

VERMONT PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

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March 3, 2008

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, 2007

During 2007, 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 May 15, 2007, the Board held a meeting to discuss the fact that the composition of the Board was not in compliance with the statutory requirement that a majority of the Board consist of officers or directors of domestic insurers. After discussion, the Board voted, with one abstention, to recommend that a statutory amendment be introduced to reduce the number of domestic insurers required on the Board.

On October 14, 2007, the member insurers held their Annual Meeting in Norwich, Connecticut, 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: Concord General Mutual Insurance Company, Co-Operative Insurance Companies and MMG 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 2010.

The Chairman then presented the 2006 Annual Report of the Association to the member insurers. The member insurers thereupon voted that the Annual Report be accepted.

The member insurers reviewed the Plan of Operation a discussion of the proposed statutory amendment took place. 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 22, 2006 and May 15, 2007 meetings.

The Board reviewed the existing contract with Guaranty Fund Management Services.

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

Mr. Catto was re-elected as the Board's representative on Board of Directors of GFMS.

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>	<u>WORKERS' COMPENSATION</u>
Legion Insurance Company	\$50,000	\$1,000,000	
	\$ 50,000	\$ 1,000,000	\$ 0
Total Assessment		\$ 1,050,000	
<u>REFUND</u>	<u>AUTO</u>	<u>OTHER</u>	<u>WORKERS' COMPENSATION</u>
Credit General Insurance Company			(\$ 113,297)
PHICO Insurance Company		(\$ 500,000)	
	\$ 0	(\$ 500,000)	(\$ 113,297)
Total Refund		(\$ 613,297)	
Net Assessment		\$436,703	

The Board also adopted the recommendation of Ms. Lavin that the **Credit General Insolvency** be **CLOSED**.

The Board was presented with estimates of costs for obtaining Directors and Officers liability insurance coverage. Upon motion duly made and seconded, it was voted to obtain a policy of Directors and Officers liability insurance for members of the Board.

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

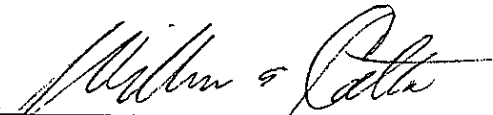
UNION MUTUAL FIRE INSURANCE COMPANY	Douglas J. Wacek
HARTFORD FIRE INSURANCE COMPANY	Cheryl Hetzel
ONEBEACON AMERICA INSURANCE COMPANY	Joan Geddes
GOVERNMENT EMPLOYEES INSURANCE COMPANY	Larry Hinton
CONCORD GENERAL MUTUAL INSURANCE COMPANY	Joseph Desmond
LIBERTY MUTUAL INSURANCE COMPANY	Joanne Locke
MMG INSURANCE COMPANY	Timothy Vernon

The Statement of Account of the Association, from inception through December 31, 2007, 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



William Catto