



REPORT OF THE ANNUAL MEETING

April 25, 2023

Insurance Placement Facility of Delaware

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

Board of Directors

2022 – 2023

Ms. Jaynine Warner, Chairperson	Travelers
Mr. Dave Sponic, Vice Chairperson	Donegal Insurance Group
Ms. Christine Knudson-Miner	Allstate Insurance
Ms. Diana Matalka	American Modern Insurance Group
Mr. Vincent Karam	Liberty Mutual Insurance Company
Mr. Brad Ryan	Nationwide Insurance Company
Mr. Bob Messier	State Farm Insurance Companies
Mr. Eric Goldberg	The Hartford
Ms. Catherine Quinn	Farmers Insurance exchange
Ms. Rebecca Basak	USAA, Residual Markets
Mr. Thomas Hyman	Chubb
Mr. Daniel M. Taylor, Jr., Esq., General Counsel	Margolis Edelstein, Pittsburgh
Ms. Susan A. Erney-Gleason, President	Insurance Placement Facility of Delaware



**Insurance Placement Facility of Delaware
190 N Independence Mall West, Suite 301
Philadelphia, PA 19106**

AGENDA FOR THE ANNUAL MEETING

INSURANCE PLACEMENT FACILITY OF DELAWARE

April 25, 2023 – 9:15AM

Via Microsoft Teams

Call in (audio only): +1 469-480-3882

Phone Conference ID: 482 020 676#

-
1. Call to Order – 9:15AM - Ms. Jaynine Warner, Chair, presiding.
 2. Approval of Minutes of Previous Year Annual Meeting - April 28, 2022
 3. Ratification of Board, Officers, and Committee Actions
 4. Report of the Chair
 5. Report of the President
 6. Treasurer's Report
 7. New Business
 8. Election of Board of Directors

2023 - 2024 Nominations are:

- 1) Allstate Insurance Company
 - 2) American Modern Insurance Group
 - 3) Chubb Group
 - 4) Donegal Insurance Companies
 - 5) Farmers Insurance
 - 6) Liberty Mutual Insurance Company
 - 7) Nationwide Insurance Companies
 - 8) State Farm Insurance Companies
 - 9) The Hartford
 - 10) The Travelers Companies, Inc.
 - 11) USAA
9. Adjournment of Meeting



Minutes of the Annual Meeting of the
Insurance Placement Facility of Delaware
April 25, 2023
Via Video Conference
9:15 a.m.

The Annual Meeting of the Insurance Placement Facility of Delaware was called to order with Vice Chairman David Sponic presiding. President Susan A. Erney-Gleason served as secretary and reported a quorum was present with 115 companies or 74.786% of the membership represented in person or by proxy.

Upon motion duly made, seconded, and carried, the Minutes of the April 28, 2022, Annual Meeting were approved as distributed.

A motion to ratify the actions of the Board of Directors and the Officers for the 2022-2023 term was duly made, seconded, and carried.

Motions were made, seconded, and carried to waive the reading of the Chairperson'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. The reports were accepted as presented.

The President noted the 2022 independent financial audit report provided by the accounting firm of Mazars will be presented and accepted by the Board of Directors and made part of the Annual Report submitted to Member Companies.

No new business was presented by the President, Department of Insurance, or member company representatives.

The Vice Chairman of the Board and Nominating Committee Chairperson Mr. David Sponic, placed into nomination the following Member Companies to serve on the Board of Directors for the 2023 – 2024 term:

Allstate Insurance Company
American Modern Insurance Group
Chubb Group
Donegal Insurance Companies
Farmers Insurance
Liberty Mutual Insurance Companies
Nationwide Insurance Companies
State Farm Insurance Companies



Minutes of the Annual Meeting of the
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Board of Director Member Company nominees continued:

The Hartford
The Travelers Companies, Inc.
USAA

There being no other nominations, it was moved, seconded, and carried to close nominations. Vice Chairman Sponic requested and received confirmation from the secretary that enough ballots had been cast either in person or via proxy in favor of the nominated slate. Ms. Erney-Gleason reported that 115 companies or 74.786% of the membership were represented. As such and upon motion duly made, seconded, and carried, the slate was declared elected.

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. David Sponic
Vice Chairman of the Board

Report of the Chair
Ms. Jaynine Warner

55th Annual Meeting
of the Members of the
Insurance Placement Facility of Delaware
April 25, 2023

Welcome to the 55th Annual Meeting of the Insurance Placement Facility of Delaware. As we continue in our sixth decade in operation, I am pleased to report that the Facility 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 Delaware's Hurricane exposures created by its proximity to both the Atlantic Ocean and the Delaware Bay, there remains a wide range of companies doing business in the State of Delaware. With many companies active in the marketplace, it is not a surprise that the State's FAIR Plan is a very small player in the overall market. In 2022, the Delaware FAIR Plan issued just 1,133 policies and wrote only \$462,298 in Written Premium.

Despite the small volumes, the Delaware FAIR Plan still receives a routine flow of new applications and renewal payments from all three counties in the State. The FAIR Plan has policies in force in most every part of the state including the Wilmington urban core and the southern coastline. In 2022, the Delaware FAIR Plan saw its New Business Applications count decrease by 6.02% over the prior year.

Over the past decades, the Delaware FAIR Plan has recorded many surplus years, but as of late, the smallness of the Plan combined with several large fire losses have conspired to provide a string of deficit results. In 2022, despite a 47.34% decline in Loss Incurred, and an 11.08% drop in General Expenses, the 3.85% fall in Premiums Earned resulted in a Net Result of Operations loss of \$149,790.89.

As has been the case since inception, the Delaware FAIR Plan is run with the full support and staffing provided by the Insurance Placement Facility of Pennsylvania. Although that arrangement greatly benefits both organizations, it is the insurance industry itself that reaps the greatest financial benefit.

In closing, I would like to thank the Delaware Insurance Department for all its support to the FAIR Plan 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 at the FAIR Plan. Their dedication to the FAIR Plan is evident in so many ways and I think I speak for all the Board members 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 past General Counsel Mr. Daniel M. Taylor. Mr. Taylor's timely and well thought out advice has served the Board well over the years and 2022 was no exception. I would like to extend an enthusiastic welcome to Mr. Kyle McGee as our interim General Counsel to be appointed during the upcoming Board of Directors Meeting.

I would also be remiss if I did not acknowledge all the members of our committees and in particular our Committee Chairpersons. Your readiness to serve and to offer the Staff guidance on any number of assorted issues goes a long way in making the Delaware FAIR Plan a well-run operation.

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 Delaware FAIR Plan. For all your efforts, I am indeed grateful.

Every year it seems the Board of Directors or the FAIR Plan staff loses some very talented individuals to other assignments or retirement and 2022 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 FAIR Plan.

Respectfully submitted,



Jaynine Warner
Chair of the Board

Report of the President
Susan A. Erney-Gleason

55th Annual Meeting
of the Members of the
Insurance Placement Facility of Delaware
April 25, 2023

Good morning and welcome to the 55th Annual Meeting of the Insurance Placement Facility of Delaware.

For the past few years, we have seen a steady decline in FAIR Plan business and 2022 was no exception. With a small premium base, the Delaware FAIR Plan has also always been susceptible to the negative impacts of large fire losses and 2022 was no exception. The Delaware FAIR Plan suffered one such large loss in 2022 totaling \$62,000.00 in payouts. We also made payment in 2022 on a large fire loss originating in 2021 in the amount of \$134,861.42. There are currently no open reserves and the losses have been paid and closed.

In 2022, the Delaware FAIR Plan issued fewer policies than it did in 2021, receiving 6.02% fewer New Applications. Time will tell if this small drop of 8 applications is a trend or a sign of a changing marketplace is, but rest assured the Plan stands ready to meet the fire insurance needs of the property owners of Delaware.

Although the FAIR Plan recorded a 47.34% drop in Losses Incurred as well as a 11.08% drop in General Expenses, this was offset by a 3.85% drop in Premiums Earned yielding an Underwriting Loss of \$154,1895.92. Considering Investment Income and Other Income and Expenses, the Delaware FAIR Plan finished 2022 with a Net Result of Operations deficit of \$149,790.89.

Over decades the Delaware FAIR Plan has remained a small niche writer for those unable to secure coverage in the normal marketplace. Annual Premiums Written have never exceeded \$900,000 and annual policy counts have only once been as high as 6,063. Despite its limited size, the FAIR Plan has still paid out over \$15,100,000 in Losses.

The Delaware FAIR Plan continues to be serviced through a cost sharing arrangement with the Pennsylvania FAIR Plan. That agreement provides the Delaware FAIR Plan with not only access to modern system software but also experienced and dedicated personnel.

As we approach our 56th year in operation, I cannot help but think of all the Board and Committee members, Insurance Department senior staff and all the FAIR Plan staff, who have moved on to their next challenge. To all, I would like to express my thanks for their years of dedicated service.

In closing, I would like to thank the members of my management team and the employees for their efforts over these past 12 months. This has certainly been a year of change and evolution for the organization.

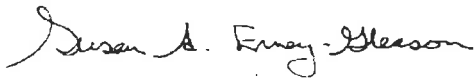
I would also like to thank past General Counsel Dan Taylor for his timely and sound legal advice throughout the year. Today's working and social environments are ever changing, and Dan has helped to navigate the organization through these changes. I would like to extend an enthusiastic welcome to Mr. Kyle McGee as our interim General Counsel to be appointed during the upcoming Board of Directors Meeting.

I also think it is appropriate to thank the Delaware Insurance Department and in particular, Christina Miller. We value the relationship we have with the Department and her efforts to guide us through to appropriate people have been invaluable. Time does not permit me to personally thank all those many individuals inside the Department who have lent us their knowledge and expertise, but suffice it to say, those efforts are greatly appreciated.

Lastly, I would like to thank all the members of the Board and its various Committees. Your interest, support and enthusiasm go a long way in running this organization.

Whether it has been an email, a phone conversation or a meeting, members repeatedly 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

INSURANCE PLACEMENT FACILITY OF DELAWARE

DELAWARE FAIR PLAN

Treasurer's Report

December 31, 2022

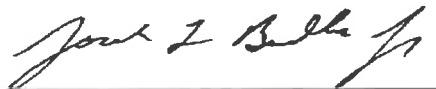
ASSETS

Cash in Bank	424,821.29
Investments, Short term at cost plus accumulated discount	1,192,393.70
Accrued Investment Income	0.00
Due from Participating Members	0.00
Premiums Receivable	2,883.80
Other Receivables	0.00
Equipment *	0.00
Total Assets	<u>1,620,098.79</u>

LIABILITIES AND MEMBERS' EQUITY

Unearned Premiums	236,566.00
Unearned Advance Premiums	20,008.80
Outstanding Losses	48,600.00
Outstanding Loss Adjustment Expenses	5,460.00
Accrued Expenses	23,254.00
Unpaid Post Retirement Benefits	238,074.00
Unpaid Pension	13,335.00
Accounts Payable	17,047.19
Claims Checks Payable	59,776.72
Unpaid Premium Tax	27.82
Total Liabilities	<u>662,149.53</u>
Members' Equity (Deficit)	957,949.26
Total Liabilities and Members' Equity	<u>1,620,098.79</u>

Respectfully Submitted,



Joseph L. Budka Jr.
Accounting Manager

* E. D. P. Equipment

Insurance Placement Facility of Delaware

Statutory Financial Statements and
Supplemental Schedules
December 31, 2022 and 2021

mazars

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

Insurance Placement Facility of Delaware

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Independent Auditors' Report

To the Board of Directors of Insurance Placement Facility of Delaware

Opinion

We have audited the statutory financial statements of the Insurance Placement Facility of Delaware (the "Facility"), which comprise the statutory statements of admitted assets, liabilities, and members' equity as of December 31, 2022 and 2021, 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 Insurance Placement Facility of Delaware as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with accounting practices prescribed or permitted by the Insurance Department of the State of Delaware 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Facility 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 Insurance Department of the State of Delaware, 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 Insurance Department of the State of Delaware, 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 Facility'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 Facility'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 Facility'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 Insurance Placement Facility of Delaware and the Insurance Department of the State of Delaware 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, 2023

Insurance Placement Facility of Delaware

Statutory Statements of Admitted Assets, Liabilities and Members' Equity December 31, 2022 and 2021

	2022	2021
Admitted Assets		
Cash and cash equivalents	\$ 1,617,215	\$ 1,917,209
Assessments receivable	-	4,964
Premiums receivable	2,884	2,947
Total admitted assets	<u>\$ 1,620,099</u>	<u>\$ 1,925,120</u>
Liabilities and Members' Equity		
Liabilities		
Unearned premiums	\$ 236,566	\$ 233,063
Due to related parties	62,097	54,032
Unpaid losses and loss adjustment expenses	54,060	173,705
Advance premiums	20,009	20,816
Postretirement benefits payable	238,074	341,771
Pension liability	13,335	-
Other liabilities	38,009	28,088
Total liabilities	662,150	851,475
Members' equity	<u>957,949</u>	<u>1,073,645</u>
Total liabilities and members' equity	<u>\$ 1,620,099</u>	<u>\$ 1,925,120</u>

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

Insurance Placement Facility of Delaware

Statutory Statements of Operations and Members' Equity Years Ended December 31, 2022 and 2021

	2022	2021
Underwriting:		
Premiums earned	\$ 458,797	\$ 477,177
Losses incurred	239,900	455,557
Loss adjustment expenses incurred	72,986	97,221
Underwriting and other expenses incurred	300,097	337,506
Total underwriting expenses	612,983	890,284
Net underwriting loss	(154,186)	(413,107)
Interest income	5,113	694
Other expense:		
Premium receivable charged off	-	(234)
Other expense	(720)	(3)
Other expense, net	(720)	(237)
Net loss	(149,793)	(412,650)
Members' equity (deficit), beginning of year	1,073,645	(139,527)
Change in nonadmitted assets	94,297	(93,667)
Change in pension and postretirement benefits liability	(60,200)	240,519
Assessments	-	1,479,241
Refunds/assessments charged off	-	(271)
Members' equity, end of year	\$ 957,949	\$ 1,073,645

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

Insurance Placement Facility of Delaware

Statutory Statements of Cash Flows Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash from operations		
Premiums collected, net	\$ 461,702	\$ 463,150
Benefit and loss related payments	(357,906)	(343,505)
Commissions, expenses paid and aggregate write-in for deductions	(364,137)	(434,875)
Interest income	5,113	694
Other expense	(718)	(237)
	<u>(255,946)</u>	<u>(314,773)</u>
Net cash used in operations		
Cash from financing and miscellaneous sources		
Other cash (used) provided	<u>(44,048)</u>	<u>1,305,612</u>
Net (decrease) increase in cash and cash equivalents	(299,994)	990,839
Cash and cash equivalents, beginning of year	<u>1,917,209</u>	<u>926,370</u>
Cash and cash equivalents, end of year	<u>\$ 1,617,215</u>	<u>\$ 1,917,209</u>

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

Insurance Placement Facility of Delaware

Notes to Statutory Financial Statements Years Ended December 31, 2022 and 2021

1. Summary of Significant Accounting Policies

The statutory financial statements of Insurance Placement Facility of Delaware (the "Facility") have been prepared, except as to form, in conformity with statutory accounting practices ("SAP") as promulgated by the National Association of Insurance Commissioners ("NAIC") and as prescribed or permitted by the Insurance Department of the State of Delaware (the "Insurance Department"). The Facility 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 pre-paid premium tax and are charged directly against members' equity. The portion of unassigned surplus represented by non-admitted assets was \$180 and \$94,477 as of December 31, 2022 and 2021, respectively.

Unpaid Losses and Loss Adjustment Expenses

Unpaid losses and loss adjustment expenses are estimated based on losses reported and the Facility'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 \$5,113 and \$694 at December 31, 2022 and 2021, 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 in excess of the SIPC insurance limit.

Insurance Placement Facility of Delaware

Variances from Generally Accepted Accounting Principles

Certain of the prescribed or permitted insurance accounting practices followed by the Facility 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 statements of admitted assets, liabilities, and members’ equity.

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

2. General

The Facility was created by an act of the Legislature of the State of Delaware (“The Delaware Fair Plan Act”) 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 Delaware of the kinds covered by the Facility are required to be a member. Each member participates in the profits and losses of the Facility in the proportion that certain premiums written in the state by each company during the second preceding calendar year bear to the aggregate of such premiums written by all authorized companies and is subject to future cash assessments or refunds, if required.

There was neither a closeout nor assessment commenced during 2022. During 2021, the Facility approved a closeout of 2017, 2018, and 2019 in the amount of \$920,759 with an offset assessment against the 2021 and 2020 policy years in the amount of \$2,400,000 for a net impact of \$1,479,241. This amount has been charged directly to members’ equity. There was an assessment receivable from Member Companies of \$0 and \$4,964 at December 31, 2022, and 2021, respectively.

The Facility shares office space and the services of certain employees with the Insurance Placement Facility of Pennsylvania and the West Virginia Essential Property Insurance Association 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 Facility files as a partnership for federal income tax purposes. Consequently, the Facility provides each Member Company with an annual statement of its relative share of the Facility’s annual results of operations for inclusion in each participating member’s tax return.

4. Employee Benefits

The Facility, in conjunction with the Insurance Placement Facility of Pennsylvania and the West Virginia Essential Property Insurance Association 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 Facility 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 Facility 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 Facility uses a December 31 measurement date for its pension and postretirement benefits plan. Assets, liabilities and expenses of the plan are allocated to the Facility based on its underwriting activity. The allocation percentage used for the Facility was 9.33% in 2022 and 9.23% in 2021.

Insurance Placement Facility of Delaware

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

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Change in projected benefit obligation:				
Projected benefit obligation at January 1	\$ 21,119,170	\$ 22,930,851	\$ 3,702,828	\$ 4,052,538
Service cost	262,356	290,838	56,049	81,148
Interest cost	587,292	506,744	93,907	90,434
Actuarial gain	(4,342,198)	(1,633,925)	(1,154,096)	(386,075)
Benefits paid	(1,141,203)	(975,338)	(146,979)	(135,217)
Projected benefit obligation at December 31	\$ 16,485,417	\$ 21,119,170	\$ 2,551,709	\$ 3,702,828
	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Change in plan assets:				
Fair value of plan assets at January 1	\$ 22,132,794	\$ 21,198,725	\$ -	\$ -
Actual return on plan assets	(4,949,101)	1,552,803	-	-
Employer contributions	300,000	356,604	146,979	135,217
Benefits paid	(1,141,203)	(975,338)	(146,979)	(135,217)
Fair value of plan assets at December 31	\$ 16,342,490	\$ 22,132,794	\$ -	\$ -
Reconciliation of unassigned surplus:				
Funded status	\$ (142,927)	\$ 1,013,624	\$ (2,551,709)	\$ (3,702,828)
Unrecognized net actuarial loss	3,199,922	1,399,605	(558,468)	595,628
Unrecognized prior service cost	-	-	1,434	24,053
Prepaid assets or (accrued) liabilities in unassigned surplus	\$ 3,056,995	\$ 2,413,229	\$ (3,108,743)	\$ (3,083,147)

The net periodic benefit cost includes the following components:

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Components of net periodic benefit cost:				
Service cost	\$ 262,356	\$ 290,838	\$ 56,049	\$ 81,148
Interest cost	587,292	506,744	93,907	90,434
Expected return on plan assets	(1,193,414)	(1,149,846)	-	-
Amount of prior service cost recognized	-	454	22,619	22,619
Amount of loss recognized	-	125,151	-	75,105
Net periodic benefit (income) cost	\$ (343,766)	\$ (226,659)	\$ 172,575	\$ 269,306

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

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Discount rate	2.80%	2.30%	2.85%	2.35%
Weighted average rate of compensation increase	4.00%	3.50%	3.50%	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	
	2022	2021	2022	2021
Discount rate	5.30%	2.80%	5.30%	2.85%
Rate of compensation increase	4.00%	3.50%	4.00%	3.50%

The accumulated benefit obligation for the pension plan was \$15,829,506 and \$19,855,957 at December 31, 2022 and 2021, respectively.

Prepaid pension benefit cost was \$3,056,995 and \$2,413,229 at December 31, 2022 and 2021, 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 pension plan's weighted average asset allocations at December 31, 2022 and 2021, by asset category, are as follows:

<u>Asset Category</u>	<u>2022</u>	<u>2021</u>
Equity securities	38.6%	37.0%
Debt securities	55.7%	57.0%
Real estate	4.8%	5.2%
Cash	0.9%	0.8%

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, 2022 and 2021.

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

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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, 2022 and 2021. The Facility, Insurance Placement Facility of Pennsylvania, and West Virginia Essential Property Insurance Association have a total interest in Plan assets of approximately 1.58% and 1.64% as of December 31, 2022 and 2021, respectively.

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	\$ 315,827,601	\$ 721,162,548	\$1,036,990,149

December 31, 2021	Level 1	Level 2	Total
Managed accounts			
Small cap equity	\$ 39,561,698	\$ -	\$ 39,561,698
Mid cap equity	90,803,628	-	90,803,628
Large cap equity	297,160,221	-	297,160,221
Fixed income	-	454,212,269	454,212,269
Pooled separate accounts			
Collective investment trust	-	39,158,931	39,158,931
Mid cap equity	-	37,529,381	37,529,381
International equity	-	121,111,450	121,111,450
Fixed income	-	267,058,128	267,058,128
Cash	-	6,044,606	6,044,606
Total assets at fair value	\$ 427,525,547	\$ 925,114,765	\$1,352,640,312

Contributions to the pension and postretirement benefits plans are expected to be \$350,000 and \$172,438, respectively, in 2023.

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

	Pension Benefits	Postretirement Benefits
2023	\$ 1,176,629	\$ 172,438
2024	1,201,289	170,913
2025	1,220,771	170,048
2026	1,239,183	172,851
2027	1,271,650	179,111
2028-2032	6,384,316	957,560

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 Facility are eligible to participate in the Insurance Company Supported Organizations 401(k) Savings Plan, a defined contribution plan. The plan was administered by the Prudential Retirement Insurance and Annuity Company through September 23, 2021. Voya Institutional Trust Company became the current administrator on September 24, 2021. Participation in the plan is voluntary. Employees are vested in employer contributions upon participation. Employees could contribute 1% to 75% of their annual compensation for the period January 1, 2021 through September 23, 2021. Employees could contribute 1% to 100% of their annual compensation on a pre-tax basis for the period September 24, 2021 through December 31, 2021 and for the period January 1, 2022 through December 31, 2022. Employees could contribute 1% to 75% of their annual compensation on an after-tax basis for the period September 24, 2021 through December 31, 2021 and for the period January 1, 2022 through December 31, 2022. Employee contributions are not to exceed the maximum amount allowed by the Internal Revenue Service each plan year. The Facility matched employee contributions up to a maximum of 6% of an employee's annual compensation. Contributions by the Facility amounted to \$8,950 and \$9,456 in 2022 and 2021, respectively. Contributions are net of amounts allocated to the Insurance Placement Facility of Pennsylvania and the West Virginia Essential Property Insurance Association.

5. Liability for Unpaid Losses and Loss Adjustment Expenses

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

	2022	2021
Balance, January 1	\$ 173,705	\$ 62,573
Incurred related to:		
Current year	286,505	493,864
Prior years	26,380	58,914
Total incurred	312,885	552,778
Paid related to:		
Current year	238,563	325,372
Prior years	193,967	116,274
Total paid	432,530	441,646
Balance, December 31	\$ 54,060	\$ 173,705

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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 \$26,380 and \$58,914 in 2022 and 2021, respectively. The unfavorable loss reserve developments 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, 2022, minimum rental commitments under this noncancelable leases are as follows:

<u>Years Ending December 31:</u>	
2023	\$ 24,114
2024	24,548
2025	20,793
2026	-
Total payments	<u>\$ 69,455</u>

The Insurance Placement Facility of Pennsylvania allocates rent expense among the insurance affiliates based on the expense sharing agreement. Total rental expense was \$24,167 and \$23,516 in 2022 and 2021, respectively.

The Facility is charged a portion of the total rentals paid by Insurance Placement Facility of Pennsylvania for common facilities, based upon underwriting activity of the Facility 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 Facility and is then reimbursed by the Facility. Throughout 2022 and 2021, \$784,118 and \$827,256, respectively, was paid by the Insurance Placement Facility of Pennsylvania on behalf of the Facility. At December 31, 2022 and 2021, \$62,097 and \$54,032 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, 2022 and 2021.

9. Subsequent Events

The Facility has evaluated subsequent events through April 24, 2023, the date these financial statements were available for issuance.

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Investment Risk Interrogatories

December 31, 2022

Total admitted assets at December 31, 2022 \$ 1,620,099

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 Facility; 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	\$ -

3. The Facility holds no foreign investments.
 4. The Facility holds no Canadian investments.
 5. The Facility 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 Facility holds no nonaffiliated, privately placed equities.
 8. The Facility holds no general partnership interests.
 9. The Facility holds no mortgage loans.
 10. The Facility holds no real estate.
 11. The Facility has no repurchase agreements.
 12. The Facility does not hold warrants.
 13. The Facility does not have exposure to collars, swaps, or forwards.
 14. The Facility does not have exposure for futures contracts.
 15. The Facility 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, 2022

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement	
Cash and cash equivalents	\$ 1,617,215	100.00%	\$ 1,617,215	100.00%
Total invested assets	\$ 1,617,215	100.00%	\$ 1,617,215	100.00%

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

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Reinsurance Interrogatories

December 31, 2022

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 noncancelable 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)