSETS	
Cash in Bank	7,551,562.47
Investments, Short term at cost plus accumulated discount	5,413,933.25
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	5,187.30
Other Receivables	60,252.56
Equipment *	0.00
Total Assets	13,030,935.58

LIABILITIES AND MEMBERS' EQUITY	
Unearned Premiums	4,291,259.00
Unearned Advance Premiums	226,538.00
Outstanding Losses	1,821,022.00
Outstanding Loss Adjustment Expenses	460,766.00
Accrued Expenses	97,915.00
Unpaid Post Retirement Benefits	990,591.00
Unpaid Pension	3,186,614.00
Accounts Payable	124,355.86
Claims Checks Payable	364,031.82
Unpaid Premium Tax	0.00
Total Liabilities	11,563,092.68
Members' Equity (Deficit)	1,467,842.90
Total Liabilities and Members' Equity	13,030,935.58

Respectfully Submitted,

RoseMarie McDonald

RoseMarie McDonald
Accounting Manager

* E. D. P. Equipment

WeiserMazars LLP

Insurance Placement Facility of Pennsylvania

Statutory Financial Statements, Independent Auditors' Report and Supplemental Schedules
December 31, 2011 and 2010

MAZARS

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ACCOUNTING | TAX | ADVISORY

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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, 2011 and 2010, 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, 2011 and 2010, 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 audit was performed 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 of the Facility as of December 31, 2011 and for the year then ended are presented for purposes of additional analysis to comply with the National Association of Insurance Commissions' Accounting Practices and Procedures Manual and is not a required part of the basic statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 9, 2012

Insurance Placement Facility of Pennsylvania

Statutory Statements of Admitted Assets, Liabilities and Members' Equity

December 31, 2011 and 2010

	2011	2010
Admitted Assets		
Cash and cash equivalents	$ 12,965,495	$ 14,199,512
Due from related parties	60,253	125,562
Premiums receivable	5,187	6,309
Assessments receivable	-	584,048
Total admitted assets	$ 13,030,935	$ 14,915,431
Liabilities and Members' Equity		
Liabilities		
Unearned premiums	$ 4,291,259	$ 4,397,369
Claims/drafts payable	364,032	559,818
Unpaid losses and loss adjustment expenses	2,281,788	2,309,496
Unearned advanced premiums	226,538	248,376
Postretirement benefits payable	990,591	821,277
Pension liability	3,186,614	1,755,894
Other liabilities	222,271	202,419
Total liabilities	11,563,093	10,294,649
Members' equity	1,467,842	4,620,782
Total liabilities and members' equity	$ 13,030,935	$ 14,915,431

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

Insurance Placement Facility of Pennsylvania

Statutory Statements of Operations and Members' Equity
Years Ended December 31, 2011 and 2010

	2011	2010
Underwriting		
Premiums earned	$8,498,711	$9,293,301
Less		
Losses incurred	4,283,443	4,116,112
Loss adjustment expenses incurred	1,402,425	1,156,396
Underwriting and other expenses incurred	4,126,400	4,089,266
	9,812,268	9,361,774
Net underwriting loss	(1,313,557)	(68,473)
Interest income	12,307	26,642
Other expense		
Premium receivable charged off	(1,053)	(1,388)
Other income	316	1,184
Other expense, net	(737)	(204)
Net loss	(1,301,987)	(42,035)
Members' equity, beginning of year	4,620,782	4,897,024
Change in nonadmitted assets	(386,279)	(96,884)
Change in additional minimum pension liability	(1,441,819)	(223,859)
Refunds/assessments (charged-off) recovered	(22,855)	86,536
Members' equity, end of year	$1,467,842	$4,620,782

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

Insurance Placement Facility of Pennsylvania

Statutory Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Premiums collected, net	$ 8,370,665	$ 8,819,564
Interest income	12,307	26,642
Other expense	(737)	(204)
Benefit and loss related payments	(4,354,331)	(3,795,479)
Commissions, expenses paid and aggregate write-ins for deductions	(5,465,586)	(5,128,198)
Net cash used in operating activities	(1,437,682)	(77,675)
Cash flows from financing and other miscellaneous activities		
Other cash provided (applied)	203,665	(202,239)
Net decrease in cash, cash equivalents and short-term investments	(1,234,017)	(279,914)
Cash and cash equivalents, beginning of year	14,199,512	14,479,426
Cash and cash equivalents, end of year	$ 12,965,495	$ 14,199,512

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 with maturities of one year or less from the acquisition date. 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. Interest earned on cash and equivalents was $12,307 and 26,642 at December 31, 2011 and 2010.

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:

- Under Generally Accepted Accounting Principles, 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.

- Under Generally Accepted Accounting Principles, certain assets designated as "nonadmitted" would be reflected in the statutory statements of admitted assets, liabilities, and members' equity.
- Under Statutory Accounting Principles, fixed income securities are carried at amortized cost regardless of their classification.
- Under Statutory Accounting Principles, 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. All insurers ("Member Company") doing any insurance business in Pennsylvania of the kinds covered by the Facility are required to be a member. Each member 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.

The Facility did not approve any assessments during 2011. 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. The assessment receivable from Member Companies was $0 and $584,048 at December 31, 2011 and 2010, respectively.

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. 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 90.07% in 2011 and 89.58% in 2010.

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

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 12,238,994	$ 10,981,469	$ 599,548	$ 469,523
Service cost	195,351	171,443	110,439	43,612
Interest cost	656,803	632,628	83,762	30,862
Plan amendments	-	-	-	70,985
Actuarial loss	1,344,721	686,450	1,101,557	19,276
Benefits paid	(326,757)	(232,996)	(40,609)	(34,710)
Projected benefit obligation at December 31	$ 14,109,112	$ 12,238,994	$ 1,854,697	$ 599,548

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Change in plan assets:				
Fair value of plan assets at January 1	$ 9,321,637	$ 7,951,489	$ -	$ -
Actual return on plan assets	218,562	917,966	-	-
Employer contributions	889,044	685,178	40,609	34,710
Benefits paid	(326,757)	(232,996)	(40,609)	(34,710)
Fair value of plan assets at December 31	$ 10,102,486	$ 9,321,637	$ -	$ -
Reconciliation of funded status:				
Funded status	$ (4,006,626)	$ (2,917,357)	$ (1,854,697)	$ (599,548)
Unrecognized net actuarial loss (gain)	4,791,533	3,244,962	724,129	(357,399)
Unrecognized prior service cost	-	-	30,767	27,749
Prepaid assets or (accrued) liabilities	$ 784,907	$ 327,605	$ (1,099,801)	$ (929,198)

The net periodic benefit cost includes the following components:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Components of net periodic benefit cost:				
Service cost	$ 195,351	$ 171,443	$ 110,439	$ 43,612
Interest cost	656,803	632,628	83,762	30,862
Expected return on plan assets	(691,591)	(574,894)	-	-
Amount of prior service cost recognized	-	-	(3,018)	(26,395)
Amount of loss (gain) recognized	271,179	272,648	20,029	(29,242)
Net periodic benefit cost (income)	$ 431,742	$ 501,825	$ 211,212	$ 18,837

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

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Discount rate	5.50%	6.00%	5.75%	6.00%
Weighted average rate of compensation increase	3.00%	3.00%	3.00%	3.50%
Expected long-term rate of return	7.25%	7.25%	N/A	N/A

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

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Discount rate	4.75%	5.50%	4.75%	5.75%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%

The accumulated benefit obligation for the pension plan was $12,855,509 and $10,954,172 at December 31, 2011 and 2010, respectively.

Prepaid pension benefit cost was $784,907 and $327,605 at December 31, 2011 and 2010, 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, 2011 and 2010, the plan had an AML of $3,537,930 and $1,960,140, respectively. Pursuant to the requirements of SSAP No. 89, changes to the AML are recorded directly to members' equity. The increase in the AML during 2011 and 2010, respectively, was $1,577,790 and $273,179.

The pension benefit obligation excludes liabilities for nonvested employees, which were $0 and $71,246 at December 31, 2011 and 2010, 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, 2011 and 2010, by asset category are as follows:

	2011	2010
Asset category:		
Equity securities	50.8%	55.6%
Debt securities	46.7%	42.5%
Cash	2.5%	1.9%

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.

Contributions to the pension and postretirement benefits plans are expected to be $882,483 and $56,512, respectively, in 2012.

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

	Pension Benefits	Postretirement Benefits
2012	$ 544,191	$ 56,512
2013	620,961	67,186
2014	658,973	79,878
2015	729,422	88,844
2016	801,761	104,962
2017-2021	4,621,081	597,698

For measurement purposes, for participants younger than age 65, healthcare cost trend increases of 9.5% and 10.0% were assumed for 2011 and 2010, 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	$ 34,959	$ (28,520)
Effects on postretirement obligation	267,130	(222,172)

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 $94,387 and $91,196 in 2011 and 2010, respectively.

5. Liability for Unpaid Losses and Loss Adjustment Expenses

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

	2011	2010
Balance, January 1	$2,309,496	$1,900,116
Incurred related to:		
Current year	6,183,571	5,759,372
Prior years	(497,703)	(486,864)
Total incurred	5,685,868	5,272,508
Paid related to:		
Current year	3,950,150	3,562,706
Prior years	1,763,426	1,300,422
Total paid	5,713,576	4,863,128
Balance, December 31	$2,281,788	$2,309,496

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 $497,703 and $486,864 in 2011 and 2010, respectively. Paid amounts above are net of salvage and subrogation recoveries.

6. Lease Commitments

The Facility conducts its operations in leased premises under a lease that will expire April 30, 2015. At December 31, 2011, minimum rental commitments under this noncancelable lease are as follows:

Years Ending December 31,	
2012	$ 326,659
2013	333,106
2014	339,553
2015	113,901
Total payments	$1,113,219

Total rental expense was $333,376 and $305,364 in 2011 and 2010, 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.

7. 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 2011 and 2010, $976,503 and $721,784, respectively, was paid on behalf of the Insurance Placement Facility of Delaware and $296,900 and $375,095, respectively, was paid on behalf of the West Virginia Essential Property Insurance Association. At December 31, 2011 and 2010, $53,606 and $111,775, respectively, is due from the Insurance Placement Facility of Delaware and $6,647 and $13,787, respectively, is due from the West Virginia Essential Property Insurance Association.

8. 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, 2011 and 2010.

9. Subsequent Events

The Facility has evaluated subsequent events through April 9, 2012, which is the date these financial statements were available for issuance. Based on this evaluation, the Facility is not aware of any events or transactions that occurred subsequent to the Facility's year end and through this date that would require recognition or disclosure in its financial statements.

Insurance Placement Facility of Pennsylvania

Investment Risk Interrogatories
December 31, 2011

Total admitted assets at December 31, 2011	$13,030,935

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.

Insurance Placement Facility of Pennsylvania
Summary of Investments
December 31, 2011

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement	
Cash and cash equivalents	$ 12,965,495	100.00%	$ 12,965,495	100.00%
Total invested assets	$ 12,965,495	100.00%	$ 12,965,495	100.00%

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

Insurance Placement Facility of Pennsylvania
Reinsurance Interrogatories
December 31, 2011

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)