

# VIRGINIA PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

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March 1, 2009

To: THE COMMISSIONER OF INSURANCE (the "Commissioner") AND  
THE MEMBER INSURERS OF THE VIRGINIA PROPERTY  
AND CASUALTY INSURANCE GUARANTY ASSOCIATION  
(the "Association")

Re: The Annual Report of the Association for the Year ending December 31, 2008

During 2008, there was one new insolvency reported to the Association. On May 13, 2008, the Board of Directors of the Association (the "Board") voted, at its annual meeting, to accept the insolvency of MIIX Insurance Company, which had been declared insolvent by the State of New Jersey. The Board decided that the administration of this insolvency would be provided by Guaranty Fund Management Services® ("GFMS®"). The Board also continued to monitor existing insolvencies and potential insolvencies.

On May 13, 2008, the member insurers of the Association held their Annual Meeting at the offices of Troutman Sanders LLP, in Richmond, Virginia.

The Chairman presented the 2007 Annual Report of the Association to the member insurers. The member insurers thereupon voted that the Annual Report be accepted.

The Board reviewed the Plan of Operation and no amendments were suggested.

Immediately subsequent thereto, the Board held its Annual Meeting. Messrs. Roach, Joyce, Gulko and Winskowicz, and Ms. Lavin were elected, Chairman, Vice Chairman, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association.

The Board reviewed the Plan of Operation and no changes were recommended.

The Board also reviewed the outstanding contract with GFMS.

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

The Executive Secretary presented to the Board the audited financial statements of the Association, as approved by the Audit Committee. The Board thereupon voted that such audited financial statements be accepted.

Edward H. Starr, Association counsel, reported to the Board concerning his activities for the prior year, addressing specifically issues concerning Reciprocal of America and the Chesapeake Hospital Authority matters as well as pending deposit refund litigation.

Mr. Gulko reported on several other matters.

Mr. Chew from the Bureau of Insurance addressed the Board on a number of matters of common interest.

On October 27, 2008, the Board held a meeting in Freeport, Maine, in conjunction with other meetings of the member guaranty associations of GFMS and its committees.

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

Mr. Starr reported to the Board on several matters.

A discussion was held concerning the refunding of prior assessments.

The Board next 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:

<u>ASSESSMENT</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS' COMP</u>
Rockwood Insurance Company			\$ 2,000,000
Home Insurance Company			4,000,000
Legion Insurance Company			4,000,000
Shelby Insurance Company			1,000,000
	\$ 0	\$ 0	\$ 11,000,000
<b>Total Assessment</b>		<b>\$ 11,000,000</b>	

Upon recommendation of Ms. Lavin, the Board further voted that the **Acceleration National** insolvency be **CLOSED**.

The member insurers currently serving on the Board and their designated representatives are:

MUTUAL ASSURANCE SOCIETY OF VIRGINIA	L. Gerald Roach
ALFA ALLIANCE INSURANCE CORPORATION	Douglas Joyce
ALLSTATE INSURANCE COMPANY	Jeff Williams
VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY	Richard Mattox
HARTFORD ACCIDENT & INDEMNITY COMPANY	Scott Holbrook

UTICA MUTUAL INSURANCE COMPANY

James Ayres

STATE FARM MUTUAL AUTOMOBILE  
INSURANCE COMPANY

Peggy Echols

CONTINENTAL CASUALTY COMPANY

Elizabeth Wilson

UNITED SERVICES AUTOMOBILE ASSOCIATION

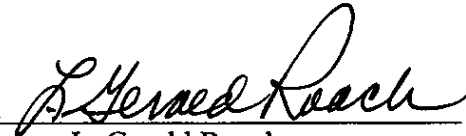
Donna Leaman

The Statement of Account of the Association, from inception through December 31, 2008, and its Balance Sheet for the same period, are attached hereto and made a part hereof.

Respectfully submitted,

The Board of Directors of the  
VIRGINIA PROPERTY AND  
CASUALTY INSURANCE  
GUARANTY ASSOCIATION

By its Chairman

  
L. Gerald Roach

**VIRGINIA PROPERTY & CASUALTY INSURANCE GUARANTY ASSOCIATION**

**Balance Sheet**

**December 31, 2008**

**Year  
To Date**

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**Assets:**

**Checking & Short-Term Cash  
Investments**

**\$6,549,162.50  
130,914,631.43**

**Total Assets**

**\$137,463,793.93**

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**Fund Balance**

**\$137,463,793.93**

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Virginia Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2008  
Total All Insolvencies

	Year To Date	Inception To Date
<b>RECEIPTS:</b>		
Member Assessment Administrative	\$1.00	\$8,583.96
Member Assessment	20,287,388.00	229,166,286.00
Loan	0.00	327,205.55
Recovery	16,998,207.82	100,404,721.52
Interest Income	4,965,093.42	30,808,779.11
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Total Receipts	42,250,690.24	360,715,576.14
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<b>DISBURSEMENTS:</b>		
Claims Paid	7,800,597.32	120,144,077.25
Helmsman Claims Paid	169,104.68	15,764,109.85
Claims Expense Paid	905,652.96	22,743,277.13
Helmsman Claims Expense Paid	6,561.15	1,666,787.72
Premium Refund	117,712.87	4,002,921.33
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Member Refund	5,254,069.00	35,175,534.00
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Operating Expenses:		
G.F.M.S.	1,601,613.07	18,900,936.04
Legal & Audit	171,830.94	2,975,289.05
Travel	10,478.33	225,558.11
NCIGF Fee	149,547.00	724,882.13
Insurance	12,595.00	12,595.00
Other	24,022.16	563,338.04
Administrative Expense	1.00	7,186.85
Interest	0.00	18,084.16
Loan	0.00	327,205.55
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Total Operating Expenses	1,970,087.50	23,755,074.93
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Total Disbursements	16,223,785.48	223,251,782.21
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Funds Available	\$26,026,904.76	\$137,463,793.93
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<b>Reserves:</b>		
Claims Liability Auto		55,002.00
Claims Expense Liability Auto		22,936.57
Unearned Premium Liability Auto		139.24
		-----
Subtotal Auto		78,077.81
		-----
Claims Liability Other		829,312.00
Claims Expense Liability Other		116,486.67
Unearned Premium Liability Other		231.93
		-----
Subtotal Other		946,030.60
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<b>Claims Liability Workers</b>	<b>102,214,631.19</b>
<b>Claims Expense Liability Workers</b>	<b>3,090,783.88</b>
<b>Unearned Premium Liability Workers</b>	<b>1,611.37</b>
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<b>Subtotal Workers</b>	<b>105,307,026.44</b>
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<b>Total Reserves</b>	<b>\$106,331,134.85</b>
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<b>Funds Available Per Account</b>	
<b>Auto</b>	<b>\$5,767,729.08</b>
<b>Other</b>	<b>27,594,117.05</b>
<b>Workers</b>	<b>104,102,207.08</b>
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<b>Total</b>	<b>\$137,464,053.21</b>
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