

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, 2012

The Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Virginia Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

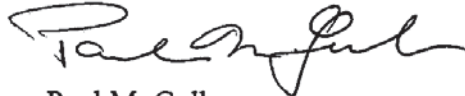
Re: Virginia Property and Casualty Insurance Guaranty Association (the "Association")
Annual Report of the Association for the Year Ending December 31, 2011

Dear Commissioner Cunningham:

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 VIRGINIA 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 10, 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 17, 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 May 10, 2011, the member insurers of the Association held their Annual Meeting at the offices of Troutman Sanders LLP, in Richmond, Virginia.

The Chair presented the 2010 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, Douglas Joyce, 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 Plan of Operation and no changes were recommended.

The Board also reviewed the outstanding contract with GFMS, and no changes were recommended.

The Board received and considered reports concerning claims and recoveries from receivers. 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 ongoing issues concerning Reciprocal of America, and the issues regarding refunds of assessments and the premium tax offset.

On October 17, 2011, the Board held a meeting in Providence, Rhode Island, in conjunction with other meetings of the member guaranty associations of GFMS and its committees. At this meeting, the Board considered and adopted Expense Guidelines for Board and Committee Members.

In order to determine whether an assessment or a refund of prior assessments would be appropriate, the Board reviewed the financial condition of the Association and its operating expenses and covered claim costs. 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>
Superior National Insurance Company	\$0	\$0	\$ 44,437
State Capital Insurance Company	\$36,412	\$188,312	\$0
Casualty Reciprocal Exchange	\$0	\$0	\$ 500,000
Imperial Casualty & Indemnity Company	\$0	\$0	\$1,000,000
Atlantic Mutual Insurance Company	\$0	\$0	\$1,000,000
Centennial Insurance Company	\$0	\$0	\$ 300,000
	\$36,412	\$188,312	\$2,844,437
Total Assessment		\$3,069,161	
<u>REFUND</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS' COMP</u>
Transit Casualty Company	(\$ 16,748)	(\$ 126,052)	(\$0)
Midland Insurance Company	(\$ 14,330)	(\$ 43,895)	(\$0)
Western Employers Insurance Company	(\$0)	(\$0)	(\$314,147)
Credit General Insurance Company	(\$ 91,594)	(\$ 18,648)	(\$0)
Reliance Insurance Company	(\$1,000,000)	(\$1,000,000)	(\$0)
PHICO Insurance Company	(\$0)	(\$ 790,778)	(\$0)
Reciprocal of America	(\$0)	(\$1,000,000)	(\$0)
Legion Insurance Company	(\$ 505,947)	(\$ 500,000)	(\$0)
	(\$1,628,619)	(\$3,479,373)	(\$314,147)
Total Refund		(\$5,422,139)	
Net Refund		(\$2,352,978)	

The Board further voted to adopt the recommendations of the Treasurer that the following insolvencies be CLOSED:

Carriers Insurance Company
Mission National Insurance Company
Integrity Insurance Company
Eastern Indemnity Company of Maryland
Western Employers Insurance Company

United Community Insurance Company
Insurance Corporation of America
Grangers Mutual Insurance Company
Superior National Insurance Company
State Capital Insurance Company
Park Avenue Property & Casualty Insurance Company
RISCORP National Insurance Company

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

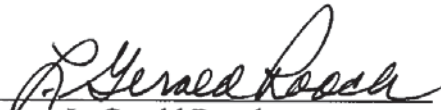
MUTUAL ASSURANCE SOCIETY OF VIRGINIA	L. Gerald Roach
ALFA ALLIANCE INSURANCE CORPORATION	Douglas Joyce
ALLSTATE INSURANCE COMPANY	Jeffrey W. Williams
VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY	Richard Mattox
HARTFORD ACCIDENT & INDEMNITY COMPANY	Jay L. Bruns III
UTICA MUTUAL INSURANCE COMPANY	Matthew Lupino
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	Peggy Echols
CONTINENTAL CASUALTY COMPANY	Wynette M. Head
UNITED SERVICES AUTOMOBILE ASSOCIATION	Donna Leaman

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
VIRGINIA PROPERTY AND
CASUALTY INSURANCE
GUARANTY ASSOCIATION

By its Chair


L. Gerald Roach

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

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$5,677,429.80
Investments	<u>136,752,284.74</u>
Total Assets	<u>\$142,429,714.54</u>
Fund Balance	<u>\$142,429,714.54</u>

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

	<u>Year To Date</u>	<u>Inception To Date</u>
RECEIPTS:		
Member Assessment Administrative	\$6,753.51	\$107,163.81
Member Assessment	1,139.00	239,765,507.00
Loan	0.00	327,205.55
Recovery	12,042,695.48	132,980,496.58
Interest Income	<u>3,242,100.25</u>	<u>41,879,300.37</u>
Total Receipts	<u>15,292,688.24</u>	<u>415,059,673.31</u>
DISBURSEMENTS:		
Claims Paid	5,055,096.04	135,440,308.65
Helmsman Claims Paid	329,162.23	16,559,367.50
Claims Expense Paid	569,404.32	24,551,599.27
Helmsman Claims Expense Paid	9,303.36	1,697,395.38
Premium Refund	(467.00)	4,079,669.58
Member Refund	1,139.00	60,706,427.00
Operating Expenses:		
G.F.M.S.	1,526,709.83	23,928,962.37
Legal & Audit	95,695.54	3,288,608.94
Travel	9,222.32	252,871.24
NCIGF Fee	172,057.00	974,483.13
Insurance	6,210.00	31,227.00
Other	35,605.48	667,982.30
Administrative Expense	6,753.51	105,766.70
Interest	0.00	18,084.16
Loan	<u>0.00</u>	<u>327,205.55</u>
Total Operating Expenses	<u>1,852,253.68</u>	<u>29,595,191.39</u>
Total Disbursements	<u>7,815,891.63</u>	<u>272,629,958.77</u>
Funds Available	<u>\$7,476,796.61</u>	<u>\$142,429,714.54</u>
Reserves:		
Claims Liability Auto		25,000.00
Claims Expense Liability Auto		<u>57,640.78</u>
Subtotal Auto		<u>82,640.78</u>
Claims Liability Other		899,065.00
Claims Expense Liability Other		<u>58,160.48</u>
Subtotal Other		<u>957,225.48</u>
Claims Liability Workers		117,826,789.34
Claims Expense Liability Workers		<u>2,739,290.73</u>
Subtotal Workers		<u>120,566,080.07</u>
Total Reserves		<u>\$121,605,946.33</u>
Funds Available Per Account		
Auto		\$1,832,971.35
Other		8,301,641.95
Workers		<u>132,199,660.69</u>
Total		<u>\$142,334,273.99</u>

Virginia 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 Loan	\$6,763.27	\$95,558.80
	0.00	327,205.55
Total Receipts	6,763.27	422,764.35
DISBURSEMENTS:		
Operating Expenses:		
Administrative Expense Loan	0.00	118.25
	0.00	327,205.55
Total Operating Expenses	0.00	327,323.80
Total Disbursements	0.00	327,323.80
Funds Available	\$6,763.27	\$95,440.55
Reserves:		
Total Reserves		\$0.00
Funds Available Per Account		
Auto		\$0.00
Other		0.00
Workers		0.00
Total		\$0.00

Virginia 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	\$11,605.01
Member Assessment	13,893,085.00
Recovery	5,274,401.94
Interest Income	<u>2,036,954.61</u>
Total Receipts	<u>21,216,046.56</u>
DISBURSEMENTS:	
Claims Paid	6,020,698.05
Helmsman Claims Paid	129,709.40
Claims Expense Paid	1,118,431.18
Helmsman Claims Expense Paid	18,702.85
Premium Refund	903,541.21
Member Refund	10,698,951.00
Operating Expenses:	
G.F.M.S.	1,493,858.59
Legal & Audit	430,505.89
Travel	74,873.37
NCIGF Fee	67,944.33
Other	136,246.04
Administrative Expense	104,500.49
Interest	<u>18,084.16</u>
Total Operating Expenses	<u>2,326,012.87</u>
Total Disbursements	<u>21,216,046.56</u>
Funds Available	<u><u>\$0.00</u></u>