

VERMONT 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, 2012

Susan Donegan
Deputy Commissioner of Insurance
Vermont Insurance Department
89 Main Street Drawer 200
Montpelier, VT 05620-3101

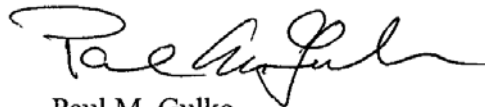
Re: Vermont Property and Casualty Insurance Guaranty Association (the "Association")
Annual Report of the Association for the Year Ending December 31, 2011

Dear Commissioner Donegan:

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, 2011.

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, 2012

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, 2011

During 2011, there were three new insolvencies reported to the Association. On May 6, 2011, the Board of Directors of the Association (the "Board") voted to accept the insolvencies of Atlantic Mutual Insurance Company and Centennial Insurance Company, which had been declared insolvent by the State of New York. On October 16, 2011, the Board voted to accept the insolvency of Western Insurance Company, which had been declared insolvent by the State of Utah. The Board decided that the administration of these insolvencies would be provided by Guaranty Fund Management Services[®] ("GFMS[®]"). The Board also continued to monitor existing insolvencies and potential insolvencies.

On October 16, 2011, the member insurers held their Annual Meeting in Providence, Rhode Island 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, OneBeacon America Insurance Company and Zurich American 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 2014.

The Chair then presented the 2010 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. William Catto, David Tatlock, 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 existing contract with GFMS, and recommended no changes thereto. The Board considered and adopted Expense Guidelines for Board and Committee Members.

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

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 that the following assessments and refunds of prior assessments be made:

<u>ASSESSMENT</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS' COMP</u>
Eastern Casualty Insurance Company			\$300,000
Atlantic Mutual Insurance Company			\$400,000
	\$0	\$0	\$700,000
Total Assessment		\$700,000	

<u>REFUND</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS' COMP</u>
Union Indemnity Insurance Company	(\$0)	(\$ 30,650)	(\$0)
Transit Casualty Company	(\$0)	(\$ 19,243)	(\$0)
American Universal Insurance Company	(\$0)	(\$0)	(\$500,000)
Credit General Insurance Company	(\$ 28,575)	(\$0)	(\$ 31,252)
Reliance Insurance Company	(\$ 20,757)	(\$ 38,114)	(\$0)
PHICO Insurance Company	(\$0)	(\$2,090,500)	(\$0)
Legion Insurance Company	(\$344,917)	(\$1,245,270)	(\$0)
	(\$394,249)	(\$3,423,777)	(\$531,252)
Total Refund		(\$4,349,278)	
Net Refund		(\$3,649,278)	

The Board also adopted the recommendation of the Treasurer that the following insolvencies be **CLOSED: Union Indemnity Insurance Company, Transit Casualty Company and Credit General Insurance Company.**

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

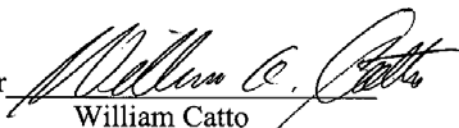
VERMONT MUTUAL INSURANCE COMPANY	William Catto
CO-OPERATIVE INSURANCE COMPANIES	David Tatlock
UNION MUTUAL FIRE INSURANCE COMPANY	Josh Fitzhugh
ZURICH AMERICAN INSURANCE COMPANY	Joyce Hall Mellinger
ONEBEACON AMERICA INSURANCE COMPANY	Virginia McCarthy
GOVERNMENT EMPLOYEES INSURANCE COMPANY	Larry Hinton
CONCORD GENERAL MUTUAL INSURANCE COMPANY	Linda Day
LIBERTY MUTUAL INSURANCE COMPANY	Joanne Locke
MMG INSURANCE COMPANY	Timothy Vernon

The Statement of Account of the Association, from inception through December 31, 2011, 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 Chair


William Catto

VERMONT PROPERTY & CASUALTY INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2011

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$1,606,183.27
Investments	<u>22,030,664.31</u>
Total Assets	<u>\$23,636,847.58</u>
Fund Balance	<u>\$23,636,847.58</u>

Vermont Property & Casualty Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2011
Total All Insolvencies

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$4,340.44	\$142,902.70
Member Assessment	736,518.00	44,634,469.00
Loan	0.00	100,000.00
Recovery	1,773,669.50	25,757,828.46
Interest Income	500,444.60	7,780,530.35
Total Receipts	3,014,972.54	78,415,730.51
DISBURSEMENTS:		
Claims Paid	948,896.25	26,874,248.53
Helmsman Claims Paid	31,940.49	2,600,234.63
Claims Expense Paid	30,206.65	3,979,364.33
Helmsman Claims Expense Paid	0.00	249,411.88
Premium Refund	0.00	648,984.91
Member Refund	4,326,626.00	16,769,392.00
Operating Expenses:		
Service Fee - ISO, Etc.	0.00	32,129.60
G.F.M.S.	55,436.85	2,474,359.55
Legal & Audit	20,859.19	348,084.02
Travel	6,330.86	145,159.64
NCIGF Fee	58,657.00	320,144.64
Insurance	4,310.00	21,771.00
Other	5,572.53	75,257.96
Administrative Expense	4,300.44	139,007.60
Interest	0.00	1,332.64
Loan	0.00	100,000.00
Total Operating Expenses	155,466.87	3,657,246.65
Total Disbursements	5,493,136.26	54,778,882.93
Funds Available	(\$2,478,163.72)	\$23,636,847.58
Reserves:		
Claims Liability Workers		17,721,157.62
Claims Expense Liability Workers		346,893.29
Subtotal Workers		18,068,050.91
Total Reserves		\$18,068,050.91
Funds Available Per Account		
Auto		\$77,881.47
Other		300,420.80
Workers		23,118,933.49
Total		\$23,497,235.76

Vermont Property & Casualty Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2011
Administrative

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$6,751.51	\$139,611.82
Total Receipts	6,751.51	139,611.82
DISBURSEMENTS:		
Operating Expenses:		
Total Operating Expenses	0.00	0.00
Total Disbursements	0.00	0.00
Funds Available	\$6,751.51	\$139,611.82
Reserves:		
Total Reserves		\$0.00
Funds Available Per Account		
Auto		\$0.00
Other		0.00
Workers		0.00
Total		\$0.00

**Vermont Property & Casualty Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2011
Consolidated Statement of Closed Insolvencies**

	<u>Inception To Date</u>
RECEIPTS:	
Member Assessment Administrative	\$3,290.88
Member Assessment	6,204,134.00
Loan	100,000.00
Recovery	3,609,761.18
Interest Income	<u>816,339.42</u>
Total Receipts	<u>10,733,525.48</u>
DISBURSEMENTS:	
Claims Paid	2,957,906.56
Helmsman Claims Paid	142,533.14
Claims Expense Paid	551,841.06
Helmsman Claims Expense Paid	25,845.04
Premium Refund	222,787.24
Member Refund	5,894,764.00
Operating Expenses:	
Service Fee - ISO, Etc.	32,129.60
G.F.M.S.	509,909.19
Legal & Audit	70,075.37
Travel	44,183.50
NCIGF Fee	45,547.76
Other	21,872.98
Administrative Expense	112,797.40
Interest	1,332.64
Loan	<u>100,000.00</u>
Total Operating Expenses	<u>937,848.44</u>
Total Disbursements	<u>10,733,525.48</u>
Funds Available	<u><u>\$0.00</u></u>