

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 18, 2013

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

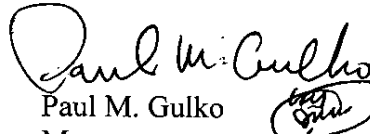
Re: Massachusetts Insurers Insolvency Fund (the "Fund")
Annual Report of the Fund for the Year Ending December 31, 2012

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, 2012.

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 18, 2013

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 2012, there was one new insolvency reported to the Association. On December 17, 2012, the Board of Directors of the Fund (the "Board") voted to accept the insolvency of Frontier Insurance Company, which had been declared insolvent and ordered liquidated by the State of New York. 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.

The Board of Directors approved a settlement between the Fund and American International Group, Inc. ("AIG") related to the underreporting of worker's compensation premiums by AIG.

On October 23, 2012, the Board held its Annual Meeting in New Castle, New Hampshire, in conjunction with other meetings of the member insolvency funds of GFMS and its committees. James J. Moran, Jr. 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: Arbella Mutual Insurance Company, Hanover Insurance Company and Metropolitan Property and Casualty Insurance Company. The Chair thereupon directed the Manager to cast one vote for the nominees as directors for a three-year term, expiring in 2015.

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

The Board received and considered the report of counsel as the exposure of the Fund to bad faith actions pursuant to MGL c. 93A and c. 176D, issues related to whether an automobile rental company providing insurance is considered an insurer for purposes of the Insolvency Fund Act, whether reinsurers are bound by the Fund's settlement of claims, and clergy sexual abuse claims.

The Board reviewed the process by which assessments are levied upon member insurers.

The Board then reviewed the financial condition of the Fund 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 determined that neither an assessment nor a refund was recommended at this time.

The member insurers, their designated representatives, and the insurance producer representative, serving on the Board as of December 31, 2012, are:

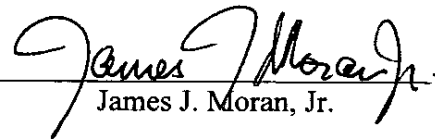
QUINCY MUTUAL FIRE INSURANCE COMPANY	James J. Moran, Jr.
HANOVER INSURANCE COMPANY	William Cahill
LIBERTY MUTUAL INSURANCE COMPANY	Joanne Locke
SAFETY INSURANCE COMPANY	William Begley
METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY	Maura Travers
HOLYOKE MUTUAL INSURANCE COMPANY IN SALEM	Diane Choate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

The Statement of Account of the Fund, from inception through December 31, 2012, 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 J. Moran, Jr.

MASSACHUSETTS INSURERS INSOLVENCY FUND
Balance Sheet
December 31, 2012

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$2,507,335.10
Investments	152,172,770.39
Total Assets	<u>\$154,680,105.49</u>
Fund Balance	<u>\$154,680,105.49</u>

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**Massachusetts Insurers Insolvency Fund
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2012
Total All Insolvencies**

	<u>Year To Date</u>	<u>Inception To Date</u>
RECEIPTS:		
Member Assessment Administrative	\$30,353.18	\$357,789.41
Member Assessment	2,551,834.00	525,328,071.00
Recovery	10,378,910.94	260,870,664.22
Interest Income	3,424,519.14	77,311,784.21
Total Receipts	<u>16,385,617.26</u>	<u>863,868,308.84</u>
DISBURSEMENTS:		
Claims Paid	5,244,244.02	265,988,319.68
Helmsman Claims Paid	2,700,816.45	112,527,937.19
Claims Expense Paid	594,298.09	92,928,267.94
Helmsman Claims Expense Paid	19,206.90	7,682,229.31
Premium Refund	134,495.13	22,148,104.58
Member Refund	1,014,172.00	151,768,789.00
Operating Expenses:		
Service Fee - ISO, Etc.	-	949,562.37
G.F.M.S.	2,320,102.10	47,340,791.51
Legal & Audit	836,358.64	5,524,339.27
Travel	5,483.35	147,352.00
NCIGF Fee	-	1,100,106.23
Insurance	10,730.00	60,419.00
Other	22,502.42	674,014.38
Administrative Expense	31,467.16	347,970.89
Total Operating Expenses	<u>3,226,643.67</u>	<u>56,144,555.65</u>
Total Disbursements	<u>12,933,876.26</u>	<u>709,188,203.35</u>
Funds Available	<u>3,451,741.00</u>	<u>154,680,105.49</u>
Reserves:		
Claims Liability		134,673,690.62
Claims Expense Liability		3,062,787.36
Unearned Premium Liability		12,722.65
Total Reserves		<u>\$137,749,200.63</u>

**Massachusetts Insurers Insolvency Fund
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2012
Administrative**

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$30,353.18	\$321,865.52
Recovery	109,972.42	109,972.42
Total Receipts	140,325.60	431,837.94
DISBURSEMENTS:		
Operating Expenses:		
Other	1,000.00	1,000.00
Administrative Expense	-	8,578.00
Total Operating Expenses	1,000.00	9,578.00
Total Disbursements	1,000.00	9,578.00
Funds Available	139,325.60	422,259.94
Reserves:		
Total Reserves	-	-