



**STATE OF MAINE
BUREAU OF INSURANCE**

It is, hereby, certified that the annexed report of examination for

MAINE INSURANCE GUARANTY ASSOCIATION

has been compared with the original on file in this bureau and that it is a correct transcript therefrom and of the whole of said original.

In witness whereof, I have hereunto set my hand and affixed the official seal of this Office at the City of Gardiner this fourth day of February, 2014.

A handwritten signature in blue ink, appearing to read "Eric A. Cioppa", written over a horizontal line.

Eric A. Cioppa
Superintendent



Paul R. LePage
GOVERNOR

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Eric A. Cioppa
SUPERINTENDENT

November 22, 2013

Eric A. Cioppa, Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S.A. §4445 and in conformity with your instructions, a financial examination has been made of

MAINE INSURANCE GUARANTY ASSOCIATION

The following report is respectfully submitted.



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REPORT OF EXAMINATION

MAINE INSURANCE GUARANTY ASSOCIATION

AS OF

DECEMBER 31, 2012

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of the Maine Insurance Guaranty Association dated November 22, 2013, was delivered to that association on January 23, 2014; and

WHEREAS no hearing with respect to the Report of Examination has been requested by the Maine Insurance Guaranty Association;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Maine Bureau of Insurance as provided for by 24-A M.R.S.A. §226 (3).

Dated:



Eric A. Cioppa
Superintendent

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SCOPE OF EXAMINATION

This examination of the Maine Insurance Guaranty Association (hereinafter, the "MIGA" or "the Association") consisted of a review of MIGA's operations, administrative practices, valuation of assets, and a determination of liabilities at December 31, 2012. This examination covered the period of January 1, 2010 through December 31, 2012. This examination represented the first examination of the Association. This examination considered National Association of Insurance Commissioners (hereinafter, "NAIC") guidelines including the 2013 Financial Condition Examiners Handbook (hereinafter "FCEH"), and the laws, rules, and regulations prescribed or permitted by the State of Maine.

Areas reviewed in this examination included governance, board of director meeting minutes, claims administration, assessments, investments, and expenses. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

Comments on various balance sheet items, for purposes of this report, were limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

Not applicable.

CURRENT EXAMINATION

None noted.

SUBSEQUENT EVENTS

None noted.

THE ASSOCIATION

HISTORY

Created by the Maine Legislature in 1970, MIGA is a non-profit, unincorporated, legal association of all Maine-licensed property and casualty insurance companies. MIGA was created in order to provide a mechanism for the payment claims covered under certain insurance policies in the event of an insurance company insolvency. MIGA conducts its business operations pursuant to 24-A M.R.S.A. chapter 57, subchapter 3. MIGA is funded by assessments levied on insurance companies writing business in the State of Maine.

MIGA is managed by Guaranty Fund Management Services (hereinafter, "GFMS"). GFMS, located in Boston, MA, is a non-profit association formed by MIGA and its counterparts in

Connecticut, Massachusetts, New Hampshire, Rhode Island, Vermont, Virginia, and the District of Columbia to assist those guaranty associations in carrying out certain statutory obligations.

CORPORATE RECORDS

MIGA's plan of operations and board of directors meeting minutes held during the period under examination were reviewed.

MANAGEMENT AND CONTROL

MIGA is governed and overseen by its board of directors and the management of GFMS.

As of December 31, 2012, the member insurance companies serving on the board and their designated representatives were:

| <u>Member Insurance Company</u> | <u>Designated Representative</u> | <u>Title</u> |
|--|---|---------------------|
| MMG Insurance Company | Timothy Vernon | Chair |
| Liberty Mutual Insurance Company | Priscilla Lenkowski | Vice Chair |
| Metropolitan Property and Casualty Insurance Company | Maura Travers | Director |
| One Beacon America Insurance Company | Virginia McCarthy | Director |
| Travelers Indemnity Company | David Fleming | Director |
| Patriot Insurance Company | Lincoln Merrill | Director |
| Patrons Oxford Insurance Company | Mark Pettengill | Director |

As of December 31, 2012, the officers of MIGA consisted of the following individuals:

| <u>Name</u> | <u>Title</u> |
|---------------------|---------------------|
| Executive Secretary | Paul Gulko |
| Treasurer | Kathleen Lavin |
| Claims Manager | James Winskowicz |

FIDELITY BOND INSURANCE

MIGA maintains fidelity coverage, as well as directors and officers coverage and commercial umbrella liability.

REINSURANCE

MIGA does not enter into reinsurance agreements; however, MIGA benefits from certain reinsurance policies issued to the insolvent self-insurers whose claims they are handling.

ACCOUNTS AND RECORDS

MIGA's accounts and records were reviewed and tested in order to assess the impact on financial condition and conformity with related laws.

LITIGATION

MIGA is not aware of potential lawsuits or legal action beyond the ordinary course of business which would be considered material in relation to the financial position of MIGA.

FINANCIAL STATEMENTS

The accompanying financial statements, as reported by management to the Maine Superintendent, fairly present, MIGA's financial position as of December 31, 2012, and results of operations for the period then ended.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012**

| | <u>Inception-to-Date</u> |
|-------------------------------|--------------------------|
| Assets: | |
| Checking and short-term cash | \$ 2,251,077 |
| Investments | <u>35,962,355</u> |
| Total assets | <u>\$ 38,213,432</u> |
| Liabilities and fund balance: | |
| Fund balance | <u>\$ 38,213,432</u> |

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FROM INCEPTION THROUGH DECEMBER 31, 2012
TOTAL ALL INSOLVENCIES**

| | Year -to-Date | Inception-to-Date (unexamined) |
|------------------------------------|---------------|-----------------------------------|
| Receipts: | | |
| Member assessment - administrative | \$ 51,520 | \$ 206,913 |
| Member assessment | 1,522,450 | 88,595,363 |
| Member assessment - special | - | 37,875,471 |
| Loan | - | 2,500,000 |
| Intercompany special transfer | - | 30,259,708 |
| Recovery | 3,879,506 | 106,095,694 |
| Interest income | 827,557 | 18,786,398 |
| Total receipts | 6,281,033 | 284,319,547 |
| Disbursements: | | |
| Claims paid | 3,395,744 | 127,985,889 |
| Helmsman claims paid | 245,671 | 44,876,379 |
| Claims expense paid | 61,758 | 5,549,357 |
| Helmsman claims expense paid | 5,806 | 3,186,322 |
| Premium refund | - | 1,075,966 |
| Member refund | - | 16,173,663 |
| Member refund special | - | 7,615,763 |
| Operating expenses | | |
| Service fee - ISO, etc. | - | 30,077 |
| GFMS | 227,727 | 4,761,326 |
| Legal & audit | (7,987) | 820,453 |
| Travel | 9,651 | 165,016 |
| NCIGF fee | - | 378,303 |
| Insurance | 3,457 | 20,590 |
| Other | 5,462 | 231,804 |
| Administrative expense | 51,520 | 196,627 |
| Interest | - | 278,872 |
| Loan | - | 2,500,000 |
| Interaccount special transfer | - | 30,259,708 |
| Total operating expenses | 289,830 | 39,642,776 |
| Total disbursements | 3,998,809 | 246,106,115 |
| Funds available | \$ 2,282,224 | \$ 38,213,432 |

**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> |
|----------------------------------|----------------------|--------------------------|
| | | (unexamined) |
| Reserves: | | |
| Claims Liability Auto | \$ | - |
| Claims Expense Liability Auto | | - |
| Subtotal Auto | | - |
| Claims Liability Other | | 105,624 |
| Claims Expense Liability Other | | 61,574 |
| Unearned Premium Liability Other | | - |
| Subtotal Other | | 167,198 |
| Claims Liability Workers | | 28,965,767 |
| Claims Expense Liability Workers | | 393,336 |
| Subtotal Workers | | 29,359,103 |
| Total Reserves | | 29,526,302 |
| Funds Available per Account | | |
| Auto | | 142,050 |
| Other | | 325,399 |
| Workers | | 37,546,737 |
| Total Funds Available | | 38,014,186 |

CONCLUSION

MIGA's financial condition, as reported by management to the Maine Superintendent, is fairly reflected in the statements and supporting exhibits contained in this report. The basis of preparation of such statements conforms to laws, rules, and regulations prescribed and/or permitted by the Maine Bureau of Insurance.

Acknowledgement of cooperation and assistance extended to the examiners by MIGA is hereby expressed.

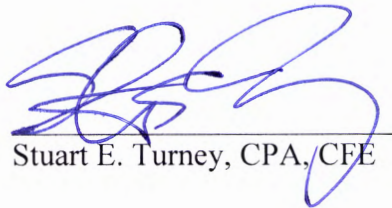
**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Stuart E. Turney, being duly sworn according to law deposes and says that, in accordance with authority vested in him by Eric A. Cioppa, Superintendent, pursuant to the Insurance Laws of the State of Maine, he has made an examination of the condition and affairs of the

MAINE INSURANCE GUARANTY ASSOCIATION

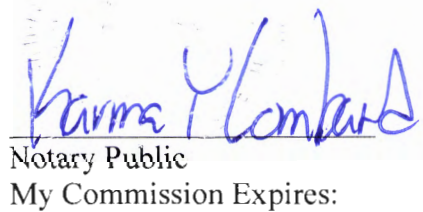
located in Boston, MA as of December 31, 2012, and that the foregoing report of examination subscribed to by him is true to the best of his knowledge and belief. The following examiners from the Maine Bureau of Insurance assisted:

Graham S. Payne
Alvah F. Hannaford



Stuart E. Turney, CPA, CFE

Subscribed and sworn to before me
This 4th day of February, 2014



Notary Public
My Commission Expires:

KARMA Y. LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2016