REPORT OF THE ANNUAL MEETING

April 29, 2015

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

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

Board of Directors

2014-2015

Mr. David V. Freeman, Chairman	Erie Insurance Group
Mr. Sam Fouse	Nationwide Insurance
Mr. Thomas M. Giffen	Wells Fargo Insurance Services, Inc.
Mr. Glenn Hahn	State Farm Insurance Companies
Mr. Noel Patterson	Allstate Insurance Company
Mr. Foster Sirbaugh	Farmers and Mechanics Insurance Cos
Mr. Roger D. Wells	Westfield Companies

Mr. Daniel M. Taylor, Jr., Esq., General Counsel	Margolis Edelstein, Pittsburgh
Mr. John M. Ogle, President	West Virginia Essential Property Insurance Association

AGENDA

ANNUAL MEETING
OF THE
WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION
APRIL 29, 2015
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 25, 2014
3. Ratification of Board and Officer's Action
4. Report of Chairman
5. Report of President
6. Treasurer's Report
7. Appointment of Board of Directors 2015 - 2016
   (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 29, 2015
8:30 a.m.
Embassy Suites
Charleston, West Virginia

The West Virginia Essential Property Insurance Association Annual Meeting was held on April 29, 2015 at the Embassy Suites Hotel in Charleston, West Virginia. The Annual Meeting was called to order at 8:30 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 25, 2014 Annual Meeting were approved as distributed to member companies.

A motion to ratify the actions of the Board of Directors and the Officers 2014-2015 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 Michael D. Riley, the following individuals were appointed to the Board of Directors of the West Virginia Essential Property Insurance Association for the 2014 - 2015 term.

Mr. David V. Freeman
Erie Insurance Group

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

Mr. Glenn Hahn
State Farm Insurance Companies

Mr. Sam Fouse
Nationwide Insurance

Mr. Noel Patterson
Allstate Insurance Company

Mr. Roger D. Wells
Westfield Companies

Mr. Foster L. Sirbaugh Jr.
Farmers and Mechanics

The President noted the 2014 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.

Respectfully submitted by,

Mr. John M. Ogle, CPCU
President / Secretary

Approved by,

Mr. David V. Freeman
Chairman of the Board

Report of the Chairman

Mr. David V. Freeman

29th Annual Meeting

West Virginia Essential Property Insurance Association

April 29, 2015

Good Morning and welcome to the 29th Annual Meeting of the West Virginia Essential Property Insurance Association.

The West Virginia Plan issued its first policy in 1986 and has been providing the state's property owners with a basic property insurance policy ever since. Over the last 29 years; the association has remained a small residual market as Annual Premiums have never exceeded $900,000 and annual policy counts have only once been as high as 2,200 policies. 2014 was no exception as the Plan held fairly steady with recent years.

For the year, West Virginia Essential Property suffered two significant fire losses with a combined incurred of $102,022. With stable expenses and a decrease in Premiums Earned, the Association recorded a 2014 Underwriting Loss of $14,004.41. With only $359,638 in Written Premium and just 599 Policies Issued in 2014, it is doubtful that 2015 will be any different by any significant extent, absent of course, a series of large fire losses.

Despite its very limited size I am pleased to report that in 2014 the West Virginia Essential Property Insurance Association continued to meet its purpose and obligation to people of West Virginia and its member companies.

Since inception, the world of paper applications, checks and the US mail has given way to online applications, credit cards and email. Throughout such changes, the Association undertook the efforts to remain current with the times so as to provide the marketplace with a reliable option for the hard to place risk.

As we close in on three decades of service, I am pleased to report that the Association is again looking to remain current with the times. Management is currently engaged in a project to provide the operation with a modern policy and claims management system. That effort could only be made possible with the long time service agreement in place with the Pennsylvania FAIR Plan and their involvement with a number of other FAIR Plans, including the Kentucky and Illinois FAIR Plans. It is hoped that new technology will further reduce operational expenses, increase efficiences and further streamline the processes of the West Virginia operation.

In closing, I would like to thank the Insurance Placement Facility of Pennsylvania for their years of support for our small operation. It is through the Pennsylvania FAIR Plan that all of our operations are conducted and without their willingness to share expenses and expertise the West Virginia Plan could not exist.

I would also like to thank President John Ogle and all the members of his management staff for their efforts over these past 12 months. I would also like to thank the non management employees of Pennsylvania FAIR Plan. As we all know, the day to day operation of every organization is accomplished through the efforts of its employees. In today's world of many employees wearing many hats, it is a comfort to know the West Virginia Essential Property Insurance Association are being serviced by such a fine professional staff.

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

I also thank the West Virginia Insurance Department and in particular, Commissioner Riley and his senior staff. Time does not permit me to personally thank all those folks inside the Department who have lent us their knowledge and expertise, but suffice it to say, you and your staff's efforts are greatly appreciated.

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

Respectively Submitted

David V. Freeman
Chairman of the Board

Report of the President
Mr. John M. Ogle

29th Annual Meeting
West Virginia Essential Property Insurance Association
April 29, 2015

Good Morning and welcome to the 29th Annual Meeting of the West Virginia Essential Property Insurance Association.

In 2014, the Association received only 153 New Applications, issued 599 policies and paid out $174,025 in claims. In addition, the Association continued its role of being the sole funding provider for the West Virginia State Fire Marshal's Anti Arson Hotline program. Last year the Association not only paid all operational expenses it also issued $8,000 in reward payments.

In 2014, the West Virginia Essential Property Insurance Association's numbers fell to their lowest level since inception. The Association recorded $358,797 in Earned Premiums, $150,025 in Losses Incurred and a Underwriting deficit of $14,004.

Despite its very limited size; however, the Association still plays a vital role to the West Virginia property insurance marketplace. Through the last 29 years the Association issued just over 36,000 policies, earned over $14,496,977 in premiums and paid over $10,178,700 in claims.

Obviously, the Association has always been a small player in the West Virginia marketplace and 2014 was no exception.

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 the claim as quickly as possible but at the same time, defend the Association when circumstances warrant. Although those long term efforts have kept our average file life low, Loss Adjustment costs can vary greatly. In 2014, West Virginia Essential Property Insurance Association saw its Loss Adjustment Expense Incurred decline to just $3,520.

As the Association moves toward thirty years in operation, questions abound on the direction of the marketplace in general. Whether the impact of the changing economic conditions may place more property owners in better or more difficult economic circumstance or give insurers reason to step back from their current positions, only time will tell. Regardless of direction, the West Virginia Essential Property Insurance Association remains 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 and his contributions are appreciated.

I would also like to thank the West Virginia Insurance Department and in particular, Commissioner Michael Riley, 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 all of its 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, 2014

ASSETS	
Cash in Bank	558,322.21
Investments, Short term at cost plus accumulated discount	321,017.55
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	5,122.75
Other Receivables	0.00
Equipment *	0.00
Total Assets	884,462.51

LIABILITIES AND MEMBERS' EQUITY	
Unearned Premiums	182,678.00
Unearned Advance Premiums	11,144.00
Outstanding Losses	66,600.00
Outstanding Loss Adjustment Expenses	6,631.00
Accrued Expenses	12,610.00
Unpaid Post Retirement Benefits	88,360.00
Unpaid Pension	67,286.00
Accounts Payable	(482.91)
Claims Checks Payable	9,284.42
Unpaid Premium Tax	5,391.75
Total Liabilities	449,502.26
Members' Equity (Deficit)	434,960.25
Total Liabilities and Members' Equity	884,462.51

Respectfully Submitted,

RoseMarie McDonald

RoseMarie McDonald
Accounting Manager

* E. D. P. Equipment

March 2, 2015

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. David V. Freeman, Representing Erie Insurance Group
- Mr. Glenn Hahn, Representing State Farm Insurance Companies
- Mr. Sam Fouse, Representing Nationwide Insurance Company
- Mr. Thomas M. Giffen, Representing Wells Fargo Insurance Services, Inc.
- Mr. Noel Patterson, Representing Allstate Insurance Company
- Mr. Foster L. Sirbaugh, Jr., Representing Farmers and Mechanics
- Mr. Roger D. Wells, Representing Westfield Companies

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

Sincerely,

Michael D. Riley
Insurance Commissioner

MR/jh

West Virginia Essential Property Insurance Association

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

West Virginia Essential Property Insurance Association
Contents
December 31, 2014 and 2013

Independent Auditors' Report

To the Board of Directors
West Virginia Essential Property Insurance Association

Report on the Financial Statements
We have audited the accompanying financial statements of the West Virginia Essential Property Insurance Association, which comprise the statutory statements of admitted assets, liabilities, and members' equity as of December 31, 2014 and 2013, and the related statutory statements of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and members' equity of the West Virginia Essential Property Insurance Association as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with accounting practices prescribed or permitted by the Insurance Department of the State of West Virginia as described in Note 1.

WeiserMazars LLP
501 Office Center Drive, Suite 300 – Fort Washington, Pennsylvania – 19034
Tel: 215.259.1000 – Fax: 215.259.1010 – www.weisermazars.com

Basis of Accounting

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Investment Risk Interrogatories, Summary Investment Schedule, and Reinsurance Interrogatories are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the board of directors and management of the West Virginia Essential Property Insurance Association and the Insurance Department of the State of West Virginia and is not intended to be and should not be used by anyone other than these specified parties.

WeiserMazars LLP

April 7, 2015

West Virginia Essential Property Insurance Association

Statutory Statements of Admitted Assets, Liabilities and Members' Equity
December 31, 2014 and 2013

	2014	2013
Admitted Assets		
Cash and cash equivalents	$ 879,340	$ 939,244
Premiums receivable	5,123	2,480
Total admitted assets	$ 884,463	$ 941,724
Liabilities and Members' Equity		
Liabilities		
Unearned premiums	$ 182,678	$ 181,837
Unpaid losses and loss adjustment expenses	73,231	117,639
Due to related parties	9,284	22,700
Advance premiums	11,144	13,592
Postretirement benefits payable	88,360	63,549
Pension liability	67,286	45,026
Other liabilities	17,520	17,110
Total liabilities	449,503	461,453
Members' equity	434,960	480,271
Total liabilities and members' equity	$ 884,463	$ 941,724

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

Years Ended December 31, 2014 and 2013

	2014	2013
Underwriting:		
Premiums earned	$ 358,797	$ 367,877
Losses incurred	150,025	146,208
Loss adjustment expenses incurred	3,520	54,867
Underwriting and other expenses incurred	219,256	209,033
	372,801	410,108
Net underwriting loss	(14,004)	(42,231)
Interest income	23	24
Other (expense) income:		
Premium receivable recovered (written off)	444	(510)
Other (expense) income	(1,165)	198
Other expense, net	(721)	(312)
Net loss	(14,702)	(42,519)
Members' equity, beginning of year	480,271	493,527
Change in nonadmitted assets	(2,373)	(898)
Change in pension liability	(52,007)	31,439
Change in accounting principle	-	(1,278)
Refunds/assessments recovered	23,771	-
Members' equity, end of year	$ 434,960	$ 480,271

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

West Virginia Essential Property Insurance Association

Statutory Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash from operations		
Premiums collected, net	$ 352,174	$ 380,122
Benefit and loss related payments	(174,024)	(56,608)
Commissions, expenses paid and aggregate write-in for deductions	(242,566)	(239,581)
Interest income	23	24
Other expense	(721)	(312)
Net cash from operations	(65,114)	83,645
Cash from financing and miscellaneous sources		
Other cash provided	5,210	3,804
Net (decrease) increase in cash and cash equivalents	(59,904)	87,449
Cash and cash equivalents, beginning of year	939,244	851,795
Cash and cash equivalents, end of year	$ 879,340	$ 939,244

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, 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 State of West Virginia (the "Insurance Department"). Such practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The more significant accounting policies are as follows:

Premiums
Premiums are recognized as revenues ratably over the terms of the policies. Unearned premiums are computed on the monthly pro rata basis.

Commissions
Commissions and other costs of acquiring business are charged to operations as incurred.

Non-admitted Assets
Certain assets designated as "nonadmitted" are not reflected in the statutory statements of admitted assets, liabilities, and members' equity. Nonadmitted assets include furniture, fixtures, and leasehold improvements and are charged directly against members' equity.

Unpaid Losses and Loss Adjustment Expenses
Unpaid losses and loss adjustment expenses are estimated based on losses reported and the 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 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.

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

SSAP No. 102 establishes new statutory accounting principles and related reporting for employers' pension obligations. As a result of the adoption of SSAP No. 102 and SSAP No. 92, the Association recorded the following changes to unassigned surplus at December 31, 2013:

Initial impact on surplus:	
Pension	23,779
Other Postretirement	(25,057)
Net change	(1,278)

Variances from Generally Accepted Accounting Principles

Certain of the prescribed or permitted insurance accounting practices followed by the Association differ from GAAP. The principal differences are as follows:

- Under GAAP, commissions and other acquisition costs, if recoverable from future operations, would be deferred and charged against operations on the same basis that related premiums are recognized as revenues.
- Under GAAP, certain assets designated as "nonadmitted" would be reflected in the statutory statement of admitted assets, liabilities, and members' deficit.

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 2014, the Association approved a closeout of 2010 and 2011 policy years in the amount of $(701,695) with an offset assessment against 2013 policy year in the amount of $701,695. The Association did not approve any assessments during 2013. There was no assessment receivable from Member Companies at December 31, 2014.

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.

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 2.78% in 2014 and 2.64% in 2013.

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

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

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

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

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

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

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

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

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

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

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

The expected long-term rate of return on assets assumption is 7.0%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The plan's weighted average asset allocations at December 31, 2014 and 2013, by asset category are as follows:

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

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For measurement purposes, for participants younger than age 65, healthcare cost trend increases of 8.0% and 8.5% were assumed for 2014 and 2013, respectively. These rate increases were assumed to decrease through 2020 and later when they level off at 5%. The healthcare cost trend rate assumption has an effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Point Increase	1% Point Decrease
Effects on total service and interest cost components	$ 15,083	$ (12,219)
Effects on postretirement obligation	-	-

The employees of the 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 75% of their annual compensation; not to exceed the maximum amount allowed by the Internal Revenue Service each plan year. The Association matches employee contributions up to a maximum of 6% of an employee's annual compensation. Contributions by the Association amounted to $2,973 and $2,843 in 2014 and 2013, 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:

	2014	2013
Balance, January 1	$ 117,639	$ 1,278
Incurred related to:		
Current year	195,758	197,174
Prior years	(42,213)	3,901
Total incurred	153,545	201,075
Paid related to:		
Current year	122,527	79,535
Prior years	75,426	5,179
Total paid	197,953	84,714
Balance, December 31	$ 73,231	$ 117,639

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 $(42,213) and $3,901 in 2014 and 2013, respectively. The (favorable) unfavorable loss reserve development during 2014 and 2013 is based on loss expense reserves settling for amounts different than those estimated and is not attributable to any specific event or occurrence. Paid amounts above are net of salvage and subrogation recoveries.

6. Lease Commitments

The Association conducts its operations in leased premises under a lease that will expire April 30, 2015. The Association has signed a new 10.5-year lease effective May 1, 2015. The Association has the option to renew its lease for an additional five year period. At December 31, 2014, minimum rental commitments under these noncancelable leases are as follows:

Years Ending December 31:	
2015	$ 4,548
2016	6,282
2017	6,411
2018	6,540
2019	6,669
Thereafter	41,476
Total payments	$ 71,926

Total rental expense was $11,373 and $9,806 in 2014 and 2013, 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 (see Note 2) issues all checks for claims and other payables for the Association, and is then reimbursed by the Association. Throughout 2014 and 2013, $383,328 and $259,505, respectively, was paid by the Insurance Placement Facility of Pennsylvania on behalf of the Association. At December 31, 2014 and 2013, $9,284 and $22,700, respectively, is due to the Insurance Placement Facility of Pennsylvania.

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, 2014 and 2013.

9. Subsequent Events

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

West Virginia Essential Property Insurance Association
Investment Risk Interrogatories
December 31, 2014

Total admitted assets at December 31, 2014	$1,027,365

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

West Virginia Essential Property Insurance Association

Summary Investment Schedule

December 31, 2014

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement	
Cash and short-term investments	$ 879,340	100.00%	$ 879,340	100.00%
Total invested assets	$ 879,340	100.00%	$ 879,340	100.00%

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

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

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

Yes ( ) No (X)

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

(a) A contract term longer than two years and the contract is 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 31 of SSAP No. 62R—Property and Casualty Reinsurance, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

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

Yes ( ) No (X)

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Board of Directors
West Virginia Essential Property Insurance Association

In planning and performing our audit of the statutory financial statements of the West Virginia Essential Property Insurance Association (the "Association") as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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, 2014. However, unremediated material weaknesses may exist that were not identified.

This communication is intended solely for the use of management, the Board of Directors and the Insurance Department of the State of West Virginia, and is not intended to be and should not be used by anyone other than these specified parties.

WeiserMazars LLP

April 7, 2015

WEISERMAZARS LLP
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Board of Directors
West Virginia Essential Property Insurance Association

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory financial statements of West Virginia Essential Property Insurance Association (the "Association") for the year ended December 31, 2014 and have issued our report thereon dated April 7, 2015. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Association and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants and the Rules of Professional Conduct of the Pennsylvania Board of Public Accountancy.

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

c. We understand that the Association intends to file its audited statutory financial statements and our report thereon with the Insurance Department of the State of West Virginia and that the insurance commissioner of that state will be relying on that information in monitoring and regulating the statutory financial condition of the Association.

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 Association and the insurance commissioners should understand that the objective of an audit of statutory financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus, as well as the results of operations and cash flows in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of West Virginia. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatement resulting from fraud. Because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements caused by error or fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the

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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 Association to adopt sound accounting policies, to maintain an adequate and effective system of accounts and to establish and maintain an internal control structure that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of West Virginia.

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 the workpapers prepared in the conduct of our audit until the Insurance Department of the State of West Virginia has filed a Report of Examination covering 2014, but no longer than seven years. After notification to the Association, we will make the working papers available for review by the Insurance Department of the State of West Virginia at the offices of the insurer, at our offices, at the insurance department, or any other reasonable place designated by the insurance commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Insurance Department of the State of West Virginia 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 of the State of West Virginia.

e. The engagement partner has served in that capacity with respect to the Association since 2012, is licensed by the Pennsylvania 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 State of West Virginia and is not intended to be and should not be used for anyone other than this specified party.

WeiserMazars LLP

April 7, 2015