

MAINE 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, 2014

The Honorable Eric Cioppa, Superintendent
Maine Bureau of Insurance
State House Station 34
Augusta, ME 04333

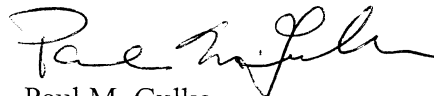
Re: Maine Insurance Guaranty Association (the "Association")
Annual Report of the Association for the Year Ending December 31, 2013

Dear Superintendent Cioppa:

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

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March 18, 2014

To: THE SUPERINTENDENT OF INSURANCE (the "Superintendent") AND THE MEMBER INSURERS OF THE MAINE INSURANCE GUARANTY ASSOCIATION (the "Association")

Re: The Annual Report of the Association for the Year ending December 31, 2013

During 2013, there were three new insolvencies submitted to the Board of Directors for action. On May 8, 2013, the Board of Directors of the Association (the "Board") met and voted to accept the insolvencies of American Manufacturers Mutual Insurance Company, American Motorists Insurance Company and Lumbermens Mutual Casualty Company, which had been declared insolvent by the State of Illinois. The Board decided that the administration of the insolvencies would be provided by Guaranty Fund Management Services[®] ("GFMS[®]").

On October 26, 2013, the Board held its Annual Meeting in Washington, D.C., in conjunction with other meetings of the member guaranty associations of Guaranty Fund Management Services[®] ("GFMS[®]") and its committees. Timothy Vernon, Priscilla Lenkowski, Paul Gulko, James Winskowicz, and Kathleen Lavin, were elected Chair, Vice Chair, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association. In addition, the Board discussed and/or voted the following items.

The Board 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: Atlantic Specialty Insurance Company and Metropolitan Property and Casualty Insurance Company. The Chair then directed the Executive Secretary to cast one vote for the election of the nominees as Directors for a three-year term, expiring in 2016.

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

The Board received a report concerning a claim audit performed earlier in 2013.

The Board reviewed the process by which assessments are levied upon member insurers, as well as the information provided by the Treasurer. After discussion, the Board declined to make any change as to the way assessments are levied upon members.

The Board addressed the Association's share of the AIG settlement proceeds, amounting to \$384,000. After discussion and consideration, and upon information received from the Treasurer, the Board voted to return the proceeds in the form of a refund to the members, excluding AIG companies. Said refund will occur in 2014.

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 thereupon voted the following assessment and refunds be made:

| <u>ASSESSMENT</u> | <u>AUTO</u> | <u>OTHER</u> | <u>WORKERS' COMP</u> |
|--------------------|-------------------------|--------------|----------------------|
| WC Residual Market | | | \$ 1,528,751 |
| | \$ 0 | \$ 0 | \$ 1,528,751 |
| | <u>Total Assessment</u> | | <u>\$1,528,751</u> |

| <u>REFUND</u> | <u>AUTO</u> | <u>OTHER</u> | <u>WORKERS' COMP</u> |
|-----------------------------|-------------------|----------------------|----------------------|
| Mission Insurance Co. | | | (\$2,000,000) |
| Amwest Surety Insurance Co. | | (\$134,019) | |
| | \$0 | (\$134,019) | (\$2,000,000) |
| Total Refund | | (\$2,134,019) | |
| | <u>Net Refund</u> | | <u>(\$605,268)</u> |

Upon recommendation of the Treasurer, the Board further voted to **CLOSE** the **Amwest Surety Insurance Company** and **Frontier Insurance Company** insolvencies.

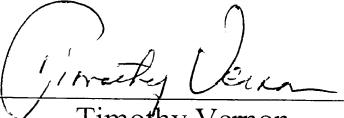
The member insurers serving on the Board and their designated representatives as of December 31, 2013 are:

| | |
|--|---------------------|
| MMG INSURANCE COMPANY | Timothy Vernon |
| LIBERTY MUTUAL INSURANCE COMPANY | Priscilla Lenkowski |
| METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY | Maura Travers |
| ATLANTIC SPECIALTY INSURANCE COMPANY | Virginia McCarthy |
| TRAVELERS INDEMNITY COMPANY | David Fleming |
| PATRIOT INSURANCE COMPANY | Lincoln Merrill |
| PATRONS OXFORD INSURANCE COMPANY | Mark Pettingill |

The Statement of Account of the Association, from inception through December 31, 2013, and its Balance Sheet for the same period, are attached hereto and made a part hereof.

Respectfully submitted,

The Board of Directors of the
MAINE INSURANCE
GUARANTY ASSOCIATION

By its Chair 
Timothy Vernon

MAINE INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2013

| | <u>Inception To Date</u> |
|---------------------------------------|------------------------------|
| Assets: | |
| Checking & Short-Term Cash | \$1,973,698.87 |
| Investments | 34,833,005.74 |
| Total Assets | <u>36,806,704.61</u> |
| | |
| Fund Balance | <u>36,806,704.61</u> |

**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Total All Insolvencies**

| | <u>Year To Date</u> | <u>Inception To Date</u> |
|------------------------------------|-------------------------|------------------------------|
| RECEIPTS: | | |
| Member Assessment Administrative | - | \$206,913.58 |
| Member Assessment | 1,183,716.00 | 89,779,079.00 |
| Member Assessment Special | 12,696.00 | 37,888,167.00 |
| Loan | - | 2,500,000.00 |
| Interaccount Special Transfer | 12,696.00 | 30,272,404.00 |
| Recovery | 1,163,385.70 | 107,259,079.57 |
| Interest Income | 370,650.48 | 19,157,048.53 |
| Total Receipts | <u>2,743,144.18</u> | <u>287,062,691.68</u> |
| DISBURSEMENTS: | | |
| Claims Paid | 1,626,790.17 | 129,612,679.44 |
| Helmsman Claims Paid | 195,971.67 | 45,072,350.73 |
| Claims Expense Paid | 47,951.47 | 5,597,308.69 |
| Helmsman Claims Expense Paid | 864.00 | 3,187,185.55 |
| Premium Refund | 3,314.04 | 1,079,279.32 |
| | | |
| Member Refund | 1,980,166.00 | 18,153,829.00 |
| Member Refund Special | - | 7,615,763.00 |
| | | |
| Operating Expenses: | | |
| Service Fee - ISO, Etc. | - | 30,077.28 |
| G.F.M.S. | 202,706.53 | 4,964,032.85 |
| Legal & Audit | 22,614.71 | 843,067.61 |
| Travel | 15,309.96 | 180,326.27 |
| NCIGF Fee | 33,369.00 | 411,672.55 |
| Insurance | 3,980.00 | 24,570.00 |
| Other | 4,138.29 | 235,941.95 |
| Administrative Expense | - | 196,626.53 |
| Interest | - | 278,872.30 |
| Loan | - | 2,500,000.00 |
| Interaccount Special Transfer | 12,696.00 | 30,272,404.00 |
| Total Operating Expenses | <u>294,814.49</u> | <u>39,937,591.34</u> |
| | | |
| Total Disbursements | <u>4,149,871.84</u> | <u>250,255,987.07</u> |
| Funds Available | <u>(\$1,406,727.66)</u> | <u>\$36,806,704.61</u> |
| | | |
| Reserves: | | |
| Claims Liability Other | | 105,625.00 |
| Claims Expense Liability Other | | 59,776.84 |
| Subtotal Other | | <u>165,401.84</u> |
| | | |
| Claims Liability Workers | | 30,780,706.34 |
| Claims Expense Liability Workers | | 503,456.11 |
| Subtotal Workers | | <u>31,284,162.45</u> |
| | | |
| Total Reserves | | <u>\$31,449,564.29</u> |
| | | |
| Funds Available Per Account | | |
| Auto | | \$156,258.02 |
| Other | | 329,906.60 |
| Workers | | 36,121,294.17 |
| Total | | <u>\$36,607,458.79</u> |

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**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Administrative**

| | Year To Date | Inception To Date |
|------------------------------------|-----------------|----------------------|
| RECEIPTS: | | |
| Member Assessment Administrative | \$3,310.79 | \$209,552.90 |
| Interest Income | 14.41 | 14.41 |
| Total Receipts | 3,325.20 | 209,567.31 |
| DISBURSEMENTS: | | |
| | | |
| Operating Expenses: | | |
| Other | - | 1,000.00 |
| Administrative Expense | - | 5,996.29 |
| Total Operating Expenses | - | 6,996.29 |
| | | |
| Total Disbursements | - | 6,996.29 |
| Funds Available | \$3,325.20 | \$202,571.02 |
| | | |
| Reserves: | | |
| Total Reserves | | - |
| | | |
| Funds Available Per Account | | |
| Auto | | (\$343.91) |
| Other | | 46,587.08 |
| Workers | | (42,917.97) |
| Total | | \$3,325.20 |

**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
WC Residual Market Obligation**

| | Year To Date | Inception To Date |
|------------------------------------|-----------------|----------------------|
| RECEIPTS: | | |
| Member Assessment | \$151,822.00 | \$17,996,085.00 |
| Member Assessment Special | 12,696.00 | 24,079,409.00 |
| Interaccount Special Transfer | 12,696.00 | 24,079,409.00 |
| Recovery | - | 348,127.18 |
| Total Receipts | 177,214.00 | 66,503,030.18 |
| DISBURSEMENTS: | | |
| Claims Paid | - | 61,521,560.00 |
| Operating Expenses: | | |
| Interaccount Special Transfer | 12,696.00 | 24,079,409.00 |
| Total Operating Expenses | 12,696.00 | 24,079,409.00 |
| Total Disbursements | 12,696.00 | 85,600,969.00 |
| Funds Available | \$164,518.00 | (\$19,097,938.82) |
| Reserves: | | |
| Total Reserves | | - |
| Funds Available Per Account | | |
| Auto | | - |
| Other | | - |
| Workers | | (19,097,938.82) |
| Total | | (\$19,097,938.82) |

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**Maine Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Consolidated Statement of Closed Insolvencies**

| | Inception To Date |
|----------------------------------|------------------------------|
| RECEIPTS: | |
| Member Assessment Administrative | (\$2,639.32) |
| Member Assessment | 11,697,196.00 |
| Recovery | 8,098,946.54 |
| Interest Income | 896,588.13 |
| Total Receipts | 20,690,091.35 |
| DISBURSEMENTS: | |
| Claims Paid | 8,093,249.56 |
| Helmsman Claims Paid | 973,613.76 |
| Claims Expense Paid | 2,260,370.63 |
| Helmsman Claims Expense Paid | 141,322.95 |
| Premium Refund | 338,862.92 |
| Member Refund | 7,675,316.00 |
| Operating Expenses: | |
| Service Fee - ISO, Etc. | 30,077.28 |
| G.F.M.S. | 667,831.09 |
| Legal & Audit | 162,937.79 |
| Travel | 44,642.95 |
| NCIGF Fee | 60,577.86 |
| Other | 54,164.61 |
| Administrative Expense | 187,123.95 |
| Total Operating Expenses | 1,207,355.53 |
| Total Disbursements | 20,690,091.35 |
| Funds Available | - |