INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

FAIR PLAN

REPORT OF THE ANNUAL MEETING

April 16, 2015

Insurance Placement Facility of Pennsylvania

190 N. Independence Mall West
Philadelphia, PA 19106-1554

Board of Directors

2014- 2015

Ms. Nicole Ford, Chairperson	Allstate Insurance Company
Mr. Kurt Husar, Vice Chairperson	ACE USA
Ms. Susan Erney	The Harleysville Insurance Companies
Ms. Patricia Quinn	CNA
Ms. Marci Thomas	State Farm Insurance Companies
Jitendra Mohnani	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 16, 2015 - 1:30 P.M.

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1. Call to Order - 1:30 P.M. - Ms. Patricia Quinn, Chairperson, presiding
2. Approval of Minutes of Previous Year Annual Meeting - April 22, 2014
3. Ratification of Board and Officer's Actions
4. Report of the Chairman
5. Report of the President
6. Treasurer's Report
7. New Business
8. Election of Board of Directors 2015 - 2016

   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 16, 2015
Administrative Offices of the Facility
1:30 p.m.
190 N. Independence Mall West
Philadelphia, PA

The Annual Meeting of the Insurance Placement Facility of Pennsylvania was called to order with Chairperson Patricia Quinn 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 149 companies or 58.25% of the membership.

Upon motion duly made, seconded and carried, the Minutes of the April 22, 2014 Annual Meeting were approved as distributed.

A motion to ratify the actions of the Board of Directors and the Officers for the 2014-2015 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 were included in pre meeting materials and will be incorporated into the Annual Report. The reports were accepted as presented.

The President also noted the 2014 financial audit report provided by the accounting firm of WeiserMazars and as accepted by the Audit Committee and the Board of Directors will be made part of the Annual Report submitted to Member Companies.

With no new business, Nominating Committee chairman Mr. Kevin Curry, placed into nomination the following Member Companies to serve on the Board of Directors for the 2015-2016 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 Quinn requested and received confirmation from the secretary that a sufficient amount of ballots had been cast for the nominees. Mr. Ogle reported that 57.92% of the membership representing 142 companies, 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 2016.

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

Respectfully submitted by,

Mr. John M. Ogle
President

Approved by,

Patricia A. Quinn

Ms. Patricia Quinn
Chairperson of Board

Report of the Chairperson

Ms. Patricia A. Quinn

47th Annual Meeting

Of the Members of the

Insurance Placement Facility of Pennsylvania

April 16, 2015

Good afternoon and welcome to 47th Annual Meeting of the Insurance Placement Facility of Pennsylvania. As we close in on five decades in operation, I am pleased to report that the Facility continues to meet its primary purpose of making basic property insurance available to those property owners in the Commonwealth who have been unable to secure such coverage in the voluntary marketplace.

Pennsylvania is a state with an economy as diverse as its geography. Some areas have industries that provide significant opportunities for its local residents while others still struggle with the demise of the steel industry. Despite the diversity of opportunity, Pennsylvania remains a viable and very competitive insurance marketplace and with such competition, the Pennsylvania FAIR Plan experiences an inverse response to the hard and soft market swings of the voluntary marketplace. Policy Issued counts have varied greatly over the years from approximately 80,000 in the 1980's to around 23,000 in 2010's. In 2014, the Plan issued 20,575 policies.

Although the FAIR Plan is not nearly the size it once was, it still receives a daily flow of new applications and renew payments from all 67 counties. The Plan has policies written in the remote woods of the northern tier as well as in its more traditional high density urban areas of most every Pennsylvania city. Some policies are written for only short time, while others have remained on the books for many years.

Through it all, the Plan has experienced operational results of both a surplus and a deficit. In 2014, the impact of a year of increased claims against the tide of reduced premium pushed the FAIR Plan into a Net Result of Operations loss of $1,212,315.86.

As I close out my term as both your Chairman, I looked back over the last several years and can't help but to think of the many people that left their stamp on the FAIR Plan. To all those who served us well and moved on to new chapters in their life, I would like to thank each and every one of them for a job well done.

I would also like to thank all the members of the Pennsylvania Insurance Department for their support to the organization. I am not only very appreciative of the individuals who come to and participate at our various meetings, but also of the many others within the Department who assist the Staff with any number of questions or concerns.

I would like to thank General Counsel Taylor for his service to the Plan. Dan's well-reasoned and practical advice has served the Plan and this Board well over the years and I am grateful for his diligence.

In closing, I would also like to thank President John Ogle and all the members of the Staff of the Pennsylvania FAIR Plan. Much of what we accomplish in the Board room would be for not without the dedicated efforts of the employees at the Plan. I believe we are very fortunate to have such a dedicated and supportive staff.

I would be remiss if I did not also thank all of my fellow Board and Committee members for your dedication to your duties at the FAIR Plan. Your active participation, insightful observations and most of all, your willingness to put in the time and effort necessary to oversee the FAIR Plan has been blessing. I appreciate your support and I remain as optimistic as ever that the Plan will continue to serve the needs of the Commonwealth's insurance buying public for many years to come.

Warmest Regards

Patricia A. Quinn

Patricia Quinn
Chairman of the Board

Report of the President
John M. Ogle

47th Annual Meeting
Of the Members of the
Insurance Placement Facility of Pennsylvania
April 16, 2015

Good afternoon and welcome to the 47th Annual Meeting of the Insurance Placement Facility of Pennsylvania.

As noted in the Chairman's report, the decline in policy and premium numbers is part of a long running trend established many years ago. That decline, although difficult on FAIR Plan results, historically has been considered a barometer on the health of the overall Pennsylvania marketplace. Regardless of the marketplace, the FAIR Plan is still charged with its primary duty to make basic property insurance available and affordable to the Commonwealth's property owners. As it has done for nearly five decades, in 2014 the FAIR Plan continued to meet that responsibility.

In the last few years the FAIR Plan, like much of the insurance industry, felt the impact of the wave of baby boomer retirements that will continue to ripple throughout the organization. The convergence of limited revenue and departing talent led the Plan to finalize two significant agreements in 2014.

First and foremost, after an 18 month search, the Plan entered into an agreement to replace its legacy policy and claims management software. The search was conducted with the New York, Kentucky and Illinois FAIR Plans as well as with the much smaller Wisconsin, Indiana, Delaware, and West Virginia FAIR Plans. The combined search not only dramatically lowered costs it also yielded a highly a configurable software product that will streamline operations and lower operational costs

Second, after more than 17 years at its current location, the Plan entered into an agreement to move its office to smaller and more economical space. Commencing in late April 2015, the Pennsylvania FAIR Plan will condense operations to smaller space located at 190 North Independence Mall West in Philadelphia. The move to smaller space reflects the smaller size of the Plan and is designed to bring about significant annual savings from the current space.

Although retirements will not abate for several years, steps being taken today should pave the way for a smaller more efficient operation of tomorrow. Although the needs of the insurance buying public will ebb and flow with the marketplace in general, the expectations of the public will continue to evolve and it is mandatory that the Plan meet those expectations. Through it all, I am pleased to report that the Plan remains focused on its customer service responsibilities and the obligation to the member companies to operate in a cost efficient manner.

Fiscally, 2014 was not a particularly good year for Plan operations as a decrease in Premiums Earned and increase in Losses Reported was compounded by increase in the number of large fire losses. Combined, the FAIR Plan recorded a Net Result of Operations loss of $1,212,315.86 Inside those numbers were 23 fire losses reserved in a combined excess of just over $2.4 million. Overall, Total Loss Incurred for the year was $4,246,731.25.

As I look back on what was a very busy year, I want to thank all the members of the Staff. Without their efforts, we would not make a successful transition to smaller space and we would not be able to complete the implementation to new software. My hat is off to each and every one of them for their extraordinary efforts.

I would also like to acknowledge those employees, Board and Committee members that retired over the past years. From the Boardroom to various levels throughout the FAIR Plan, we lost, and will continue to lose, many years of experience. Whether they were a Board or Committee member or an employee working to meet the challenge of day to day operations, I believe I have been very fortunate to have worked with such a group of talented and dedicated individuals.

As did the Chairman, I would also like to thank General Counsel Dan Taylor for his assistance. General Counsel plays a significant role in making sure that the organization does not run afoul of regulations or the law and that it continues to meet its compliance obligations. Dan has provided, and continues to provide, great advice and I am grateful for his counsel.

I would be remiss if I did not thank the members of the Pennsylvania Insurance Department for their service to the Plan. Every year we call upon the Department for any number of reasons and in every instance, the Department is responsive and professional with their response. In particular, I would like to thank those representatives that regularly attend our meetings. Their efforts are the building blocks for the excellent relationship between the FAIR Plan and the Pennsylvania Insurance Department and I am appreciative of everyone's contribution.

Lastly, I would also like to thank the members of the Board of Directors. I am very grateful and fortunate to have such a professional group at my side. Your interest in our meetings and your support for our endeavors has been appreciated.

Respectively Submitted,

Mr. John M. Ogle, CPCU
President / Secretary

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

PENNSYLVANIA FAIR PLAN

Treasurer's Report

December 31, 2014

ASSETS	
Cash in Bank	4,174,123.79
Investments, Short term at cost plus accumulated discount	5,415,572.05
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	5,001.30
Other Receivables	145,958.71
Equipment *	274,129.75
Total Assets	10,014,785.60

LIABILITIES AND MEMBERS' EQUITY	
Unearned Premiums	4,100,271.00
Unearned Advance Premiums	211,192.00
Outstanding Losses	1,157,216.00
Outstanding Loss Adjustment Expenses	214,134.00
Accrued Expenses	140,006.00
Unpaid Post Retirement Benefits	2,817,021.00
Unpaid Pension	2,145,160.00
Accounts Payable	141,282.55
Claims Checks Payable	385,417.12
Unpaid Premium Tax	0.00
Total Liabilities	11,311,699.67
Members' Equity (Deficit)	(1,296,914.07)
Total Liabilities and Members' Equity	10,014,785.60

Respectfully Submitted,

RoseMarie McDonald
Accounting Manager

* E. D. P. Equipment

Insurance Placement Facility of Pennsylvania

Statutory Financial Statements and Supplemental Schedules
December 31, 2014 and 2013

Insurance Placement Facility of Pennsylvania
Contents
December 31, 2014 and 2013

MAZARS

WeiserMazars

Independent Auditors' Report

To the Board of Directors
Insurance Placement Facility of Pennsylvania

Report on the Financial Statements

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' (deficit) equity as of December 31, 2014 and 2013, and the related statutory statements of operations and members' (deficit) 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' (deficit) equity of the Insurance Placement Facility of Pennsylvania as of December 31, 2014 and 2013, 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
501 Office Center Drive, Suite 300 – Fort Washington, Pennsylvania – 19034
Tel: 215.259.1000 – Fax: 215.259.1010 – www.weisermazars.com

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 Risk 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 7, 2015

Insurance Placement Facility of Pennsylvania
Statutory Statements of Admitted Assets, Liabilities and Members' (Deficit) Equity
December 31, 2014 and 2013

	2014	2013
Admitted Assets		
Cash and cash equivalents	$ 9,589,695	$ 10,626,591
Due from related parties	145,958	248,252
Premiums receivable	5,001	2,835
EDP equipment and software, net	-	38,911
Total admitted assets	$ 9,740,654	$ 10,916,589
Liabilities and Members' (Deficit) Equity		
Liabilities		
Unearned premiums	$ 4,100,271	$ 4,259,400
Unpaid losses and loss adjustment expenses	1,371,350	905,643
Claims and drafts payable	385,417	361,031
Advance premiums	211,192	225,095
Postretirement benefits payable	2,817,021	2,154,422
Pension liability	2,145,160	1,526,431
Other liabilities	281,288	231,824
Total liabilities	11,311,699	9,663,846
Members' (deficit) equity	(1,571,045)	1,252,743
Total liabilities and members' (deficit) equity	$ 9,740,654	$ 10,916,589

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

Insurance Placement Facility of Pennsylvania

Statutory Statements of Operations and Members' (Deficit) Equity
Years Ended December 31, 2014 and 2013

	2014	2013
Underwriting:		
Premiums earned	$ 8,222,212	$8,214,277
Losses incurred	4,246,732	3,874,597
Loss adjustment expenses incurred	1,048,521	896,027
Underwriting and other expenses incurred	4,139,277	4,338,164
	9,434,530	9,108,788
Net underwriting loss	(1,212,318)	(894,511)
Interest income	541	541
Other (expense) income:		
Premium receivable charged off	(1,744)	(2,751)
Other (expense) income	(1,321)	279
Other expense, net	(3,065)	(2,472)
Net loss	(1,214,842)	(896,442)
Members' equity, beginning of year	1,252,743	1,259,668
Change in nonadmitted assets	(345,890)	(70,528)
Change in pension liability	(1,456,698)	1,003,371
Change in accounting principle	-	(43,326)
Refunds/assessments recovered	193,642	-
Members' (deficit) equity, end of year	$(1,571,045)	$1,252,743

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, 2014 and 2013

	2014	2013
Cash from operations		
Premiums collected, net	$ 8,049,370	$ 8,312,673
Benefit and loss related payments	(3,853,625)	(4,251,103)
Commissions, expenses paid and aggregate write-ins for deductions	(5,065,141)	(5,369,897)
Interest income	541	541
Other expense	(3,065)	(2,472)
Net cash from operations	(871,920)	(1,310,258)
Cash from financing and miscellaneous sources		
Other cash (applied) provided	(164,976)	114,537
Net decrease in cash and cash equivalents	(1,036,896)	(1,195,721)
Cash and cash equivalents, beginning of year	10,626,591	11,822,312
Cash and cash equivalents, end of year	$ 9,589,695	$10,626,591

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 $541 and $541 at December 31, 2014 and 2013.

Pensions Benefits and Other Postretirement Benefits
The Facility adopted the provisions of SSAP No. 92, Accounting for Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14 and SSAP No. 102 Accounting for Pensions, A Replacement of SSAP No. 89, effective January 1, 2013. SSAP No. 92 establishes new statutory accounting principles and related reporting for employers' postretirement plans other than pensions. SSAP No. 102 establishes new statutory accounting principles and related reporting for employers'

pension obligations. As a result of the adoption of SSAP No. 102 and SSAP No. 92, the Facility recorded the following changes to unassigned surplus at December 31, 2013:

Initial impact on surplus:		
Pension	$	806,187
Other Postretirement		(849,513)
Net change		(43,326)

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.

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.

During 2014, the Facility approved a closeout of 2008, 2009, 2010 and 2011 policy years in the amount of $(8,302,872) with an offset assessment against 2012 and 2013 policy years in the amount of $8,302,872. The Facility did not approve any assessments during 2013. There was no assessment receivable from Member Companies at December 31, 2014.

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 88.63% in 2014 and 89.50% in 2013.

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

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 15,721,443	$ 15,979,195	$ 2,407,175	$ 2,007,698
Service cost	216,055	253,789	26,868	21,860
Interest cost	690,206	635,068	138,862	104,557
Plan amendments	14,044	-	(254,278)	-
Accounting change	-	41,628	-	551,329
Actuarial loss (gain)	1,338,764	(742,093)	944,369	(226,639)
Benefits paid	(477,268)	(446,144)	(84,590)	(51,630)
Projected benefit obligation at December 31	$ 17,503,244	$ 15,721,443	$ 3,178,406	$ 2,407,175

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Change in plan assets:				
Fair value of plan assets at January 1	$ 14,015,933	$ 11,860,500	$ -	$ -
Actual return on plan assets	954,317	1,911,673	-	-
Employer contributions	589,908	689,904	84,590	51,630
Benefits paid	(477,268)	(446,144)	(84,590)	(51,630)
Fair value of plan assets at December 31	$ 15,082,890	$ 14,015,933	$ -	$ -
Reconciliation of funded status:				
Funded status	$ (2,420,354)	$ (1,705,510)	$ (3,178,406)	$ (2,407,175)
Unrecognized net actuarial loss	3,967,187	2,798,011	1,301,485	464,957
Unrecognized non-vested prior service cost	27,920	27,752	158,974	456,108
Unrecognized prior service cost	-	-	-	28,113
Prepaid assets or (accrued) liabilities	$ 1,574,753	$ 1,120,253	$ (1,717,947)	$ (1,457,997)

The net periodic benefit cost includes the following components:

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Components of net periodic benefit cost:				
Service cost	$ 216,055	$ 253,789	$ 26,868	$ 21,860
Interest cost	690,206	635,068	138,862	104,557
Expected return on plan assets	(977,366)	(861,975)	-	-
Amount of prior service cost recognized	-	-	7,322	1,327
Amount of prior non-vested liability recognized	13,876	13,876	63,647	95,221
Amount of loss recognized	192,637	579,806	107,841	86,665
Net periodic benefit cost	$ 135,408	$ 620,564	$ 344,540	$ 309,630

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

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	4.50%	4.00%	4.80%	4.00%
Weighted average rate of compensation increase	3.00%	3.00%	N/A	3.00%
Expected long-term rate of return	7.00%	7.25%	N/A	N/A

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

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	3.80%	4.50%	3.95%	4.80%
Rate of compensation increase	3.00%	3.00%	N/A	3.00%

The accumulated benefit obligation for the pension plan was $16,278,016 and $14,492,643 at December 31, 2014 and 2013, respectively.

Prepaid pension benefit cost was $1,574,753 and $1,120,253 at December 31, 2014 and 2013, respectively.

The expected long-term rate of return on assets assumption is 7.0%. 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, 2014 and 2013, by asset category are as follows:

	2014	2013
Asset category:		
Equity securities	50.1%	63.0%
Debt securities	48.9%	36.5%
Cash	1.0%	0.5%

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.

The plan's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, Fair Value Measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SSAP No. 100 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no significant changes in the methodologies used at December 31, 2014 and 2013.

Pooled Separate Accounts: Investments in pooled separate accounts are valued at fair value, based on the applicable percentage of net assets of the pooled separate accounts as of the measurement date, as determined by Principal. In determining fair value, Principal utilizes valuations calculated for the pooled separate accounts. The pooled separate accounts value securities and other financial instruments on a fair value basis of accounting. The pooled separate accounts invest in domestic and foreign stocks, mutual funds, commercial paper and money market funds. The fair values of these investments are based on quoted prices or other observable inputs and are used by Principal in determining the fair value of the pooled separate accounts. The fair value of the Plan's investments in pooled separate accounts generally represents the amount the Plan would expect to receive if it were to liquidate its investments.

Partnerships/Joint Venture Interests: Investments in investment partnerships/joint venture interests are valued at fair value based on the applicable percentage ownership of the investment partnerships'/joint ventures' net assets as of the measurement date, as determined by the Plan. In determining fair value, the Plan utilizes valuations provided by the investment partnerships/joint ventures. The investment partnerships/joint ventures value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the investment partnerships/joint ventures, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective investment partnerships/joint ventures and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Plan's investments in investment partnerships/joint ventures generally represents the amount the Plan would expect to receive if it were to liquidate its investment in the investment partnerships/joint ventures.

Managed Accounts: Managed accounts that hold individual investments are valued at the closing price of shares for domestic and foreign stocks.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes that its valuation method is appropriate and consistent with those of other market participants, the use of a different methodology to determine the fair value could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the gross assets of the plan as of December 31, 2014 and 2013. The Facility, Insurance Placement Facility of Delaware, and West Virginia Essential Property Insurance Association have a total interest in plan assets of approximately 1.39% and 1.34% as of December 31, 2014 and 2013.

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Managed accounts				
Small cap equity	$ 182,821,733	$ -	$ -	$ 182,821,733
Pooled separate accounts				
Large cap growth	-	188,268,454	-	188,268,454
Large cap value	-	104,495,245	-	104,495,245
International equity	-	99,724,143	-	99,724,143
Fixed income	-	494,631,020	-	494,631,020
Cash	-	15,455,351	-	15,455,351
Partnerships/Joint venture interests				
Limited partnerships	-	-	535,896	535,896
Total assets at fair value	$ 182,821,733	$ 902,574,213	$ 535,896	$ 1,085,931,842

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Managed accounts				
Small cap equity	$ 242,179,590	$ -	$ -	$ 242,179,590
Pooled separate accounts				
Large cap growth	-	196,338,995	-	196,338,995
Large cap value	-	92,754,605	-	92,754,605
International equity	-	117,357,076	-	117,357,076
Fixed income	-	376,822,509	-	376,822,509
Cash	-	5,122,667	-	5,122,667
Partnerships/Joint venture interests				
Limited partnerships	-	-	1,471,242	1,471,242
Total assets at fair value	$ 242,179,590	$ 788,395,852	$ 1,471,242	$ 1,032,046,684

5. Liability for Unpaid Losses and Loss Adjustment Expenses

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

	2014	2013
Balance, January 1	$ 905,643	$ 1,407,907
Incurred related to:		
Current year	5,356,759	4,608,302
Prior years	(61,506)	162,322
Total incurred	5,295,253	4,770,624
Paid related to:		
Current year	3,988,371	3,715,104
Prior years	841,175	1,557,784
Total paid	4,829,546	5,272,888
Balance, December 31	$ 1,371,350	$ 905,643

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) increased by $(61,506) and $162,322 in 2014 and 2013, respectively. The (favorable) unfavorable loss reserve development during 2014 and 2013 is based on loss expense reserves settling for amounts different than those estimated and is not attributable to any specific event or occurrence. 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. The Facility has signed a new 10.5-year lease effective May 1, 2015. The Facility has the option to renew its lease for an additional five year period. At December 31, 2014, minimum rental commitments under these noncancelable leases are as follows:

Years Ending December 31,	
2015	$ 145,000
2016	200,268
2017	204,383
2018	208,498
2019	212,613
Thereafter	1,322,316
Total payments	$ 2,293,078

Total rental expense was $362,593 and $332,449 in 2014 and 2013, 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.

Contributions to the pension and postretirement benefits plans are expected to be $349,284 and $124,645, respectively, in 2015.

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

	Pension Benefits	Postretirement Benefits
2015	$ 793,386	$ 124,645
2016	860,643	134,095
2017	888,357	132,466
2018	904,202	131,925
2019	989,599	140,829
2020-2024	5,476,660	845,107

For measurement purposes, for participants younger than age 65, healthcare cost trend increases of 8.0% and 8.5% were assumed for 2014 and 2013, 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	$ 15,083	$ (12,219)
Effects on postretirement obligation	-	-

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 $94,793 and $96,375 in 2014 and 2013, respectively.

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 2014 and 2013, $1,018,048 and $1,031,265, respectively, was paid on behalf of the Insurance Placement Facility of Delaware and $383,328 and $259,505, respectively, was paid on behalf of the West Virginia Essential Property Insurance Association. At December 31, 2014 and 2013, $136,674 and $225,552, respectively, is due from the Insurance Placement Facility of Delaware and $9,284 and $22,700, respectively, is due from the West Virginia Essential Property Insurance Association.

8. Electronic Data Processing Equipment and Software

Electronic data processing ("EDP") equipment and software are stated at cost. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from three to five years.

EDP equipment and software consisted of the following:

	2014	2013
Computers and equipment	$ 139,619	$ 165,536
Software	333,343	91,704
	472,962	257,240
Less accumulated depreciation	(198,832)	(218,329)
Less nonadmitted asset	(274,130)	-
EDP equipment and software, net	$ -	$ 38,911

Depreciation expense was $31,376 and $17,388 for the years ended December 31, 2014 and 2013, respectively.

9. Annual Statement Reconciliation

Differences exist between the amounts reported in the audited statutory financial statements and those reported in the annual statement of the Facility for the year ended December 31, 2014, related to the Statement of Statutory Accounting Principle 16R ("SSAP 16R") EDP equipment and software three percent surplus limitation. The differences between the annual statement and audited statutory financial statements are presented below for the year ended December 31, 2014.

	Audited Financial Statement	Annual Statement	Increase (Decrease)
Total admitted assets	$ 9,740,654	$ 10,014,784	$ (274,130)
Members' deficit	(1,571,045)	(1,296,915)	(274,130)

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 year ended December 31, 2013.

10. Subsequent Events

The Facility has evaluated subsequent events through April 7, 2015, the date these financial statements were available for issuance.

Total admitted assets at December 31, 2014 $ 9,740,654

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 Facility; 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 Facility holds no foreign investments.
4. The Facility holds no Canadian investments.
5. The Facility 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 Facility holds no nonaffiliated, privately placed equities.
8. The Facility holds no general partnership interests.
9. The Facility holds no mortgage loans.
10. The Facility holds no real estate.
11. The Facility has no repurchase agreements.
12. The Facility does not hold warrants.
13. The Facility does not have exposure to collars, swaps, or forwards.
14. The Facility does not have exposure for futures contracts.
15. The Facility 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, 2014

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement	
Cash and cash equivalents	$ 9,589,695	100.00%	$ 9,589,695	100.00%
Total invested assets	$ 9,589,695	100.00%	$ 9,589,695	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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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, 2014 and have issued our report thereon dated April 7, 2015. 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 and the Rules of Professional Conduct of the Pennsylvania Board of Public Accountancy.

b. The engagement partner and engagement manager are certified public accountants and are experienced in auditing insurance entities. Members of the engagement team, most of whom have had experience in auditing insurance entities were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Facility intends to file its 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.

   Although 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 the 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, as well as the results of operations and cash flows in conformity with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania. 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 misstatement resulting from fraud. Because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements caused by error or fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the

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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, 2014, 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 auditing procedures that are appropriate in the circumstances 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider unremediated material weaknesses as previously defined as of December 31, 2014. However, unremediated material weaknesses may exist that were not identified.

This communication is intended solely for the information and use of the audit committee, management, the Board of Directors 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 7, 2015

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