

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 1, 2010

The Honorable Alfred W. Gross
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, 2009

Dear Commissioner Gross:

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, 2009.

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 1, 2010

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, 2009

During 2009, there was one new insolvency reported to the Association. On December 11, 2009, the Board of Directors of the Association (the "Board") voted to accept the insolvency of **Park Avenue Property and Casualty Company, f/k/a Providence Property and Casualty Insurance Company**, which had been declared insolvent by the State of Oklahoma. 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 12, 2009, the member insurers of the Association held their Annual Meeting at the offices of Troutman Sanders LLP, in Richmond, Virginia.

The Chairman presented the 2008 Annual Report of the Association to the member insurers. The member insurers thereupon voted that the Annual Report be accepted.

The Board reviewed the Plan of Operation and no amendments were suggested.

Immediately subsequent thereto, the Board held its Annual Meeting. L. Gerald Roach, Doug Joyce, Paul Gulko, James Winskowicz, and Kathleen Lavin were elected, Chairman, Vice Chairman, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association.

The Board reviewed the Plan of Operation and no changes were recommended.

The Board also reviewed the outstanding contract with GFMS.

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

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 issues concerning Reciprocal of America, pending security deposit refund litigation, and the issue of an assessment refund.

On October 26, 2009, the Board held a meeting in Richmond, Virginia, in conjunction with other meetings of the member guaranty associations of GFMS and its committees.

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

The Board met again on December 11, 2009 and 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 refund:

<u>REFUNDS</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS COMP</u>
Transit Casualty Company	\$ (10,467)		
Carriers Insurance Company			\$ (10,619)
Midland Insurance Company		\$ (11,540)	
Mission National Insurance Co.		(13,761)	
Integrity Insurance Company	(14,930)	(67,627)	
American Mutual Liability Ins. Co.		(21,278)	
MCA Insurance Company	(49,343)	(20,218)	
Premier Alliance Insurance Co.		(44,777)	
United Community Insurance Co.	(15,581)	(19,560)	(147,927)
Coronet Insurance Company	(33,183)		
Insurance Corp. of America		(73,559)	
Grangers Mutual Insurance Co.		(11,039)	
Quaker City Insurance Company	(21,154)		
American Eagle Insurance Co.		(186,310)	
Reliance Insurance Company		(2,000,000)	
PHICO Insurance Company		(5,869,537)	
Reciprocal of America		(5,000,000)	
Legion Insurance Company		(3,000,000)	
	\$ (146,658)	\$ (16,339,206)	\$ (158,546)
Total Refund		\$ (16,644,410)	

Additionally, the Board empowered the Association to disperse the refund of \$8,700,000 previously authorized.

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	Jeff Williams
VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY	Richard Mattox
HARTFORD ACCIDENT & INDEMNITY COMPANY	Scott Holbrook
UTICA MUTUAL INSURANCE COMPANY	Matthew Lupino
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	Peggy Echols
CONTINENTAL CASUALTY COMPANY	Elizabeth Wilson
UNITED SERVICES AUTOMOBILE ASSOCIATION	Donna Leaman

The Statement of Account of the Association, from inception through December 31, 2009, 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
Chairman


L. Gerald Roach

VIRGINIA PROPERTY & CASUALTY INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2009

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$15,404,060.43
Investments	<u>134,889,150.58</u>
Total Assets	<u>\$150,293,211.01</u>
Fund Balance	<u>\$150,293,211.01</u>

Virginia Property & Casualty Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2009
Total All Insolvencies

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$0.00	\$8,583.96
Member Assessment	10,583,815.00	239,750,101.00
Loan	0.00	327,205.55
Recovery	7,331,440.05	107,736,161.57
Interest Income	4,149,800.28	34,958,579.39
Total Receipts	22,065,055.33	382,780,631.47
DISBURSEMENTS:		
Claims Paid	6,208,041.25	126,352,118.50
Helmsman Claims Paid	181,978.29	15,946,088.14
Claims Expense Paid	692,021.49	23,435,298.62
Helmsman Claims Expense Paid	4,690.03	1,671,477.75
Premium Refund	50,056.20	4,052,977.53
Member Refund	183,895.00	35,359,429.00
Operating Expenses:		
G.F.M.S.	1,740,261.78	20,641,197.82
Legal & Audit	128,977.42	3,104,266.47
Travel	7,607.49	233,165.60
NCIGF Fee	0.00	724,882.13
Insurance	6,200.00	18,795.00
Other	31,909.30	595,247.34
Administrative Expense	0.00	7,186.85
Interest	0.00	18,084.16
Loan	0.00	327,205.55
Total Operating Expenses	1,914,955.99	25,670,030.92
Total Disbursements	9,235,638.25	232,487,420.46
Funds Available	\$12,829,417.08	\$150,293,211.01
Reserves:		
Claims Liability Auto		25,001.00
Claims Expense Liability Auto		21,345.41
Unearned Premium Liability Auto		0.00
Subtotal Auto		46,346.41
Claims Liability Other		939,868.00
Claims Expense Liability Other		93,600.32
Unearned Premium Liability Other		0.00
Subtotal Other		1,033,468.32
Claims Liability Workers		99,962,221.00
Claims Expense Liability Workers		2,865,925.58
Unearned Premium Liability Workers		0.00
Subtotal Workers		102,828,146.58
Total Reserves		\$103,907,961.31
Funds Available Per Account		
Auto		\$6,047,526.90
Other		28,259,324.82
Workers		115,986,628.33
Total		\$150,293,480.05