

VERMONT 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, 2013

Susan Donegan
Deputy Commissioner of Insurance
Vermont Insurance Department
89 Main Street Drawer 200
Montpelier, VT 05620-3101


Re: Vermont Property and Casualty Insurance Guaranty Association (the "Association")
Annual Report of the Association for the Year Ending December 31, 2013

Dear Commissioner Donegan:

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, 2013.

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

VERMONT 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*

March 18, 2013

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

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

During 2012, there were no insolvencies submitted to the Board of Directors for action. The Board did, however, continue 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 21, 2012, the member insurers held their Annual Meeting in New Castle, New Hampshire in conjunction with other meetings of the member guaranty associations of Guaranty Fund Management Services[®] ("GFMS[®]") and its committees.

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

The Chair then presented the 2011 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. William Catto, David Tatlock, Paul Gulko, James Winskowicz, and Kathleen Lavin were elected Chair, Vice Chair, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association.

The Board reviewed the existing contract with GFMS, and recommended no changes thereto.

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

The Board reviewed the process by which assessments are levied upon member insurers. The Board then 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 further determined that neither an assessment nor a refund was warranted at this time.

The member insurers serving on the Board as of December 31, 2012 and their designated representatives are:

VERMONT MUTUAL INSURANCE COMPANY	William Catto
CO-OPERATIVE INSURANCE COMPANIES	David Tatlock
UNION MUTUAL FIRE INSURANCE COMPANY	Josh Fitzhugh
ZURICH AMERICAN INSURANCE COMPANY	Joyce Hall Mellinger
ONEBEACON AMERICA INSURANCE COMPANY	Virginia McCarthy
GOVERNMENT EMPLOYEES INSURANCE COMPANY	Larry Hinton
CONCORD GENERAL MUTUAL INSURANCE COMPANY	Linda Day
LIBERTY MUTUAL INSURANCE COMPANY	Joanne Locke
MMG INSURANCE COMPANY	Timothy Vernon

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
VERMONT PROPERTY AND
CASUALTY INSURANCE
GUARANTY ASSOCIATION

By its Chair 
William Catto

VERMONT P&C INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2012

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$819,296.73
Investments	23,571,554.78
Total Assets	<u>\$24,390,851.51</u>
Fund Balance	<u>\$24,390,851.51</u>

1/28/2013
10:17:25 AM
BS_ALL_UNAUDITED

Vermont 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
RECEIPTS:		
Member Assessment Administrative	\$12,986.48	\$155,889.18
Member Assessment	2,429.00	44,636,898.00
Loan	-	100,000.00
Recovery	1,424,142.69	27,181,971.15
Interest Income	540,890.47	8,321,420.82
Total Receipts	1,980,448.64	80,396,179.15
DISBURSEMENTS:		
Claims Paid	885,088.70	27,759,337.23
Helmsman Claims Paid	182,975.35	2,783,209.98
Claims Expense Paid	54,096.01	4,033,460.34
Helmsman Claims Expense Paid	539.17	249,951.05
Premium Refund	5,410.25	654,395.16
Member Refund	20.00	16,769,412.00
Operating Expenses:		
Service Fee - ISO, Etc.	-	32,129.60
G.F.M.S.	80,586.80	2,554,946.35
Legal & Audit	(9,169.65)	338,914.37
Travel	6,091.80	151,251.44
NCIGF Fee	-	320,144.64
Insurance	4,332.00	26,103.00
Other	3,567.80	78,825.76
Administrative Expense	12,906.48	151,914.08
Interest	-	1,332.64
Loan	-	100,000.00
Total Operating Expenses	98,315.23	3,755,561.88
Total Disbursements	1,226,444.71	56,005,327.64
Funds Available	\$754,003.93	\$24,390,851.51
Reserves:		
Claims Liability Other		-
Claims Expense Liability Other		-
Subtotal Other		-
Claims Liability Workers		16,764,400.97
Claims Expense Liability Workers		367,291.47
Unearned Premium Liability Workers		4,054.85
Subtotal Workers		17,135,747.29
Total Reserves		\$17,135,747.29
Funds Available Per Account		
Auto		\$114,166.31
Other		676,462.61
Workers		23,448,624.29
Total		\$24,239,253.21

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

	<u>Year To Date</u>	<u>Inception To Date</u>
RECEIPTS:		
Member Assessment Administrative	\$12,986.48	\$152,598.30
Recovery	47,465.45	47,465.45
Total Receipts	<u>60,451.93</u>	<u>200,063.75</u>
DISBURSEMENTS:		
Operating Expenses:		
Other	1,000.00	1,000.00
Total Operating Expenses	<u>1,000.00</u>	<u>1,000.00</u>
Total Disbursements	<u>1,000.00</u>	<u>1,000.00</u>
Funds Available	<u>\$59,451.93</u>	<u>\$199,063.75</u>
Reserves:		
Total Reserves		-
Funds Available Per Account		
Auto		-
Other		-
Workers		47,465.45
Total		<u>\$47,465.45</u>