

MASSACHUSETTS INSURERS INSOLVENCY FUND

*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 2, 2011

The Honorable Joseph G. Murphy
Commissioner of Insurance
Massachusetts Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Re: Massachusetts Insurers Insolvency Fund (the "Fund")
Annual Report of the Fund for the Year Ending December 31, 2010

Dear Commissioner Murphy:

Pursuant to the Fund Act, enclosed herewith for filing please find duly executed original Annual Report of the Fund for the year ending December 31, 2010.

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

Very truly yours,



Paul M. Gulko
Manager

Enclosure

cc: The Board of Directors of the Fund

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March 1, 2011

To: THE COMMISSIONER OF INSURANCE (the "Commissioner") AND
THE MEMBER INSURERS OF THE MASSACHUSETTS INSURERS
INSOLVENCY FUND ("the Fund")

Re: The Annual Report of the Fund for the Year ending December 31, 2010

During 2010, there were three new insolvencies reported to the Fund. On June 8, 2010, the Board of Directors of the Fund (the "Board") voted to accept the insolvencies of Imperial Casualty and Indemnity Company, which had been declared insolvent by the State of Oklahoma, and Eastern Casualty Insurance Company, which had been declared insolvent by the Commonwealth of Massachusetts. On October 19, 2010, the Board voted to accept the insolvency of The Insurance Corporation of New York, which had been declared insolvent in the State of New York. The Board decided that the administration of these insolvencies would be provided by Guaranty Fund Management Services[®] ("GFMS[®]"). The Board also continued to monitor existing insolvencies and potential insolvencies.

On October 19, 2010, the Board held its Annual Meeting in Chatham, Massachusetts, in conjunction with other meetings of the member insolvency funds of Guaranty Fund Management Services[®] ("GFMS[®]") and its committees. James Moran of Quincy Mutual Fire Insurance Company was elected as Chair of the Board of Directors, William Cahill of Hanover Insurance Company was elected as Vice-Chair, and Paul Gulko, James Winskowicz, and Kathleen Lavin were re-elected Manager, Claims Manager and Treasurer, respectively, of the Fund.

The Board received the report of the Manager regarding the ballots transmitted by the member insurers with instructions to vote in favor of the following nominees as Directors: Holyoke Mutual Insurance Company in Salem, Premier Insurance Company of Massachusetts and Quincy Mutual Fire Insurance Company. The Chairman thereupon directed the Manager to cast one vote for the nominees as directors for a three-year term, expiring in 2013.

The Board considered and adopted a Conflict of Interest Policy.

The Board received and considered the report of counsel as to the issues of the Insolvency Fund statutory cap in medical malpractice claims, the claim by a self-insurance group that it is entitled to Insolvency Fund coverage, and the exposure of the Fund to bad faith actions pursuant to MGL c. 93A and c. 176D.

The Board also reviewed the financial condition of the Fund and its operating expenses and covered claimed costs, in order to determine whether an assessment or a refund of prior assessments would be appropriate. The Board thereupon voted that the following assessments and refunds of prior assessments be made:

<u>ASSESSMENT</u>	<u>ALL LINES</u>
MIIX Insurance Company	\$3,000,000
Eastern Casualty Insurance Company	\$15,000,000
Total Assessment	\$18,000,000
<u>REFUND</u>	<u>ALL LINES</u>
Union Indemnity Insurance Company	(\$509,372)
Transit Casualty Insurance Company	(\$278,920)
Employers Casualty Insurance Company	(\$93,794)
Abington Mutual Insurance Company	(\$311,412)
Trust Insurance Company	(\$4,500,000)
New England Fidelity Insurance Company	(\$700,542)
PHICO Insurance Company	(\$7,989,924)
Total Refund	(\$14,383,964)
Net Assessment	\$3,616,036

Upon recommendation of the Treasurer, the Board voted that the following insolvencies be **CLOSED: Union Indemnity Insurance Company, Transit Casualty Insurance Company, Employers Casualty Insurance Company, Abington Mutual Insurance Company, New England Fidelity Insurance Company and PHICO Insurance Company.**

The member insurers, their designated representatives, and the insurance producer representative, serving on the Board as of December 31, 2010, are:

QUINCY MUTUAL FIRE INSURANCE COMPANY	James Moran
HANOVER INSURANCE COMPANY	William Cahill
LIBERTY MUTUAL INSURANCE COMPANY	Joanne Locke
SAFETY INSURANCE COMPANY	William Begley
METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY	Maura Travers
HOLYOKE MUTUAL INSURANCE COMPANY IN SALEM	Diane Choate

PREMIER INSURANCE COMPANY OF
MASSACHUSETTS

Susan K. Scott

ARBELLA MUTUAL INSURANCE COMPANY

Eileen Currie

INSURANCE PRODUCER REPRESENTATIVE

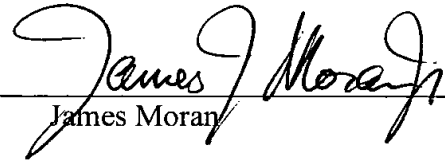
Douglas C. Ryder

The Statement of Account of the Fund, from inception through December 31, 2010, and its Balance Sheet for the same period, are attached hereto and made a part hereof.

Respectfully submitted,

The Board of Directors of the
MASSACHUSETTS INSURERS
INSOLVENCY FUND

By its Chairman


James Moran

MASSACHUSETTS INSURERS INSOLVENCY FUND
Balance Sheet
December 31, 2010

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$7,706,853.12
Investments	<u>122,180,327.20</u>
Total Assets	<u>\$129,887,180.32</u>
Fund Balance	<u>\$129,887,180.32</u>

Massachusetts Insurers Insolvency Fund
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2010
Total All Insolvencies

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment - Administrative	\$35,110.24	\$217,667.40
Member Assessment	18,084,854.00	510,493,117.00
Recovery	28,546,131.16	222,625,332.72
Interest Income	3,040,231.09	70,955,144.06
Total Receipts	49,706,326.49	804,291,261.18
DISBURSEMENTS:		
Claims Paid	5,456,650.32	252,578,032.75
Helmsman Claims Paid	3,181,482.57	107,040,432.96
Claims Expense Paid	984,821.05	91,760,014.39
Helmsman Claims Expense Paid	18,089.96	7,640,403.31
Premium Refund	583.88	22,003,803.12
Member Refund	14,209,441.00	143,756,152.00
Operating Expenses:		
Service Fee - ISO, Etc.	0.00	949,562.37
G.F.M.S.	2,395,014.27	42,466,528.90
Legal & Audit	370,506.41	4,284,179.74
Travel	5,942.83	136,320.23
NCIGF Fee	81,960.00	919,940.23
Insurance	9,878.00	39,859.00
Other	9,748.99	621,928.96
Administrative Expense	35,695.02	206,922.90
Total Operating Expenses	2,908,745.52	49,625,242.33
Total Disbursements	26,759,814.30	674,404,080.86
Funds Available	22,946,512.19	129,887,180.32
Reserves:		
Claims Liability		136,161,752.28
Claims Expense Liability		3,517,446.33
Unearned Premium Liability		6.00
Total Reserves		\$139,679,204.61