



REPORT OF THE ANNUAL MEETING

April 16, 2024

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

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

Board of Directors

2023-2024

| | |
|--|---|
| Mr. Nick Piekarski, Chairman | Westfield Companies |
| Mr. Foster Sirbaugh, Vice Chairman | Farmers and Mechanics Insurance Cos |
| Ms. Dea Dauson | Erie Insurance Group |
| Ms. Angela Clark | State Farm Insurance Companies |
| Mr. Tom Mathes... .. | Allstate Insurance Company |
| Mr. Brian Taylor | Municipal Mutual Ins Co of WV. |
| Ms. Sabrina Wang | Nationwide Insurance |
| | |
| Mr. Kyle McGee., Esq., General Counsel | Margolis Edelstein, Pittsburgh, PA |
| Ms. Susan Erney- Gleason, President | West Virginia Essential Property Insurance Association |



WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION
190 N. Independence Mall W | Suite 301 | Philadelphia, PA 19106

AGENDA FOR THE ANNUAL MEETING
OF THE
WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

APRIL 16, 2024 - 8:00 AM

Via Microsoft Teams
Call In: +1 469-480-3882
Phone Conference ID: 579 974 504#

-
1. Call to Order - 8:00 A.M. – Nick Piekarski, Chairman, presiding
 2. Approval of Minutes of Annual Meeting - April 19, 2023
 3. Ratification of Board and Officers Actions
 4. Report of Chairman
 5. Report of President
 6. Treasurer's Report
 7. Appointment of Board of Directors 2024 - 2025
(Appointment by Insurance Commissioner)
 8. New Business
 9. Adjournment



Minutes of the Annual Meeting of the
West Virginia Essential Property Insurance Association
April 16, 2024
Via Video Conference
8:00 a.m.

The Annual Meeting was called to order at 8:00 a.m. with C h a i r m a n , Mr. Nicholas Piekarski presiding, and President Susan A. Erney-Gleason acting as secretary.

Upon motion duly made, seconded, and carried, the Minutes of the April 19, 2023, 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 the 2023-2024 term was duly made, seconded, and carried.

Motions were made, seconded, and carried to waive the reading of the Chairman's report, President's report, and the Treasurer's report, as all three reports were included in the pre-meeting agenda packet and will be incorporated into the Annual Report 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 L. McVey, the following individuals were appointed to the Board of Directors of the West Virginia Essential Property Insurance Association for the 2024 – 2025 term:

Mr. Nicholas Piekarski
Westfield Companies

Ms. Kortney Williams
Erie Insurance Group

Ms. Angela Clark
State Farm Insurance Companies

Mr. Tom Mathes
Allstate Insurance Company

Mr. Foster L. Sirbaugh Jr.
Farmers and Mechanics

Mr. Brian Taylor
Municipal Mutual Insurance Company



Minutes of the Annual Meeting of the
West Virginia Essential Property Insurance Association
April 16, 2024
Via Video Conference
8:00 a.m.

Board of Director appointees continued:

Ms. Sabrina (Shiqi) Wang
Nationwide Insurance Company

Mr. McVey recognized the importance of the Essential Property Insurance Association to the West Virginia market and thanked the Board of Directors for their commitment and service. He expressed his pleasure at the lack of need for an assessment but noted that the state of the market and unpredictable weather may result in a cash call assessment in the future. He concluded by extending the offer for members to reach out to his office if needed. Chairman Piekarski thanked the Commissioner for his support.

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

Respectfully submitted by,

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

Approved by,

Mr. Nicholas Piekarski
Chairman of the Board

Report of the Chairman
Mr. Nick Piekarski

38th Annual Meeting
West Virginia Essential Property Insurance Association
April 16, 2024

Welcome to the 38th Annual Meeting of the West Virginia Essential Property Insurance Association (WVEPIA). As we approach our 39th 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 2023, the West Virginia Essential Property Insurance Association issued just 268 policies, a decline of 16.25% from 2022, with earned premium of just \$206,161.00.

The lower volumes mean the Association is more susceptible to large fire losses. In 2023, the West Virginia Essential Property Insurance Association reported 4 losses for a total of \$11,586.15. The Association ended the year with a small Underwriting Profit of \$38,898.80.

Since inception, much of the Association's business has come from the southwest corner of the state and nothing in 2023 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 2023, 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 2023 represented the 27th 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 McVey, for their support of 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 the 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. Kyle McGee. Mr. McGee's timely and well thought out advice has served the Board well during this past year.

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.

I would like to thank all my fellow Board members for their support and dedication. 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 Association. For all your efforts, I am indeed grateful.

Every year it seems the Board of Directors or the Association staff loses some very talented individuals to other assignments or retirement and 2023 was no exception. To all of those who have moved on, I would like to offer my personal thanks and gratitude for all the years of service to the Association.

Respectfully submitted,

Nicholas T. Piekarski

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 16, 2024

Report of the President
Ms. Susan A. Erney-Gleason

38th Annual Meeting
West Virginia Essential Property Insurance Association
April 16, 2024

Good morning and welcome to the 38th Annual Meeting of the West Virginia Essential Property Insurance Association.

Since inception, the Plan has been a small niche writer and in 2023 nothing changed that dynamic. With a very small premium base the Association has always been susceptible to large fire losses. In 2023, with a total of 4 losses reported and a total paid loss amount of only \$11,586.15, the Association ended the year with a small Underwriting Profit of \$38,898.80.

Loss Incurred totaled \$11,586.15, while Loss Adjustment Expenses Incurred totaled \$20,871.56 and General Expenses increased by 11.44%. Considering Investment Income and Other Income and Expenses, the West Virginia Essential Property Insurance Association recorded a 2023 Net Result of Operations profit of \$45,663.84.

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 continues to be a very small player in the marketplace. Overall, the Plan issued 16.25% fewer policies in 2023 than it did in 2022 and its New Applications Received decreased by 41.82%.

In 2023, as seems to happen every year, the Plan saw some change to those associated with the Board and Staff. Although the loss of knowledge and expertise is difficult, we have been excited to bring in new talent with different skillsets to meet the needs of the evolving organization.

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. 2023 was certainly a year of continued change and evolution for the organization.

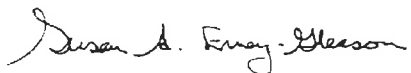
I would also like to thank General Counsel Kyle McGee for his timely and sound legal advice throughout the year. Today's working and social environments are ever changing, and Kyle has helped to navigate the organization through these changes.

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 Offices of the Insurance Commissioner. Time does not permit me to personally thank all those folks inside the Offices who have lent us their knowledge and expertise, but suffice to say, their efforts are greatly appreciated. Special thanks to Commissioner McVey 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.

Respectfully Submitted,



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

WEST VIRGINIA ESSENTIAL PROPERTY INSURANCE ASSOCIATION

WEST VIRGINIA FAIR PLAN

Treasurer's Report

December 31, 2023

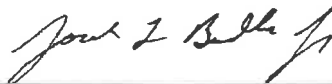
ASSETS

| | |
|--|-----------------------|
| Cash in Bank | 296,746.51 |
| Investments, Short term at cost plus accumulated discount | 337,283.86 |
| Accrued Investment Income | 0.00 |
| Due from Participating Members | 17,664.40 |
| Premiums Receivable | 9,174.65 |
| Other Receivables | 0.00 |
| Equipment * | 0.00 |
| Total Assets | <u>660,869.42</u> |

LIABILITIES AND MEMBERS' EQUITY

| | |
|---|-----------------------|
| Unearned Premiums | 105,678.00 |
| Unearned Advance Premiums | 8,863.72 |
| Outstanding Losses | 100.00 |
| Outstanding Loss Adjustment Expenses | 179.00 |
| Accrued Expenses | 16,322.00 |
| Unpaid Post Retirement Benefits | 69,334.00 |
| Unpaid Pension | 0.00 |
| Accounts Payable | 3,246.65 |
| Claims Checks Payable | 8,086.13 |
| Unpaid Premium Tax | 3,224.47 |
| Total Liabilities | <u>215,033.97</u> |
| Members' Equity (Deficit) | 445,835.45 |
| Total Liabilities and Members' Equity | <u>660,869.42</u> |

Respectfully Submitted,



Joseph L. Budka Jr.
Accounting Manager

* E. D. P. Equipment

**West Virginia Essential
Property Insurance
Association**

Statutory Financial Statements and
Supplemental Schedules
December 31, 2023 and 2022

mazars

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

West Virginia Essential Property Insurance Association

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December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
West Virginia Essential Property Insurance Association

Opinion

We have audited the statutory financial statements of the West Virginia Essential Property Insurance Association (the "Association"), which comprise the statutory statements of admitted assets, liabilities, and members' equity as of December 31, 2023 and 2022, and the related statutory statements of operations and members' equity and cash flows for the years then ended, and the related notes to the statutory financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and members' equity of the West Virginia Essential Property Insurance Association as of December 31, 2023 and 2022, 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.

Basis for Opinion

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

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

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

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of the 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.

A handwritten signature in black ink that reads "Mazars USA LLP". The signature is written in a cursive, flowing style.

April 24, 2024

West Virginia Essential Property Insurance Association
Statutory Statements of Admitted Assets, Liabilities and Members' Equity
December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Admitted Assets | | |
| Cash and cash equivalents | \$ 634,030 | \$ 688,448 |
| Premiums receivable | 9,175 | 10,906 |
| Assessments receivable | <u>17,664</u> | <u>-</u> |
| Total admitted assets | <u>\$ 660,869</u> | <u>\$ 699,354</u> |
| Liabilities and Members' Equity | | |
| Liabilities | | |
| Unearned premiums | \$ 105,678 | \$ 117,318 |
| Unpaid losses and loss adjustment expenses | 279 | 120 |
| Due to related parties | 9,414 | 80,246 |
| Advance premiums | 8,864 | 10,842 |
| Postretirement benefits payable | 69,334 | 64,048 |
| Pension liability | - | 3,587 |
| Other liabilities | <u>21,465</u> | <u>20,375</u> |
| Total liabilities | 215,034 | 296,536 |
| Members' equity | <u>445,835</u> | <u>402,818</u> |
| Total liabilities and members' equity | <u>\$ 660,869</u> | <u>\$ 699,354</u> |

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, 2023 and 2022

| | 2023 | 2022 |
|---|------------|------------|
| Underwriting: | | |
| Premiums earned | \$ 206,161 | \$ 231,391 |
| Losses incurred | 11,586 | 115,598 |
| Loss adjustment expenses incurred | 20,872 | 22,734 |
| Underwriting and other expenses incurred | 134,803 | 120,961 |
| Total underwriting expenses | 167,261 | 259,293 |
| Net underwriting gain | 38,900 | (27,902) |
| Interest income | 6,660 | 1,488 |
| Other income | 105 | 18 |
| Net income | 45,665 | (26,396) |
| Members' equity, beginning of year | 402,818 | 420,900 |
| Change in nonadmitted assets | (32,024) | 24,775 |
| Change in pension and postretirement benefits liability | 29,376 | (16,461) |
| Members' equity, end of year | \$ 445,835 | \$ 402,818 |

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, 2023 and 2022

| | 2023 | 2022 |
|--|------------|------------|
| Cash from operations | | |
| Premiums collected, net | \$ 194,345 | \$ 212,654 |
| Benefit and loss related payments | (11,586) | (115,598) |
| Commissions, expenses paid and aggregate write-in for deductions | (154,115) | (132,950) |
| Interest income | 6,660 | 1,488 |
| Other income | 105 | 18 |
| Net cash from (used in) operations | 35,409 | (34,388) |
| Cash from financing and miscellaneous sources | | |
| Other cash provided (applied) | (89,827) | 52,076 |
| Net increase (decrease) in cash and cash equivalents | (54,418) | 17,688 |
| Cash and cash equivalents, beginning of year | 688,448 | 670,760 |
| Cash and cash equivalents, end of year | \$ 634,030 | \$ 688,448 |

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

West Virginia Essential Property Insurance Association

Notes to Statutory Financial Statements

Years Ended December 31, 2023 and 2022

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 uncollected premiums and agents' balances in the course of collection and are charged directly against members' equity. The portion of unassigned surplus represented by non-admitted assets was \$32,287 and \$262 as of December 31, 2023 and 2022, respectively.

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 \$6,660 and \$1,488 at December 31, 2023 and 2022, respectively.

The Company maintains cash balances at banks that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. During the normal course of business, balances are maintained above the FDIC insurance limit. The Company maintains cash equivalents in money market accounts that are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000. Balances for these accounts are maintained below of the SIPC insurance limit.

West Virginia Essential Property Insurance Association

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' equity.

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 2023, the Association approved a closeout of 2018, 2019, and 2020 in the amount of \$557,848 with an assessment against the 2021 and 2022 policy years in the amount of \$557,848 for a net impact of \$0. This amount has been charged directly to members' equity. There was an assessment receivable from Member Companies of \$17,664 and \$0 at December 31, 2023, and 2022, respectively.

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

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 and postretirement benefits 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 2.70% in 2023 and 2.51% in 2022.

West Virginia Essential Property Insurance Association

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

| | Pension Benefits | | Postretirement Benefits | |
|---|------------------|---------------|-------------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Change in projected benefit obligation | | | | |
| Projected benefit obligation at January 1 | \$ 16,485,417 | \$ 21,119,170 | \$ 2,551,709 | \$ 3,702,828 |
| Service cost | 152,923 | 262,356 | 35,171 | 56,049 |
| Interest cost | 851,683 | 587,292 | 129,165 | 93,907 |
| Actuarial (gain) loss | 516,460 | (4,342,198) | 16,970 | (1,154,096) |
| Benefits paid | (1,217,231) | (1,141,203) | (165,104) | (146,979) |
| Projected benefit obligation at December 31 | \$ 16,789,252 | \$ 16,485,417 | \$ 2,567,911 | \$ 2,551,709 |
| | | | | |
| | Pension Benefits | | Postretirement Benefits | |
| | 2023 | 2022 | 2023 | 2022 |
| Change in plan assets | | | | |
| Fair value of plan assets at January 1 | \$ 16,342,490 | \$ 22,132,794 | \$ - | \$ - |
| Actual return on plan assets | 2,502,694 | (4,949,101) | - | - |
| Employer contributions | 350,000 | 300,000 | 165,104 | 146,979 |
| Benefits paid | (1,217,231) | (1,141,203) | (165,104) | (146,979) |
| Other | - | - | - | - |
| Fair value of plan assets at December 31 | \$ 17,977,953 | \$ 16,342,490 | \$ - | \$ - |
| | | | | |
| | Pension Benefits | | Postretirement Benefits | |
| | 2023 | 2022 | 2023 | 2022 |
| Reconciliation of unassigned surplus | | | | |
| Funded status | | | | |
| Unrecognized net actuarial loss | \$ 1,188,701 | \$ (142,927) | \$ (2,567,911) | \$ (2,551,709) |
| Unrecognized prior service cost | 1,873,659 | 3,199,922 | (504,740) | (558,468) |
| Unrecognized prior service cost | - | - | - | 1,434 |
| Prepaid assets or (accrued) liabilities in unassigned surplus | \$ 3,062,360 | \$ 3,056,995 | \$ (3,072,651) | \$ (3,108,743) |

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

| | Pension Benefits | | Postretirement Benefits | |
|--|------------------|--------------|-------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Components of net periodic benefit cost: | | | | |
| Service cost | \$ 152,923 | \$ 262,356 | \$ 35,171 | \$ 56,049 |
| Interest cost | 851,683 | 587,292 | 129,165 | 93,907 |
| Expected return on plan assets | (874,125) | (1,193,414) | - | - |
| Amount of prior service cost recognized | - | - | 1,434 | 22,619 |
| Amount of loss recognized | 214,154 | - | (36,758) | - |
| Net periodic benefit (income) cost | \$ 344,635 | \$ (343,766) | \$ 129,012 | \$ 172,575 |

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

| | Pension Benefits | | Postretirement Benefits | |
|--|------------------|-------|-------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Discount rate | 5.30% | 2.80% | 5.30% | 2.85% |
| Weighted average rate of compensation increase | 4.00% | 4.00% | 4.00% | 3.50% |
| Expected long-term rate of return | 5.50% | 5.50% | N/A | N/A |

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

| | Pension Benefits | | Postretirement Benefits | |
|-------------------------------|------------------|-------|-------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Discount rate | 5.10% | 5.30% | 5.10% | 5.30% |
| Rate of compensation increase | 4.00% | 4.00% | 4.00% | 4.00% |

The accumulated benefit obligation for the pension plan was \$16,251,777 and \$15,829,506 at December 31, 2023 and 2022, respectively.

Prepaid pension benefit cost was \$3,062,360 and \$3,056,995 at December 31, 2023 and 2022, respectively.

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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, 2023 and 2022, by asset category are as follows:

| | 2023 | 2022 |
|-------------------|-------|-------|
| Asset category: | | |
| Equity securities | 36.8% | 38.6% |
| Debt securities | 57.9% | 55.7% |
| Real estate | 4.8% | 4.8% |
| Other | 0.5% | 0.9% |

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

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, 2023 and 2022.

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

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

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

The following tables set forth by level, within the fair value hierarchy, the gross assets of the plan as of December 31, 2023 and 2022. The Association, Insurance Placement Facility of Pennsylvania, and Insurance Placement Facility of Delaware have a total interest in plan assets of approximately 1.60% and 1.58% as of December 31, 2023 and 2022, respectively.

| December 31, 2023 | Level 1 | Level 2 | Total |
|-----------------------------|-----------------------|-----------------------|-------------------------|
| Managed accounts | | | |
| Small cap equity | \$ 36,166,598 | \$ - | \$ 36,166,598 |
| Mid cap equity | 74,482,730 | - | 74,482,730 |
| Large cap equity | 219,998,134 | - | 219,998,134 |
| Fixed income | - | 391,450,684 | 391,450,684 |
| Pooled separate accounts | | | |
| Collective investment trust | - | 28,166,851 | 28,166,851 |
| Real Estate Security | - | 28,004,779 | 28,004,779 |
| International equity | - | 95,933,798 | 95,933,798 |
| Fixed income | - | 241,065,643 | 241,065,643 |
| Cash | - | 8,810,602 | 8,810,602 |
| Total assets at fair value | <u>\$ 330,647,462</u> | <u>\$ 793,432,357</u> | <u>\$ 1,124,079,819</u> |

| December 31, 2022 | Level 1 | Level 2 | Total |
|-----------------------------|-----------------------|-----------------------|-------------------------|
| Managed accounts | | | |
| Small cap equity | \$ 32,202,166 | \$ - | \$ 32,202,166 |
| Mid cap equity | 72,253,728 | - | 72,253,728 |
| Large cap equity | 211,371,707 | - | 211,371,707 |
| Fixed income | - | 358,986,113 | 358,986,113 |
| Pooled separate accounts | | | |
| Collective investment trust | - | 25,408,242 | 25,408,242 |
| Real Estate Security | - | 25,202,910 | 25,202,910 |
| International equity | - | 96,004,376 | 96,004,376 |
| Fixed income | - | 207,184,876 | 207,184,876 |
| Cash | - | 8,376,031 | 8,376,031 |
| Total assets at fair value | <u>\$ 315,827,601</u> | <u>\$ 721,162,548</u> | <u>\$ 1,036,990,149</u> |

Contributions to the pension and postretirement benefits plans are expected to be \$350,000 and \$170,060, respectively, in 2024.

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

| | Pension Benefits | Postretirement Benefits |
|-----------|---------------------|----------------------------|
| 2024 | \$ 1,258,020 | \$ 170,060 |
| 2025 | 1,252,431 | 169,122 |
| 2026 | 1,260,295 | 170,960 |
| 2027 | 1,260,164 | 173,669 |
| 2028 | 1,256,295 | 177,641 |
| 2029-2033 | 6,305,326 | 944,931 |

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 Organizations 401(k) Savings Plan, a defined contribution plan. The plan is administered by Voya Financial. Participation in the plan is voluntary. Employees are vested in employer contributions upon participation. Employees can contribute up to 100% of their annual compensation subject to the maximum dollar amounts set each year by Federal Law. The Association matched employee contributions up to a maximum of 6% of an employee's annual compensation. Contributions by the Association amounted to \$2,228 and \$2,408 in 2023 and 2022, respectively. Contributions are net of amounts allocated to the Insurance Placement Facility of Delaware and the Insurance Placement Facility of Pennsylvania.

5. Liability for Unpaid Losses and Loss Adjustment Expenses

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

| | 2023 | 2022 |
|----------------------|--------|---------|
| Balance, January 1 | \$ 120 | \$ 188 |
| Incurred related to: | | |
| Current year | 27,752 | 131,052 |
| Prior years | 4,706 | 7,280 |
| Total incurred | 32,458 | 138,332 |
| Paid related to: | | |
| Current year | 27,473 | 130,932 |
| Prior years | 4,826 | 7,468 |
| Total paid | 32,299 | 138,400 |
| Balance, December 31 | \$ 279 | \$ 120 |

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 increased by \$4,706 and \$7,280 in 2023 and 2022, respectively. The unfavorable loss reserve development during 2023 and 2022 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.

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6. Lease Commitments

The Insurance Placement Facility of Pennsylvania signed a new 10.5-year lease effective May 1, 2015. The Insurance Placement Facility of Pennsylvania has the option to renew its lease for an additional five-year period. At December 31, 2023, minimum rental commitments under this noncancelable lease is as follows:

Years Ending December 31:

| | | |
|-------------------|----|--------|
| 2024 | \$ | 7,104 |
| 2025 | | 6,017 |
| 2026 & thereafter | | - |
| Total payments | \$ | 13,121 |

The Insurance Placement Facility of Pennsylvania allocates rent expense among the insurance affiliates based on the expense sharing agreement. Total rental expense was \$7,098 and \$6,501 in 2023 and 2022, 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 2023 and 2022, \$155,067 and \$246,945, respectively, was paid by the Insurance Placement Facility of Pennsylvania on behalf of the Association. At December 31, 2023 and 2022, \$9,414 and \$80,246, respectively, is due to the Insurance Placement Facility of Pennsylvania. These advances do not bear interest and are payable on demand.

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, 2023 and 2022.

9. Subsequent Events

The Association has evaluated subsequent events through April 24, 2024, the date these financial statements were available for issuance.

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Supplemental Risk Interrogatories December 31, 2023

Total admitted assets at December 31, 2023 \$ 660,869

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.

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Summary Investment Schedule December 31, 2023

| Investment Categories | Gross Investment Holdings* | | Admitted Assets as Reported in the Annual Statement | |
|---------------------------------|-------------------------------|---------|---|--------------------|
| Cash and short-term investments | \$ | 634,030 | 100.00% | \$ 634,030 100.00% |
| Total invested assets | \$ | 634,030 | 100.00% | \$ 634,030 100.00% |

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

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Reinsurance Interrogatories December 31, 2023

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)