



**COMMONWEALTH OF MASSACHUSETTS**

**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**

**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF THE***  
**MASSACHUSETTS HIGH TECHNOLOGY SELF-INSURANCE GROUP**

**Chicopee, Massachusetts**

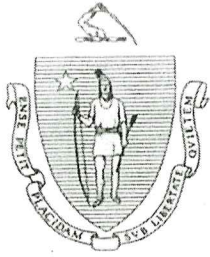
**As of December 31, 2017**

**EMPLOYER ID NUMBER 04-3211490**

# MASSACHUSETTS HIGH TECHNOLOGY SELF-INSURANCE GROUP

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**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

1000 Washington Street, Suite 810 • Boston, MA 02118-6200  
(617) 521-7794 • Toll-free (877) 563-4467  
<http://www.mass.gov/doi>

**CHARLES D. BAKER**  
GOVERNOR

**KARYN E. POLITO**  
LIEUTENANT GOVERNOR

**MIKE KENNEALY**  
SECRETARY OF HOUSING AND  
ECONOMIC DEVELOPMENT

**EDWARD A. PALLESCHI**  
UNDERSECRETARY OF CONSUMER AFFAIRS  
AND BUSINESS REGULATION

**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

November 4, 2019

The Honorable Gary D. Anderson  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 152, Section 25I, an examination has been made of the financial condition and affairs of the

**MASSACHUSETTS HIGH TECHNOLOGY SELF-INSURANCE GROUP**

at its administrative office located at 711 East Main Street, Suite 201, Chicopee, Massachusetts, 01020. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Massachusetts High Technology Self-Insurance Group ("MHT" or "Group") was last examined as of December 31, 2014 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the three-year period from January 1, 2015 through December 31, 2017, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Group by obtaining information about the Group, including corporate governance, identifying and assessing inherent risks within the Group, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Group were considered in accordance with a modified risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Group's financial statements.

This examination report includes significant findings of fact, and general information about the Group and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Group.

The Group is audited annually by Shores, Tagman, Butler & Company, P.A, an independent certified public accounting firm. The firm expressed unqualified opinions on the Group's financial statements for the calendar years 2015 through 2017. A review and use of the Certified Public Accountants' work papers were made to the extent deemed appropriate and effective.

## **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

### **Advance Premium**

The Group did not comply with Massachusetts General Laws, Chapter 152, Section 25Q and 211 Commonwealth of Massachusetts Regulation ("CMR") 67.06 requiring that the Group collect at least twenty-five percent of each member's annual premium prior to the start of the Group's fund year. It is recommended that the Group comply with the above noted statute and regulation. In addition, 211 CMR 67.08 requires the Group to adhere to NAIC Accounting Practices and Procedures as well as NAIC Annual and Quarterly Financial Statement Reporting Guidelines in reporting these advance premium payments.



## Massachusetts High Technology Self-Insurance Group

### Unclaimed Property

It was noted during the previous examination that the Group had not filed its unclaimed property report in compliance with 960 CMR 4 and Massachusetts General Laws, Chapter 200A, Section 7. Although the Group has since filed the unclaimed property report, the filing was incomplete as all escheatable funds were not remitted. It is recommended that proper controls and procedures be put in place to ensure that all escheatable funds are remitted to the Unclaimed Property Division of the Massachusetts of State Treasurer.

### **GROUP HISTORY**

#### General

The Group was organized within the Commonwealth of Massachusetts on June 3, 1993, pursuant to and in accordance with Massachusetts General Laws ("MGL"), Chapter 180, to establish a not-for-profit association of employers to constitute a workers' compensation self-insurance group. Consistent with MGL, Chapter 152, Sections 25E through 25U, the Group was created to provide workers' compensation insurance coverage for eligible companies which are engaged in the high technology industry and satisfy other membership criteria of the Massachusetts High Technology Council, Inc. The Group commenced business on January 1, 1994.

During the operating period under review, the Group has engaged FutureComp ("Administrator"), a subsidiary of USI Insurance Services, to perform and manage the day-to-day activities of the Group through a written management services agreement.

#### Dividends

The Group may accrue dividends from a fund year's operating results and make a dividend distribution to the members in accordance with the formula guidelines provided for by 211 CMR 67.08. The following amounts were paid as dividends to policyholders (members) during the period covered by this examination:

2017	\$ 552,577
2016	(106,940)
2015	62,983

### **MANAGEMENT AND CONTROL**

#### Board of Trustees Minutes

The minutes of meetings of the Board of Trustees for the period under examination were read and they indicated that all meetings were held in accordance with the Group's bylaws and the laws of the Commonwealth of Massachusetts.

## Massachusetts High Technology Self-Insurance Group

### Article of Organization and Bylaws

The articles of organization and bylaws of the Group were reviewed. The Group was formed under MGL, Chapter 180 to operate as a workers' compensation self-insurance group as defined by Chapter 152 of the General Laws in order to support the activities for a group of eligible companies which are engaged in the Massachusetts high technology industry.

### Board of Trustees

According to the bylaws, the Group's business shall be managed by a Board of Trustees which may exercise all of the powers of the Group, except as otherwise provided by the articles of organization, by law, or the bylaws. The Board of Trustees shall consist of no fewer than three nor more than fifteen Trustees. The Group's Board of Trustees consisted of the following individuals:

<u>Name of Trustees</u>	<u>Title</u>
Marina Smith	Director, Compensation & Benefits, MKS Instruments, Inc.
Cindy Keegan	Manager of Corporate EHS, Analogic Corporation
Stathis Kouninis	Vice President, Finance & Chief Accounting Officer, Pegasystems, Inc.

### Officers

Officers of the Group as of December 31, 2017 were as follows:

<u>Name of Officers</u>	<u>Title</u>
Marina Smith	President
Cindy Keegan	Secretary
Stathis Kouninis	Treasurer

### Management Services Agreement

The Group has in place a management services agreement with FutureComp whereby the management company has the authority and responsibility to conduct, supervise and manage the day-to-day operations of the Group. Included in the scope of this agreement are all accounting and reporting functions; premium billing, collection and underwriting; claim administration and case management; and all other administrative functions deemed necessary.

## **TERRITORY AND PLAN OF OPERATION**

The Group is a workers' compensation self-insurance group permitted to transact workers' compensation business only in the Commonwealth of Massachusetts to qualifying members or

## Massachusetts High Technology Self-Insurance Group

associate members in good standing of the Massachusetts High Technology Council, Inc. Members must have a payroll domiciled in the Commonwealth of Massachusetts. As of the examination date, the Group consisted of seven active members. The Group reported \$919,165 of 2017 direct premium written in Massachusetts.

### REINSURANCE

#### Ceded Reinsurance

The Group maintains specific and aggregate excess workers compensation coverage through Midwest Employers Casualty Company, which is licensed and authorized in the Commonwealth of Massachusetts and rated "A+" by A.M. Best & Company. The Group's specific retention for 2017 was \$500,000. The limits of liability per occurrence and in aggregate for each year under examination were \$5,000,000.

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Group with the Division and present the financial condition of the Group for the period ending December 31, 2017. The financial statements are the responsibility of Group management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2017

Statement of Income for the Year Ended December 31, 2017



Massachusetts High Technology Self-Insurance Group

Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31, 2017

	Per Annual Statement
<b>ASSETS</b>	
Bonds	\$ 1,588,609
Cash, cash equivalents and short-term investments	206,683
Subtotals, cash and invested assets	<u>1,795,292</u>
Investment income due and accrued	21,433
Current federal and foreign income tax recoverable and interest thereon	1,900
Total Assets	<u>\$ 1,818,625</u>
<b>LIABILITIES</b>	
Losses	\$ 671,093
Loss adjustment expenses	64,374
Other expenses	29,000
Taxes, licenses and fees	3,931
Dividends declared and unpaid: Policyholders	941,269
Aggregate write-ins for liabilities	108,958
Total Liabilities	<u>1,818,625</u>
<b>SURPLUS</b>	
Surplus as regards policyholders	<u>-</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 1,818,625</u>

Massachusetts High Technology Self-Insurance Group

Statement of Income  
For the Year Ended December 31, 2017

	Per Annual Statement
Premiums earned	\$ 760,002
Deductions:	
Losses incurred	104,740
Loss adjustment expenses	22,047
Other underwriting expenses	114,833
Total underwriting deductions	241,620
Net underwriting gain (loss)	518,382
Net investment income earned	36,473
Net realized capital gains (losses) less capital gains tax	3,805
Net investment gain (loss)	40,278
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	558,660
Dividends to policyholders	552,577
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	6,083
Federal and foreign income taxes incurred	6,083
Net income	\$ 0

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There have been no changes made to the financial statements as a result of the examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Loss and Loss Adjustment Expenses (“LAE”) Reserves

The Group retained the services of Milliman, Inc. (“Milliman”) to prepare an independent actuarial analysis of the Group’s loss and LAE liabilities as of December 31, 2017. The analysis is performed on a net basis.

Milliman’s projection of future claim reporting and payment is based on MHT’s historical results supplemented with applicable insurance industry data where deemed appropriate. The use of industry data adds uncertainty to Milliman’s estimates.

Milliman evaluated the loss reserves on an undiscounted basis with regard to the time value of money. The net loss reserves reported on Page 3 of the statutory Annual Statement have been discounted using a discount factor that would result from use of the interest rates and loss payment patterns prescribed by and under section 846 of the Internal Revenue code of 1986, as amended. Such discount of loss and LAE reserves is permitted by Massachusetts Regulation 211 CMR 67.00.

The following chart illustrates the results of Milliman’s analysis providing the actuarial central estimate. The Group holds reserves for loss and LAE at the central estimate.

<u>Massachusetts High Technology Self-Insurance Group</u>			
<u>Milliman’s</u> <u>Central Estimate</u>	<u>Group Carried</u>	<u>Discount</u>	<u>Group Carried</u> <u>Discounted</u>
\$809,851	\$809,868	\$(74,401)	\$735,467

**SUMMARY OF RECOMMENDATIONS**

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

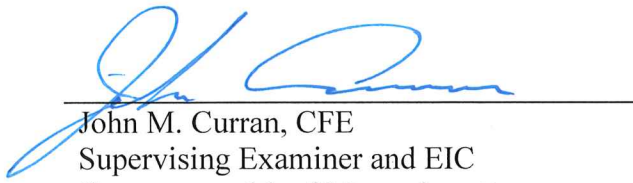
Massachusetts High Technology Self-Insurance Group

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Group during the examination.

The assistance rendered by the following examiner participating in this examination is acknowledged.

Michael Lewandowski, Financial Examiner II



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John M. Curran, CFE  
Supervising Examiner and EIC  
Commonwealth of Massachusetts  
Division of Insurance