

# MASSACHUSETTS INSURERS INSOLVENCY FUND

*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

The Honorable Joseph G. Murphy  
Commissioner of Insurance  
Massachusetts Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118-6200

Re: Massachusetts Insurers Insolvency Fund (the "Fund")  
Annual Report of the Fund for the Year Ending December 31, 2011

Dear Commissioner Murphy:

Pursuant to the Fund Act, enclosed herewith for filing please find duly executed original Annual Report of the Fund 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  
Manager

Enclosure

cc: The Board of Directors of the Fund

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March 1, 2012

To: THE COMMISSIONER OF INSURANCE (the "Commissioner") AND THE MEMBER INSURERS OF THE MASSACHUSETTS INSURERS INSOLVENCY FUND ("the Fund")

Re: The Annual Report of the Fund for the Year ending December 31, 2012

During 2011, there were two new insolvencies reported to the Fund. On May 9, 2011, the Board of Directors of the Fund (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. The Board decided that the administration of these insolvencies would be provided by Guaranty Fund Management Services<sup>®</sup> ("GFMS<sup>®</sup>"). The Board also continued to monitor existing insolvencies and potential insolvencies.

On October 18, 2011, the Board held its Annual Meeting in Providence, Rhode Island, in conjunction with other meetings of the member insolvency funds of Guaranty Fund Management Services<sup>®</sup> ("GFMS<sup>®</sup>") and its committees. James Moran of Quincy Mutual Fire Insurance Company was elected as Chair of the Board of Directors, William Cahill of Hanover Insurance Company was elected as Vice-Chair, and Paul Gulko, James Winskowicz, and Kathleen Lavin were re-elected Manager, Claims Manager and Treasurer, respectively, of the Fund.

The Board received the report of the Manager regarding the ballots transmitted by the member insurers with instructions to vote in favor of the following nominees as Directors: Liberty Mutual Insurance Company and Safety Insurance Company. The Chair thereupon directed the Manager to cast one vote for the nominees as directors for a three-year term, expiring in 2014.

The Board considered and adopted Expense Guidelines for Board and Committee Members.

The Board received and considered the report of counsel as to the issues of the Insolvency Fund statutory cap in medical malpractice claims, the claim by a self-insurance group that it is entitled to Insolvency Fund coverage, the exposure of the Fund to bad faith actions pursuant to MGL c. 93A and c. 176D, and whether reinsurers are bound by the Fund's settlement of claims.

The Board also reviewed the financial condition of the Fund 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:

**ASSESSMENT****ALL LINES**

MIIX Insurance Company	\$ 2,000,000
Eastern Casualty Insurance Company	\$10,000,000
Atlantic Mutual Insurance Company	\$ 750,000
Centennial Insurance Company	\$ 2,000,000
<b>Total Assessment</b>	<b>\$14,750,000</b>

**REFUND****ALL LINES**

Union Indemnity Insurance Company	(\$ 483,298)
Transit Casualty Company	(\$ 157,210)
Warwick Insurance Company	(\$ 93,233)
Trust Insurance Company	(\$7,000,000)
Shelby Casualty Insurance Company	(\$ 397,395)
<b>Total Refund</b>	<b>(\$8,131,136)</b>

**Net Assessment** **\$6,618,864**

Upon recommendation of the Treasurer, the Board voted that the following insolvencies be **CLOSED: Union Indemnity Insurance Company, Transit Casualty Company, Warwick Insurance Company and Shelby Casualty Insurance Company.**

The member insurers, their designated representatives, and the insurance producer representative, serving on the Board as of December 31, 2011, are:

QUINCY MUTUAL FIRE INSURANCE COMPANY	James Moran
HANOVER INSURANCE COMPANY	William Cahill
LIBERTY MUTUAL INSURANCE COMPANY	Joanne Locke
SAFETY INSURANCE COMPANY	William Begley
METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY	Maura Travers
HOLYOKE MUTUAL INSURANCE COMPANY IN SALEM	Diane Choate
PREMIER INSURANCE COMPANY OF MASSACHUSETTS	Susan K. Scott
ARBELLA MUTUAL INSURANCE COMPANY	Eileen Currie
INSURANCE PRODUCER REPRESENTATIVE	Douglas C. Ryder

The Statement of Account of the Fund, 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  
MASSACHUSETTS INSURERS  
INSOLVENCY FUND

By its Chair

  
James Moran

**MASSACHUSETTS INSURERS INSOLVENCY FUND**  
**Balance Sheet**  
**December 31, 2011**

	<u>Inception To Date</u>
<b>Assets:</b>	
<b>Checking &amp; Short-Term Cash</b>	<b>\$9,479,392.35</b>
<b>Investments</b>	<b><u>141,748,972.14</u></b>
<b>Total Assets</b>	<b><u><u>\$151,228,364.49</u></u></b>
<b>Fund Balance</b>	<b><u><u>\$151,228,364.49</u></u></b>

**Massachusetts Insurers Insolvency Fund  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2011  
Total All Insolvencies**

	Year To Date	Inception To Date
<b>RECEIPTS:</b>		
Member Assessment Administrative	\$109,768.83	\$327,436.23
Member Assessment Recovery	12,283,120.00	522,776,237.00
Interest Income	27,866,420.56	250,491,753.28
	2,932,121.01	73,887,265.07
<b>Total Receipts</b>	<b>43,191,430.40</b>	<b>847,482,691.58</b>
<b>DISBURSEMENTS:</b>		
Claims Paid	8,166,042.91	260,744,075.66
Helmsman Claims Paid	2,786,687.78	109,827,120.74
Claims Expense Paid	573,955.46	92,333,969.85
Helmsman Claims Expense Paid	22,619.10	7,663,022.41
Premium Refund	9,806.33	22,013,609.45
Member Refund	6,998,465.00	150,754,617.00
Operating Expenses:		
Service Fee - ISO, Etc.	0.00	949,562.37
G.F.M.S.	2,554,160.51	45,020,689.41
Legal & Audit	403,800.89	4,687,980.63
Travel	5,548.42	141,868.65
NCIGF Fee	180,166.00	1,100,106.23
Insurance	9,830.00	49,689.00
Other	29,583.00	651,511.96
Administrative Expense	109,580.83	316,503.73
<b>Total Operating Expenses</b>	<b>3,292,669.65</b>	<b>52,917,911.98</b>
<b>Total Disbursements</b>	<b>21,850,246.23</b>	<b>696,254,327.09</b>
<b>Funds Available</b>	<b>21,341,184.17</b>	<b>151,228,364.49</b>
<b>Reserves:</b>		
Claims Liability		133,995,257.59
Claims Expense Liability		3,126,136.12
Unearned Premium Liability		4,494.66
<b>Total Reserves</b>		<b>\$137,125,888.37</b>

**Massachusetts Insurers Insolvency Fund  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2011  
Administrative**

	<b>Year To Date</b>	<b>Inception To Date</b>
<b>RECEIPTS:</b>		
Member Assessment Administrative	\$119,246.98	\$291,512.34
<b>Total Receipts</b>	<b>119,246.98</b>	<b>291,512.34</b>
<b>DISBURSEMENTS:</b>		
Operating Expenses:		
Administrative Expense	0.00	8,578.00
<b>Total Operating Expenses</b>	<b>0.00</b>	<b>8,578.00</b>
<b>Total Disbursements</b>	<b>0.00</b>	<b>8,578.00</b>
<b>Funds Available</b>	<b>119,246.98</b>	<b>282,934.34</b>
<b>Reserves:</b>		
<b>Total Reserves</b>		<b>\$0.00</b>

**Massachusetts Insurers Insolvency Fund  
Statement of Cash Receipts and Disbursements  
From Inception Through December 31, 2011  
Consolidated Statement of Closed Insolvencies**

	<b>Inception To Date</b>
<b>RECEIPTS:</b>	
Member Assessment Administrative	\$35,923.89
Member Assessment	59,547,499.00
Recovery	46,491,377.58
Interest Income	7,083,250.01
<b>Total Receipts</b>	<b>113,158,050.48</b>
<b>DISBURSEMENTS:</b>	
Claims Paid	30,254,178.06
Claims Expense Paid	7,437,682.66
Premium Refund	10,462,548.72
Member Refund	58,570,828.00
Operating Expenses:	
Service Fee - ISO, Etc.	949,562.37
G.F.M.S.	4,491,006.35
Legal & Audit	575,431.01
Travel	35,565.33
NCIGF Fee	123,853.01
Other	151,293.60
Administrative Expense	106,101.37
<b>Total Operating Expenses</b>	<b>6,432,813.04</b>
<b>Total Disbursements</b>	<b>113,158,050.48</b>
<b>Funds Available</b>	<b>\$0.00</b>