

MAINE STATE LEGISLATURE

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MAINE INSURANCE GUARANTY ASSOCIATION

*One Bowdoin Square
Boston, MA 02114-2916
(617) 227-7020 (800) 852-2003
Accounting and Administration Departments Fax: (617) 227-8903
Claim Department Fax: (617) 305-0001*

Via Certified Mail/Return Receipt Requested

March 1, 2012

The Honorable Eric Cioppa, Superintendent
Maine Bureau of Insurance
State House Station 34
Augusta, ME 04333

Re: Maine Insurance Guaranty Association (the "Association")
Annual Report of the Association for the Year Ending December 31, 2011

Dear Superintendent Cioppa:

Pursuant to the Association Act, enclosed herewith for filing please find duly executed original Annual Report of the Association for the year ending December 31, 2011.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,


Paul M. Gulko
Executive Secretary

Enclosure

cc: The Board of Directors of the Association

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March 1, 2012

To: THE SUPERINTENDENT OF INSURANCE (the "Superintendent") AND THE MEMBER INSURERS OF THE MAINE INSURANCE GUARANTY ASSOCIATION (the "Association")

Re: The Annual Report of the Association for the Year ending December 31, 2011

During 2011, there were three new insolvencies reported to the Association. On May 9, 2011, the Board of Directors of the Association (the "Board") voted to accept the insolvencies of Atlantic Mutual Insurance Company and Centennial Insurance Company, which had been declared insolvent by the State of New York. On October 17, 2011, the Board voted to accept the insolvency of Western Insurance Company, which had been declared insolvent by the State of Utah. The Board decided that the administration of these insolvencies would be provided by Guaranty Fund Management Services® ("GFMS®"). The Board also continued to monitor existing insolvencies and potential insolvencies.

On October 17, 2011, the Board held its Annual Meeting in Providence, Rhode Island, in conjunction with other meetings of the member guaranty associations of GFMS and its committees. Timothy Vernon, Priscilla Lenkowski, Paul Gulko, James Winskowicz, and Kathleen Lavin, were elected Chair, Vice Chair, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association.

The Board received and considered the report of the Executive Secretary regarding the ballots transmitted by the member insurers with instructions to vote in favor of the following nominees as Directors: MMG Insurance Company and Patriot Insurance Company. The Chair then directed the Executive Secretary to cast one vote for the election of the nominees as Directors for a three-year term, expiring in 2014.

The Board received and considered reports concerning claims and recoveries from receivers, respectively.

The Board received a report regarding the final version of the Market Conduct Examination conducted by the Bureau of Insurance in 2010, and which was discussed at the 2010 Annual Meeting. The Board ratified the actions taken in response to the Bureau's report.

The Board considered and adopted Expense Guidelines for Board and Committee Members.

The Board also reviewed the financial condition of the Association and its operating expenses and covered claim costs, in order to determine whether an assessment or a refund of prior assessments would be appropriate. The Board thereupon voted the following assessment and refunds be made:

| <u>ASSESSMENT</u> | <u>AUTO</u> | <u>OTHER</u> | <u>WORKERS' COMP</u> |
|--------------------------------|----------------------------|--------------|----------------------|
| WC Residual Market | | | \$ 1,451,180 |
| | \$ 0 | \$ 0 | \$ 1,451,180 |
| <u>Total Assessment</u> | <u>\$ 1,451,180</u> | | |

| <u>REFUND</u> | <u>AUTO</u> | <u>OTHER</u> | <u>WORKERS' COMP</u> |
|-------------------------------------|-----------------------------|---------------|----------------------|
| Transit Casualty Company | (\$ 15,814) | | |
| Carriers Insurance Company | | | (\$ 417,884) |
| American Druggist Insurance Company | | | (\$ 316,827) |
| Reliance Insurance Company | (\$622,838) | (\$ 387,753) | |
| PHICO Insurance Company | | | (\$1,892,106) |
| Legion Insurance Company | (\$187,793) | (\$1,165,629) | |
| | (\$810,631) | (\$3,461,302) | (\$ 734,711) |
| Total Refund | (\$5,006,644) | | |
| <u>Net Refund</u> | <u>(\$3,555,464)</u> | | |

Upon recommendation of the Treasurer, the Board further voted to **CLOSE** the following insolvencies: **Transit Casualty Company, Carriers Insurance Company and American Druggist Insurance Company.**

The member insurers serving on the Board and their designated representatives as of December 31, 2011 are:

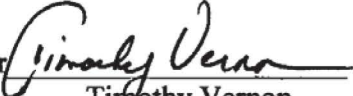
| | |
|--|---------------------|
| MMG INSURANCE COMPANY | Timothy Vernon |
| LIBERTY MUTUAL INSURANCE COMPANY | Priscilla Lenkowski |
| METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY | Maura Travers |
| ONEBEACON AMERICA INSURANCE COMPANY | Virginia McCarthy |
| TRAVELERS INDEMNITY COMPANY | David Fleming |
| PATRIOT INSURANCE COMPANY | Lincoln Merrill |
| PATRONS OXFORD INSURANCE COMPANY | Walter Smythe |

The Statement of Account of the Association, from inception through December 31, 2011, and its Balance Sheet for the same period, are attached hereto and made a part hereof.

Respectfully submitted,

The Board of Directors of the
MAINE INSURANCE
GUARANTY ASSOCIATION

By its Chair


Timothy Vernon

MAINE INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2011

| | <u>Inception To Date</u> |
|----------------------------|-----------------------------------|
| Assets: | |
| Checking & Short-Term Cash | \$4,296,409.81 |
| Investments | <u>31,634,798.26</u> |
| Total Assets | <u><u>\$35,931,208.07</u></u> |
| Fund Balance | <u><u>\$35,931,208.07</u></u> |

Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2011
Total All Insolvencies

| | Year To Date | Inception To Date |
|----------------------------------|--------------------------------|-------------------------------|
| RECEIPTS: | | |
| Member Assessment Administrative | (\$33.00) | \$155,393.32 |
| Member Assessment | 1,454,639.00 | 87,072,913.00 |
| Member Assessment Special | 8,784.00 | 37,875,471.00 |
| Loan | 0.00 | 2,500,000.00 |
| Interaccount Special Transfer | 8,784.00 | 30,259,708.00 |
| Recovery | 3,096,083.41 | 102,216,187.38 |
| Interest Income | 759,936.19 | 17,958,841.05 |
| Total Receipts | <u>5,328,193.60</u> | <u>278,038,513.75</u> |
| DISBURSEMENTS: | | |
| Claims Paid | 838,993.34 | 124,590,145.33 |
| Helmsman Claims Paid | 462,760.68 | 44,630,708.29 |
| Claims Expense Paid | 28,944.52 | 5,487,599.16 |
| Helmsman Claims Expense Paid | 9,373.80 | 3,180,515.37 |
| Premium Refund | 0.00 | 1,075,965.28 |
| Member Refund | 4,971,544.00 | 16,173,663.00 |
| Member Refund Special | 0.00 | 7,615,763.00 |
| Operating Expenses: | | |
| Service Fee - ISO, Etc. | 0.00 | 30,077.28 |
| G.F.M.S. | 73,441.88 | 4,533,598.79 |
| Legal & Audit | 22,550.82 | 828,440.75 |
| Travel | 11,323.68 | 155,364.82 |
| NCIGF Fee | 67,369.00 | 378,303.55 |
| Insurance | 3,440.00 | 17,133.00 |
| Other | 5,264.90 | 226,341.49 |
| Administrative Expense | (33.00) | 145,106.27 |
| Interest | 0.00 | 278,872.30 |
| Loan | 0.00 | 2,500,000.00 |
| Interaccount Special Transfer | 8,784.00 | 30,259,708.00 |
| Total Operating Expenses | <u>192,141.28</u> | <u>39,352,946.25</u> |
| Total Disbursements | <u>6,503,757.62</u> | <u>242,107,305.68</u> |
| Funds Available | <u><u>(\$1,175,564.02)</u></u> | <u><u>\$35,931,208.07</u></u> |

Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2011
Total All Insolvencies

| | <u>Year To Date</u> | <u>Inception To Date</u> |
|----------------------------------|-------------------------|-------------------------------|
| Reserves: | | |
| Claims Liability Other | | \$75,000.00 |
| Claims Expense Liability Other | | <u>50,000.00</u> |
| Subtotal Other | | <u>125,000.00</u> |
| Claims Liability Workers | | 31,224,946.77 |
| Claims Expense Liability Workers | | <u>440,529.76</u> |
| Subtotal Workers | | <u>31,665,476.53</u> |
| Total Reserves | | <u><u>\$31,790,476.53</u></u> |
| Funds Available Per Account | | |
| Auto | | \$114,777.83 |
| Other | | 174,997.01 |
| Workers | | <u>35,492,707.67</u> |
| Total | | <u><u>\$35,782,482.51</u></u> |

Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2011
Administrative

| | Year To Date | Inception To Date |
|------------------------------------|-------------------|----------------------|
| RECEIPTS: | | |
| Member Assessment Administrative | <u>\$3,966.02</u> | <u>\$154,721.85</u> |
| Total Receipts | <u>3,966.02</u> | <u>154,721.85</u> |
| DISBURSEMENTS: | | |
| Operating Expenses: | | |
| Administrative Expense | <u>0.00</u> | <u>5,996.29</u> |
| Total Operating Expenses | <u>0.00</u> | <u>5,996.29</u> |
| Total Disbursements | <u>0.00</u> | <u>5,996.29</u> |
| Funds Available | <u>\$3,966.02</u> | <u>\$148,725.56</u> |
| Reserves: | | |
| Total Reserves | | <u>\$0.00</u> |
| Funds Available Per Account | | |
| Auto | | \$0.00 |
| Other | | 0.00 |
| Workers | | <u>0.00</u> |
| Total | | <u>\$0.00</u> |

Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2011
Consolidated Statement of Closed Insolvencies

| | <u>Inception To Date</u> |
|----------------------------------|------------------------------|
| RECEIPTS: | |
| Member Assessment Administrative | \$671.47 |
| Member Assessment | 3,140,214.00 |
| Recovery | 2,237,323.56 |
| Interest Income | <u>329,944.61</u> |
| Total Receipts | <u>5,708,153.64</u> |
| DISBURSEMENTS: | |
| Claims Paid | 1,238,241.53 |
| Helmsman Claims Paid | 131.19 |
| Claims Expense Paid | 618,477.44 |
| Helmsman Claims Expense Paid | 370.60 |
| Premium Refund | 145,317.46 |
| Member Refund | 3,104,422.00 |
| Operating Expenses: | |
| Service Fee - ISO, Etc. | 30,077.28 |
| G.F.M.S. | 313,317.43 |
| Legal & Audit | 79,957.05 |
| Travel | 20,528.74 |
| NCIGF Fee | 16,814.77 |
| Other | 14,170.43 |
| Administrative Expense | <u>126,327.72</u> |
| Total Operating Expenses | <u>601,193.42</u> |
| Total Disbursements | <u>5,708,153.64</u> |
| Funds Available | <u>\$0.00</u> |

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**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2011
WC Residual Market Obligation**

| | <u>Year To Date</u> | <u>Inception To Date</u> |
|------------------------------------|------------------------------|---------------------------------|
| RECEIPTS: | | |
| Member Assessment | \$1,453,137.00 | \$16,321,813.00 |
| Member Assessment Special | 8,784.00 | 24,066,713.00 |
| Interaccount Special Transfer | <u>8,784.00</u> | <u>24,066,713.00</u> |
| Total Receipts | <u>1,470,705.00</u> | <u>64,455,239.00</u> |
| DISBURSEMENTS: | | |
| Claims Paid | 0.00 | 61,521,560.00 |
| Operating Expenses: | | |
| Interaccount Special Transfer | <u>8,784.00</u> | <u>24,066,713.00</u> |
| Total Operating Expenses | <u>8,784.00</u> | <u>24,066,713.00</u> |
| Total Disbursements | <u>8,784.00</u> | <u>85,588,273.00</u> |
| Funds Available | <u><u>\$1,461,921.00</u></u> | <u><u>(\$21,133,034.00)</u></u> |
| Reserves: | | |
| Total Reserves | | <u><u>\$0.00</u></u> |
| Funds Available Per Account | | |
| Auto | | \$0.00 |
| Other | | 0.00 |
| Workers | | <u>(21,133,034.00)</u> |
| Total | | <u><u>(\$21,133,034.00)</u></u> |