Via Certified Mail/Return Receipt Requested

March 1, 2011

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, 2010

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, 2010.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,

[Signature]

Paul M. Gulko
Executive Secretary

Enclosure

cc: The Board of Directors of the Association
March 1, 2011

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, 2010

During 2010, there were three new insolvencies reported to the Association. On May 24, 2010, the Board of Directors of the Association (the “Board”) voted to accept the insolvency of Imperial Casualty and Indemnity Company, which had been declared insolvent by the State of Oklahoma. On October 18, 2010, the Board voted to accept the insolvencies of RISCORP National Insurance Company, which had been declared insolvent by the State of Missouri, and The Insurance Corporation of New York, which had been declared insolvent in the State of New York. 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 11, 2010, the member insurers of the Association held their Annual Meeting at the offices of Troutman Sanders LLP, in Richmond, Virginia.

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: Hartford Accident & Indemnity Company and State Farm Mutual Automobile 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 2013.

The Chairman presented the 2009 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, pending security deposit refund litigation, and the issues surrounding the assessment refund.

On October 18, 2010, the Board held a meeting in Richmond, Virginia, in conjunction with other meetings of the member guaranty associations of GFMS and its committees. The Board reviewed the financial condition of the Association, 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 accepted the recommendations of the Treasurer that neither an assessment nor a refund is recommended at this time. The Board further voted to adopt the recommendations of the Treasurer that the following insolvencies be CLOSED:

Reserve Insurance Company
Proprietors Insurance Company
Aspen Indemnity Corporation
Early American Insurance Company
Eastern Indemnity Company of Maryland
Union Indemnity Insurance Company
Commercial Standard Insurance Company
Great Global Assurance Company
American Druggist Insurance Company
Allied Fidelity Insurance Company
Mission Insurance Company
American Interinsurance Exchange
Stone Mountain Insurance Company
Paxton National Insurance Company
American Universal Insurance Company
Edison Insurance Company
MCA Insurance Company
Insurance Company of Florida
Premier Alliance Insurance Company
Coronet Insurance Company
United Southern Insurance Company
Quaker City Insurance Company
American Eagle Insurance Company
Mr. Starr reported that discussions were ongoing with the Bureau concerning proposed legislation dealing with the refund of excess monies. Further discussion with the Bureau on this issue was anticipated in early 2011.

It was reported that the Bureau had conducted a financial examination of the Association for the preceding year. The Treasurer indicted that a clean report was the result, with no issues identified by the Bureau’s examiners.

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

MUTUAL ASSURANCE SOCIETY OF VIRGINIA
ALFA ALLIANCE INSURANCE CORPORATION
ALLSTATE INSURANCE COMPANY
VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY
HARTFORD ACCIDENT & INDEMNITY COMPANY
UTICA MUTUAL INSURANCE COMPANY
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY
CONTINENTAL CASUALTY COMPANY
UNITED SERVICES AUTOMOBILE ASSOCIATION

L. Gerald Roach
Douglas Joyce
Jeffrey W. Williams
Richard Mattox
Jay L. Bruns III
Matthew Lupino
Peggy Echols
Wynette M. Head
Donna Leaman

The Statement of Account of the Association, from inception through December 31, 2010, 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 Chairman
L. Gerald Roach
## Virginia Property & Casualty Insurance Guaranty Association
### Statement of Cash Receipts and Disbursements
#### From Inception Through December 31, 2010
#### Total All Insolvencies

<table>
<thead>
<tr>
<th></th>
<th>Year To Date</th>
<th>Inception To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RECEIPTS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Assessment</td>
<td>391,826.34</td>
<td>$100,410.30</td>
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<tr>
<td>Administrative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Assessment</td>
<td>14,267.00</td>
<td>239,764,388.00</td>
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<tr>
<td>Loan</td>
<td>0.00</td>
<td>327,205.55</td>
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<tr>
<td>Recovery</td>
<td>13,201,639.53</td>
<td>120,937,801.10</td>
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<tr>
<td>Interest Income</td>
<td>3,678,620.73</td>
<td>38,673,200.12</td>
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<tr>
<td><strong>Total Receipts</strong></td>
<td>16,986,353.60</td>
<td>399,766,985.07</td>
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<tr>
<td><strong>DISBURSEMENTS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims Paid</td>
<td>4,023,094.11</td>
<td>330,385,312.61</td>
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<tr>
<td>Holdman Claims Paid</td>
<td>284,117.13</td>
<td>16,230,205.27</td>
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<tr>
<td>Claims Expense Paid</td>
<td>546,896.33</td>
<td>23,982,194.95</td>
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<tr>
<td>Holdman Claims Expense Paid</td>
<td>16,614.27</td>
<td>1,685,092.02</td>
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<td>Premium Refund</td>
<td>27,159.05</td>
<td>4,080,365.58</td>
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<tr>
<td><strong>Member Refund</strong></td>
<td>25,345,859.00</td>
<td>60,705,288.00</td>
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<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.F.M.</td>
<td>1,761,854.72</td>
<td>23,402,282.84</td>
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<tr>
<td>Legal &amp; Audit</td>
<td>88,646.93</td>
<td>3,192,913.40</td>
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<tr>
<td>Travel</td>
<td>10,483.32</td>
<td>243,648.92</td>
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<tr>
<td>NCIGF Fee</td>
<td>77,544.00</td>
<td>802,426.13</td>
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<tr>
<td>Insurance</td>
<td>6,222.00</td>
<td>25,017.00</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>27,129.48</td>
<td>632,276.82</td>
</tr>
<tr>
<td><strong>Administrative Expense:</strong></td>
<td>91,826.34</td>
<td>99,013.19</td>
</tr>
<tr>
<td>Interest</td>
<td>0.00</td>
<td>18,084.16</td>
</tr>
<tr>
<td>Loan</td>
<td>0.00</td>
<td>327,205.55</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>2,072,906.79</td>
<td>27,743,297.71</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td>32,352,646.68</td>
<td>264,814,067.14</td>
</tr>
<tr>
<td>Funds Available</td>
<td>($15,340,293.08)</td>
<td>$134,952,917.93</td>
</tr>
</tbody>
</table>

### Reserves:
- **Claims Liability Auto:** 25,000.00
- **Claims Expense Liability Auto:** 12,640.78
- **Subtotal Auto:** 37,640.78
- **Claims Liability Other:** 913,365.00
- **Claims Expense Liability Other:** 64,588.52
- **Subtotal Other:** 977,953.52
- **Claims Liability Workers:** 100,463,480.17
- **Claims Expense Liability Workers:** 2,757,602.43
- **Subtotal Workers:** 103,221,082.60
- **Total Reserves:** $104,246,664.80

### Funds Available Per Account:
- **Auto:** $3,015,788.89
- **Other:** 19,425,159.74
- **Workers:** 121,432,292.02
- **Total:** $154,864,240.65

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VIRGINIA PROPERTY & CASUALTY INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2010

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Inception</th>
<th>To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking &amp; Short-Term Cash</td>
<td>$9,435,060.95</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>125,517,556.98</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td>$134,952,917.93</td>
</tr>
</tbody>
</table>

Fund Balance: $134,952,917.93