

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 18, 2014

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, 2013

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, 2013.

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 18, 2014

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, 2013

During 2013, there were three new insolvencies submitted to the Board of Directors for action. On May 8, 2013, the Board of Directors of the Association (the "Board") met and voted to accept the insolvencies of American Manufacturers Mutual Insurance Company, American Motorists Insurance Company and Lumbermens Mutual Casualty Company, which had been declared insolvent by the State of Illinois. The Board decided that the administration of the insolvencies would be provided by Guaranty Fund Management Services[®] ("GFMS[®]").

On October 26, 2013, the Board held its Annual Meeting in Washington, D.C., in conjunction with other meetings of the member guaranty associations of Guaranty Fund Management Services[®] ("GFMS[®]") and its committees. Timothy Vernon, Priscilla Lenkowski, Paul Gulko, James Winkowicz, and Kathleen Lavin, were elected Chair, Vice Chair, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association. In addition, the Board discussed and/or voted the following items.

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: Atlantic Specialty Insurance Company and Metropolitan Property and Casualty 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 2016.

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

The Board received a report concerning a claim audit performed earlier in 2013.

The Board reviewed the process by which assessments are levied upon member insurers, as well as the information provided by the Treasurer. After discussion, the Board declined to make any change as to the way assessments are levied upon members.

The Board addressed the Association's share of the AIG settlement proceeds, amounting to \$384,000. After discussion and consideration, and upon information received from the Treasurer, the Board voted to return the proceeds in the form of a refund to the members, excluding AIG companies. Said refund will occur in 2014.

The Board 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			\$ 1,528,751
	\$ 0	\$ 0	\$ 1,528,751
	<u>Total Assessment</u>		<u>\$1,528,751</u>

<u>REFUND</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS' COMP</u>
Mission Insurance Co.			(\$2,000,000)
Amwest Surety Insurance Co.		(\$134,019)	
	\$0	(\$134,019)	(\$2,000,000)
Total Refund		(\$2,134,019)	
	<u>Net Refund</u>		<u>(\$605,268)</u>

Upon recommendation of the Treasurer, the Board further voted to **CLOSE** the **Amwest Surety Insurance Company** and **Frontier Insurance Company** insolvencies.

The member insurers serving on the Board and their designated representatives as of December 31, 2013 are:

MMG INSURANCE COMPANY	Timothy Vernon
LIBERTY MUTUAL INSURANCE COMPANY	Priscilla Lenkowski
METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY	Maura Travers
ATLANTIC SPECIALTY INSURANCE COMPANY	Virginia McCarthy
TRAVELERS INDEMNITY COMPANY	David Fleming
PATRIOT INSURANCE COMPANY	Lincoln Merrill
PATRONS OXFORD INSURANCE COMPANY	Mark Pettingill

The Statement of Account of the Association, from inception through December 31, 2013, 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, 2013

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$1,973,698.87
Investments	<u>34,833,005.74</u>
Total Assets	<u><u>\$36,806,704.61</u></u>
Fund Balance	<u><u>\$36,806,704.61</u></u>

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**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Total All Insolvencies**

	<u>Year To Date</u>	<u>Inception To Date</u>
RECEIPTS:		
Member Assessment Administrative	-	\$206,913.58
Member Assessment	1,183,716.00	89,779,079.00
Member Assessment Special	12,696.00	37,888,167.00
Loan	-	2,500,000.00
Interaccount Special Transfer	12,696.00	30,272,404.00
Recovery	1,163,385.70	107,259,079.57
Interest Income	370,650.48	19,157,048.53
Total Receipts	2,743,144.18	287,062,691.68
DISBURSEMENTS:		
Claims Paid	1,626,790.17	129,612,679.44
Helmsman Claims Paid	195,971.67	45,072,350.73
Claims Expense Paid	47,951.47	5,597,308.69
Helmsman Claims Expense Paid	864.00	3,187,185.55
Premium Refund	3,314.04	1,079,279.32
Member Refund	1,980,166.00	18,153,829.00
Member Refund Special	-	7,615,763.00
Operating Expenses:		
Service Fee - ISO, Etc.	-	30,077.28
G.F.M.S.	202,706.53	4,964,032.85
Legal & Audit	22,614.71	843,067.61
Travel	15,309.96	180,326.27
NCIGF Fee	33,369.00	411,672.55
Insurance	3,980.00	24,570.00
Other	4,138.29	235,941.95
Administrative Expense	-	196,626.53
Interest	-	278,872.30
Loan	-	2,500,000.00
Interaccount Special Transfer	12,696.00	30,272,404.00
Total Operating Expenses	294,814.49	39,937,591.34
Total Disbursements	4,149,871.84	250,255,987.07
Funds Available	(\$1,406,727.66)	\$36,806,704.61
Reserves:		
Claims Liability Other		105,625.00
Claims Expense Liability Other		59,776.84
Subtotal Other		165,401.84
Claims Liability Workers		30,780,706.34
Claims Expense Liability Workers		503,456.11
Subtotal Workers		31,284,162.45
Total Reserves		\$31,449,564.29
Funds Available Per Account		
Auto		\$156,258.02
Other		329,906.60
Workers		36,121,294.17
Total		\$36,607,458.79

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**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Administrative**

	<u>Year To Date</u>	<u>Inception To Date</u>
RECEIPTS:		
Member Assessment Administrative	\$3,310.79	\$209,552.90
Interest Income	14.41	14.41
Total Receipts	<u>3,325.20</u>	<u>209,567.31</u>
DISBURSEMENTS:		
Operating Expenses:		
Other	-	1,000.00
Administrative Expense	-	5,996.29
Total Operating Expenses	<u>-</u>	<u>6,996.29</u>
Total Disbursements	<u>-</u>	<u>6,996.29</u>
Funds Available	<u>\$3,325.20</u>	<u>\$202,571.02</u>
Reserves:		
Total Reserves		<u>-</u>
Funds Available Per Account		
Auto		(\$343.91)
Other		46,587.08
Workers		(42,917.97)
Total		<u>\$3,325.20</u>

**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
WC Residual Market Obligation**

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment	\$151,822.00	\$17,996,085.00
Member Assessment Special	12,696.00	24,079,409.00
Interaccount Special Transfer	12,696.00	24,079,409.00
Recovery	-	348,127.18
Total Receipts	177,214.00	66,503,030.18
DISBURSEMENTS:		
Claims Paid	-	61,521,560.00
 Operating Expenses:		
Interaccount Special Transfer	12,696.00	24,079,409.00
Total Operating Expenses	12,696.00	24,079,409.00
Total Disbursements	12,696.00	85,600,969.00
Funds Available	\$164,518.00	(\$19,097,938.82)
Reserves:		
Total Reserves		-
Funds Available Per Account		
Auto		-
Other		-
Workers		(19,097,938.82)
Total		(\$19,097,938.82)

**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Consolidated Statement of Closed Insolvencies**

	<u>Inception To Date</u>
RECEIPTS:	
Member Assessment Administrative	(\$2,639.32)
Member Assessment	11,697,196.00
Recovery	8,098,946.54
Interest Income	896,588.13
Total Receipts	20,690,091.35
DISBURSEMENTS:	
Claims Paid	8,093,249.56
Helmsman Claims Paid	973,613.76
Claims Expense Paid	2,260,370.63
Helmsman Claims Expense Paid	141,322.95
Premium Refund	338,862.92
Member Refund	7,675,316.00
Operating Expenses:	
Service Fee - ISO, Etc.	30,077.28
G.F.M.S.	667,831.09
Legal & Audit	162,937.79
Travel	44,642.95
NCIGF Fee	60,577.86
Other	54,164.61
Administrative Expense	187,123.95
Total Operating Expenses	1,207,355.53
Total Disbursements	20,690,091.35
Funds Available	-