



REPORT OF THE ANNUAL MEETING

April 28, 2022

Insurance Placement Facility of Pennsylvania

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

Board of Directors

2021- 2022

Ms. Jaynine Warner, Chairperson	Travelers
Mr. Dave Sponic	Donegal Insurance Group
Ms. Christine Knudson-Miner	Allstate Insurance
Mr. Thomas Hyman	Chubb
Ms. Jennifer Koebe	Erie Insurance Group
Mr. Brad A. Ryan	Nationwide Insurance Company
Mr. Bob Messier	State Farm Insurance Company

Mr. Daniel M. Taylor, Jr., Esq., General Counsel	Margolis Edelstein, Pittsburgh
Mr. Susan A. Erney, President	Insurance Placement Facility of Pennsylvania



**Insurance Placement Facility of Pennsylvania
190 N Independence Mall West, Suite 301
Philadelphia, PA 19106-1554**

AGENDA FOR THE ANNUAL MEETING

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

April 28, 2022 – 9:00AM
Via Microsoft Teams
Call in (audio only): +1 469-480-3882
Phone Conference ID: 133 971 043#

-
1. Call to Order – 9:00AM - Ms. Jaynine Warner, Chairperson, presiding
 2. Approval of Minutes of Previous Year Annual Meeting - April 26, 2021
 3. Ratification of Board, Officer's and Committee Actions
 4. Report of the Chairperson
 5. Report of the President
 6. Treasurer's Report
 7. New Business—Amendment to Constitution and By-Laws
 8. Election of Board of Directors 2022 - 2023

Nominations are:

- 1) Allstate Insurance Company
 - 2) Chubb Group
 - 3) Donegal
 - 4) Erie Insurance Group
 - 5) Farmers Insurance
 - 6) Nationwide Insurance Companies
 - 7) State Farm Insurance Companies.
9. Adjournment of Meeting



Minutes of the Annual Meeting of the
Insurance Placement Facility of Pennsylvania
April 28, 2022
Via Video Conference
9:00 a.m.

The Annual Meeting of the Insurance Placement Facility of Pennsylvania was called to order with Chair Jaynine Warner presiding. President Susan A. Erney-Gleason served as secretary and reported a quorum was present with 190 companies or 75.16% of the membership represented in person or by proxy.

Upon motion duly made, seconded, and carried, the Minutes of the April 26, 2021 Annual Meeting were approved as distributed.

A motion to ratify the actions of the Board of Directors and the Officers for the 2021-2022 term was duly made, seconded, and carried.

Motions were made, seconded, and carried to waive the reading of the Chair's report, President's report, and the Treasurer's report, as all three reports were included in the pre-meeting agenda packet and will be incorporated into the Annual Report. The reports were accepted as presented.

The President noted the 2021 independent financial audit report provided by the accounting firm of Mazars will be presented and accepted by the Board of Directors and made part of the Annual Report submitted to Member Companies.

New business was presented by the President advising the Facility received 75.16% of member company votes in favor of amending the By-Laws and Constitution to remove the language requiring the Facility's headquarters to be located in Philadelphia, Pennsylvania. The Amendment will be submitted to the Insurance Commissioner of Pennsylvania for approval.

The Nominating Committee Chairperson Mr. David Sponic, placed into nomination the following Member Companies to serve on the Board of Directors for the 2022 – 2023 term:

Allstate Insurance Company
Chubb Group
Donegal Insurance Companies
Erie Insurance Group
Farmers Insurance
Nationwide Insurance Companies
State Farm Insurance Companies



Minutes of the Annual Meeting of the
Insurance Placement Facility of Pennsylvania
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9:00 a.m.

There being no other nominations, it was moved, seconded, and carried to close nominations. Chair Warner requested and received confirmation from the secretary that a sufficient number of ballots had been cast either in person or via proxy in favor of the nominated slate. Ms. Erney-Gleason reported that 190 companies or 75.16% of the membership was represented. As such and upon motion duly made, seconded, and carried, the slate was declared elected.

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

Respectfully submitted by,

Ms. Susan A. Erney-Gleason
MBA, CPCU, AIM API
President

Approved by,

Ms. Jaynine Warner
Chair of the Board

Report of the Chair
Ms. Jaynine Warner

54th Annual Meeting
of the Members of the
Insurance Placement Facility of Pennsylvania
April 28, 2022

Welcome to the 54th Annual Meeting of the Insurance Placement Facility of Pennsylvania. With now more than 50 years 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 who have been unable to secure such coverage in the voluntary marketplace.

There are a wide range of companies doing business in Pennsylvania, which is reflected in the State's viable and very competitive insurance marketplace. With so many companies active in the marketplace, it is not a surprise that the FAIR Plan has continued to see a decline in its volume.

Despite a competitive voluntary market and lower volumes, the Pennsylvania FAIR Plan receives a daily flow of new applications and payments from all corners of the Commonwealth. While the FAIR Plan has its greatest volume of existing business centered around the urban centers especially Philadelphia, it is seeing more new business applications from outside of the city of Philadelphia. Despite its southeastern urban tilt, the Plan still has policies in force in every county and most every small city or borough in the Commonwealth.

Over the past five decades, the Pennsylvania FAIR Plan has recorded years of both high and low loss severity and substantial surplus and deficits. With an 8.11% decrease in 2021's Premiums Earned and Losses Incurred, Loss Adjustment Expenses, and General Expenses higher than Premiums Earned, the Plan's Net Result of Operations ended the year with a deficit of \$384,413.40.

In 2021, almost all categories saw a decline including New Business Received, Policies Issued and Premiums Written. It would not be out of line to attribute some of this decline due to the ongoing COVID-19 pandemic. General Expenses also declined 10.13% in 2021.

In closing, I would like to thank the Pennsylvania Insurance Department for all its support to the FAIR Plan operation. We are very fortunate to have such an attentive Department of Insurance staffed with some very dedicated and talented individuals.

Report of the Chair
Ms. Jaynine Warner
Insurance Placement Facility of Pennsylvania
Annual Meeting – April 28, 2022

In addition, my appreciation also goes out to the Staff at the FAIR Plan. Their dedication to the FAIR Plan is evident in so many ways and I think I speak for all the Board members when I say we take great comfort knowing the operation is in such capable hands.

I would also like to recognize the contributions of our General Counsel Mr. Daniel M. Taylor. Mr. Taylor's timely and well thought out advice has served the Board well over the years and 2021 was no exception.

I would also be remiss if I did not acknowledge all the members of our committees and in particular our Committee Chairpersons. Your readiness to serve and to offer the Staff guidance on any number of assorted issues goes a long way in making the Pennsylvania FAIR Plan a well-run operation.

I would like to thank all my fellow Board members for their support and dedication. While these past two years have had us conducting Board meetings virtually due to the pandemic, I realize that many travel considerable distance and sometimes under less than ideal circumstances. During our meetings, I am constantly amazed at your knowledge and your willingness to take time from your busy schedules to assist in the oversight of the Pennsylvania FAIR Plan. For all your efforts, I am indeed grateful.

Every year it seems the Board of Directors or the FAIR Plan staff loses some very talented individuals to other assignments or retirement and 2021 was no exception. To all of those who have moved on, I would like to offer my personal thanks and gratitude for all the years of service to the FAIR Plan.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jaynine Warner', with a long horizontal flourish extending to the right.

Jaynine Warner
Chair of the Board

Report of the Chair
Ms. Jaynine Warner
Insurance Placement Facility of Pennsylvania
Annual Meeting – April 28, 2022

Report of the President
Susan A. Erney-Gleason

54th Annual Meeting
of the Members of the
Insurance Placement Facility of Pennsylvania
April 28, 2022

Good afternoon and welcome to the 54th Annual Meeting of the Insurance Placement Facility of Pennsylvania.

For nearly a decade, we have seen a steady decline in FAIR Plan business and 2021 was no exception. In 2021, Policies Issued fell 7.11% and Premiums Written declined by 7.5%. The decline is not exclusive to the Pennsylvania FAIR Plan as many residual markets nationwide also saw significant depopulation. Both Losses Incurred and Losses Reported fell by 29.51% and 9.76%, respectively.

Despite the decrease in Losses Incurred and General Expenses, an 8.11% drop in Premiums Earned yielded an Underwriting Loss of \$386,733.87. Considering Investment Income and Other Income and Expenses, the Pennsylvania FAIR Plan finished 2021 with a Net Result of Operations loss of \$384,413.40.

Over the decades the Pennsylvania FAIR Plan has remained a small niche market for those unable to secure coverage in the normal marketplace. Annual Premiums Written exceeded \$17,000,000 in only one year and annual policy counts have only once been as high as 113,000. Despite its limited size, the FAIR Plan has still paid out more than \$355,000,000 in Losses.

Change not only impacts business, but it also impacts people. Whether it is Board or Committee members, Insurance Department senior staff or the FAIR Plan's own staff, we have seen many friends and colleagues move on to their next challenge. To all, I would like to express my thanks for their years of dedicated service.

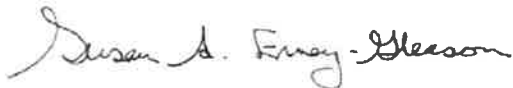
In closing, I would like to thank the members of my management team and the employees of Pennsylvania FAIR Plan for their dedicated efforts over these past 12 months. This has certainly been a year of unprecedented challenges as the Covid pandemic continued.

I would also like to thank General Counsel Dan Taylor for his timely and sound legal advice throughout the year. Today's working and social environments are ever changing, and Dan has helped to navigate the organization through these changes.

I also think it is appropriate to thank the Pennsylvania Insurance Department. Time does not permit me to personally thank all those folks inside the Department who have lent us their knowledge and expertise, but suffice it to say, their efforts are greatly appreciated.

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. Your efforts and support are greatly appreciated.

Respectfully submitted,

A handwritten signature in cursive script that reads "Susan A. Erney-Gleason".

Susan A. Erney-Gleason, MBA, CPCU, AIM, API
President

INSURANCE PLACEMENT FACILITY OF PENNSYLVANIA

PENNSYLVANIA FAIR PLAN

Treasurer's Report

December 31, 2021

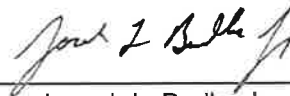
ASSETS

Cash in Bank	977,231.49
Investments, Short term at cost plus accumulated discount	7,182,332.58
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	44,776.20
Other Receivables	67,884.41
Equipment *	0.00
 Total Assets	 <u><u>8,272,224.68</u></u>

LIABILITIES AND MEMBERS' EQUITY

Unearned Premiums	2,386,774.00
Unearned Advance Premiums	202,853.12
Outstanding Losses	445,700.00
Outstanding Loss Adjustment Expenses	147,797.00
Accrued Expenses	125,530.00
Unpaid Post Retirement Benefits	3,269,597.00
Unpaid Pension	0.00
Accounts Payable	113,002.01
Claims Checks Payable	234,217.76
Unpaid Premium Tax	0.00
 Total Liabilities	 <u><u>6,925,470.89</u></u>
Members' Equity (Deficit)	1,346,753.79
 Total Liabilities and Members' Equity	 <u><u>8,272,224.68</u></u>

Respectfully Submitted,



Joseph L. Budka Jr.
Accounting Manager

* E. D. P. Equipment

Insurance Placement Facility of Pennsylvania

Statutory Financial Statements and
Supplemental Schedules
December 31, 2021 and 2020

mazars

Mazars USA LLP is an independent member firm of Mazars Group.

Insurance Placement Facility of Pennsylvania

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Independent Auditors' Report

To the Board of Directors of Insurance Placement Facility of Pennsylvania

Opinion

We have audited the statutory financial statements of the Insurance Placement Facility of Pennsylvania (the "Facility"), which comprise the statutory statements of admitted assets, liabilities, and members' equity as of December 31, 2021 and 2020, and the related statutory statements of operations and members' equity and cash flows for the years then ended, and the related notes to the statutory financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and members' equity of the Insurance Placement Facility of Pennsylvania as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Facility and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting and the purpose for which the financial statements are prepared. The financial statements are prepared 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. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Facility's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

mazars

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Facility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Facility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Summary Investment Schedule, Investment Risks Interrogatories, and Reinsurance Interrogatories is presented for purposes of additional analysis and is 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.

Mazars USA LLP

April 21, 2022

Insurance Placement Facility of Pennsylvania

Statutory Statements of Admitted Assets, Liabilities and Members' Equity December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Admitted Assets		
Cash and cash equivalents	\$ 8,159,564	\$ 9,223,951
Due from related parties	67,884	186,786
Premiums receivable	<u>44,777</u>	<u>45,163</u>
Total admitted assets	<u>\$ 8,272,225</u>	<u>\$ 9,455,900</u>
Liabilities and Members' Equity		
Liabilities		
Unearned premiums	\$ 2,386,774	\$ 2,580,963
Unpaid losses and loss adjustment expenses	593,497	827,325
Claims and drafts payable	234,218	197,096
Advance premiums	202,853	193,132
Postretirement benefits payable	3,269,597	3,577,176
Pension liability	-	1,528,947
Other liabilities	<u>238,529</u>	<u>255,997</u>
Total liabilities	6,925,468	9,160,636
Members' equity	<u>1,346,757</u>	<u>295,264</u>
Total liabilities and members' equity	<u>\$ 8,272,225</u>	<u>\$ 9,455,900</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Underwriting:		
Premiums earned	\$ 4,931,896	\$ 5,367,320
Losses incurred	1,708,360	2,423,716
Loss adjustment expenses incurred	786,340	758,264
Underwriting and other expenses incurred	<u>2,823,928</u>	<u>3,142,386</u>
Total underwriting expenses	<u>5,318,628</u>	<u>6,324,366</u>
Net underwriting loss	<u>(386,732)</u>	<u>(957,046)</u>
Interest income	<u>1,028</u>	<u>24,036</u>
Other income (expense):		
Premium receivable charged off	(44)	(22)
Other income	<u>1,337</u>	<u>9,311</u>
Other income, net	<u>1,293</u>	<u>9,289</u>
Net loss	<u>(384,411)</u>	<u>(923,721)</u>
Members' equity, beginning of year	295,264	1,316,541
Change in nonadmitted assets	(899,368)	41,574
Change in pension and postretirement benefits liability	2,335,272	(139,419)
Refunds/assessments recovered	<u>-</u>	<u>289</u>
Members' equity, end of year	<u>\$ 1,346,757</u>	<u>\$ 295,264</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash from operations		
Premiums collected, net	\$ 4,745,089	\$ 5,115,832
Benefit and loss related payments	(1,928,171)	(2,302,175)
Commissions, expenses paid and aggregate write-ins for deductions	(3,591,581)	(3,990,795)
Interest income	1,028	24,036
Other income	1,293	9,289
	<u>(772,342)</u>	<u>(1,143,813)</u>
Net cash from operations		
Cash from financing and miscellaneous sources		
Other cash (applied) provided	<u>(292,045)</u>	<u>988,065</u>
Net decrease in cash and cash equivalents	(1,064,387)	(155,748)
Cash and cash equivalents, beginning of year	<u>9,223,951</u>	<u>9,379,699</u>
Cash and cash equivalents, end of year	<u>\$ 8,159,564</u>	<u>\$ 9,223,951</u>

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

Insurance Placement Facility of Pennsylvania

Notes to Statutory Financial Statements Years Ended December 31, 2021 and 2020

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"). The Facility does not have any prescribed or permitted accounting practices by the Insurance Department that are different than NAIC SAP. 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.

Non-admitted Assets

Certain assets designated as "non-admitted" are not reflected in the statutory statements of admitted assets, liabilities, and members' equity. Non-admitted assets include uncollected premiums and agents' balances in the course of collection, electronic data processing equipment and software, prepaid expenses and premium tax and are charged directly against members' equity. The portion of unassigned surplus represented by non-admitted assets was \$1,247,288 and \$347,920 as of December 31, 2021 and 2020, respectively.

Unpaid Losses and Loss Adjustment Expenses

Unpaid losses and loss adjustment expenses are estimated based on losses reported and actuarial estimates 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 \$1,028 and \$24,036 at December 31, 2021 and 2020, respectively.

Insurance Placement Facility of Pennsylvania

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 “non-admitted” would be reflected in the statutory statements of admitted assets, liabilities, and members’ equity.

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

2. Nature of Operations

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 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. All expenses are allocated except for direct expenses relating to a specific entity.

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 Principle Financial Group Pension Plan for Insurance Organizations (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 retire at age 65 or older, the Facility pays the full cost of life insurance with coverage limited to \$10,000.

Eligible employees that elect to retire at, or after, normal retirement age may elect to receive Medicare supplemental benefits of their choosing using an employer level funded HRA.

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 88.30% in 2021 and 88.27% in 2020.

Insurance Placement Facility of Pennsylvania

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

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Change in projected benefit obligation:				
Projected benefit obligation at January 1	\$ 22,930,851	\$ 21,098,001	\$ 4,052,538	\$ 3,804,913
Service cost	290,838	275,809	81,148	63,899
Interest cost	506,744	633,351	90,434	112,713
Actuarial (gain) loss	(1,633,925)	1,892,708	(386,075)	209,814
Benefits paid	(975,338)	(969,018)	(135,217)	(138,801)
Projected benefit obligation at December 31	\$ 21,119,170	\$ 22,930,851	\$ 3,702,828	\$ 4,052,538
Change in plan assets:				
Fair value of plan assets at January 1	\$ 21,198,725	\$ 19,207,726	\$ -	\$ -
Actual return on plan assets	1,552,803	2,710,009	-	-
Employer contributions	356,604	250,008	135,217	138,801
Benefits paid	(975,338)	(969,018)	(135,217)	(138,801)
Fair value of plan assets at December 31	\$ 22,132,794	\$ 21,198,725	\$ -	\$ -
Reconciliation of unassigned surplus:				
Funded status	\$ 1,013,624	\$ (1,732,126)	\$ (3,702,828)	\$ (4,052,538)
Unrecognized net actuarial loss	1,399,605	3,561,638	595,628	1,056,808
Unrecognized prior service cost	-	454	24,053	46,672
Prepaid assets or (accrued) liabilities in unassigned surplus	\$ 2,413,229	\$ 1,829,966	\$ (3,083,147)	\$ (2,949,058)

The net periodic benefit cost includes the following components:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Components of net periodic benefit cost:				
Service cost	\$ 290,838	\$ 275,809	\$ 81,148	\$ 63,899
Interest cost	506,744	633,351	90,434	112,713
Expected return on plan assets	(1,149,846)	(1,036,103)	-	-
Amount of prior service cost recognized	454	2,265	22,619	30,379
Amount of loss recognized	125,151	189,031	75,105	56,670
Net periodic benefit (income) cost	\$ (226,659)	\$ 64,353	\$ 269,306	\$ 263,661

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

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Discount rate	2.30%	3.10%	2.35%	3.15%
Weighted average rate of compensation increase	3.50%	3.50%	3.50%	3.50%
Expected long-term rate of return	5.50%	5.50%	N/A	N/A

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

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Discount rate	2.80%	2.30%	2.85%	2.35%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

The accumulated benefit obligation for the pension plan was \$19,855,957 and \$21,376,126 at December 31, 2021 and 2020, respectively.

Prepaid pension benefit cost was \$2,413,229 and \$1,829,966 at December 31, 2021 and 2020, respectively.

Insurance Placement Facility of Pennsylvania

The expected long-term rate of return on assets assumption is 5.5%. 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, 2021 and 2020, by asset category are as follows:

	2021	2020
Asset category:		
Equity securities	37.0%	36.9%
Debt securities	57.0%	58.2%
Real estate	5.2%	4.4%
Cash	0.8%	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, 2021 and 2020.

Insurance Placement Facility of Pennsylvania

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.

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, 2021 and 2020. The Facility, Insurance Placement Facility of Delaware, and West Virginia Essential Property Insurance Association have a total interest in Plan assets of approximately 1.64% and 1.65% as of December 31, 2021 and 2020, respectively.

December 31, 2021	Level 1	Level 2	Total
Managed accounts			
Small cap equity	\$ 39,561,698	\$ -	\$ 39,561,698
Mid cap equity	90,803,628	-	90,803,628
Large cap equity	297,160,221	-	297,160,221
Fixed income	-	454,212,269	454,212,269
Pooled separate accounts			
Collective investment trust	-	39,158,931	39,158,931
Mid cap equity	-	37,529,381	37,529,381
International equity	-	121,111,450	121,111,450
Fixed income	-	267,058,128	267,058,128
Cash	-	6,044,606	6,044,606
Total assets at fair value	<u>\$ 427,525,547</u>	<u>\$ 925,114,765</u>	<u>\$1,352,640,312</u>

December 31, 2020	Level 1	Level 2	Total
Managed accounts			
Small cap equity	\$ 40,057,498	\$ -	\$ 40,057,498
Mid cap equity	91,635,152	-	91,635,152
Large cap equity	284,167,977	-	284,167,977
Pooled separate accounts			
Collective investment trust	-	35,365,642	35,365,642
Mid cap equity	-	34,888,201	34,888,201
International equity	-	138,634,149	138,634,149
Fixed income	-	652,229,228	652,229,228
Cash	-	6,216,341	6,216,341
Total assets at fair value	<u>\$ 415,860,627</u>	<u>\$ 867,333,561</u>	<u>\$1,283,194,188</u>

Contributions to the pension and postretirement benefits plans are expected to be \$300,000 and \$183,320, respectively, in 2022.

Insurance Placement Facility of Pennsylvania

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

	Pension Benefits	Postretirement Benefits
2022	\$ 1,030,494	\$ 183,320
2023	1,073,328	187,070
2024	1,118,639	181,752
2025	1,158,041	179,732
2026	1,200,341	184,513
2027-2031	6,387,764	1,018,790

Flat annual contributions are made to retirees Health Reimbursement Accounts and the retiree is responsible for securing health insurance. Contributions are expected to grow with general inflation and are around 3% but are not tied to health care trend rates.

The employees of the Facility are eligible to participate in the Insurance Company Supported Organizations 401(k) Savings Plan, a defined contribution plan. The plan was administered by the Prudential Retirement Insurance and Annuity Company as of December 31, 2020 and for the period January 1, 2021 through September 23, 2021 and Voya Institutional Trust Company for the period September 24, 2021 to December 31, 2021. Participation in the plan is voluntary. Employees are vested in employer contributions upon participation. Employees could contribute 1% to 75% of their annual compensation as of December 31, 2020 and for the period January 1, 2021 through September 23, 2021. Employees could contribute 1% to 100% of their annual compensation on a pre-tax basis for the period September 24, 2021 through December 31, 2021. Employees could contribute 1% to 75% of their annual compensation on an after-tax basis for the period September 24, 2021 through December 31, 2021. Employee contributions are not to exceed the maximum amount allowed by the Internal Revenue Service each plan year. The Facility matched employee contributions up to a maximum of 6% of an employee's annual compensation. Contributions by the Facility amounted to \$85,381 and \$91,219 in 2021 and 2020, respectively. Contributions are net of amounts allocated to the Insurance Placement Facility of Delaware and the West Virginia Essential Property Insurance Association.

5. Liability for Unpaid Losses and Loss Adjustment Expenses

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

	2021	2020
Balance, January 1	\$ 827,325	\$ 718,279
Incurred related to:		
Current year	2,589,537	3,138,040
Prior years	(94,837)	43,940
Total incurred	2,494,700	3,181,980
Paid related to:		
Current year	2,027,999	2,334,708
Prior years	700,529	738,226
Total paid	2,728,528	3,072,934
Balance, December 31	\$ 593,497	\$ 827,325

Insurance Placement Facility of Pennsylvania

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 (\$94,837) and \$43,940 in 2021 and 2020, respectively. The favorable loss reserve development during 2021 and unfavorable loss reserve development during 2020 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 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, 2021, minimum rental commitments under this noncancelable lease is as follows:

<u>Years Ending December 31,</u>	
2022	\$ 224,121
2023	228,220
2024	232,320
2025	<u>196,789</u>
Total payments	<u>\$ 881,450</u>

Total rental expense was \$224,969 and \$220,788 in 2021 and 2020, 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 2021 and 2020, \$827,256 and \$1,021,408, respectively, was paid on behalf of the Insurance Placement Facility of Delaware and \$173,646 and \$178,219, respectively, was paid on behalf of the West Virginia Essential Property Insurance Association. At December 31, 2021 and 2020, \$54,032 and \$180,547, respectively, is due from the Insurance Placement Facility of Delaware and \$13,852 and \$6,239, respectively, is due from the West Virginia Essential Property Insurance Association. These advances do not bear interest and are payable on demand.

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:

	<u>2021</u>	<u>2020</u>
Computers and equipment	\$ 116,370	\$ 105,583
Software	<u>25,757</u>	<u>28,413</u>
	<u>142,127</u>	<u>133,996</u>
Less accumulated depreciation	(104,997)	(114,703)
Less nonadmitted asset	<u>(37,130)</u>	<u>(19,293)</u>
EDP equipment and software net	<u>\$ -</u>	<u>\$ -</u>

Insurance Placement Facility of Pennsylvania

Depreciation expense was \$13,997 and \$16,895 for the years ended December 31, 2021 and 2020, respectively.

9. Annual Statement Reconciliation

There are no material differences between net income and capital and surplus as reported herein and the Annual Statement as previously filed with the Department for the years ended December 31, 2021 and 2020.

10. Subsequent Events

The Facility has evaluated subsequent events through April 21, 2022, the date these financial statements were available for issuance.

Insurance Placement Facility of Pennsylvania

Investment Risk Interrogatories December 31, 2021

Total admitted assets at December 31, 2021 \$ 8,272,225

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, 2021

<u>Investment Categories</u>	<u>Gross Investment Holdings*</u>		<u>Admitted Assets as Reported in the Annual Statement</u>	
Cash and cash equivalents	<u>\$ 8,159,564</u>	<u>100.00%</u>	<u>\$ 8,159,564</u>	<u>100.00%</u>
Total invested assets	<u>\$ 8,159,564</u>	<u>100.00%</u>	<u>\$ 8,159,564</u>	<u>100.00%</u>

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

Insurance Placement Facility of Pennsylvania

Reinsurance Interrogatories

December 31, 2021

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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To the Board of Directors of
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 the Insurance Placement Facility of Pennsylvania (the "Facility") for the years ended December 31, 2021 and 2020 and have issued our report thereon dated April 21, 2022. 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 State Board of Public Accountancy.
- b. The engagement partner and engagement manager, who are both certified public accountants, have 18 years and 14 years, respectively, of experience in public accounting and are experienced in auditing insurance entities. Members of the engagement team, most of whom have had experience in auditing insurance entities and 50 percent of whom are certified public accountants, 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 ("the Insurance Department") and other state insurance departments in states in which the Facility is licensed and that the insurance commissioners of those states 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. 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 statutory 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 purpose of our audit means that matters may exist that would be 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 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.

The insurance commissioner should exercise due diligence to obtain whatever other information 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 audit working papers prepared in compliance with professional standards, for seven years from the date that we grant permission to use our report in connection with the issuance of the Facility's 2021 financial statements (report release date). After notification to the Facility, we will make the audit working papers available for review by the Insurance Department or its delegates, at the offices of the insurer, at our offices, at the insurance department, or at any other reasonable place designated by the insurance commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Insurance Department, photocopies of pertinent audit working papers may be made (under the control of the accountant) and such copies may be retained by the Insurance Department. In addition, to the extent requested, we may provide the Insurance Department with copies of certain of our audit working papers (such as unlocked electronic copies of Excel spreadsheets that do not contain password protection or encryption). As such, these audit working papers will be subject to potential modification by the Insurance Department or by others. We are not responsible for any modifications made to the copies, electronic or otherwise, after they are provided to the Insurance Department and we are likewise not responsible for any effect that any such modifications, whether intentional or not, might have on the process, substance or outcome of your regulatory examination.
- e. The engagement partner has served in that capacity with respect to the Facility since 2017, is licensed by the Pennsylvania State Board of Public Accountancy and 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 Annual Financial Reporting Model Regulation Mode Rule (Regulation) 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 other state insurance departments and is not intended to be, and should not be, used for anyone other than these specified parties.

Mazars USA LLP

April 21, 2022



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To the Board of Directors of
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, 2021, 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 statutory 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 a 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, 2021. However, unremediated material weaknesses may exist that were not identified.

This communication is intended solely for the information and use of the audit committee, Board of Directors, management, others within the organization, and state insurance departments to whose jurisdiction the Facility is subject and is not intended to be and should not be used by anyone other than these specified parties.

The engagement partner has served in that capacity with respect to the Facility since 2017.

A handwritten signature in black ink that reads "Mazars USA LLP".
April 21, 2022



Mazars USA LLP
501 Office Center Drive
Suite 300
Fort Washington, Pennsylvania 19034

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To the Board of Directors of
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 the Insurance Placement Facility of Pennsylvania (the "Facility") for the years ended December 31, 2021 and 2020 and have issued our report thereon dated April 21, 2022. 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 State Board of Public Accountancy.
- b. The engagement partner and engagement manager, who are both certified public accountants, have 18 years and 14 years, respectively, of experience in public accounting and are experienced in auditing insurance entities. Members of the engagement team, most of whom have had experience in auditing insurance entities and 50 percent of whom are certified public accountants, 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 ("the Insurance Department") and other state insurance departments in states in which the Facility is licensed and that the insurance commissioners of those states 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. 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 statutory 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 purpose of our audit means that matters may exist that would be 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 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.

The insurance commissioner should exercise due diligence to obtain whatever other information 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 audit working papers prepared in compliance with professional standards, for seven years from the date that we grant permission to use our report in connection with the issuance of the Facility's 2021 financial statements (report release date). After notification to the Facility, we will make the audit working papers available for review by the Insurance Department or its delegates, at the offices of the insurer, at our offices, at the insurance department, or at any other reasonable place designated by the insurance commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Insurance Department, photocopies of pertinent audit working papers may be made (under the control of the accountant) and such copies may be retained by the Insurance Department. In addition, to the extent requested, we may provide the Insurance Department with copies of certain of our audit working papers (such as unlocked electronic copies of Excel spreadsheets that do not contain password protection or encryption). As such, these audit working papers will be subject to potential modification by the Insurance Department or by others. We are not responsible for any modifications made to the copies, electronic or otherwise, after they are provided to the Insurance Department and we are likewise not responsible for any effect that any such modifications, whether intentional or not, might have on the process, substance or outcome of your regulatory examination.
- e. The engagement partner has served in that capacity with respect to the Facility since 2017, is licensed by the Pennsylvania State Board of Public Accountancy and 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 Annual Financial Reporting Model Regulation Mode Rule (Regulation) 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 other state insurance departments and is not intended to be, and should not be, used for anyone other than these specified parties.

Mazars USA LLP

April 21, 2022