

MAINE STATE LEGISLATURE

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To: The Commissioner of Insurance and the Member Insurers of the Maine Insurance Guaranty Association

From: The Board of Directors of the Maine Insurance Guaranty Association

Date: March 30, 2022

Re: 2021 Annual Report

On behalf of the board of directors of the Maine Insurance Guaranty Association (the “Association”), the following is the report for the calendar year 2021.

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 2021, the following insurers became member insurers of the Association:

Allied World National Assurance Company;
CM Select Insurance Company;
Indemnity National Insurance Company;
MTAW Insurance Company;
National Summit Insurance Company;
Physicians Mutual Insurance Company.
Obsidian Insurance Company;
Unigard Indemnity Company; and
Vantapro Specialty Insurance 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 three board members whose terms were due to expire in 2021 – Liberty Mutual Insurance Company, Patrons Oxford Insurance Company, and Travelers Indemnity Company – were re-elected at the annual meeting of the board of directors on October 20, 2021.

As of December 2021, the members of the board of directors and their designated representatives are as follows:

Patriot Insurance Company, Lincoln J. Merrill, Jr., Chair;
Patrons Oxford Insurance Company, Mark A. Pettingill, Vice Chair;
Farmers Property and Casualty Insurance Company, Jaynine Warner;

Liberty Mutual Insurance Company, Doug Taylor;
MMG Insurance Company, Dave McPherson;
Travelers Indemnity Company, David D. Sutera; and
Vermont Mutual Insurance Company, William J. Cahill.

Insolvencies

In 2021, the Association accepted three new insolvencies:

- On March 17, 2021, the board voted via written unanimous consent to accept the insolvency of Bedivere Insurance Company, which was found to be insolvent and ordered liquidated by the Commonwealth Court of Pennsylvania, on March 11, 2021.
- On August 20, 2021, the board voted via written unanimous consent to accept the insolvency of Western General Insurance Company, which was found to be insolvent and ordered liquidated by the Superior Court of California, County of Los Angeles, Central District, on August 5, 2021.
- On November 16, 2021, the board voted via written unanimous consent to accept the insolvency of Highlands Insurance Company, which was found to be insolvent and ordered liquidated by the District Court of Travis County, Texas, on October 29, 2021.

Annual Board of Directors Meeting

The annual meeting of the board of directors was held on October 20, 2021, via video conference. At the annual board of directors meeting, the board, among other business:

- elected officers: Lincoln J. Merrill, Jr., Chair; Mark A. Pettingill, Vice Chair; Barbara Petersen Law, Executive Secretary; Jeffrey Scott, Claims Manager; and Heather Holland, Treasurer;
- reviewed and discussed proposed changes to the Plan of Operation;
- reviewed the Delegated Services Agreement with GFMS;
- approved audit and legal committee charters;
- received and considered reports on claims, investments, and recoveries from receivers;
- voted to approve the 2020 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 2020 net direct written premiums:

Auto	\$18,868,871
Other	\$22,923,050
Workers' Compensation	\$ 1,542,603

¹ The audited financial statements were approved by the Association's audit committee on March 29, 2021.

- reviewed the cash position of the Association, including its operating expenses and covered claim costs; and voted to approve certain assessments and refunds. Specifically, the board voted to approve an auto account assessment in the amount of \$550,000, an “other” account assessment in the amount of \$900,000, and a workers’ compensation account assessment in the amount of \$1,542,603.

Claim Activity

As of December 31, 2021, the Association had 128 open claim files – 114 workers’ compensation, three private passenger automobile, eight commercial automobile, and three liability claims – with reserves in the amount of \$32,184,162.

The largest reserve exposures for the Association were attributed to the liquidations of Bedivere Insurance Company (\$13,749,431), Mission Insurance Company (\$6,863,978), and Reliance Insurance Company (\$4,102,912). Claim loss and expense payments issued during the reporting period totaled \$2,626,371.

Recoveries

The Association pursues recoveries authorized by MRS Title 24-A, § 4442. In 2021, an aggregate amount of \$387,058 was collected and allocated directly back to the claim file. This amount reflected recoveries from the following sources:

Carrier reimbursement	\$347,934
Large Deductible Reimbursement	\$ 345
Supplement Benefit Fund	\$ 38,779

The Association also files claims against the estates of insolvent insurers, such as statutory deposits and distributions of assets from receivers. In 2021, the Association recovered \$660,205 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 2021, and its balance sheet for the same periods, are attached and made a part of this annual report.

MAINE INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2021
Inception
To Date

Assets:

Checking & Short-Term Cash	\$3,832,771.66
Investments	31,458,687.51

Total Assets	\$35,291,459.17
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Fund Balance	\$35,291,459.17
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**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2021
Total All Insolvencies**

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$1,841.40	\$191,076.89
Member Assessment	2,627,098.00	96,418,628.00
Member Assessment Special	-	37,890,048.00
Loan	-	2,500,000.00
Interaccount Special Transfer	-	30,274,285.00
Recovery	660,205.66	117,691,464.48
Interest Income	393,331.48	23,832,735.58
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Total Receipts	3,682,476.54	308,798,237.95
DISBURSEMENTS:		
Claims Paid	2,309,398.77	146,230,069.81
Third-Party Administrator Claims Paid	118,125.69	46,348,352.62
Claims Expense Paid	155,202.05	6,765,775.25
Third-Party Administrator Claims Expense Paid	168.48	3,191,555.21
Premium Refund	-	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.	396,868.53	7,120,647.89
Legal & Audit	59,265.52	1,014,808.19
Travel	2,148.75	256,771.10
NCIGF Fee	39,154.00	730,972.55
Insurance	-	67,070.00
Other	10,562.93	281,704.73
Administrative Expense	-	196,626.53
Interest	-	278,872.30
Loan	-	2,500,000.00
Interaccount Special Transfer	-	30,274,285.00
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Total Operating Expenses	507,999.73	42,751,835.57
Total Disbursements	3,090,894.72	273,506,778.78
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Funds Available	\$591,581.82	\$35,291,459.17
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Reserves:		
Claims Liability Auto		279,001.00
Claims Expense Liability Auto		30,168.42
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Subtotal Auto		309,169.42
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Claims Liability Other		1,207,554.00
Claims Expense Liability Other		15,069.95
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Subtotal Other		1,222,623.95

**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2021
Total All Insolvencies**

	<u>Year To Date</u>	<u>Inception To Date</u>
Claims Liability Workers		30,095,771.53
Claims Expense Liability Workers		<u>567,445.39</u>
Subtotal Workers		<u>30,663,216.92</u>
Total Reserves		<u><u>\$32,195,010.29</u></u>
Funds Available Per Account		
Auto		\$242,015.03
Other		1,194,301.15
Workers		<u>33,765,974.98</u>
Total		<u><u>\$35,202,291.16</u></u>

**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2021
Consolidated Statement of Closed Insolvencies**

	Inception To Date
RECEIPTS:	
Member Assessment Administrative	\$18,001,086.55
Member Assessment	31,794,127.00
Member Assessment Special	24,081,290.00
Interaccount Special Transfer	24,081,290.00
Recovery	9,640,971.36
Interest Income	916,882.24
	108,515,647.15
Total Receipts	108,515,647.15
 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
	25,512,924.79
Total Operating Expenses	25,512,924.79
 Total Disbursements	 108,515,647.15
 Funds Available	 -

**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2021
Administrative**

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	(\$308,911.92)	(\$17,854,249.99)
Recovery	(30.01)	-
Interest Income	-	5,899.78
Total Receipts	(308,941.93)	(17,848,350.21)
DISBURSEMENTS:		
Operating Expenses:		
G.F.M.S.	-	94,241.12
Other	-	1,000.00
Administrative Expense	-	5,996.29
Total Operating Expenses	-	101,237.41
Total Disbursements	-	101,237.41
Funds Available	(\$308,941.93)	(\$17,949,587.62)
Reserves:		
Total Reserves		-
Funds Available Per Account		
Auto		\$79,913.71
Other		(246,916.42)
Workers		(17,871,752.92)
Total		(\$18,038,755.63)