

# RHODE ISLAND PROPERTY & CASUALTY 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, 2013

The Honorable Joseph Torti, III  
Superintendent of Insurance  
RI Department of Business Regulations  
1511 Pontiac Avenue  
Cranston, RI 02920


Re: Rhode Island Property & Casualty Insurance Guaranty Association (the "Association")  
Annual Report of the Association for the Year Ending December 31, 2012

Dear Superintendent Torti:

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, 2012.

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, 2013

To: THE SUPERINTENDENT OF INSURANCE (“the “Superintendent”) AND THE  
MEMBER INSURERS OF THE RHODE ISLAND PROPERTY & CASUALTY  
INSURANCE GUARANTY ASSOCIATION (“the Association”)

Re: The Annual Report of the Association for the Year ending December 31, 2012

During 2012, there was one new insolvency reported to the Association. On December 17, 2012, the Board of Directors of the Association (the “Board”) voted to accept the insolvency of Frontier Insurance Company, which had been declared insolvent and ordered liquidated by the State of New York. 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.

The Board of Directors approved a settlement between the Association and American International Group, Inc. (“AIG”) related to the underreporting of worker’s compensation premiums by AIG.

On October 22, 2012, the Board held its Annual Meeting in New Castle, New Hampshire, in conjunction with other meetings of the member insolvency funds of GFMS and its committees. Maura Travers, Earl (Ty) Cottam, Jr., Paul Gulko, James Winskowicz, and Kathleen Lavin, were elected Chair, Vice Chair, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association.

The Board then received and considered the report of the Executive Secretary regarding the ballots transmitted by member insurers with instructions to vote in favor of the following nominees as Directors: Factory Mutual Insurance Company, Providence Mutual Fire Insurance Company and Vermont Mutual Insurance Company. The Chair thereupon directed the Executive Secretary to cast one vote for the nominees as directors for a three-year term, expiring in 2015.

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

The Board reviewed the existing contract with GFMS and determined no changes were necessary.

The Board reviewed the process by which assessments are levied upon member insurers. 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 no assessment was necessary and that a refund of prior assessments was warranted as follows:

<u>REFUND</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS'</u> <u>COMP</u>
Shelby Insurance Company	(\$450,000)		
<b>Total Refund</b>	<b>(\$450,000)</b>		

Upon the recommendation of the Treasurer, the Board voted that the following insolvencies be **CLOSED: Ideal Mutual Insurance Company, Union Indemnity Insurance Company and Midland Insurance Company**

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

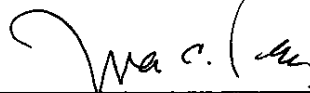
METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY	Maura Travers
PROVIDENCE MUTUAL FIRE INSURANCE COMPANY	Earl F. Cottam, Jr.
FACTORY MUTUAL INSURANCE COMPANY	Jay Swiatek
LIBERTY MUTUAL INSURANCE COMPANY	John E. Hartman
NATIONWIDE MUTUAL INSURANCE COMPANY	Larry Alan
AMICA MUTUAL INSURANCE COMPANY	Robert Suglia
VERMONT MUTUAL INSURANCE COMPANY	William Catto
EX-OFFICIO: SUPERINTENDENT OF INSURANCE	Joseph Torti, III

The Statement of Account of the Association, from inception through December 31, 2012, and its Balance Sheet for the same period, are attached hereto and made a part hereof.

Respectfully submitted,

The Board of Directors of the  
RHODE ISLAND PROPERTY & CASUALTY  
INSURANCE GUARANTY ASSOCIATION

By its Chair



Maura Travers

**RHODE ISLAND P&C INSURANCE GUARANTY ASSOCIATION**

**Balance Sheet  
December 31, 2012**

	<u>Inception To Date</u>
<b>Assets:</b>	
<b>Checking &amp; Short-Term Cash</b>	\$992,897.43
<b>Investments</b>	25,039,718.30
<b>Total Assets</b>	<u>\$26,032,615.73</u>
<b>Fund Balance</b>	<u>\$26,032,615.73</u>

Rhode Island Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2012  
Total All Insolvencies

	Year To Date	Inception To Date
<b>RECEIPTS:</b>		
Member Assessment Administrative	\$165,410.58	\$636,622.59
Member Assessment	5,598.00	105,882,179.00
Member Assessment Special	-	9,173,260.00
Member Assessment Borrowing	-	4,998,487.00
Line of Credit	-	1,349,385.00
Loan	-	2,500,000.00
Interaccount Special Transfer	-	9,173,260.00
Recovery	4,088,415.72	78,009,009.25
Interest Income	662,953.95	19,550,543.19
Interest Income - Line of Credit	-	402,698.25
Total Receipts	4,922,378.25	231,675,444.28
<b>DISBURSEMENTS:</b>		
Claims Paid	688,526.74	70,419,582.51
Helmsman Claims Paid	174,456.66	28,030,547.16
Claims Expense Paid	68,925.38	13,411,314.05
Helmsman Claims Expense Paid	3,542.42	3,181,158.79
Premium Refund	19,565.60	5,293,327.51
Member Refund	450,170.00	53,423,525.00
Member Refund Borrowing	-	4,952,128.00
<b>Operating Expenses:</b>		
Service Fee - ISO, Etc.	-	103,879.74
G.F.M.S.	90,654.50	9,815,503.60
Legal & Audit	(4,612.30)	2,129,421.36
Travel	5,689.54	137,351.02
NCIGF Fee	-	370,713.37
Insurance	4,010.00	24,444.00
Other	4,616.94	108,170.28
Administrative Expense	165,385.58	630,000.80
Interest	-	1,938,501.36
Loan	-	2,500,000.00
Interaccount Special Transfer	-	9,173,260.00
Total Operating Expenses	265,744.26	26,931,245.53
Total Disbursements	1,670,931.06	205,642,828.55
Funds Available	\$3,251,447.19	\$26,032,615.73

**Rhode Island Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2012  
Total All Insolvencies**

	Year To Date	Inception To Date
<b>Reserves:</b>		
Claims Liability Auto		\$25,000.00
Claims Expense Liability Auto		5,812.25
Subtotal Auto		30,812.25
Claims Liability Other		10,001.00
Claims Expense Liability Other		25,577.40
Subtotal Other		35,578.40
Claims Liability Workers		11,194,098.84
Claims Expense Liability Workers		187,229.69
Unearned Premium Liability Workers		807.04
Subtotal Workers		11,382,135.57
Total Reserves		\$11,448,526.22
<b>Funds Available Per Account</b>		
Auto		\$455,554.23
Other		904,817.56
Workers		22,447,158.04
Total		\$23,807,529.83

**Rhode Island Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2012  
Administrative**

	Year To Date	Inception To Date
<b>RECEIPTS:</b>		
Member Assessment Administrative	\$167,016.59	\$601,020.92
Line of Credit	-	1,349,385.00
Recovery	1,283,223.97	1,283,223.97
Interest Income - Line of Credit	-	402,698.25
Total Receipts	1,450,240.56	3,636,328.14
<b>DISBURSEMENTS:</b>		
<b>Operating Expenses:</b>		
Other	1,000.00	1,000.00
Total Operating Expenses	1,000.00	1,000.00
Total Disbursements	1,000.00	1,000.00
Funds Available	\$1,449,240.56	\$3,635,328.14
<b>Reserves:</b>		
Total Reserves		-
<b>Funds Available Per Account</b>		
Auto		-
Other		110,736.14
Workers		1,299,506.10
Total		\$1,410,242.24