WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

FAIR PLAN

REPORT OF THE ANNUAL MEETING

April 24, 2020

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

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

Board of Directors

2019-2020

Mr. Nick Piekarski, Chairman	Westfield Compamies
Mr. Foster Sirbaugh, Vice Chairman	Farmers and Mechanics Insurance Cos
Ms. Dea Dauson	Erie Insurance Group
Mr. Bob Messier	State Farm Insurance Company
Mr. Noel Patteron.	Allstate Insurance Company
Mr. Brian Taylor...	Municipal Mutual Ins Co of WV.
Ms. Sabrina Wang	Nationwide Insurance

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 24, 2020
8:00 A.M.
WEST VIRGINIA INSURANCE COMMISSIONER OFFICE
CHARLESTON, WEST VIRGINIA

1. Call to Order - 8:00 A.M. – Nick Piekarski, Chairman, presiding
2. Approval of Minutes of Annual Meeting - April 23, 2019
3. Ratification of Board and Officer's Actions
4. Report of Chairman
5. Report of President
6. Treasurer's Report
7. Appointment of Board of Directors 2020 - 2021
   (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 24, 2020
8:00 a.m.
Teleconference

The West Virginia Essential Property Insurance Association Annual Meeting was held on April 24, 2020 via teleconference. The Annual Meeting was called to order at 8:00 a.m. with Chairman Mr. Nick Piekarski 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 23, 2019 Annual Meeting were approved as distributed to member companies.

A motion to ratify the actions of the Board of Directors and the Association's Officers for 2020-2021 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 James A. Dodrill, the following individuals were appointed to the Board of Directors of the West Virginia Essential Property Insurance Association for the 200 - 2021 term.

Mr. Nicholas Piekarski
Westfield Companies

Ms. Dea Dauson
Erie Insurance Group

Mr. Robert Messier
State Farm Insurance Companies

Mr. Noel Patterson
Allstate Insurance Company

Mr. Foster L. Sirbaugh Jr.
Farmers and Mechanics

Mr. Brian Taylor
Municipal Mutual Insurance Company

Ms. Sabrina Wang
Nationwide Insurance

The President noted the 2019 financial audit report provided by the accounting firm of Mazars 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 Annual meeting was adjourned.

Respectfully submitted by,

Mr. John M. Ogle, CPCU
President / Secretary

Approved by,

Mr. Nick Piekarski
Chairman of the Board

Report of the Chairman

Mr. Nick Piekarski

34th Annual Meeting

West Virginia Essential Property Insurance Association

April 24, 2020

Welcome to the 34th Annual Meeting of the West Virginia Essential Property Insurance Association (WVEPIA). As we approach our 35th year in operation, I am pleased to report 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 West Virginia's small population and its sizable rural nature, there remains a large number of companies doing business in the State. With many companies active in the State, it is not a surprise that the residual property insurance market remains a very small, but important part of the insurance market. In 2019, the West Virginia Essential Property Insurance Association issued just 384 policies, a decline of 11.5%, and earned just $255,476 in premium.

The lower volumes mean the Association is more susceptible to large fire losses. In 2019; however, the West Virginia Essential Property Insurance Association suffered only one such fire loss which resulted in $85,000 claim payments and year end Underwriting Loss of $28,400.

Since inception, much of the Association's business has come from the southwest corner of the state and nothing in 2019 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 is located or why it comes to the Association, the Association remains ready and able to meet the needs of the insurance buying public.

As we have done for many years, in 2019, 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 2019 represented the 24th 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 operate 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 in general, 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, Commissioner Dodrill, for 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 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 2019 was no exception.

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.

After many years of faithful service, last year marked the end of an era with the retirement of the West Virginia Essential Property Insurance Association's long tenured Chairman of the Board, Mr. David Freeman. Dave led the Board since 2009 and was a steady hand throughout many changes involving the West Virginia Essential Property Insurance Association. I would like to extend my sincere gratitude for both his guidance and friendship.

Lastly, I would like to thank all of my fellow Board members for their support as I take over the role of Chairman. I realized that many travel a considerable distance and sometimes under less than ideal circumstances. During our meetings, I am 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. Nick Piekarski
Chairman of the Board

Report of the Chairman of the Board
Mr. Nick Piekarski
West Virginia Essential Property Insurance Association
Annual Meeting- April 24, 2020

Report of the President
Mr. John M. Ogle

34th Annual Meeting
West Virginia Essential Property Insurance Association
April 24, 2020

Good Morning and welcome to the 34th Annual Meeting of the West Virginia Essential Property Insurance Association.

Since inception, the Plan has been a small niche writer and in 2019 nothing changed that dynamic. With a very small premium base the Association has always been susceptible to large fire losses but in 2019, the Plan suffered only one such large fire loss which contributed to year end Underwriting Loss of just $27,994.69.

Loss Incurred total $87,166.49 while Loss Adjustment Expenses Incurred totaled $23,402.42 and General Expenses decreased by 1.4%. Considering Investment Income and Other Income and Expenses, the West Virginia Essential Property Insurance Association recorded a 2019 Net Result of Operations Loss of $27.994.69.

West Virginia does not face the annual prospect of a hurricane, nor does it have the same concerns about large scale destructive wildfires. With an improved regulatory climate many companies are active in the West Virginia marketplace and the West Virginia Essential Property Insurance Association continued to be a very small player in the marketplace. Overall, the Plan issued almost 11.5% fewer policies in 2019 than it did in 2018 and saw its New Applications Received decline by almost 42.6%.

In 2019, as seems to happen every year, the Association saw some change to its Board as well as the FAIR Plan staff itself. Although the loss of knowledge and expertise is difficult, it is merely a reflection of the retirement of the baby boomer generation and the many talented and dedicated employed by the insurance industry. In particular, in 2019 we said "happy retirement" to our long time Chairman of the Board, Mr. David Freeman. Dave's wisdom and leadership will be greatly missed.

In closing, I would like to thank the members of my management team and the FAIR Plan employees for their efforts over these past 12 months. We depend on their efforts and willingness but their flexibility to deal with many unusual or different circumstances is the key to the success of this organization. 2019 was certainly a year of change with the retirements of our tenured Accounting and Underwriting Managers and the hiring of their replacements. While institutional knowledge is next to impossible to replace, we were fortunate to be able to promote from within and to hire a seasoned industry professional familiar with FAIR Plan operations.

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

Special thanks to the West Virginia State Fire Marshall's office and in particular to Mr. Jason Baltic for the continued efforts to combat arson and fraud. Without their efforts, there would be no candidates for rewards stemming from the Anti-Arson hotline program sponsored by the West Virginia Essential Property Insurance Association.

I also would like to thank the West Virginia Insurance Department. Time does not permit me to personally thank all those folks inside the Department who have lent us their knowledge and expertise, but suffice to say, their efforts are greatly appreciated. Special thanks to Commissioner Dodrill for his ongoing interest in the Plan.

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, 2019

ASSETS

Cash in Bank	239,308.79
Investments, Short term at cost plus accumulated discount	326,397.57
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	3,980.84
Other Receivables	0.00
Equipment *	0.00
Total Assets	569,687.20

LIABILITIES AND MEMBERS' EQUITY

Unearned Premiums	124,371.00
Unearned Advance Premiums	15,870.05
Outstanding Losses	1,600.00
Outstanding Loss Adjustment Expenses	434.00
Accrued Expenses	3,273.00
Unpaid Post Retirement Benefits	104,635.00
Unpaid Pension	51,983.00
Accounts Payable	2,251.96
Claims Checks Payable	7,857.62
Unpaid Premium Tax	3,693.96
Total Liabilities	315,969.59
Members' Equity (Deficit)	253,717.61
Total Liabilities and Members' Equity	569,687.20

Respectfully Submitted,

Joseph L. Budka Jr.
Accounting Manager

* E. D. P. Equipment

STATE OF WEST VIRGINIA

Offices *of the* Insurance Commissioner

James A. Dodrill
Insurance Commissioner

February 26, 2020

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 serve on the West Virginia Essential Property Insurance Association's Board of Directors.

- Mr. Brian Taylor, Representing Municipal Mutual Insurance Company
- Ms. Dea Dauson, 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
- Ms. Sabrina Wang, Representing Nationwide Insurance Company

I greatly appreciate their interest to participate on the Board and look forward to its Continued success.

Very truly yours,

James A. Dodrill
Insurance Commissioner

MAZARS USA LLP

West Virginia Essential Property Insurance Association

Statutory Financial Statements and Supplemental Schedules December 31, 2019 and 2018

MAZARS

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

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December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 16, 2020

Statutory Statements of Admitted Assets, Liabilities and Members' Equity
December 31, 2019 and 2018

	2019	2018
Admitted Assets		
Cash and cash equivalents	$ 565,707	$ 663,817
Premiums receivable	3,980	5,036
Total admitted assets	$ 569,687	$ 668,853
Liabilities and Members' Equity		
Liabilities		
Unearned premiums	$ 124,371	$ 134,809
Unpaid losses and loss adjustment expenses	2,034	53,144
Due to related parties	9,110	22,430
Advance premiums	15,870	14,873
Postretirement benefits payable	104,635	87,069
Pension liability	51,983	44,854
Other liabilities	7,967	12,461
Total liabilities	315,969	369,640
Members' equity	253,718	299,213
Total liabilities and members' equity	$ 569,687	$ 668,853

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

Statutory Statements of Operations and Members' Equity
Years Ended December 31, 2019 and 2018

	2019	2018
Underwriting:		
Premiums earned	$ 255,476	$ 281,437
Losses incurred	87,166	245,490
Loss adjustment expenses incurred	23,403	79,791
Underwriting and other expenses incurred	173,307	175,728
	283,876	501,009
Net underwriting loss	(28,400)	(219,572)
Interest income	1,953	1,677
Other (expense) income:		
Premium receivable recovered (written off)	-	(2,870)
Other (expense) income	(1,547)	237
Other expense, net	(1,547)	(2,633)
Net loss	(27,994)	(220,528)
Members' equity, beginning of year	299,213	493,796
Change in nonadmitted assets	751	4,558
Change in pension and postretirement benefits liability	(18,252)	8,951
Refunds/assessments recovered	-	12,436
Members' equity, end of year	$ 253,718	$ 299,213

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, 2019 and 2018

	2019	2018
Cash from operations		
Premiums collected, net	$ 247,842	$ 274,590
Benefit and loss related payments	(127,167)	(205,490)
Commissions, expenses paid and aggregate write-in for deductions	(212,231)	(242,623)
Interest income	1,953	1,678
Other expense	(1,547)	(2,633)
Net cash from operations	(91,150)	(174,478)
Cash from financing and miscellaneous sources		
Other cash provided (applied)	(6,960)	33,355
Net decrease in cash and cash equivalents	(98,110)	(141,123)
Cash and cash equivalents, beginning of year	663,817	804,940
Cash and cash equivalents, end of year	$ 565,707	$ 663,817

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. The Association does not have any prescribed or permitted accounting practices by the Insurance Department that are different than NAIC SAP. Such practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The more significant accounting policies are as follows:

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

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

Non-admitted Assets
Certain assets designated as "non-admitted" are not reflected in the statutory statements of admitted assets, liabilities, and members' equity. Non-admitted assets include 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. Interest earned on cash and equivalents was $1,953 and $1,677 at December 31, 2019 and 2018, respectively.

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 "non-admitted" 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.

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 2.75% in 2019 and 2.71% in 2018.

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

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
Change in projected benefit obligation:				
Projected benefit obligation at January 1	$ 17,894,998	$ 19,129,778	$ 3,212,887	$ 3,924,364
Service cost	216,051	234,939	46,978	51,841
Interest cost	732,981	654,329	132,490	119,629
Plan amendments	-	-	-	-
Actuarial loss (gain)	3,140,143	(1,381,767)	553,972	(774,431)
Benefits paid	(886,172)	(742,281)	(141,414)	(108,516)
Projected benefit obligation at December 31	$ 21,098,001	$ 17,894,998	$ 3,804,913	$ 3,212,887

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
Change in plan assets:				
Fair value of plan assets at January 1	$ 16,239,870	$ 17,538,627	$ -	$ -
Actual return on plan assets	3,604,020	(1,072,224)	-	-
Employer contributions	250,008	515,748	141,414	108,516
Benefits paid	(886,172)	(742,281)	(141,414)	(108,516)
Fair value of plan assets at December 31	$ 19,207,726	$ 16,239,870	$ -	$ -
Reconciliation of unassigned surplus:				
Funded status	$ (1,890,275)	$ (1,655,128)	$ (3,804,913)	$ (3,212,887)
Unrecognized net actuarial loss	3,531,867	3,429,701	903,664	365,201
Unrecognized prior service cost	2,719	4,984	77,051	108,591
Prepaid assets or (accrued) liabilities in unassigned surplus	$ 1,644,311	$ 1,779,557	$ (2,824,198)	$ (2,739,095)

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

	Pension Benefits 2019	Pension Benefits 2018	Postretirement Benefits 2019	Postretirement Benefits 2018
Components of net periodic benefit cost:				
Service cost	$ 216,051	$ 234,939	$ 46,978	$ 51,841
Interest cost	732,981	654,329	132,490	119,629
Expected return on plan assets	(874,839)	(956,008)	-	-
Amount of prior service cost recognized	2,265	2,265	31,540	30,176
Amount of prior non-vested liability recognized	-	-	-	25,335
Amount of loss recognized	308,796	186,465	15,509	54,039
Net periodic benefit cost	$ 385,254	$ 121,990	$ 226,517	$ 281,020

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

	Pension Benefits 2019	Pension Benefits 2018	Postretirement Benefits 2019	Postretirement Benefits 2018
Discount rate	4.15%	3.50%	4.15%	3.60%
Weighted average rate of compensation increase	3.50%	3.00%	3.50%	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 2019	Pension Benefits 2018	Postretirement Benefits 2019	Postretirement Benefits 2018
Discount rate	3.10%	4.15%	3.15%	4.15%
Rate of compensation increase	3.50%	3.00%	3.50%	N/A

The accumulated benefit obligation for the pension plan was $19,643,890 and $16,718,883 at December 31, 2019 and 2018, respectively.

Prepaid pension benefit cost was $1,644,311 and $1,779,557 at December 31, 2019 and 2018, 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, 2019 and 2018, by asset category are as follows:

	2019	2018
Asset category:		
Equity securities	36.0%	31.8%
Debt securities	59.0%	61.3%
Real estate	4.9%	5.1%
Cash	0.1%	1.8%

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, 2019 and 2018.

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, 2019 and 2018. The Association, Insurance Placement Facility of Pennsylvania, and Insurance Placement Facility of Delaware have a total interest in plan assets of approximately 1.61% and 1.60% as of December 31, 2019 and 2018, respectively.

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Managed accounts				
Small cap equity	35,939,034.00			35,939,034.00
Mid cap equity	81,182,983.00			81,182,983.00
Large cap equity	265,123,782.00			265,123,782.00
Pooled separate accounts				-
International equity		204,807,482.00		204,807,482.00
Fixed income		600,349,069.00		600,349,069.00
Cash		4,493,760.00		4,493,760.00
Partnerships/Joint venture interests				
Limited partnerships	-	-	127,511.00	127,511.00
Total assets at fair value	$ 382,245,799	$ 809,650,311	$ 127,511	$ 1,192,023,621

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Managed accounts				
Small cap equity	$ 30,009,976	$ -	$ -	$ 30,009,976
Mid cap equity	66,142,186	-	-	66,142,186
Large cap equity	207,543,874	-	-	207,543,874
Pooled separate accounts				
International equity	-	158,327,460	-	158,327,460
Fixed income	-	540,493,503	-	540,493,503
Cash	-	12,066,583	-	12,066,583
Partnerships/Joint venture interests				
Limited partnerships	-	-	135,955	135,955
Total assets at fair value	$ 303,696,036	$ 710,887,546	$ 135,955	$ 1,014,719,537

Contributions to the pension and postretirement benefits plans are expected to be $250,000 and $172,917, in 2020.

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

	Pension Benefits	Postretirement Benefits
2020	$ 985,674	$ 172,917
2021	1,040,775	192,148
2022	1,086,479	201,210
2023	1,136,252	207,754
2024	1,199,551	206,931
2025-2029	6,416,256	1,063,094

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 $3,030 and $3,243 in 2019 and 2018, 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:

	2019	2018
Balance, January 1	$ 53,144	$ 2,367
Incurred related to:		
Current year	117,488	317,892
Prior years	(6,919)	7,389
Total incurred	110,569	325,281
Paid related to:		
Current year	115,454	264,748
Prior years	46,225	9,756
Total paid	161,679	274,504
Balance, December 31	$ 2,034	$ 53,144

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 by $6,919 and increased by $7,389 in 2019 and 2018, respectively. The unfavorable (favorable) loss reserve development during 2019 and 2018 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 Insurance Placement Facility of Pennsylvania signed a new 10.5-year lease effective May 1, 2015. The Facility has the option to renew its lease for an additional five year period. At December 31, 2019, minimum rental commitments under these noncancelable leases are as follows:

Years Ending December 31:	
2020	$ 6,725
2021	6,852
2022	6,980
2023	7,108
2024	7,235
Thereafter	6,129
Total payments	$ 41,029

The Insurance Placement Facility of Pennsylvania allocates rent expense among the insurance affiliates based on the expense sharing agreement. Total rental expense was $6,764 and $6,521 in 2019 and 2018, 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 2019 and 2018, $311,856 and $438,928, respectively, was paid by the Insurance Placement Facility of Pennsylvania on behalf of the Association. At December 31, 2019 and 2018, $9,110 and $22,430, 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, 2019 and 2018.

9. Subsequent Events

The Association has evaluated subsequent events through April 16, 2020, the date these financial statements were available for issuance. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which likely will have a negative financial impact, though such potential impact is unknown at this time.

Supplemental Risk Interrogatories
December 31, 2019

Total admitted assets at December 31, 2019	$ 569,687

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, 2019

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement	
Cash and short-term investments	$ 565,707	100.00%	$ 565,707	100.00%
Total invested assets	$ 565,707	100.00%	$ 565,707	100.00%

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

Reinsurance Interrogatories

December 31, 2019

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)

MAZARS

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, 2019, 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, 2019. However, unremediated material weaknesses may exist that were not identified.

This communication is intended solely for the information and use of the audit committee, management, the Board of Directors and the 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 16, 2020