

DISTRICT OF COLUMBIA INSURANCE GUARANTY ASSOCIATION

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March 1, 2009

To: THE COMMISSIONER OF INSURANCE (the "Commissioner") AND
THE MEMBER INSURERS OF THE DISTRICT OF COLUMBIA
INSURANCE GUARANTY ASSOCIATION (the "Association")

Re: The Annual Report of the Association for the Year ending December 31, 2008

During 2008, there was one new insolvency reported to the Association. The Board of Directors of the Association (the "Board") voted, on June 26, 2008, to accept the insolvency of MIIX Insurance Company, which had been declared insolvent by the State of New Jersey. The Board voted to appoint Guaranty Fund Management Services® ("GFMS®") to administer claims arising from this insolvency. The Board continued to monitor existing insolvencies and potential insolvencies.

On October 26, 2008, the Board held its Annual Meeting in Freeport, Maine, in conjunction with other meetings of the member guaranty associations of GFMS and its committees. Messrs. Hinton, Gulko and Winskowicz, and Meses. Locke and Lavin, were elected Chairman, Manager, Claims Manager, Vice-Chairwoman and Treasurer, respectively, of the Association.

The Board received and considered reports concerning claims and reports on recoveries from receivers respectively, as well as the report of counsel to the Association concerning pending matters.

The Board then 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 that the following assessment and refund of prior assessments be made:

| <u>ASSESSMENT</u> | <u>AUTO</u> | <u>OTHER</u> | <u>WORKERS' COMP</u> |
|----------------------------------|-----------------|---------------------|--------------------------|
| Reliance Insurance Company | | | \$2,000,000 |
| Abbey Casualty Insurance Company | \$30,300 | | |
| | \$30,300 | \$0 | \$2,000,000 |
| Total Assessment | | \$ 2,030,300 | |

| <u>REFUND</u> | <u>AUTO</u> | <u>OTHER</u> | <u>WORKERS' COMP</u> |
|-----------------------------|-------------|----------------------|--------------------------|
| Transit Casualty Company | | (\$33,719) | |
| Integrity Insurance Company | | (58,583) | |
| PHICO Insurance | | (2,181,482) | |
| Reciprocal of America | | | (\$147,560) |
| Legion Insurance Company | | (500,000) | |
| | \$0 | (\$2,773,784) | (\$147,560) |
| Total Refund | | (\$2,921,344) | |
| Net Refund | | (\$891,044) | |

Upon recommendation of Ms. Lavin, the Board further voted that the following insolvencies be closed: **Transit, Integrity and Reciprocal of America**; to close after reissue the **American Druggist and Capital Casualty** insolvencies and to assess and close the **Abbey Casualty** insolvency.

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


| | |
|---|----------------------|
| GOVERNMENT EMPLOYEES INSURANCE COMPANY | Larry Hinton |
| MARYLAND CASUALTY COMPANY | Joyce Hall Mellinger |
| NATIONAL CAPITAL RECIPROCAL INSURANCE COMPANY | Howard Friedman |
| LIBERTY MUTUAL INSURANCE COMPANY | Joanne Locke |
| NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURG, PA | Robert DiUbaldo |
| STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY | Peggy Echols |
| ALLSTATE INSURANCE COMPANY | Jeff Williams |

The Statement of Account of the Association, from inception through December 31, 2008, and its Balance Sheet for the same period, are attached hereto and made a part hereof.

Respectfully submitted,

The Board of Directors of the
DISTRICT OF COLUMBIA INSURANCE
GUARANTY ASSOCIATION

By its Chairman



Larry Hinton

DISTRICT OF COLUMBIA INSURANCE GUARANTY ASSOCIATION

Balance Sheet

December 31, 2008

Assets:

Checking & Short-Term Cash

\$1,285,513.01

Investments

15,608,403.06

Total Assets

\$16,893,916.07

Fund Balance

\$16,893,916.07

District of Columbia Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2008
Total All Insolvencies

| | Year To Date | Inception To Date |
|------------------------------------|-----------------|----------------------|
| RECEIPTS: | | |
| Member Assessment Administrative | (\$7,038.49) | \$129,118.88 |
| Member Assessment | 2,030,922.00 | 49,562,387.00 |
| Recovery | 1,047,513.86 | 13,059,177.20 |
| Interest Income | 741,679.39 | 5,177,742.88 |
| | ----- | ----- |
| Total Receipts | 3,813,076.76 | 67,928,425.96 |
| | ----- | ----- |
| DISBURSEMENTS: | | |
| Claims Paid | 1,532,144.79 | 18,356,330.65 |
| Helmsman Claims Paid | 477.88 | 615,092.23 |
| Claims Expense Paid | 72,656.97 | 4,095,464.04 |
| Helmsman Claims Expense Paid | 350.00 | 59,432.28 |
| Premium Refund | (1,111.98) | 145,416.04 |
| | ----- | ----- |
| Member Refund | 2,914,588.00 | 23,332,038.00 |
| | ----- | ----- |
| Operating Expenses: | | |
| G.F.M.S. | 181,461.29 | 3,095,812.18 |
| Legal & Audit | 31,164.59 | 743,464.44 |
| Travel | 6,035.19 | 127,406.25 |
| NCIGF Fee | 52,137.00 | 239,288.89 |
| Insurance | 11,060.00 | 11,060.00 |
| Other | 1,999.25 | 67,020.70 |
| Administrative Expense | (10,773.49) | 146,684.19 |
| | ----- | ----- |
| Total Operating Expenses | 273,083.83 | 4,430,736.65 |
| | ----- | ----- |
| Total Disbursements | 4,792,189.49 | 51,034,509.89 |
| | ----- | ----- |
| Funds Available | (\$979,112.73) | \$16,893,916.07 |
| | ===== | ===== |
| | | |
| Reserves: | | |
| Claims Liability Other | | 85,021.00 |
| Claims Expense Liability Other | | 68,643.37 |
| Unearned Premium Liability Other | | 43.38 |
| | | ----- |
| Subtotal Other | | 153,707.75 |
| | | ----- |
| Claims Liability Workers | | 21,722,605.86 |
| Claims Expense Liability Workers | | 346,722.32 |
| Unearned Premium Liability Workers | | 0.00 |
| | | ----- |
| Subtotal Workers | | 22,069,328.18 |
| | | ----- |
| Total Reserves | | \$22,223,035.93 |
| | | ===== |

Funds Available Per Account

| | |
|----------------|----------------------|
| Auto | \$43,861.26 |
| Other | 2,442,960.93 |
| Workers | 14,378,313.08 |

| | |
|--------------|------------------------|
| Total | \$16,865,135.27 |
|--------------|------------------------|

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