WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

FAIR PLAN

REPORT OF THE ANNUAL MEETING

April 26, 2017

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

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

Board of Directors

2016-2017

Mr. David V. Freeman, Chairman	Erie Insurance Group
Mr. Noel Patterson, Vice Chairman	Allstate Insurance Companies
Mr. Tim Dyer	Dyer Insurance Group
Mr. Samuel Fouse	Nationwide Insurance
Mr. Bob Messier	State Farm Insurance Company
Mr. Nick Piekarski	Westfield Companies
Mr. Foster Sirbaugh..	Farmers and Mechanics Insurance Cos

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

AGENDA

ANNUAL MEETING
OF THE
WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION
APRIL 26, 2017
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 19, 2016
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 2017 - 2018
   (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 26, 2017
8:00 a.m.
Embassy Suites
Charleston, West Virginia

The West Virginia Essential Property Insurance Association Annual Meeting was held on April 26, 2017 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 19, 2016 Annual Meeting were approved as distributed to member companies.

A motion to ratify the actions of the Board of Directors and the Officers 2016-2017 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 Allan McVey, the following individuals were appointed to the Board of Directors of the West Virginia Essential Property Insurance Association for the 2017 - 2018 term.

Mr. David V. Freeman
Erie Insurance Group

Mr. Tim Dyer
Dyer Insurance Group

Mr. Sam Fouse
Nationwide Insurance

Mr. Bob Messier
State Farm Insurance Companies

Mr. Noel Patterson
Allstate Insurance Company

Mr. Nick Piekarski
Westfield Companies

Mr. Foster L. Sirbaugh Jr.
Farmers and Mechanics

The President noted the 2016 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

31st Annual Meeting

West Virginia Essential Property Insurance Association

April 26, 2017

Welcome to the 31st Annual Meeting of the West Virginia Essential Property Insurance Association (WVEPIA). As we edge past three decades of operation, I am pleased to report that the Association continues to meet its primary purpose of making basic property insurance available to those property owners who have been unable to secure such coverage in the voluntary marketplace.

Despite a downturn in West Virginia's coal industry and the sizable rural nature of the state, there remains a large number of companies doing business in West Virginia. With many companies active in the marketplace, it is not a surprise that the State's residual property insurance market remained very small. In 2016, the West Virginia Essential Property Insurance Association issued just 483 policies, a decline of just over 9%, and earned just $320,356 in premium.

Despite the lower volume, the West Virginia Essential Property Insurance Association managed a breakeven year-end result, recording a 2016 Net Result of Operations surplus of $8,820.73.

Since inception, much of the Association's business has come from the southwest corner of the state and nothing in 2016 changed that ratio. Notwithstanding however, the Association still has policies in force in most areas of the state including in the far northern reaches and in the eastern panhandle. Some of that business has been with the Association for many years and some of it will be with the Association for only a very short time. Regardless of where it comes from or why it comes to the Association, the Association remains ready and able to meet the needs of insurance buying public.

As we have done for many years, in 2016 the West Virginia Essential Property Insurance Association continued to act as the sole financial provider for the West Virginia Anti-Arson Hotline program. It is with great satisfaction that I can report that 2016 represented the 21st consecutive year of reward payments for individuals who provided authorities with the critical information that lead to the arrest and conviction of those individuals who committed the crime of arson.

As has been the case since inception, the West Virginia Essential Property Insurance Association continues to be run with the full support and staffing of the Insurance Placement

Facility of Pennsylvania. Although that arrangement benefits both organizations, the West Virginia Essential Property Insurance Association and the West Virginia insurance industry reap the greatest financial benefit as such a small plan could not be efficiently operated with such a small premium base.

In closing, I would like to thank the members of the West Virginia Insurance Department and in particular, former Commissioner Riley for all their support to the Association's operation. We are very fortunate to have such an attentive Department of Insurance staffed with some very dedicated and talented individuals.

In addition, my appreciation also goes out to Mr. John M. Ogle and the fine members of his Staff. Their dedication to the Association is evident in so many ways and I think I speak for all the Board when I say we take great comfort knowing the operation is in such capable hands.

I would also like to recognize the contributions of our General Counsel Mr. Daniel M. Taylor. Mr. Taylor's timely and well thought out advice has served the Board well over the years and 2016 was no exception.

Every year it seems the Board of Directors or the staff lose some very talented individuals to retirement or a job change and 2016 was no exception. Last year we saw the retirement of long time Board member Mr. Thomas Giffen who had served on the Board since the Association's inception. Tom's experience and knowledge will be greatly missed. To all of those who have served the West Virginia Essential Property Insurance Association in any manner, I would like to offer my personal thanks and gratitude for all their years of service.

Lastly, I would like to thank all of my fellow Board members for their support and dedication. I realize that many travel considerable distance and sometimes under less than ideal circumstances. During our meetings, I am constantly amazed at your knowledge and your willingness to take time from your busy schedules to assist in the oversight of the West Virginia Essential Property Insurance Association. For all of your efforts, I am indeed grateful.

Thank you.

Respectively submitted,

Mr. David Freeman
Chairman of the Board

Report of the President
Mr. John M. Ogle

31st Annual Meeting
West Virginia Essential Property Insurance Association
April 26, 2017

Good Morning and welcome to the 31st Annual Meeting of the West Virginia Essential Property Insurance Association.

As I look back to our inception, I recall the uncertainty that overhung the planning process. There was no consensus among all those involved, including myself, as to what the future of this new Association would become. We did not know if it would be a large or small operation and we certainly had no idea as the Association's eventual losses or gains.

As West Virginia's business climate ebbed and flowed, so did the State's property insurance market. As a State not prone to the large scale hurricane exposures, West Virginia eventually found itself with an active property insurance market.

The result was the West Virginia Essential Property Insurance Association continues to be a very small player in the marketplace. Overall, in 2016, the Association issued just over 9% fewer policies than it did in 2015. Overall, the Association earned just $320,356 in premiums, offset by $80,631 in Loss and Loss Adjustment Expense Incurred, resulting in a year-end Net Result of Operations surplus of $8,820.70.

Over the last three decades of operation, annual Premiums Written exceeded $800,000 on only two occasions and annual Policy Issued counts have only once been as high as 2,217. Despite its limited size, the operation has still paid out just over $10,354,679 in claim payments.

The Association, since its inception, has benefited from its cost sharing arrangements with the Pennsylvania FAIR Plan. Their involvement greatly reduces the Association's operational expenses and to a large degree, benefits both entities.

One item none of us fully appreciated in those early days was the direction of technology. We all knew it would impact the business world, but I don't think anyone realized the impact for the everyday consumer. With the explosion of the cloud based services, smart phones, the social network and text messaging, every facet of everyday business has been impacted.

The West Virginia Essential Property Insurance Association is not immune from such challenges.

Change also occurred within the Board and the FAIR Plan staff itself. Although the loss of knowledge and expertise is difficult, I am grateful for all the years of service and the friendships that resulted.

In closing, I would like to thank the members of my management team and all of our employees for their efforts over these past 12 months. The move to a new location required the Staff members to wear many hats but that job pales in comparison to the work involved in the ongoing software project. Much of what is accomplished by the Plan is done so because of the efforts of many individuals working for the betterment of all.

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 would like to thank the West Virginia Insurance Department and in particular former Commissioner Riley. The Department's interest in the West Virginia Essential Property Insurance Association is greatly appreciated.

Lastly, I would like to thank all the members of the Board. Your interest, support and enthusiasm go a long way in running this organization. Whether it has been an email, a phone conversation or a meeting, members repeatedly go to great lengths to be engaged in the operation of the Plan. Your efforts and support are greatly appreciated.

Respectively Submitted,

John M. Ogle, CPCU
President/Secretary

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

WEST VIRGINIA FAIR PLAN

Treasurer's Report

December 31, 2016

ASSETS	
Cash in Bank	495,837.44
Investments, Short term at cost plus accumulated discount	321,315.82
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	2,432.94
Other Receivables	0.00
Equipment *	0.00
Total Assets	819,586.20

LIABILITIES AND MEMBERS' EQUITY	
Unearned Premiums	155,560.00
Unearned Advance Premiums	5,364.00
Outstanding Losses	14,900.00
Outstanding Loss Adjustment Expenses	4,935.00
Accrued Expenses	11,224.00
Unpaid Post Retirement Benefits	101,053.00
Unpaid Pension	88,311.00
Accounts Payable	(446.13)
Claims Checks Payable	2,066.74
Unpaid Premium Tax	4,359.05
Total Liabilities	387,326.66
Members' Equity (Deficit)	432,259.54
Total Liabilities and Members' Equity	819,586.20

Respectfully Submitted,

RoseMarie McDonald
RoseMarie McDonald
Accounting Manager

* E. D. P. Equipment

STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner
Jim Justice
Governor
Allan L. McVey
Insurance Commissioner

April 4, 2017

John M. Ogle, General Manager
West Virginia Essential Property Insurance Association
190 N. Independence Mall West, Suite 301
Philadelphia, PA 19106-1554

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. Tim Dyer, Representing Dyer Insurance Group
- Mr. Sam Fouse, Representing Nationwide Insurance Company
- Mr. David V. Freeman, Representing Erie Insurance Group
- Mr. Robert Messier, Representing State Farm Insurance Companies
- Mr. Noel Patterson, Representing Allstate Insurance Company
- Mr. Nicholas Piekarski, Representing Westfield Companies
- Mr. Foster L. Sirbaugh, Jr., Representing Farmers and Mechanics

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

Sincerely,

Allan L. McVey

Allan L. McVey
CPCU, ARM, AAI, AAM, AIS
Insurance Commissioner

AM/jh

Executive Office
Post Office Box 50540
Charleston, West Virginia 25305-0540

Telephone (304) 558-3354
Facsimile (304) 558-0412
www.wvinsurance.gov

MAZARS USA LLP

West Virginia Essential Property Insurance Association

Statutory Financial Statements and Supplemental Schedules December 31, 2016 and 2015

MAZARS

MAZARS USA LLP IS AN INDEPENDENT MEMBER FIRM OF MAZARS GROUP.

West Virginia Essential Property Insurance Association
Contents
December 31, 2016 and 2015

MAZARS

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, 2016 and 2015, 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 Offices of the Insurance Commissioner 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, 2016 and 2015, 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 Offices of the Insurance Commissioner of the State of West Virginia as described in Note 1.

MAZARS USA LLP
501 OFFICE CENTER DRIVE, SUITE 300 – FORT WASHINGTON, PENNSYLVANIA – 19034
TEL: 215.259.1000 – FAX: 215.259.1010 – WWW.MAZARSUSA.COM

MAZARS

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 Offices of the Insurance Commissioner 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 Offices of the Insurance Commissioner 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 Offices of the Insurance Commissioner of the State of West Virginia and is not intended to be and should not be used by anyone other than these specified parties.

Mazars USA LLP

April 21, 2017

	2016	2015
Admitted Assets		
Cash and cash equivalents	$ 817,153	$ 813,005
Premiums receivable	2,433	2,291
Total admitted assets	$ 819,586	$ 815,296
Liabilities and Members' Equity		
Liabilities		
Unearned premiums	$ 155,560	$ 169,237
Unpaid losses and loss adjustment expenses	19,835	19,031
Due to related parties	2,067	1,350
Advance premiums	5,364	13,528
Postretirement benefits payable	101,053	106,702
Pension liability	88,311	102,477
Other liabilities	15,137	8,937
Total liabilities	387,327	421,262
Members' equity	432,259	394,034
Total liabilities and members' equity	$ 819,586	$ 815,296

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, 2016 and 2015

	2016	2015
Underwriting:		
Premiums earned	$ 320,356	$ 343,981
Losses incurred	52,254	123,700
Loss adjustment expenses incurred	28,376	23,001
Underwriting and other expenses incurred	231,167	211,004
	311,797	357,705
Net underwriting gain (loss)	8,559	(13,724)
Interest income	275	24
Other income:		
Premium receivable (written off) recovered	(288)	56
Other income	274	2,184
Other (expense) income, net	(14)	2,240
Net income (loss)	8,820	(11,460)
Members' equity, beginning of year	394,034	434,960
Change in nonadmitted assets	1,647	845
Change in pension and postretirement benefits liability	27,758	(34,486)
Refunds/assessments recovered	-	4,175
Members' equity, end of year	$ 432,259	$ 394,034

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, 2016 and 2015

	2016	2015
Cash from operations		
Premiums collected, net	$ 300,020	$ 336,601
Benefit and loss related payments	(54,354)	(173,300)
Commissions, expenses paid and aggregate write-in for deductions	(252,553)	(245,110)
Interest income	275	24
Other (expense) income	(13)	2,240
Net cash from operations	(6,625)	(79,545)
Cash from financing and miscellaneous sources		
Other cash provided	10,773	13,210
Net increase (decrease) in cash and cash equivalents	4,148	(66,335)
Cash and cash equivalents, beginning of year	813,005	879,340
Cash and cash equivalents, end of year	$ 817,153	$ 813,005

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 Offices of the Insurance Commissioner of the State of West Virginia. 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:

Permitted Practice

The West Virginia Offices of the Insurance Commissioner has permitted certain accounting practices that differ from those found in SAP. Specifically, during 2015, the Association received permission from the West Virginia Offices of the Insurance Commissioner to use accounting practices that differ from SAP regarding the incentive of six months of free rent and reimbursement of moving expenses under a new lease agreement that commenced May 1, 2015. SAP requires incentives to be recognized over the term of the lease. The Association received permission to not record any rent expense for the months of May through October 2015, and also to expense the cost of the move at the time it is due and when reimbursement is received using the same expense categories. The free rent for the months May through October 2015 totaled $3,087 and the Association was reimbursed for moving expenses of $1,286 in 2015.

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.

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 2016, the Association approved a closeout of 2012, 2013 and 2014 policy years with an offset assessment against 2016 policy year for a net impact of $0. The Association did not approve any assessments during 2015. There was no assessment receivable from Member Companies at December 31, 2016.

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 Principle Financial Group Pension Plan for Insurance Organizations (the "pension plan"), which covers all of its employees. The pension plan qualifies under the provisions of Section 501(a) of the Internal Revenue Code and is exempt from federal income taxes. The pension plan provides retirement income based upon employee average annual compensation and years of service. The pension plan is funded through the trustee by contributions to group annuity contracts.

The 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 retire at age 65 or older, the Association pays the full cost of life insurance with coverage limited to $10,000.

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

The 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 2.64% in 2016 and 2.77% in 2015.

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

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 18,272,130	$ 17,503,244	$ 3,852,063	$ 3,178,406
Service cost	161,349	205,850	29,806	26,405
Interest cost	730,780	696,036	154,389	155,464
Actuarial gain	190,312	457,287	(96,996)	606,517
Benefits paid	(627,036)	(590,287)	(111,479)	(114,729)
Projected benefit obligation at December 31	$ 18,727,535	$ 18,272,130	$ 3,827,783	$ 3,852,063

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Change in plan assets:				
Fair value of plan assets at January 1	$ 14,572,596	$ 15,082,890	$ -	$ -
Actual return on plan assets	936,852	(269,291)	-	-
Employer contributions	500,004	349,284	111,479	114,729
Benefits paid	(627,036)	(590,287)	(111,479)	(114,729)
Fair value of plan assets at December 31	$ 15,382,416	$ 14,572,596	$ -	$ -
Reconciliation of unassigned surplus:				
Funded status	$ (3,345,119)	$ (3,699,534)	$ (3,827,783)	$ (3,852,063)
Unrecognized net actuarial loss	4,516,254	4,941,758	1,387,939	1,644,234
Unrecognized prior service cost	9,514	11,779	86,040	122,507
Prepaid assets or (accrued) liabilities in unassigned surplus	$ 1,180,649	$ 1,254,003	$ (2,353,804)	$ (2,085,322)

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

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Components of net periodic benefit cost:				
Service cost	$ 161,349	$ 205,850	$ 29,806	$ 26,405
Interest cost	730,780	696,036	154,389	155,464
Expected return on plan assets	(791,870)	(817,003)	-	-
Amount of prior service cost recognized	2,265	-	4,396	4,396
Amount of prior non-vested liability recognized	-	16,141	32,071	32,071
Amount of loss recognized	470,834	569,010	159,299	263,768
Net periodic benefit cost	$ 573,358	$ 670,034	$ 379,961	$ 482,104

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

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Discount rate	4.15%	3.80%	4.30%	3.95%
Weighted average rate of compensation increase	3.00%	3.00%	N/A	N/A
Expected long-term rate of return	5.50%	5.50%	N/A	N/A

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

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Discount rate	3.90%	4.15%	4.05%	4.30%
Rate of compensation increase	3.00%	3.00%	N/A	N/A

The accumulated benefit obligation for the pension plan was $17,542,002 and $17,116,234at December 31, 2016 and 2015, respectively.

Prepaid pension benefit cost was $1,180,649 and $1,254,003 at December 31, 2016 and 2015, respectively.

The expected long-term rate of return on assets assumption is 5.5%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The plan's weighted average asset allocations at December 31, 2016 and 2015, by asset category are as follows:

	2016	2015
Asset category:		
Equity securities	42.5%	40.1%
Debt securities	57.2%	58.7%
Cash	0.3%	1.2%

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no significant changes in the methodologies used at December 31, 2016 and 2015.

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, 2016 and 2015. The Association, Insurance Placement Facility of Pennsylvania, and Insurance Placement Facility of Delaware have a total interest in plan assets of approximately 1.47% and 1.44% as of December 31, 2016 and 2015.

	Level 1	Level 2	Level 3	Total
December 31, 2016				
Managed accounts				
Small cap equity	$ 50,216,078	$ -	$ -	$ 50,216,078
Mid cap equity	88,614,785	-	-	88,614,785
Large cap equity	267,393,222	-	-	267,393,222
Pooled separate accounts				
International equity	-	123,442,724	-	123,442,724
Fixed income	-	512,617,217	-	512,617,217
Cash	-	5,018,969	-	5,018,969
Partnerships/Joint venture interests				
Limited partnerships	-	-	466,188	466,188
Total assets at fair value	$ 406,224,085	$ 641,078,910	$ 466,188	$ 1,047,769,183

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Managed accounts				
Small cap equity	$ 128,310,181	$ -	$ -	$ 128,310,181
Large cap equity	263,343,028	-	-	263,343,028
Pooled separate accounts				
International equity	-	99,788,288	-	99,788,288
Fixed income	-	508,589,297	-	508,589,297
Cash		8,401,328		8,401,328
Partnerships/Joint venture interests				
Limited partnerships	-	-	467,812	467,812
Total assets at fair value	$ 391,653,209	$ 616,778,913	$ 467,812	$ 1,008,899,934

Contributions to the pension and postretirement benefits plans are expected to be $600,000 and $149,392, respectively, in 2017.

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

	Pension Benefits	Postretirement Benefits
2017	$ 882,547	$ 149,392
2018	904,191	148,313
2019	1,008,267	158,905
2020	1,035,644	168,825
2021	1,068,699	180,682
2022-2026	6,156,406	1,097,084

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

The employees of the 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 $2,965 and $3,016 in 2016 and 2015, 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:

	2016	2015
Balance, January 1	$ 19,031	$ 73,231
Incurred related to:		
Current year	85,329	135,023
Prior years	(4,698)	11,678
Total incurred	80,631	146,701
Paid related to:		
Current year	65,494	115,992
Prior years	14,333	84,909
Total paid	79,827	200,901
Balance, December 31	$ 19,835	$ 19,031

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 $(4,698) and $11,678 in 2016 and 2015, respectively. The (favorable) unfavorable loss reserve development during 2016 and 2015 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 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, 2016, minimum rental commitments under these noncancelable leases are as follows:

Years Ending December 31:	
2017	$ 6,088
2018	6,210
2019	6,333
2020	6,456
2021	6,578
Thereafter	26,354
Total payments	$ 58,019

Total rental expense was $6,087 and $5,013 in 2016 and 2015, 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 2016 and 2015, $275,210 and $366,666, respectively, was paid by the Insurance Placement Facility of Pennsylvania on behalf of the Association. At December 31, 2016 and 2015, $2,067 and $1,351, 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, 2016 and 2015.

9. Subsequent Events

The Association has evaluated subsequent events through April 21, 2017, the date these financial statements were available for issuance.

West Virginia Essential Property Insurance Association
Investment Risk Interrogatories
December 31, 2016

Total admitted assets at December 31, 2016	$ 819,586

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, 2016

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement	
Cash and short-term investments	$ 817,153	100.00%	$ 817,153	100.00%
Total invested assets	$ 817,153	100.00%	$ 817,153	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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