March 3, 2008

To: THE SUPERINTENDENT OF INSURANCE ("the Superintendent") AND THE MEMBER INSURERS OF THE MAINE 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.

The Board held meetings on June 29, 2007 and September 4, 2007. The purpose of the meetings was to review the status of the audit of workers' compensation files.

On October 15, 2007, the Board held its Annual Meeting in Norwich, Connecticut, in conjunction with other meetings of the member guaranty associations of Guaranty Fund Management Services® ("GFMS") and its committees. Messrs. Hamblen, Vernon, Gulkos and Winskowicz, and Ms. Lavin, were elected Chairman, Vice Chairman, Executive Secretary, Claims Manager and Treasurer, respectively, of the Association.

The Board then 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: Metropolitan Property and Casualty Insurance Company and OneBeacon America Insurance Company. The Chairman then 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 Board was advised that, due to the resignation of Harford Fire Insurance Company, that there existed a vacancy on the Board. Travelers Indemnity Company was nominated to fill the vacancy and, upon motion duly made and seconded, the Board voted to appoint Travelers Indemnity Company to the unexpired term of Hartford Fire Insurance Company, subject to the approval of the Insurance Commissioner.

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

The Board also reviewed the financial condition of the Association 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 thereupon voted the following assessment be made:

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<tr>
<th>ASSESSMENT</th>
<th>AUTO</th>
<th>OTHER</th>
<th>WORKERS' COMPENSATION</th>
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<tbody>
<tr>
<td>Workers Compensation</td>
<td></td>
<td></td>
<td>$1,768,309</td>
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<tr>
<td><strong>Total Assessment (2% Cap)</strong></td>
<td></td>
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<td>$1,768,309</td>
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After discussion, the Board voted to obtain Directors and Officers Liability Insurance Coverage for Board members.

The member insurers serving on the Board and their designated representatives as of December 31, 2007 are:

ACADIA INSURANCE COMPANY

MMG INSURANCE COMPANY

LIBERTY MUTUAL INSURANCE COMPANY

METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY

ONEBEACON AMERICA INSURANCE COMPANY

TRAVELERS INDEMNITY COMPANY

MAINE BONDING AND CASUALTY COMPANY

Charles Hamblen

Timothy Vernon

Priscilla Lenkowski

Maura Travers

Joan Geddes

David Fleming

Joyce Hall Mellinger

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
MAINE INSURANCE GUARANTY ASSOCIATION

By its Chairman

Charles Hamblen