

# VIRGINIA PROPERTY AND 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, 2015

The Honorable Jacqueline K. Cunningham  
Commissioner of Insurance  
Virginia Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218

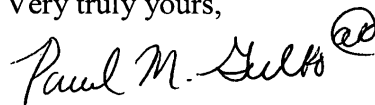
Re: Virginia Property and Casualty Insurance Guaranty Association (the "Association")  
Annual Report of the Association for the Year Ending December 31, 2014

Dear Commissioner Cunningham:

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, 2014.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink that reads "Paul M. Gulko" followed by a circled "e" symbol.

Paul M. Gulko  
Executive Secretary

Enclosure

cc: The Board of Directors of the Association

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March 18, 2015

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, 2014

During 2014, there were three new insolvencies reported to the Association. On August 11, 2014, the Board of Directors of the Association (the "Board") met and voted to accept the insolvency of Freestone Insurance Company, which had been declared insolvent and ordered liquidated by the State of Delaware. On October 18, 2014, the Board met and voted to accept the insolvencies of Red Rock Insurance Company, which had been declared insolvent and ordered liquidated in the State of Oklahoma, and Professional Liability Insurance Company of America, which had been declared insolvent and ordered liquidated in the State of New York. The Board decided that the administration of these insolvencies would be provided by Guaranty Fund Management Services<sup>®</sup> ("GFMS<sup>®</sup>").

On May 13, 2014, the member insurers of the Association held their Annual Meeting at the offices of Troutman Sanders LLP, in Richmond, Virginia.

The Chair presented the 2013 Annual Report of the Association to the member insurers. The member insurers thereupon voted that the Annual Report be accepted.

The Plan of Operation was reviewed and the membership concluded that no amendments thereto were recommended at this time.

The annual meeting of the member insurers was thereafter adjourned.

Immediately subsequent thereto, the Board held its Annual Meeting. Douglas Joyce, Richard Mattox, Paul Gulko, James Winskowicz, and Kathleen Lavin were elected, Chair, Vice Chair, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association. The Board discussed and/or voted the following items:

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

The Board also reviewed the outstanding contract with GFMS, and no changes were recommended.

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

The Treasurer 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 ongoing issues concerning Reciprocal of America.

On October 18, 2014, the Board held a meeting in Woodstock, Vermont, in conjunction with other meetings of the member guaranty associations of GFMS and its committees, and addressed the following matters:

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 determined that an assessment in the Workers' Compensation account in the amount of \$6,000,000 is warranted, and so voted to approve.

Mr. Starr updated the Board as to the status of the legal matters involving the Association.

Finally, the Board acknowledged the passing of L. Gerald ("Jerry") Roach, and expressed its appreciation for Mr. Roach's long service to the Association.

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

ALFA ALLIANCE INSURANCE CORPORATION	Douglas Joyce
VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY	Richard Mattox
ALLSTATE INSURANCE COMPANY	L. Noel Patterson, Jr.
HARTFORD ACCIDENT & INDEMNITY COMPANY	Jay L. Bruns III
UTICA MUTUAL INSURANCE COMPANY	Bob Linkous
MUTUAL ASSURANCE SOCIETY OF VIRGINIA	Theresa Lewis
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	Peggy Echols
CONTINENTAL CASUALTY COMPANY	Richard Ehlers
UNITED SERVICES AUTOMOBILE ASSOCIATION	Donna Leaman

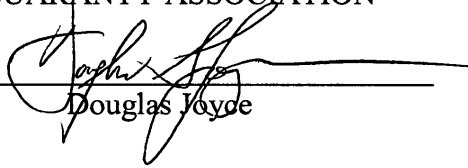
The Statement of Account of the Association, from inception through December 31, 2014, and its

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 Chair



Douglas Joyce

Virginia Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2014 and Quarter Ending December 31, 2014  
Total All

	Quarter Ending 12/31/2014	Inception To Date
<b>RECEIPTS:</b>		
Member Assessment Administrative	-	\$360,902.16
Member Assessment	-	242,840,495.00
Loan	-	327,205.55
Recovery	3,194,664.57	154,896,070.14
Interest Income	375,330.63	48,840,045.32
<b>Total Receipts</b>	<b>3,569,995.20</b>	<b>447,264,718.17</b>
<b>DISBURSEMENTS:</b>		
Claims Paid	1,932,462.72	155,232,762.48
Helmsman Claims Paid	39,511.86	17,666,847.29
Claims Expense Paid	164,104.09	26,269,688.39
Helmsman Claims Expense Paid	320.00	1,709,555.98
Premium Refund	24,052.00	4,233,849.19
Member Refund	-	66,071,796.00
<b>Operating Expenses:</b>		
G.F.M.S.	761,782.35	28,654,780.95
Legal & Audit	67,561.51	3,513,025.15
Travel	23,355.18	301,499.82
NCIGF Fee	-	1,149,053.13
Insurance	10,900.00	56,737.00
Other	18,034.86	788,883.64
Administrative Expense	-	359,505.05
Interest	-	18,084.16
Loan	-	327,205.55
<b>Total Operating Expenses</b>	<b>881,633.90</b>	<b>35,168,774.45</b>
<b>Total Disbursements</b>	<b>3,042,084.57</b>	<b>306,353,273.78</b>
<b>Funds Available</b>	<b>\$527,910.63</b>	<b>\$140,911,444.39</b>

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Virginia Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2014 and Quarter Ending December 31, 2014  
Admin

	Quarter Ending 12/31/2014	Inception To Date
<b>RECEIPTS:</b>		
Member Assessment Administrative	-	\$331,542.76
Loan	-	327,205.55
<b>Total Receipts</b>	-	658,748.31
<b>DISBURSEMENTS:</b>		
Operating Expenses:		
Other	-	1,000.00
Administrative Expense	-	118.25
Loan	-	327,205.55
<b>Total Operating Expenses</b>	-	328,323.80
<b>Total Disbursements</b>	-	328,323.80
<b>Funds Available</b>	-	\$330,424.51

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Virginia Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2014 and Quarter Ending December 31, 2014  
Auto

	Quarter Ending 12/31/2014	Inception To Date
<b>RECEIPTS:</b>		
Member Assessment Administrative	-	\$5,274.67
Member Assessment	-	18,775,371.70
Recovery	125,851.26	9,931,659.05
Interest Income	1,789.55	3,025,750.71
<b>Total Receipts</b>	<b>127,640.81</b>	<b>31,738,056.13</b>
<b>DISBURSEMENTS:</b>		
Claims Paid	-	10,276,631.45
Claims Expense Paid	-	2,726,382.39
Premium Refund	23,845.00	723,612.99
<b>Member Refund</b>	-	<b>15,386,345.00</b>
<b>Operating Expenses:</b>		
G.F.M.S.	3,103.54	1,884,873.16
Legal & Audit	1,032.72	319,446.71
Travel	-	45,676.55
NCIGF Fee	-	72,188.80
Insurance	-	473.45
Other	3,442.40	119,578.56
Administrative Expense	-	76,793.33
Interest	-	3,234.46
<b>Total Operating Expenses</b>	<b>7,578.66</b>	<b>2,522,265.02</b>
<b>Total Disbursements</b>	<b>31,423.66</b>	<b>31,635,236.85</b>
<b>Funds Available</b>	<b>\$96,217.15</b>	<b>\$102,819.28</b>

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Virginia Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2014 and Quarter Ending December 31, 2014  
Other

Quarter Ending 12/31/2014 Inception To Date

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**RECEIPTS:**

Member Assessment Administrative	-	\$10,505.67
Member Assessment	-	47,759,476.38
Recovery	1,225,455.04	34,862,640.87
Interest Income	15,910.99	7,047,247.57
<b>Total Receipts</b>	<b>1,241,366.03</b>	<b>89,679,870.49</b>

**DISBURSEMENTS:**

Claims Paid	-	21,920,926.09
Claims Expense Paid	2,826.38	12,930,312.67
Premium Refund	-	1,772,128.57
<b>Member Refund</b>	<b>-</b>	<b>38,911,500.00</b>
<b>Operating Expenses:</b>		
G.F.M.S.	4,756.20	5,288,157.60
Legal & Audit	1,213.15	1,195,470.52
Travel	50.38	72,860.40
NCIGF Fee	-	151,223.37
Insurance	22.46	3,535.14
Other	15.83	201,712.35
Administrative Expense	-	254,683.40
Interest	-	14,129.82
<b>Total Operating Expenses</b>	<b>6,058.02</b>	<b>7,181,772.60</b>
<b>Total Disbursements</b>	<b>8,884.40</b>	<b>82,716,639.93</b>
<b>Funds Available</b>	<b>\$1,232,481.63</b>	<b>\$6,963,230.56</b>

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Virginia Property & Casualty Insurance Guaranty Association  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2014 and Quarter Ending December 31, 2014  
Workers Comp

Quarter Ending 12/31/2014 Inception To Date

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**RECEIPTS:**

Member Assessment Administrative	-	\$13,579.06
Member Assessment	-	176,305,646.92
Recovery	1,843,358.27	110,101,770.22
Interest Income	357,630.09	38,767,047.04
<b>Total Receipts</b>	<b>2,200,988.36</b>	<b>325,188,043.24</b>

**DISBURSEMENTS:**

Claims Paid	1,932,462.72	123,035,204.94
Helmsman Claims Paid	39,511.86	17,666,847.29
Claims Expense Paid	161,277.71	10,612,993.33
Helmsman Claims Expense Paid	320.00	1,709,555.98
Premium Refund	207.00	1,738,107.63
 Member Refund	 -	 11,773,951.00
<b>Operating Expenses:</b>		
G.F.M.S.	753,922.61	21,481,750.19
Legal & Audit	65,315.64	1,998,107.92
Travel	23,304.80	182,962.87
NCIGF Fee	-	925,640.96
Insurance	10,877.54	52,728.41
Other	14,576.63	466,592.73
Administrative Expense	-	27,910.07
Interest	-	719.88
<b>Total Operating Expenses</b>	<b>867,997.22</b>	<b>25,136,413.03</b>
 <b>Total Disbursements</b>	 <b>3,001,776.51</b>	 <b>191,673,073.20</b>
 <b>Funds Available</b>	 <b>(\$800,788.15)</b>	 <b>\$133,514,970.04</b>

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