

MAINE STATE LEGISLATURE

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MAINE INSURANCE GUARANTY ASSOCIATION

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March 30, 2020

To: The Superintendent of Insurance (the "Superintendent") and the Member Insurers of the
Maine Insurance Guaranty Association

Re: 2019 Annual Report

On behalf of the board of directors of the Maine Insurance Guaranty Association
(the "Association"), please accept this annual report for the calendar year 2019.

Membership

The membership of the Association is comprised of insurers licensed to transact business in the State that write business to which the Association's enabling Act applies. See, MRS Title 24-A, § 4431, et seq. In 2019, the following insurers became member insurers of the Association:

CGB Insurance Company;
CM Regent Insurance Company;
Employers Insurance Company of Nevada;
Glencar Insurance Company;
Midwest Family Advantage Insurance Company;
Midwest Family Mutual Insurance Company;
Preferred Employers Insurance Company;
Rock Ridge Insurance Company;
Service American Indemnity Company;
Vault Reciprocal Exchange; and
Victoria Fire & Casualty Company.

Board of Directors

Pursuant to the Association's Plan of Operation, the board of directors consists of seven members, three of which must be domiciled in the state. Directors are elected by the membership and fairly represent the diverse profiles of member insurers.

The two board members whose terms were due to expire in 2019 – Metropolitan Property and Casualty Insurance Company and Vermont Mutual Insurance Company – were re-elected at the annual meeting of the board of directors on October 25, 2019.

The members of the board of directors, and their representatives as of that date are as follows:

MMG Insurance Company, Timothy Vernon, Chair;
Patriot Insurance Company, Lincoln Merrill, Vice Chair;
Liberty Mutual Insurance Company, Jeffrey Scott;
Metropolitan Property and Casualty Insurance Company, Maura Travers;
Patrons Oxford Insurance Company, Mark Pettingill;
Travelers Indemnity Company, David Sutera; and
Vermont Mutual Insurance Company, Brian Eagan

Insolvencies

There were no new insolvencies affecting the Association.

Board of Director Meetings

On October 25, 2019, the board held its annual meeting in Newport, Rhode Island. The meeting was held in conjunction with the boards of directors and committee meetings of Guaranty Fund Management Services ("GFMS") and each of its member guaranty associations.

At the annual board of directors meeting, the board:

- approved minutes of its October 26, 2018, annual meeting;
- elected officers: Timothy Vernon, Chair; Lincoln Merrill, Vice Chair; Barbara Petersen Law, Executive Secretary; Dawne Mills, Claims Manager; and Heather Holland, Treasurer;
- reviewed the Plan of Operation;
- reviewed the outstanding contract with GFMS;
- received and considered reports on claims, IT projects, and recoveries from receivers;
- voted to approve the 2018 audited financial statements presented by the Treasurer¹;
- reviewed assessment capacity, which was set at the following amounts, per account, based on 2% of the calendar year 2018 net direct written premiums:

Auto	\$18,331,855
Other	\$20,749,072
Workers' Compensation	\$ 1,510,720

- reviewed the cash position of the Association, including its operating expenses and covered claim costs;
- determined that neither an assessment nor a refund was warranted; and
- approved a legal committee charter.

¹ The audited financial statements were approved by the Association's audit committee on March 27, 2019.

Claims

As of December 31, 2019, the Association had 73 open claim files – sixty workers' compensation, eight auto, and five other - with reserves in the amount of \$23,784,606.

The largest reserve exposures for the Association were attributed to the liquidations of Mission Insurance Company (\$9,037,937), Reliance Insurance Company (\$4,700,688), and American Mutual Liability Insurance Company (\$2,908,609).

The Association pursues recoveries authorized by MRS Title 24-A, § 4442. In 2019, an aggregate amount of \$16,247 was collected and allocated directly back to the claim files. This amount reflected recoveries from the following sources:

Other	\$12,728
Large Deductible Reimbursements	\$ 3,519

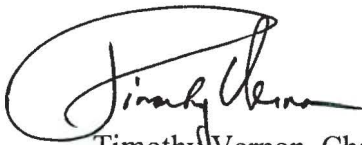
Recoveries from Receivers

The Association pursues recoveries from the assets of insolvent insurers, such as statutory deposits and distributions from receivers. In 2019, the Association recovered \$2,478,372, of which \$1,956,524 was received as final distributions from Legion Insurance Company and Reliance Insurance Company. The remaining recovery came from early access distributions, which are subject to clawback; NCCI settlement proceeds; and administrative expense reimbursements from various insolvencies.

Financial Statements

The statement of account of the Association, from inception and for the calendar year 2019, and its balance sheet for the same periods, are attached and made a part of this annual report.

Respectfully submitted,



Timothy Vernon, Chair

MAINE INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2019

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$2,092,049.44
Investments	<u>33,287,897.51</u>
Total Assets	<u>\$35,379,946.95</u>
 Fund Balance	 <u>\$35,379,946.95</u>

Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2019
Total All Insolvencies

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$49.61	\$206,246.19
Member Assessment	167,310.00	93,791,530.00
Member Assessment Special	-	37,890,048.00
Loan	-	2,500,000.00
Interaccount Special Transfer	-	30,274,285.00
Recovery	2,478,371.88	117,128,761.02
Interest Income	1,051,962.45	22,061,945.58
Total Receipts	3,697,693.94	303,852,815.79
DISBURSEMENTS:		
Claims Paid	1,844,056.16	142,503,742.15
Third-Party Administrator Claims Paid	154,556.23	46,120,253.72
Claims Expense Paid	87,648.51	6,547,501.97
Third-Party Administrator Claims Expense	-	3,191,288.45
Premium Refund	6,991.00	1,086,270.32
Member Refund	-	19,517,157.00
Member Refund Special	-	7,615,763.00
Operating Expenses:		
Service Fee - ISO, Etc.	-	30,077.28
G.F.M.S.	230,230.14	6,439,419.30
Legal & Audit	12,650.00	941,378.67
Travel	9,652.17	254,622.35
NCIGF Fee	40,539.00	649,890.55
Insurance	6,000.00	60,570.00
Other	3,534.90	265,150.25
Administrative Expense	-	196,626.53
Interest	-	278,872.30
Loan	-	2,500,000.00
Interaccount Special Transfer	-	30,274,285.00
Total Operating Expenses	302,606.21	41,890,892.23
Total Disbursements	2,395,858.11	268,472,868.84
Funds Available	\$1,301,835.83	\$35,379,946.95

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Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2019
Total All Insolvencies

	Year To Date	Inception To Date
Reserves:		
Claims Liability Auto		\$163,527.17
Claims Expense Liability Auto		23,399.33
Subtotal Auto		186,926.50
Claims Liability Other		63,501.00
Claims Expense Liability Other		16,126.54
Subtotal Other		79,627.54
Claims Liability Workers		23,136,230.33
Claims Expense Liability Workers		381,822.02
Subtotal Worke		23,518,052.35
Total Reserves		\$23,784,606.39
Funds Available Per Account		
Auto		\$689,384.79
Other		449,293.13
Workers		34,136,931.72
Total		\$35,275,609.64

Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2019
Consolidated Statement of Closed Insolvencies

	<u>Inception To Date</u>
RECEIPTS:	
Member Assessment Administrative	\$18,001,763.52
Member Assessment	31,794,127.00
Member Assessment Special	24,081,290.00
Interaccount Special Transfer	24,081,290.00
Recovery	9,640,294.39
Interest Income	916,882.24
Total Receipts	<u>108,515,647.15</u>
DISBURSEMENTS:	
Claims Paid	70,294,023.60
Third-Party Administrator Claims Paid	973,613.76
Claims Expense Paid	2,652,586.13
Third-Party Administrator Claims Expense Paid	141,322.95
Premium Refund	338,862.92
Member Refund	8,602,313.00
Operating Expenses:	
Service Fee - ISO, Etc.	30,077.28
G.F.M.S.	816,181.99
Legal & Audit	200,498.07
Travel	49,575.09
NCIGF Fee	72,984.24
Other	71,687.88
Administrative Expense	190,630.24
Interaccount Special Transfer	24,081,290.00
Total Operating Expenses	<u>25,512,924.79</u>
Total Disbursements	<u>108,515,647.15</u>
Funds Available	<u>-</u>

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Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2019
Administrative

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$627,315.00	(\$17,528,327.37)
Interest Income	-	5,899.78
Total Receipts	627,315.00	(17,522,427.59)
DISBURSEMENTS:		
Operating Expenses:		
G.F.M.S.	59,221.23	94,241.12
Other	-	1,000.00
Administrative Expense	-	5,996.29
Total Operating Expenses	59,221.23	101,237.41
Total Disbursements	59,221.23	101,237.41
Funds Available	\$568,093.77	(\$17,623,665.00)
Reserves:		
Total Reserves		-
Funds Available Per Account		
Auto		\$66,924.61
Other		77,272.95
Workers		(17,872,199.87)
Total		(\$17,728,002.31)