WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

FAIR PLAN

REPORT OF THE ANNUAL MEETING

April 20, 2011

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

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

Board of Directors
2010-2011 Term

Mr. David V. Freeman, Chairman	Erie Insurance Group
Mr. Gary R. Auvil	Farmers Mutual Insurance Company
Mr. Thomas M. Giffen	Wells Fargo Insurance Services, Inc.
Mr. Glenn Hahn	State Farm Insurance Companies
Ms. Michele Lilly	Nationwide Insurance
Mr. Roger D. Wells	Westfield Companies
Mr. Jeffrey Williams, Esq.	Allstate Insurance Company

Mr. Daniel M. Taylor, Jr., Esq., General Counsel	Swartz Campbell LLC
Mr. John M. Ogle, President	West Virginia Essential Property Insurance Association

AGENDA

ANNUAL MEETING
OF THE
WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION
APRIL 20, 2011
8:00 A. M.
EMBASSY SUITES - CHARLESTON, WEST VIRGINIA

1. Call to Order - 8:00 A.M. - David V. Freeman, Chairman, presiding

2. Approval of Minutes of Annual Meeting - April 20, 2010

3. Ratification of Board Action

4. Report of Chairman

5. Report of President

6. Treasurer's Report

7. Appointment of Board of Directors 2011 - 2012
   (Appointment by Insurance Commissioner)

8. New Business

9. Adjournment

Minutes of the Annual Meeting
of the Board of Directors
of the West Virginia Essential Property Insurance Association
April 20, 2011
8:00 a.m.
Embassy Suites Hotel
Charleston, West Virginia

The West Virginia Essential Property Insurance Association Annual Meeting was held on April 20, 2011 at the Embassy Suites Hotel in Charleston, West Virginia. The Annual Meeting was called to order at 8:00 a.m. with Chairman Mr. David V. Freeman presiding and President Mr. John M. Ogle acting as secretary for the meeting.

Upon motion duly made, seconded and carried, the Minutes of the April 20, 2010 Annual Meeting were approved as distributed to member companies.

A motion to ratify the actions of the Board of Directors 2010-2011 term was duly made, seconded and carried.

Upon motion duly made, seconded and carried, the readings of the Chairman's Report, the President's Report and the Treasurer's Report were waived as all three reports were included in the agenda packet and will be incorporated into the Annual Report distributed to member companies. Upon motion duly made, seconded and carried, the reports were accepted as presented.

By notice of the West Virginia Insurance Commissioner, the Honorable Jane L. Cline, the following individuals were appointed to the Board of Directors of the West Virginia Essential Property Insurance Association for the 2011 - 2012 term.

Mr. Gary R. Auvil
Farmers Mutual Insurance Company

Mr. David V. Freeman
Erie Insurance Group

Mr. Thomas M. Giffen
Wells Fargo Insurance Services, Inc.

Mr. Glenn Hahn
State Farm Insurance Companies

Ms. Michele Lilly
Nationwide Insurance

Mr. Roger D. Wells
Westfield Companies

Mr. Jeffrey Williams
Allstate Insurance Company

The President noted the 2010 financial audit report provided by the accounting firm of WeiserMazars as presented and accepted by the Board of Directors will be made part of the Annual Report submitted to Member Companies.

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

Approved by,

Mr. David V. Freeman
Chairman of the Board

Respectfully submitted by,

Mr. John M. Ogle, CPCU
President

Report of the Chairman
Mr. David V. Freeman

25th Annual Meeting
West Virginia Essential Property Insurance Association
April 20, 2011

Good Morning and welcome to the 25th Annual Meeting of the West Virginia Essential Property Insurance Association. I am pleased to report the West Virginia Essential Property Insurance Association continued to meet its purposes to provide a basis property insurance policy and in a timely efficient manner.

In over two decades of service to the West Virginia marketplace, the Association has issued 33,370 policies, earned $12,984,17 in Premiums while incurring $9,676,211 in losses.

As I reflect back over my years on this board, I am struck by the small, but vital role the Association has played in the West Virginia market. History tells us that when operations commenced in November of 1986, no one had any idea of what to expect. Some openly worried that the Association would grow to become the market of first resort while others expressed concern that the Association's expected poor loss ratios would eventually push assessments to the point of forcing that statewide industry to withdraw from the market.

I am here to report that neither gloom or doom scenario occurred. Through the tireless efforts of the staff and the Board, with the ongoing support from the West Virginia Insurance Department, the industry and the West Virginia State Legislature, the West Virginia Essential Property Insurance Association has become a model for the small, well run markets of last resort.

In 2010, the Association issued just 747 Policies and earned only $460,931 in Premium. Losses Incurred totaled only $64,367. All in all, in 2010 the West Virginia Essential Property Insurance Association recorded a Net Result of Operations surplus of $146,637.19.

In 1986, when the West Virginia Essential Property Insurance Association wrote its first policy, all business was transacted through the US Mail. Now, some 25 years later, the West Virginia FAIR Plan now accepts new applications and their respective premium payments over the internet. Electronic manual pages and rate quotations can be accessed by any interested party with a computer and internet access. Electronic communication has become a routine form to transmit and receive information. As we closed 2010 and look past 2011, we see the West Virginia Essential Property Insurance Association making greater use of the electronic world to lower its costs and increase its communications with its policyholders.

Through the years, the staff has remained committed to providing the people of West Virginia with a reliable and well run market of last resort. This past year was no different and I am pleased to report the West Virginia Essential Property Insurance Association continued to meet its obligations and responsibilities as required by the relevant West Virginia statutes and regulations.

Since inception, the Pennsylvania FAIR Plan has provided the West Virginia Essential Property Insurance Association with management and functional support. This relationship has been a win-win for both parties as operational costs, as well as expertise, are shared by the Plans with no fee being charged by the Insurance Placement Facility of Pennsylvania.

Although we are considerably smaller than the Pennsylvania Plan, the Plan management operates the West Virginia Essential Property Insurance Association with the same high quality and professional services that each policyholder or potential insured has come to expect.

As Chairman, I would like to thank President, John M. Ogle and his management staff for all of their efforts and dedication to the success of Plan operations. At the same time, I would like to recognize each of the employees for their continuing efforts to provide service in a timely and efficient manner to the policyholders, agents and brokers as well as the various member companies and regulatory personnel.

I would be remiss if I did not also recognize the fine efforts and leadership of the West Virginia Insurance Department. In particular, I would like to thank West Virginia Insurance Commissioner, Jane Cline for her assistance and commitment to the operation.

I would also like to thank General Counsel, Daniel M. Taylor for his tireless service to the organization. Dan provided the Board with his review and advice on a variety of issues. His opinions have served the Plan and the Board well. In addition, I would like to thank our committee members for supporting the Department heads and the Board in overseeing the operations.

Lastly, I would like to thank my fellow Board members for their participation and support. The job of Chairman carries its own demands but the job performed by my fellow Board and Committee members has certainly made my job as Chairman, much easier and more rewarding.

Respectfully submitted,

Mr. David V. Freeman
Chairman of the Board

Report of the President
Mr. John M. Ogle

25th Annual Meeting
West Virginia Essential Property Insurance Association
April 20, 2011

Good Morning and welcome to the 25th Annual Meeting of the West Virginia Essential Property Insurance Association.

Through the last 25 years the Association issued almost 34,000 policies and earned nearly $13,000,000 in premiums. During those two and half decades, the Association also incurred a total loss of $9,676,000. I believe these statistics, more than any other, make it very clear to any interested party that the Association has always been a small player in the West Virginia marketplace and 2010 was no exception.

Despite its very limited size, the Association continued to play a vital role to the West Virginia property insurance marketplace. In 2010, the Association still received 163 New Applications, issued 747 policies and dealt with 20 losses, paying out $130,067. In addition, in 2010 the Association continued its role of being the sole funding provider for the West Virginia State Fire Marshall's Anti Arson Hotline program. Last year the Association not only paid all operational expenses it also issued $7,500 in reward payments.

In 2010, the West Virginia Essential Property Insurance Association numbers fell to their lowest level since inception as the soft market reached almost every line in the insurance business. Despite the number of active carriers in the marketplace, the Association recorded $460,931 in Earned Premiums, $64,367 in Losses Incurred, $44,075 in Loss Adjustment Expenses and $206,811 in General Expenses resulting in a rare Underwriting Surplus of $146,637.

For many years now the Association has made every effort to investigate its claims quickly with a thorough, but fair eye. The goal has always been to pay what is owed as quickly as possible but at the same time, defend the Association when circumstances warrant. That long term effort has held the Association's average pending and open litigation activities into single digits and 2010 was no exception.

As the Association moves toward thirty years in operation, questions abound on the direction of the market. The impact of the lingering poor economic conditions may place more property owners in greater economic distress or give insurers reason to step back from their current positions. Only time will tell, but regardless of direction, the West Virginia Essential Property Insurance Association must be ready to respond to those who are unable to find coverage in the voluntary marketplace.

As the Association looks forward to whatever challenges that lie ahead, I would like to thank some individuals for their recent contributions to the Plan.

Time and time again, General Counsel Dan Taylor provided his valuable service to the Association. For many years, the Association has avoided legal missteps because of Dan's clear and concise advice.

I would also like to thank the West Virginia Insurance Department and in particular, Commissioner Jane Cline, for their assistance in the operation of the Association. For many years we have enjoyed a mutually beneficial relationship with the Department and I believe much of the reason for that positive experience is due to the professional and talented individuals working within the Department.

As has been the case since the inception of the Association, the Insurance Placement Facility of Pennsylvania has provided the necessary services for the operation of the West Virginia Essential Properly Insurance Association. Through this mutually beneficial shared services arrangement, the Association gains everything from claim expertise to IS services and I would be remiss if I did not thank the FAIR Plan employees for their many efforts to oversee the day to day West Virginia Operations.

Over the years, the Association has had the good fortune of having some very talented individuals serving on the Board of Directors and on its various committees. To everyone, I would like to extend my personal thanks for all the years of service to the Association, and most importantly, to the friendships forged. Your willingness to actively serve the Association and donate your limited time and abundant expertise is greatly appreciated. Thank you.

Respectively Submitted,

John M. Ogle
President

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

WEST VIRGINIA FAIR PLAN

Treasurer's Report

December 31, 2010

ASSETS

Cash in Bank	295,152.01
Investments, Short term at cost plus accumulated discount	320,919.63
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	3,985.75
Other Receivables	0.00
Equipment *	0.00
Total Assets	620,057.39

LIABILITIES AND MEMBERS' EQUITY

Unearned Premiums	208,591.00
Unearned Advance Premiums	9,263.00
Outstanding Losses	5,700.00
Outstanding Loss Adjustment Expenses	2,578.00
Accrued Expenses	11,565.00
Unpaid Post Retirement Benefits	26,312.00
Unpaid Pension	56,256.00
Accounts Payable	1,412.36
Claims Checks Payable	13,786.93
Unpaid Premium Tax	6,058.59
Total Liabilities	341,522.88
Members' Equity (Deficit)	278,534.51
Total Liabilities and Members' Equity	620,057.39

Respectfully Submitted,

RoseMarie McDonald
Accounting Manager

STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner

JANE L. CLINE
Insurance Commissioner

March 1, 2011

John M. Ogle, General Manager
West Virginia Essential Property Insurance Association
530 Walnut Street, Suite 1650
Philadelphia, PA 19106-3698

Re: West Virginia Essential Property Insurance Association
Board of Directors

Dear Mr. Ogle:

It is my privilege to appoint the following individuals to continue to serve on the West Virginia Essential Property Insurance Association's Board of Directors.

- Mr. Gary R. Auvil, Representing Farmers Mutual Insurance Company
- Mr. David V. Freeman, Representing Erie Insurance Group
- Mr. Thomas M. Giffen, Representing Wells Fargo Insurance Services
- Mr. Glenn Hahn, Representing State Farm Fire Insurance Companies
- Ms. Michele Lilly, Representing Nationwide Insurance Company
- Mr. Roger D. Wells, Representing Westfield Companies
- Mr. Jeffrey Williams, Representing Allstate Insurance Company

We appreciate their interest to participate on the Board and look forward to its continued success.

Sincerely,

Jane L. Cline
Commissioner

JLC/re

West Virginia Essential Property Insurance Association

Statutory Financial Statements, Independent Auditors' Report and Supplemental Schedules
For the years ended December 31, 2010 and 2009

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION
Table of Contents
For the years ended December 31, 2010 and 2009

MAZARS

WeiserMazars

Independent Auditors' Report

The Board of Directors
West Virginia Essential Property Insurance Association

We have audited the accompanying statutory statements of admitted assets, liabilities, and members' equity of West Virginia Essential Property Insurance Association (the "Association") as of December 31, 2010, and the related statutory statements of operations and members' equity and cash flows for the year then ended. These statutory financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The statutory financial statements of the Association as of December 31, 2009, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated March 29, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

As described more fully in Note 1 to the statutory financial statements, the Association prepared these statutory financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of West Virginia, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and members' equity of West Virginia Essential Property Insurance Association as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The accompanying Supplemental Investment Risk Interrogatories, Summary Investment Schedule, and Reinsurance Interrogatories, as of and for the year ended December 31, 2010, are presented to comply with the National Association of Insurance Commissioner's Accounting Practices and Procedures manual and is not a required part of the statutory financial statements. Such information has been subjected to the auditing procedures applied in our audit of the statutory financial statements and, in our opinion, is fairly stated in all material respects in relation to the statutory financial statements taken as a whole.

This report is intended solely for the information and use of the Association and for filing with the Insurance Department of the State of West Virginia and other state insurance departments to whose jurisdiction the Association is subject and is not intended to be and should not be used by anyone other than these specified parties.

Weiser Mazars LLP

April 11, 2011

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

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION
Statutory Statements of Admitted Assets, Liabilities and Members' Equity
December 31, 2010 and 2009

	2010	2009
ADMITTED ASSETS		
Cash and cash equivalents	$616,072	$639,175
Premiums receivable	3,986	5,596
Total admitted assets	$620,058	$644,771
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Unearned premiums	$208,591	$255,538
Due to related parties	13,787	85,953
Unpaid losses and loss adjustment expenses	8,278	97,475
Unearned advanced premiums	9,263	11,643
Postretirement benefits payable	26,312	27,974
Pension liability	56,256	49,934
Other liabilities	19,036	21,478
Total liabilities	341,523	549,995
Members' equity	278,535	94,776
Total liabilities and members' equity	$620,058	$644,771

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

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

Statutory Statements of Operations and Members' Equity

For the years ended December 31, 2010 and 2009

	2010	2009
Underwriting:		
Premiums earned	$ 460,931	$ 536,544
Less:		
Losses incurred	64,367	302,029
Loss adjustment expenses incurred	44,075	132,098
Underwriting and other expenses incurred	206,810	241,128
	315,252	675,255
Net underwriting gain (loss)	145,679	(138,711)
Investment income	533	1,188
Other income:		
Premium receivable recovered	94	715
Other income	332	121
Other income, net	426	836
Net income (loss)	146,638	(136,687)
Members' equity (deficit), beginning of year	94,776	(30,481)
Change in nonadmitted assets	(4,674)	9,333
Change in minimum pension liability	(6,220)	63,492
Assessments	-	250,000
Refunds/assessments charged-off	48,015	(60,881)
Members' equity, end of year	$ 278,535	$ 94,776

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

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

Statutory Statements of Cash Flows

For the years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Premiums collected, net	$ 412,813	$ 502,481
Net investment income	533	1,188
Other income	426	836
Benefit and loss related payments	(130,067)	(303,992)
Commissions, expenses paid and aggregate write-in for deductions	(275,906)	(361,239)
Net cash provided by (used in) operating activities	7,799	(160,726)
Cash flows from financing and other miscellaneous activities:		
Other cash (applied) provided	(30,902)	218,258
Net cash (used in) provided by financing and other miscellaneous activities	(30,902)	218,258
Net (decrease) increase in cash and cash equivalents	(23,103)	57,532
Cash and cash equivalents, beginning of year	639,175	581,643
Cash and cash equivalents, end of year	$ 616,072	$ 639,175

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

1. Summary of Significant Accounting Policies:

The statutory financial statements of West Virginia Essential Property Insurance Association (the "Association") have been prepared on the basis of accounting practices prescribed or permitted by the National Association of Insurance Commissioners ("NAIC") and the Insurance Department of the State of West Virginia.

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' (deficit) equity. Nonadmitted assets include furniture, fixtures, and leasehold improvements and are charged directly against members' (deficit) equity.

Unpaid Losses and Loss Adjustment Expenses:

Unpaid losses and loss adjustment expenses are estimated based on losses reported and the Association's past experience for losses incurred but not yet reported. Management believes that such provisions are adequate to cover the ultimate liability. However, such estimates could differ from the amounts ultimately paid when claims are settled. Subsequent changes in estimates are reflected in earnings currently.

Use of Estimates:

The preparation of statutory financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and other highly liquid temporary investments. The carrying value of cash equivalents approximates fair value. Interest and dividend income from cash and cash equivalents is included in investment income on the statutory statements of operations.

1. Summary of Significant Accounting Policies:

Variances from Generally Accepted Accounting Principles:

Certain of the prescribed or permitted insurance accounting practices followed by the Association differ from accounting principles generally accepted in the United States of America. The principal differences are as follows:

- Commissions and other acquisition costs, if recoverable from future operations, would be deferred and charged against operations on the same basis that related premiums are recognized as revenues.
- Certain assets designated as "nonadmitted" would be reflected in the statutory statement of admitted assets, liabilities, and members' deficit.
- Calculation of the pension obligation excludes non-vested employees.

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

2. General:

The Association was created by an act of the Legislature of the State of West Virginia to make available basic property insurance against fire and other perils for residential and business properties located in the state. All insurers ("Member Company") doing any insurance business in West Virginia of the kinds covered by the Association are required to be a member. Each member participates in the profits and losses of the Association in the proportion that the net direct premiums of the member insurer for the second previous year bear to the net direct premiums written by all members for the second preceding calendar year and is subject to future cash assessments, if required.

During 2009, the Association approved a closeout of 2004 and 2005 policy years in the amount of $66,284 with an offset assessment against 2008 policy year in the amount of $183,716 resulting in a net assessment of $250,000.

The Association shares office space and the services of certain employees with the Insurance Placement Facility of Pennsylvania and the Insurance Placement Facility of Delaware and pays a portion of such joint expenses based on estimates of actual usage.

3. Federal Income Taxes:

The Association files as a partnership for federal income tax purposes. Consequently, the Association provides each Member Company with an annual statement of its relative share of the Association's annual results of operations for inclusion in each participating member's tax return.

4. Employee Benefits:

The Association, in conjunction with the Insurance Placement Facility of Pennsylvania and the Insurance Placement Facility of Delaware 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.

4. Employee Benefits:

The Association 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 Association 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 Association pays the full cost of life insurance with coverage limited to $5,000.

Retired employees of the Association 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 Association.

The Association uses a December 31 measurement date for its pension plan. Assets, liabilities and expenses of the plan are allocated to the Association based on its underwriting activity. The allocation percentage used for the Association was 2.87% in 2010 and 2.96% in 2009.

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

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 10,981,469	$ 10,083,414	$ 469,523	$ 354,035
Service cost	171,443	170,542	43,612	-
Interest cost	632,628	617,831	30,862	27,670
Plan amendments	-	-	70,985	-
Actuarial loss	686,450	390,209	19,276	126,438
Benefits paid	(232,996)	(280,527)	(34,710)	(38,620)
Projected benefit obligation at December 31	$ 12,238,994	$ 10,981,469	$ 599,548	$ 469,523
Change in plan assets:				
Fair value of plan assets at January 1	$ 7,951,489	$ 5,743,089	$ -	$ -
Actual return on plan assets	917,966	1,888,897	-	-
Employer contributions	685,178	600,030	34,710	38,620
Benefits paid	(232,996)	(280,527)	(34,710)	(38,620)
Fair value of plan assets at December 31	$ 9,321,637	$ 7,951,489	$ -	$ -
Reconciliation of funded status:				
Funded status	$ (2,917,357)	$ (3,029,980)	$ (599,548)	$ (469,523)
Unrecognized net actuarial loss (gain)	3,244,962	3,174,232	(357,399)	(405,917)
Unrecognized prior service cost	-	-	27,749	(69,631)
Prepaid assets or (accrued) liabilities	$ 327,605	$ 144,252	$ (929,198)	$ (945,071)

4. Employee Benefits:

The net periodic benefit cost for the plan includes the following components:

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

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

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

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

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

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

Prepaid pension benefit cost was $327,605 and $144,252 at December 31, 2010 and 2009, respectively.

An additional minimum pension liability ("AML") is required when the actuarial present value of the accumulated plan benefit obligation exceeds plan assets and accrued pension liabilities. As of December 31, 2010 and 2009, the plan had an AML of $1,960,140 and $1,686,961, respectively. Pursuant to the requirements of SSAP No. 89, changes to the AML were recorded directly to members' deficit. The increase (decrease) in the AML during 2010 and 2009, respectively was $273,179 and $(1,763,264).

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

4. Employee Benefits:

The expected long-term rate of return on assets assumption is 7.25%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The plan's weighted average asset allocations at December 31, 2010 and 2009, by asset category are as follows:

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

The primary investment objective for the pension plan assets is to achieve maximum rates of return commensurate with safety of principal, given the asset mix, credit quality and diversification guidelines and restrictions approved by the plan administrator's board of directors. The pension asset allocation is reviewed quarterly to determine whether the portfolio mix is within an acceptable range of target allocation. Target asset allocations are based on asset and liability studies with the goal to enhance the expected return of the pension portfolio while maintaining acceptable levels of risk. The target asset allocation is 60% equity securities and 40% debt securities.

Contributions to the pension and postretirement benefits plans are expected to be $889,040 and $50,751, respectively, in 2011.

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

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

4. Employee Benefits:

For measurement purposes, for participants younger than age 65, healthcare cost trend increases of 10.0% and 10.5% were assumed for 2010 and 2009, respectively. These rate increases were assumed to decrease through 2020 and later when they level off at 5%. The healthcare cost trend rate assumption has an effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Point Increase	1% Point Increase
Effects on total service and interest cost components	$ 7,337	$ (6,381)
Effects on postretirement obligation	50,751	(44,963)

The employees of the Association are eligible to participate in the Insurance Company Supported Organization 401(k) Savings Plan, a defined contribution plan. The plan is administered by the Prudential Retirement Insurance and Annuity Company. Participation in the plan is voluntary. Employees are vested in employer contributions upon participation. Employees may contribute 1% to 16% of their annual compensation on a before-tax basis and/or 1% to 16% of their annual compensation on an after-tax basis for a total of 16%. The Association matches employee contributions up to a maximum of 6% of an employee's annual compensation. Contributions by the Association amounted to $3,048 and $3,246 in 2010 and 2009, respectively.

5. Liability for Unpaid Losses and Loss Adjustment Expenses:

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

	2010	2009
Balance, January 1	$ 97,475	$ 87,358
Incurred related to:		
Current year	111,405	377,804
Prior years	(2,963)	56,323
Total incurred	108,442	434,127
Paid related to:		
Current year	109,227	281,692
Prior years	88,412	142,318
Total paid	197,639	424,010
Balance, December 31	$ 8,278	$ 97,475

5. Liability for Unpaid Losses and Loss Adjustment Expenses:

As a result of changes in estimates for anticipated losses and loss adjustment expenses related to insured events of prior years, the liability for losses and loss adjustment expenses (decreased) increased by $(2,963) and $56,325 in 2010 and 2009, respectively. Paid amounts above are net of salvage and subrogation recoveries.

6. Lease Commitments:

The Association conducts its operations in leased premises under a lease that will expire April 30, 2015. At December 31, 2010, minimum rental commitments under this noncancelable lease are as follows:

Year ending December 31:	
2011	$ 10,630
2012	10,844
2013	11,058
2014	11,272
2015 and thereafer	3,781
Total payments	$ 47,585

Total rental expense was $9,783 and $8,078 in 2010 and 2009, respectively.

The Association is charged a portion of the total rentals paid by Insurance Placement Facility of Pennsylvania for common facilities, based upon underwriting activity of the Association during the year. Rental commitment allocations are based upon continuation of the current level of activity.

7. Related Party Transactions:

The Insurance Placement Facility of Pennsylvania issues all checks, including those payable by the Association, and is then reimbursed by the Association (note 2). Throughout 2010 and 2009, $375,095 and $607,428, respectively, was paid by the Insurance Placement Facility of Pennsylvania on behalf of the Association. The related payable to the Insurance Placement Facility of Pennsylvania is $13,787 and $85,953 at December 31, 2010 and 2009, respectively.

8. Annual Statement Reconciliation:

There are no material differences between net income and capital and surplus as reported herein and the Annual Statement as previously filed with the Department for the years ended December 31, 2010 and 2009.

9. Subsequent Events:

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

SUPPLEMENTAL SCHEDULES

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION
Supplemental Investment Risk Interrogatories
December 31, 2010

Total admitted assets at December 31, 2010 $ 620,058

1. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt; (ii) property occupied by the Company; and (iii) policy loans.

Investment category	Amount	Percentage of total admitted assets
None	$ -	0.00%

2. State the amount and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

Bonds		Preferred stocks	
None	$ -	None	$ -

3. The Company holds no foreign investments.
4. The Company holds no Canadian investments.
5. The Company holds no investments with contractual sales restrictions.
6. State the amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1).

Investment category	Amount	Percentage of total admitted assets
None	$ -	0.00%

7. The Company holds no nonaffiliated, privately placed equities.
8. The Company holds no general partnership interests.
9. The Company holds no mortgage loans.
10. The Company holds no real estate.
11. The Company has no repurchase agreements.
12. The Company does not hold warrants.
13. The Company does not have exposure to collars, swaps, or forwards.
14. The Company does not have exposure for futures contracts.
15. The Company does not have amounts in the Write-Ins for Invested Assets category on the Summary Investment Schedule.

See accompanying independent auditors' report.

Schedule 2

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

Summary of Investments

December 31, 2010

Investment categories	Gross investment holdings*		Admitted assets as reported in the annual statement	
Cash and short-term investments	$ 616,072	100.00%	$ 616,072	100.00%
Total invested assets	$ 616,072	100.00%	$ 616,072	100.00%

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

See accompanying independent auditors' report.

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

Reinsurance Interrogatories
December 31, 2010

Provided below are management's responses to certain reinsurance interrogatories required by NAIC Statutory Accounting Principles:

Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes ( ) No (X)

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) An unconditional or unilateral right by either or both parties to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes ( ) No (X)

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty–five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes ( ) No (X)

Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62R—Property and Casualty Reinsurance, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes ( ) No (X)