

VERMONT PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

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March 1, 2009

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, 2008

During 2008, there were no new insolvencies reported to the Association. The Board of Directors of the Association ("the Board") continued to monitor existing insolvencies and potential insolvencies.

On October 26, 2008, the member insurers held their Annual Meeting in Freeport, Maine 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: Government Employees Insurance Company, Hartford Fire Insurance Company and OneBeacon America Insurance Company. The Chairman thereupon directed the Executive Secretary to cast one vote for the election of the nominees as Directors for a three-year term, expiring in 2011.

The members were informed of a change to the Vermont Property and Casualty Insurance Guaranty Association Act regarding the required number of directors from domestic insurers serving on the Board. A suggested change in the Plan of Operation to conform to the statutory change was to be presented to the Board of Directors.

The Chairman then presented the 2007 Annual Report of the Association to the member insurers. The member insurers thereupon voted that the Annual Report be accepted.

The annual meeting of the member insurers was thereafter adjourned.

Immediately subsequent thereto, the Board held its Annual Meeting. Messrs. Catto, Tatlock, Gulko and Winskowicz, and Ms. Lavin were elected Chairman, Vice Chairman,

Executive Secretary, Claims Manager and Assistant Treasurer, respectively, of the Association.

The Board reviewed and approved the minutes of the October 14, 2007 meeting.

The Board reviewed the existing contract with GFMS.

The Board voted to recommend a change in the Plan of Operation to conform to the change in the Vermont Property and Casualty Insurance Guaranty Association Act.

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

The Board also reviewed the financial condition of the Association 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 the following assessments and refunds of prior assessments:

<u>ASSESSMENT</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS' COMP</u>
Reliance Insurance Company			\$2,000,000
	\$0	\$0	\$2,000,000
Total Assessment		\$2,000,000	
<u>REFUND</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS' COMP</u>
Ideal Mutual Insurance Company		(\$26,830)	
Transit Casualty Company		(26,745)	
Integrity Insurance Company		(14,617)	
United Community Insurance Company		(86,228)	(\$38,854)
	\$0	(\$154,420)	(\$38,854)
Total Refund		(\$193,274)	
Net Assessment		\$1,806,726	

The Board also adopted the recommendation of Ms. Lavin that the following insolvencies be closed: **Union Indemnity, Transit Casualty, Integrity and United Community.**

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

VERMONT MUTUAL INSURANCE COMPANY	William Catto
CO-OPERATIVE INSURANCE COMPANIES	David Tatlock
UNION MUTUAL FIRE INSURANCE COMPANY	Josh Fitzhugh
HARTFORD FIRE INSURANCE COMPANY	Cheryl Hetzel
ONEBEACON AMERICA INSURANCE COMPANY	Virginia McCarthy
GOVERNMENT EMPLOYEES INSURANCE COMPANY	Larry Hinton
CONCORD GENERAL MUTUAL INSURANCE COMPANY	Joseph Desmond
LIBERTY MUTUAL INSURANCE COMPANY	Joanne Locke
MMG INSURANCE COMPANY	Timothy Vernon

The Statement of Account of the Association, from inception through December 31, 2008, 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 Chairman


William Catto

VERMONT PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

Balance Sheet

December 31, 2008

**Year
To Date**

Assets:

Checking & Short-Term Cash

\$3,414,639.28

Investments

17,217,066.13

Total Assets

\$20,631,705.41

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Fund Balance

\$20,631,705.41
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Vermont Property & Casualty Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2008
Total All Insolvencies

	<u>Year To Date</u>	<u>Inception To Date</u>
RECEIPTS:		
Member Assessment Administrative	\$7,447.17	\$87,378.65
Member Assessment	1,953,604.00	42,827,377.00
Loan	0.00	100,000.00
Recovery	2,463,846.15	16,659,344.78
Interest Income	705,937.93	6,109,829.33
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Total Receipts	5,130,835.25	65,783,929.76
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DISBURSEMENTS:		
Claims Paid	860,893.34	23,229,793.40
Helmsman Claims Paid	29,699.35	2,505,784.41
Claims Expense Paid	123,543.22	3,807,770.12
Helmsman Claims Expense Paid	480.36	249,057.63
Premium Refund	2,300.18	648,984.91
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Member Refund	186,900.00	11,532,629.00
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Operating Expenses:		
Service Fee - ISO, Etc.	0.00	32,129.60
G.F.M.S.	72,804.65	2,236,441.63
Legal & Audit	27,499.54	293,155.10
Travel	5,535.16	123,582.58
NCIGF Fee	51,556.00	234,687.64
Insurance	8,858.00	8,858.00
Other	1,777.01	64,384.14
Administrative Expense	7,397.17	83,633.55
Interest	0.00	1,332.64
Loan	0.00	100,000.00
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Total Operating Expenses	175,427.53	3,178,204.88
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Total Disbursements	1,379,243.98	45,152,224.35
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Funds Available	\$3,751,591.27	\$20,631,705.41
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Reserves:		
Claims Expense Liability Auto		0.00

Subtotal Auto		0.00

Claims Liability Other		401,000.00
Claims Expense Liability Other		44,643.01
Unearned Premium Liability Other		0.00

Subtotal Other		445,643.01

Claims Liability Workers	20,816,876.49
Claims Expense Liability Workers	472,410.21
Unearned Premium Liability Workers	3,511.00

Subtotal Workers	21,292,797.70
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Total Reserves	\$21,738,440.71
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Funds Available Per Account

Auto	\$192,191.85
Other	1,812,323.25
Workers	18,555,945.13

Total	\$20,560,460.23
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