REPORT OF THE ANNUAL MEETING

April 25, 2013

Insurance Placement Facility of Pennsylvania

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

Board of Directors

2012- 2013

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

Mr. Daniel M. Taylor, Jr., Esq., General Counsel ………..	Margolis Edelstein, Pittsburgh
Mr. John M. Ogle, President ………………………………	Insurance Placement Facility of Pennsylvania

AGENDA FOR THE ANNUAL MEETING

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

April 25, 2013 - 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 26, 2012
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 2013 - 2014

   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 25, 2013
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 235 companies or 74.485% of the membership.

Upon motion duly made, seconded and carried, the Minutes of the April 26, 2012 Annual Meeting were approved as distributed.

A motion to ratify the actions of the Board of Directors for the 2012-2013 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 2012 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.

The Secretary reported that of the 261 votes casts, representing 76.104% of the membership, 94.64% or 247 voted in favor the proposed By-Laws amendment change. By motion, the amendment was declared approved by the membership and the Secretary was requested to seek the final approval of the Pennsylvania Insurance Commissioner.

With no other new business, Nominating Committee chairman Ms. Corise Morrison, placed into nomination the following Member Companies to serve on the Board of Directors for the 2013-2014 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 68.275% 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 2014.

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

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

Report of the Chairperson

Ms. Marci Thomas

45th Annual Meeting

Of the Members of the

Insurance Placement Facility of Pennsylvania

April 25, 2013

Good Afternoon. It is my pleasure to welcome you to the 45th Annual Meeting of the membership of the Insurance Placement Facility of Pennsylvania.

I am pleased to report that in 2012 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 urban markets were becoming somewhat dysfunctional as a result of the urban riots of the time. By the 1970's, the Pennsylvania settled into a predictable insurance market with only the exposure to severe winter weather as the market's most likely source of a large loss. As 2011and 2012 demonstrated; however, the State of Pennsylvania also has the potential for serious windstorm loss due to 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 Sandy's impact on the Plan, I am pleased to report the Plan still recorded a near breakeven result. The Facility recorded Earned Premiums of $8,324,000 while Loss Incurred and Loss Adjustment Expense Incurred totaled $3,183,177 and $972,538 respectively. General Expenses totaled $4,051,550 resulting in an Underwriting surplus of $116,735.

As I step down as your Chairman, I see the coming year as one of uncertainty. The limited returns from the investment markets, the continuing uncertainty concerning the economy and the recent weather events all seem certain to impact the marketplace.

In looking back, I think we confirmed that the catastrophe plans developed over the years do in fact hold up to the tests of events like Irene and Sandy. I think we also learned that some of the best laid plans may not always yield the hoped for results in a far larger event. In the case of Sandy, 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 we ever experience a far larger event.

It goes without saying that none of what we do 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 2012 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 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.

Most of all, I would like to acknowledge all of those individuals who routinely assist the Facility in its day to day operations. Our many committee members, and or committee chairman deliver outstanding service and clear advice when called upon. I also would like to thank the members of Pennsylvania Insurance Department for their professionalism and experience in assisting staff in the oversight of the Plan.

In closing, I would like to thank all of my fellow Board members. Your willingness to be actively engaged in the many aspects in the operation made 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

45th Annual Meeting

Of the Members of the

Insurance Placement Facility of Pennsylvania

April 25, 2013

Good afternoon and welcome to the 45th Annual Meeting of the Insurance Placement Facility of Pennsylvania.

Over the course of the last few meetings, I have speculated about the state of the marketplace by using words like "uncertainty", "unexpected" or "change". As I look back on 2012, I think Hurricane Sandy made it clear that the year was filled with unexpected events and changing conditions.

In the past we've seen television images of the wholesale destruction of large areas of far away places. In 2012 on the east coast, residents again experienced the unexpected power of significant hurricane. In Pennsylvania, the State escaped a significant impact by the luck of a hundred miles and the cooler temperatures of late October. That "luck" still brought the Pennsylvania Plan over $500,000 in incurred Hurricane Sandy loss.

The impact to New York and New Jersey served to remind us of what can happen and it reinforced the notion that the Northeastern United States is not immune to substantial damage from a hurricane. I believe it is fair to say the Pennsylvania FAIR Plan, with much of its business located in Southeastern Pennsylvania could easily have suffered a similar fate.

For the year, Plan had 680 reported losses, a decrease of almost 44% over 2011. Loss Incurred was slightly more than $3,183,000 and the corresponding Loss Adjustments Incurred fell to $972,538. Despite another year of limited investment returns, the Pennsylvania FAIR Plan recorded a 2011 Net Result of Operations surplus of $115,071.

2012 also saw the local marketplace continue to evolve. FAIR Plan New Business Received held steady with after years of declining volume. It remains to be seen; however, if the Plan's in force counts will also begin to stabilize after many years of depopulation.

Over the last four plus decades the Pennsylvania FAIR Plan 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 2013 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. 2012 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 two years. 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 individuals 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.

Respectively Submitted,

John M. Ogle, CPCU
President

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

PENNSYLVANIA FAIR PLAN

Treasurer's Report

December 31, 2012

ASSETS

Cash in Bank	6,407,822.65
Investments, Short term at cost plus accumulated discount	5,414,490.46
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	10,052.10
Other Receivables	94,136.09
Equipment *	52,013.47
Total Assets	11,978,514.77

LIABILITIES AND MEMBERS' EQUITY

Unearned Premiums	4,189,241.00
Unearned Advance Premiums	210,490.00
Outstanding Losses	1,140,615.00
Outstanding Loss Adjustment Expenses	267,292.00
Accrued Expenses	99,898.00
Unpaid Post Retirement Benefits	1,074,237.00
Unpaid Pension	3,335,989.00
Accounts Payable	125,221.88
Claims Checks Payable	275,860.50
Unpaid Premium Tax	0.00
Total Liabilities	10,718,844.38
Members' Equity (Deficit)	1,259,670.39
Total Liabilities and Members' Equity	11,978,514.77

Respectfully Submitted,

RoseMarie McDonald

RoseMarie McDonald
Accounting Manager

* E. D. P. Equipment

Insurance Placement Facility of Pennsylvania

Statutory Financial Statements and Supplemental Schedules
December 31, 2012 and 2011

Insurance Placement Facility of Pennsylvania
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Independent Auditors' Report

To the Board of Directors
Insurance Placement Facility of Pennsylvania

We have audited the accompanying financial statements of the Insurance Placement Facility of Pennsylvania, which comprise the statutory statements of admitted assets, liabilities, and members' equity as of December 31, 2012 and 2011, and the related statutory statements of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and members' equity of the Insurance Placement Facility of Pennsylvania as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania as described in Note 1.

WeiserMazars LLP
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Tel: 215.259.1000 – Fax: 215.259.1010 – www.weisermazars.com

MAZARS

WeiserMazars

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by the Insurance Placement Facility of Pennsylvania in accordance with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Insurance Department of the Commonwealth of Pennsylvania. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Investment Risks Interrogatories, Summary Investment Schedule, and Reinsurance Interrogatories are presented for purposes of additional analysis and are not a required part of the 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 the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the board of directors and management of the Insurance Placement Facility of Pennsylvania and 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.

WeiserMazars LLP

April 9, 2013

Insurance Placement Facility of Pennsylvania

Statutory Statements of Admitted Assets, Liabilities and Members' Equity

December 31, 2012 and 2011

	2012	2011
Admitted Assets		
Cash and cash equivalents	$ 11,822,312	$ 12,965,495
Due from related parties	94,136	60,253
Premiums receivable	10,052	5,187
EDP equipment and software	52,013	-
Total admitted assets	$ 11,978,513	$ 13,030,935
Liabilities and Members' Equity		
Liabilities		
Unearned premiums	$ 4,189,241	$ 4,291,259
Claims and drafts payable	275,860	364,032
Unpaid losses and loss adjustment expenses	1,407,907	2,281,788
Advance premiums	210,490	226,538
Postretirement benefits payable	1,074,237	990,591
Pension liability	3,335,989	3,186,614
Other liabilities	225,121	222,271
Total liabilities	10,718,845	11,563,093
Members' equity	1,259,668	1,467,842
Total liabilities and members' equity	$ 11,978,513	$ 13,030,935

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, 2012 and 2011

	2012	2011
Underwriting:		
Premiums earned	$8,324,000	$8,498,711
Losses incurred	3,183,177	4,283,443
Loss adjustment expenses incurred	972,539	1,402,425
Underwriting and other expenses incurred	4,051,552	4,126,400
	8,207,268	9,812,268
Net underwriting gain (loss)	116,732	(1,313,557)
Interest income	5,252	12,307
Other expense:		
Premium receivable charged off	(6,447)	(1,053)
Other (expense) income	(468)	316
Other expense, net	(6,915)	(737)
Net income (loss)	115,069	(1,301,987)
Members' equity, beginning of year	1,467,842	4,620,782
Change in nonadmitted assets	(173,771)	(386,279)
Change in additional minimum pension liability	(149,375)	(1,441,819)
Assessments charged off	(97)	(22,855)
Members' equity, end of year	$1,259,668	$1,467,842

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, 2012 and 2011

	2012	2011
Cash from operations		
Premiums collected, net	$ 8,193,602	$ 8,370,665
Benefit and loss related payments	(3,863,584)	(4,354,331)
Commissions, expenses paid and aggregate write-ins for deductions	(5,215,580)	(5,465,586)
Interest income	5,252	12,307
Other expense	(6,915)	(737)
Net cash from operations	(887,225)	(1,437,682)
Cash from financing and miscellaneous sources		
Other cash (applied) provided	(255,958)	203,665
Net decrease in cash and cash equivalents	(1,143,183)	(1,234,017)
Cash and cash equivalents, beginning of year	12,965,495	14,199,512
Cash and cash equivalents, end of year	$ 11,822,312	$ 12,965,495

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, except as to form, in conformity with statutory accounting practices ("SAP") as promulgated by the National Association of Insurance Commissioners ("NAIC") and as prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania (the "Insurance Department"). Such practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). 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 $5,252 and $12,307 at December 31, 2012 and 2011.

Variances from Generally Accepted Accounting Principles
Certain of the prescribed or permitted insurance accounting practices followed by the Facility differ from GAAP. The principal differences are as follows:

- Under GAAP, 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 GAAP, certain assets designated as "nonadmitted" would be reflected in the statutory statements of admitted assets, liabilities, and members' equity.

- Under SAP, fixed income securities are carried at amortized cost regardless of their classification.
- Under SAP, 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 2012 and 2011.

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 89.52% in 2012 and 90.07% in 2011.

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

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 14,109,112	$ 12,238,994	$ 1,854,697	$ 599,548
Service cost	210,331	195,351	43,161	110,439
Interest cost	657,739	656,803	81,271	83,762
Actuarial loss	1,416,675	1,344,721	77,182	1,101,557
Benefits paid	(414,662)	(326,757)	(48,613)	(40,609)
Projected benefit obligation at December 31	$ 15,979,195	$ 14,109,112	$ 2,007,698	$ 1,854,697

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Change in plan assets:				
Fair value of plan assets at January 1	$ 10,102,486	$ 9,321,637	$ -	$ -
Actual return on plan assets	1,290,196	218,562	-	-
Employer contributions	882,480	889,044	48,613	40,609
Benefits paid	(414,662)	(326,757)	(48,613)	(40,609)
Fair value of plan assets at December 31	$ 11,860,500	$ 10,102,486	$ -	$ -
Reconciliation of funded status:				
Funded status	$ (4,118,695)	$ (4,006,626)	$ (2,007,698)	$ (1,854,697)
Unrecognized net actuarial loss	5,169,608	4,791,533	778,261	724,129
Unrecognized prior service cost	-	-	29,440	30,767
Prepaid assets or (accrued) liabilities	$ 1,050,913	$ 784,907	$ (1,199,997)	$ (1,099,801)

The net periodic benefit cost includes the following components:

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Components of net periodic benefit cost:				
Service cost	$ 210,331	$ 195,351	$ 43,161	$ 110,439
Interest cost	657,739	656,803	81,271	83,762
Expected return on plan assets	(746,087)	(691,591)	-	-
Amount of prior service cost recognized	-	-	1,327	(3,018)
Amount of loss recognized	494,491	271,179	23,050	20,029
Net periodic benefit cost	$ 616,474	$ 431,742	$ 148,809	$ 211,212

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

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Discount rate	4.75%	5.50%	4.75%	5.75%
Weighted average rate of compensation increase	3.00%	3.00%	N/A	3.00%
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	
	2012	2011	2012	2011
Discount rate	4.00%	4.75%	4.00%	4.75%
Rate of compensation increase	3.00%	3.00%	N/A	3.00%

The accumulated benefit obligation for the pension plan was $14,536,116 and $12,855,509 at December 31, 2012 and 2011, respectively.

Prepaid pension benefit cost was $1,050,913 and $784,907 at December 31, 2012 and 2011, 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, 2012 and 2011, the plan had an AML of $3,726,529 and $3,537,930, 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 2012 and 2011, respectively, was $188,599 and $1,577,790.

The pension benefit obligation excludes liabilities for nonvested employees, which were $40,953 and $0 at December 31, 2012 and 2011, 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, 2012 and 2011, by asset category are as follows:

	2012	2011
Asset category:		
Equity securities	54.4%	50.8%
Debt securities	43.4%	46.7%
Cash	2.2%	2.5%

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.

Contributions to the pension and postretirement benefits plans are expected to be $689,904 and $60,788, respectively, in 2013.

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

	Pension Benefits	Postretirement Benefits
2013	$ 595,842	$ 60,788
2014	638,745	70,554
2015	714,249	81,474
2016	796,284	94,330
2017	862,311	97,039
2018-2022	4,929,680	571,296

For measurement purposes, for participants younger than age 65, healthcare cost trend increases of 9.0% and 9.5% were assumed for 2012 and 2011, 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	$ 21,247	$ (17,377)
Effects on postretirement obligation	280,710	(265,795)

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 75% of their annual compensation; not to exceed the maximum amount allowed by the Internal Revenue Service each plan year. The Facility matches employee contributions up to a maximum of 6% of an employee's annual compensation. Contributions by the Facility amounted to $91,964 and $94,387 in 2012 and 2011, 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:

	2012	2011
Balance, January 1	$2,281,788	$2,309,496
Incurred related to:		
Current year	4,261,237	6,183,571
Prior years	(105,521)	(497,703)
Total incurred	4,155,716	5,685,868
Paid related to:		
Current year	2,916,810	3,950,150
Prior years	2,112,787	1,763,426
Total paid	5,029,597	5,713,576
Balance, December 31	$1,407,907	$2,281,788

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 $105,521 and $497,703 in 2012 and 2011, 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, 2012, minimum rental commitments under this noncancelable lease are as follows:

Years Ending December 31,	
2013	$ 331,072
2014	337,480
2015	113,205
Total payments	$ 781,757

Total rental expense was $325,672 and $333,376 in 2012 and 2011, 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 2012 and 2011, $753,431 and $976,503, respectively, was paid on behalf of the Insurance Placement Facility of Delaware and $338,587 and $296,900, respectively, was paid on behalf of the West Virginia Essential Property Insurance Association. At December 31, 2012 and 2011, $69,895 and $53,606, respectively, is due from the Insurance Placement Facility of Delaware and $22,730 and $6,647, 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, 2012 and 2011.

9. Subsequent Events

The Facility has evaluated subsequent events through April 9, 2013, the date these financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Total admitted assets at December 31, 2012	$11,978,513

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.

Insurance Placement Facility of Pennsylvania

Summary Investment Schedule
December 31, 2012

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement	
Cash and cash equivalents	$ 11,822,312	100.00%	$ 11,822,312	100.00%
Total invested assets	$ 11,822,312	100.00%	$ 11,822,312	100.00%

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

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 31 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)

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WeiserMazars

Board of Directors
Insurance Placement Facility of Pennsylvania

In planning and performing our audit of the statutory financial statements of the Insurance Placement Facility of Pennsylvania (the "Facility") as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Facility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the use of management, the Board of Directors and the Insurance Department of the Commonwealth of Pennsylvania. In addition, the Insurance Department should understand that the criteria used by us in considering the internal control structure could differ significantly from the criteria that the Insurance Department may be using for its purpose.

WeiserMazars LLP

April 9, 2013

WEISERMAZARS LLP
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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 financial statements of Insurance Placement Facility of Pennsylvania (the "Facility") for the year ended December 31, 2012 and have issued our report thereon dated April 9, 2013. 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.

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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 third 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.

WeiserMazars LLP

April 9, 2013