

# 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, 2013

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, 2012

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, 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 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, 2012

During 2012, there was one new insolvency reported to the Association. On November 28, 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.

On May 8, 2012, the member insurers of the Association held their Annual Meeting at the offices of Troutman Sanders LLP, in Richmond, Virginia.

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:

Alfa Alliance Insurance Corporation  
Allstate Insurance Company  
Continental Casualty Company  
Mutual Assurance Society of Virginia  
United State Automobile Association  
Utica Mutual Insurance Company  
Virginia Farm Bureau 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 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. L. Gerald Roach, Douglas Joyce, 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 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 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.

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, the assessment refund issue and issues related to deposit refund litigation.

On October 22, 2012, the Board held a meeting in New Castle, New Hampshire, in conjunction with other meetings of the member guaranty associations of GFMS and its committees.

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 currently serving on the Board and their designated representatives are:

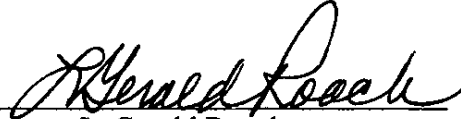
MUTUAL ASSURANCE SOCIETY OF VIRGINIA	L. Gerald Roach
ALFA ALLIANCE INSURANCE CORPORATION	Douglas Joyce
ALLSTATE INSURANCE COMPANY	Jeffrey W. Williams
VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY	Richard Mattox
HARTFORD ACCIDENT & INDEMNITY COMPANY	Jay L. Bruns III
UTICA MUTUAL INSURANCE COMPANY	Matthew Lupino
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, 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  
VIRGINIA PROPERTY AND  
CASUALTY INSURANCE  
GUARANTY ASSOCIATION

By its Chair

A handwritten signature in cursive script, appearing to read "L. Gerald Roach", written over a horizontal line.

L. Gerald Roach

**VIRGINIA 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>	\$3,584,271.61
<b>Investments</b>	144,835,500.81
<b>Total Assets</b>	<u>\$148,419,772.42</u>
<b>Fund Balance</b>	<u>\$148,419,772.42</u>

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Virginia 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	\$253,738.35	\$360,902.16
Member Assessment	3,074,988.00	242,840,495.00
Loan	-	327,205.55
Recovery	12,757,649.24	145,738,145.82
Interest Income	3,583,787.80	45,463,088.17
<b>Total Receipts</b>	<b>19,670,163.39</b>	<b>434,729,836.70</b>
<b>DISBURSEMENTS:</b>		
Claims Paid	5,294,351.03	140,734,659.68
Helmsman Claims Paid	420,271.82	16,979,639.32
Claims Expense Paid	511,707.56	25,063,306.83
Helmsman Claims Expense Paid	7,996.29	1,705,391.67
Premium Refund	122,814.04	4,202,483.62
Member Refund	5,365,369.00	66,071,796.00
<b>Operating Expenses:</b>		
G.F.M.S.	1,601,617.47	25,530,579.84
Legal & Audit	48,851.44	3,337,460.38
Travel	10,976.35	263,847.59
NCIGF Fee	-	974,483.13
Insurance	6,800.00	38,027.00
Other	35,612.16	703,594.46
Administrative Expense	253,738.35	359,505.05
Interest	-	18,084.16
Loan	-	327,205.55
<b>Total Operating Expenses</b>	<b>1,957,595.77</b>	<b>31,552,787.16</b>
<b>Total Disbursements</b>	<b>13,680,105.51</b>	<b>286,310,064.28</b>
<b>Funds Available</b>	<b>\$5,990,057.88</b>	<b>\$148,419,772.42</b>
<b>Reserves:</b>		
Claims Liability Auto		-
Claims Expense Liability Auto		-
<b>Subtotal Auto</b>		<b>-</b>
Claims Liability Other		609,810.00
Claims Expense Liability Other		48,100.62
Unearned Premium Liability Other		2,060.06
<b>Subtotal Other</b>		<b>659,970.68</b>
Claims Liability Workers		125,460,889.32
Claims Expense Liability Workers		2,739,981.97
Unearned Premium Liability Workers		6,652.75
<b>Subtotal Workers</b>		<b>128,207,524.04</b>
<b>Total Reserves</b>		<b>\$128,867,494.72</b>
<b>Funds Available Per Account</b>		
Auto		\$513,721.50
Other		5,937,198.52
Workers		141,641,980.82
<b>Total</b>		<b>\$148,092,900.84</b>

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**Virginia 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>
<b>RECEIPTS:</b>		
Member Assessment Administrative	\$232,431.03	\$327,989.83
Loan	-	327,205.55
Recovery	466,172.83	466,172.83
<b>Total Receipts</b>	<u>698,603.86</u>	<u>1,121,368.21</u>
<b>DISBURSEMENTS:</b>		
<b>Operating Expenses:</b>		
Other	1,000.00	1,000.00
Administrative Expense	-	118.25
Loan	-	327,205.55
<b>Total Operating Expenses</b>	<u>1,000.00</u>	<u>328,323.80</u>
<b>Total Disbursements</b>	<u>1,000.00</u>	<u>328,323.80</u>
<b>Funds Available</b>	<u>\$697,603.86</u>	<u>\$793,044.41</u>
<b>Reserves:</b>		
<b>Total Reserves</b>		-
<b>Funds Available Per Account</b>		
Auto		-
Other		-
Workers		466,172.83
<b>Total</b>		<u>\$466,172.83</u>