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>	WORKERS' <u>COMP</u>
Reliance Insurance Company			\$2,000,000
	\$0	\$0	\$2,000,000
Total Assessment		\$2,000,000	
REFUND	<u>AUTO</u>	<u>OTHER</u>	WORKERS' COMP
Ideal Mutual Insurance Company Transit Casualty Company Integrity Insurance Company United Community Insurance Company		(\$26,830) (26,745) (14,617) (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 Larry Hinton

COMPANY

CONCORD GENERAL MUTUAL Joseph Desmond

INSURANCE COMPANY

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

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 ======
Fund Balance	\$20,631,705.41
	=========

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

Member Assessment			Inception To Date
Member Assessment 1,953,604.00 42,827,377.1 Loan 0.00 100,000.1 Recovery 2,463,846.15 16,699,342.1 Interest Income 705,937.93 6,109,829.2 Total Receipts 5,130,835.25 65,783,929.7 DISBURSEMENTS: Claims Paid 860,893.34 23,229,793.3 Helmsman Claims Paid 29,699.35 2,505,784.4 Claims Expense Paid 123,543.22 3,807,770.1 Helmsman Claims Expense Paid 480.36 249,957.6 Member Refund 186,900.00 11,532,629.0 Operating Expenses: Service Fee - ISO, Etc. 0.00 32,129.0 G.F.M.S. 72,804.65 2,236,441.6 Legal & Audit 27,499.54 293,155.1 Travel 5,556.00 234,887.1 Insurance 8,858.00 8,858.0 Other 11,777.01 64,384.1 Loan 0.00 1,332.4 Interest 0.00 1,332.4 Loan 10,000.0 1,000.0	RECEIPTS:		
Done		· · ·	\$87,378.65
Recovery 2,463,846.15 16,659,344.1 Interest Income	Member Assessment	1,953,604.00	42,827,377.00
Total Receipts	Loan	0.00	100,000.00
Total Receipts 5,130,835,25 65,783,929.7 DISBURSEMENTS: Claims Paid 860,893,34 23,229,793.5 Helmsman Claims Paid 29,699,35 2,505,784.4 Claims Expense Paid 123,543,22 3,807,770.1 Helmsman Claims Expense Paid 480,36 249,087.4 Premium Refund 186,900.00 11,532,629.0 Member Refund 186,900.00 11,532,629.0 Operating Expenses: 5ervice Fee - ISO, Etc. 0.00 32,129.0 G.F.M.S. 72,804.65 2,236,441.0 Legal & Audit 27,499.54 293,155.1 Travel 5,535.16 23,582.2 NCIGF Fee 51,556.00 234,687.0 Insurance 8,858.00 8,858.0 Other 1,777.01 83,633.2 Interest 0.00 13,32.2 Loan 0.00 100,000.0 Total Operating Expenses 175,427.53 3,178,204.8 Funds Available \$3,751,591.27 \$20,631,705.4 Subtotal Auto 0.0			
Total Receipts	Interest Income	· · · · · · · · · · · · · · · · · · ·	<i>'</i>
Claims Paid 860,893.34 23,229,793.4 Helmsman Claims Paid 29,699.35 2,505,784.4 Claims Expense Paid 123,543.22 3,807,770.1 Helmsman Claims Expense Paid 480,36 249,057.4 Premium Refund 2,300.18 648,984.5 Member Refund 186,900.00 11,532,629.0 Operating Expenses: 2 Service Fee - ISO, Etc. 0.00 32,129.0 G.F.M.S. 72,804.65 2,236,441.6 Legal & Audit 27,499.54 293,155.1 Travel 5,535.16 123,582.5 NCIGF Fee 51,556.00 234,687.6 Insurance 8,888.00 8,888.00 Other 1,777.01 64,384.1 Administrative Expense 7,397.17 83,633.2 Interest 0.00 1,332.4 Loan 0.00 100,000.0 Total Operating Expenses 175,427.53 3,178,204.8 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto	Total Receipts		
Helmsman Claims Paid 29,699.35 2,505,784.4 Claims Expense Paid 123,543.22 3,807,770.70 1480.36 249,057.6 249	DISBURSEMENTS:		
Claims Expense Paid 123,543.22 3,807,770.1 Helmsman Claims Expense Paid 480.36 249,057.6 Premium Refund 2,300.18 648,984.5 Member Refund 186,900.00 11,532,629.6 Operating Expenses: 30.00 32,129.6 Service Fee - ISO, Etc. 0.00 32,129.6 G.F.M.S. 72,804.65 2,236,441.6 Legal & Audit 27,499.54 293,155.1 Travel 5,535.16 123,582.2 NCIGF Fee 51,556.00 234,687.6 Insurance 8,858.00 8,858.0 Other 1,777.01 64,384.1 Administrative Expense 7,397.17 83,633.5 Interest 0.00 1,332.6 Loan 0.00 100,000.6 Total Operating Expenses 175,427.53 3,178,204.8 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.0 Claims Expense Liability Other 401,000.0 Claims Expense Liability Other	Claims Paid	860,893.34	23,229,793.40
Helmsman Claims Expense Paid 480.36 249.057.6 Premium Refund 2,300.18 648.984.5 648.984.	Helmsman Claims Paid	29,699.35	2,505,784.41
Helmsman Claims Expense Paid 480.36 249.057.6 Premium Refund 2,300.18 648.984.5 648.984.	Claims Expense Paid	123,543.22	3,807,770.12
Premium Refund 2,300.18 648,984.5 Member Refund 186,900.00 11,532,629.6 Operating Expenses:		480.36	249,057.63
Operating Expenses: Service Fee - ISO, Etc. 0.00 32,129.0 G.F.M.S. 72,804.65 2,236,441.6 Legal & Audit 27,499.54 293,155.1 123,582.5 Travel 5,535.16 123,582.5 NCIGF Fee 51,556.00 234,687.6 10,877.01 64,384.1 Administrative Expense 8,858.00 8,858.00 8,858.00 0,855.0 1,777.01 64,384.1 Administrative Expense 1,379.717 83,633.5 1,707.17 83,633.5 1,707.17 83,633.5 1,709.00 1,732.0 1,709.00 1,732.0 1,709.00 1,732.0 1,709.00	-		648,984.91
Service Fee - ISO, Etc. 0.00 32,129.0 G.F.M.S. 72,804.65 2,236,441.6 Legal & Audit 27,499.54 293,155.1 Travel 5,535.16 123,582.5 NCIGF Fee 51,556.00 234,687.6 Insurance 8,858.00 8,858.0 Other 1,777.01 64,384.1 Administrative Expense 7,397.17 83,633.5 Interest 0.00 1,332.6 Loan 0.00 100,000.6 Total Operating Expenses 175,427.53 3,178,204.8 Total Disbursements 1,379,243.98 45,152,224.3 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.0 Claims Expense Liability Other 401,000.0 Claims Expense Liability Other 446,43.0 Uncarned Premium Liability Other 0.0	Member Refund	186,900.00	11,532,629.00
G.F.M.S. 72,804.65 2,236,441.6 Legal & Audit 27,499.54 293,155.1 Travel 5,535.16 123,582.5 NCIGF Fee 51,556.00 234,687.6 Insurance 8,858.00 8,858.0 Other 1,777.01 64,384.1 Administrative Expense 7,397.17 83,633.5 Interest 0.00 1,332.6 Loan 0.00 100,000.6 Total Operating Expenses 175,427.53 3,178,204.8 Funds Available 83,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.0 Claims Liability Other 401,000.0 Claims Expense Liability Other 446,43.6 Uncarned Premium Liability Other 0.0	Operating Expenses:		
Legal & Audit 27,499.54 293,155.1 Travel 5,535.16 123,582.5 NCIGF Fee 51,556.00 234,687.6 Insurance 8,858.00 8,858.00 Other 1,777.01 64,384.1 Administrative Expense 7,397.17 83,633.5 Interest 0.00 1,332.6 Loan 0.00 100,000.0 Total Operating Expenses 175,427.53 3,178,204.8 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.0 Subtotal Auto 0.0 0.0 Claims Liability Other 401,000.0 Claims Expense Liability Other 44,643.0 Unearned Premium Liability Other 0.0	Service Fee - ISO, Etc.	0.00	32,129.60
Travel 5,535.16 123,582.5 NCIGF Fee 51,556.00 234,687.6 Insurance 8,858.00 8,858.0 Other 1,777.01 64,384.1 Administrative Expense 7,397.17 83,633.5 Interest 0.00 1,332.6 Loan 0.00 100,000.0 Total Operating Expenses 175,427.53 3,178,204.8 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.0 Claims Liability Other 401,000.0 Claims Expense Liability Other 44,643.0 Uncarned Premium Liability Other 0.0	G.F.M.S.	72,804.65	2,236,441.63
NCIGF Fee 51,556.00 234,687.6 Insurance 8,858.00 8,858.0 Other 1,777.01 64,384.1 Administrative Expense 7,397.17 83,633.5 Interest 0.00 1,332.6 Loan 0.00 100,000.6 Total Operating Expenses 175,427.53 3,178,204.8 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.6 Subtotal Auto 0.6 Claims Liability Other 401,000.6 Claims Expense Liability Other 44,643.6 Uncarned Premium Liability Other 0.6	Legal & Audit	27,499.54	293,155.10
Insurance	Travel	5,535.16	123,582.58
Other 1,777.01 64,384.1 Administrative Expense 7,397.17 83,633.5 Interest 0.00 1,332.6 Loan 0.00 100,000.0 Total Operating Expenses 175,427.53 3,178,204.8 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.0 Subtotal Auto 0.0 Claims Liability Other 401,000.0 Claims Expense Liability Other 44,643.0 Unearned Premium Liability Other 0.0	NCIGF Fee	51,556.00	234,687.64
Administrative Expense 7,397.17 83,633.5 Interest 0.00 1,332.6 Loan 0.00 100,000.6 Total Operating Expenses 175,427.53 3,178,204.8 Total Disbursements 1,379,243.98 45,152,224.3 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.0 Claims Liability Other 401,000.6 Claims Expense Liability Other 44,643.6 Unearned Premium Liability Other 0.6	Insurance	8,858.00	8,858.00
Interest	Other	1,777.01	64,384.14
Loan 0.00 100,000.0 Total Operating Expenses 175,427.53 3,178,204.8 Total Disbursements 1,379,243.98 45,152,224.3 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.0 Claims Liability Other 401,000.0 Claims Expense Liability Other 44,643.0 Unearned Premium Liability Other 0.0	Administrative Expense	7,397.17	83,633.55
Total Operating Expenses 175,427.53 3,178,204.8 Total Disbursements 1,379,243.98 45,152,224.3 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto 0.6 Subtotal Auto 0.6 Claims Liability Other 401,000.6 Claims Expense Liability Other 44,643.6 Unearned Premium Liability Other 0.6		0.00	1,332.64
Total Disbursements 1,379,243.98 45,152,224.3 Funds Available \$3,751,591.27 \$20,631,705.4 Reserves: Claims Expense Liability Auto Subtotal Auto Claims Liability Other Claims Expense Liability Other Unearned Premium Liability Other 0,6	Loan	0.00	100,000.00
Reserves: Claims Expense Liability Auto Subtotal Auto Claims Liability Other Claims Expense Liability Other Unearned Premium Liability Other 0.0 \$3,751,591.27 \$20,631,705.4 0.0 401,000.0 401,000.0 44,643.0 0.0	Total Operating Expenses	175,427.53	3,178,204.88
Reserves: Claims Expense Liability Auto Subtotal Auto Claims Liability Other Claims Expense Liability Other Unearned Premium Liability Other 0.0	Total Disbursements	1,379,243.98	45,152,224.35
Reserves: Claims Expense Liability Auto Subtotal Auto Claims Liability Other Claims Expense Liability Other Unearned Premium Liability Other 0.00	Funds Available	\$3,751,591.27	\$20,631,705.41
Claims Expense Liability Auto Subtotal Auto Claims Liability Other Claims Expense Liability Other Unearned Premium Liability Other 0.0			
Subtotal Auto Claims Liability Other Claims Expense Liability Other Unearned Premium Liability Other 0.0 401,000.0 44,643.0 0.0			0.00
Claims Liability Other Claims Expense Liability Other Unearned Premium Liability Other 0.0	Subtotal Auto		0.00
Claims Expense Liability Other 44,643.0 Unearned Premium Liability Other 0.0	Claims Liability Other		401,000.00
Unearned Premium Liability Other 0.0	· · · · · · · · · · · · · · · · · · ·		44,643.01
			0.00
	Subtotal Other		445,643.01

Claims Liability Workers Claims Expense Liability Workers Unearned Premium Liability Workers	20,816,876.49 472,410.21 3,511.00
Subtotal Workers	21,292,797.70
Total Reserves	\$21,738,440.71 ========
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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