

COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
MASSACHUSETTS HIGH TECHNOLOGY SELF-INSURANCE GROUP, INC.

West Springfield, Massachusetts

As of December 31, 2014

EMPLOYER ID NUMBER 04-3211490

MASSACHUSETTS HIGH TECHNOLOGY SELF-INSURANCE GROUP, INC.

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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>

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SECRETARY OF HOUSING AND
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AND BUSINESS REGULATION

DANIEL R. JUDSON
COMMISSIONER OF INSURANCE

February 1, 2017

The Honorable Daniel R. Judson
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

MASSACHUSETTS HIGH TECHNOLOGY SELF-INSURANCE GROUP, INC.

at its administrative office located at 123 Interstate Drive, West Springfield, Massachusetts 01089.
The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Massachusetts High Technology Self-Insurance Group, Inc., ("Group") was last examined as of December 31, 2010, by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the four-year period from January 1, 2011 through December 31, 2014, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The current 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 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. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations. All accounts and activities of the Group were considered in accordance with a modified risk-focused examination process.

In addition to a review of the financial condition of the Group, the examination included a review of the Group's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bond and other insurance, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Group was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

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 2011 through 2014. A review and use of the certified public accountants' work papers were made available to the examiners and were utilized to the extent considered appropriate.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

Unclaimed Property

The Group does not file the unclaimed property report in compliance with 960 CMR 4 and Massachusetts General Laws, Chapter 200A, Section 7. The Group does not maintain the appropriate liability for un-cashed checks and/or accounts payable which include dividend distributions due former members of the group.

GROUP HISTORY

General

The Group was organized within the Commonwealth of Massachusetts on June 3, 1993, pursuant to and in accordance with Massachusetts General Law, Chapter 180, to establish a not-for-profit association of employers to constitute a workers' compensation self-insurance group. Consistent with Massachusetts General Laws, Chapter 152, Section 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.

The Group, by a written administrative service agreement, engages FutureComp to perform and manage the day-to-day activities of the Group. FutureComp is a subsidiary of USI Insurance Services, which acquired FutureComp with its purchase of TD Insurance on November 1, 2012.

Dividends

In accordance with 211 CMR 67.08 (4), if actuarially sound, the group may declare and accrue dividend liabilities from a fund year's operating activity during that fund year, but shall not begin distributions for that fund year until at least 24 month after the end of the fund year.

The following amounts were reported as dividends declared and unpaid each year covered by this examination.

2014	\$1,247,773
2013	1,105,206
2012	777,145
2011	842,173

Under the distribution formula provided for by 211 CMR 67.08 (4) the following amounts were paid and distributed as dividends to policyholders (members) during the period covered by this examination.

2014	\$250,073
2013	16,350
2012	183,821
2011	490,943

MANAGEMENT AND CONTROL

Annual Meeting of the Members

The annual meeting of the members is currently not scheduled and held in accordance with the requirements of the Group's bylaws. A primary agenda item at the annual meeting of the members is to elect the Board of Trustees ("Board"). Although this condition does not appear to have impeded any operations of the Board of Trustees or the Group in general, the Group should schedule and hold the annual meeting of the members in compliance with its bylaws.

It's noted that during 2011 the Trustees voted to have only two meetings per year, one in June and the other in November. The June meeting is intended to serve as the annual meeting. The members should formally amend, in accordance with Article VIII of the bylaws, to allow for this meeting schedule structure.

Board of Trustees Minutes

The minutes of meetings of the Board of Trustees for the period under examination were reviewed. Actions taken and approved by the Board at each meeting appear to meet the requirements of the bylaws and laws of the Commonwealth of Massachusetts.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Group were reviewed. The Group was formed under Massachusetts General Laws, 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 and further the interest of employers engaged in the 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 incorporation, by law, or the bylaws. The Board of Trustees shall consist of not fewer than three Trustees. The Group's Board of Trustees consisted of the following individuals:

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

Officers

Officers of the Group as of December 31, 2014 were as follows:

Massachusetts High Technology Self-Insurance Group, Inc.

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

The Board of Trustees has not filled the position of Vice President which is required by the bylaws. The Board should take whatever action necessary to fill this vacancy in order to be in compliance with the Group's bylaws.

Management Services Agreement

The Group has in place a Management Services Agreement with FutureComp whereby the management company ("Third Party Administrator") 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 is 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 permitted to transact workers' compensation business only in the Commonwealth of Massachusetts to qualifying members or 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 8 active members.

REINSURANCE

Massachusetts General Law, Chapter 152, Section 25G and 211 CMR 67.21 requires the Group to have in place reinsurance and excess insurance coverage. The Group's retention is required to be actuarially sound and shall not be more than 30% of the net premium of the Group up to a maximum of \$500,000. The specific excess coverage limit shall be at least \$5,000,000 per occurrence. The Regulation allows for these limits to be revisited after a Group has been in operation for three years.

Under the above guidelines, the Group's retention is restricted to a maximum of approximately \$270,000 based on 2014 net premium for the year. For 2014 and 2013, the Group's net retention was \$500,000. The aggregate limit of liability each year has been \$5,000,000, which is consistent with the regulation.

The Group's excess reinsurance coverage is placed with Midwest Employers Casualty Company, which is licensed and authorized in the Commonwealth of Massachusetts and rated "A" by A.M. Best & Company, which meets the guidelines included in the regulation.

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by the Third Party Administrator and filed by the Group with the Division and present the financial condition of the Group for the period ending December 31, 2014. The financial statements are the responsibility of the Group's management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2014

Statement of Income for the Year Ended December 31, 2014

Massachusetts High Technology Self-Insurance Group, Inc.

**Massachusetts High Technology Self-Insurance Group
Statement of Assets, Liabilities, Surplus and Other Funds
as of December 31, 2014**

	Per Annual Statement
Assets	
Bonds	\$1,712,687
Cash, cash equivalents, and short-term investments	217,763
Subtotals, cash and invested assets	<u>1,930,450</u>
Investment income due and accrued	23,716
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	4,399
Current federal income tax recoverable	5,600
Aggregate write-ins for other than invested assets	8,135
Total Assets	<u><u>\$1,972,300</u></u>
Liabilities	
Losses	\$620,425
Loss adjustment expense	66,821
Other expenses	32,450
Taxes, licenses and fees	4,831
Dividends declared and unpaid:	
Policyholders	<u>1,247,773</u>
Total Liabilities	<u>1,972,300</u>
Surplus as regards policyholders	<u>0</u>
Total liabilities and policyholder surplus	<u><u>\$1,972,300</u></u>

Massachusetts High Technology Self-Insurance Group, Inc.

Massachusetts High Technology Self-Insurance Group
Statement of Income
For the Year Ended December 31, 2014

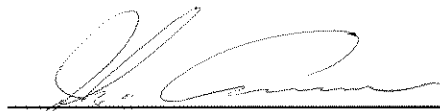
	<u>Per Annual Statement</u>
Underwriting Income	
Premiums earned	\$776,268
Deductions	
Losses incurred	261,151
Loss adjustment expenses incurred	55,706
Other underwriting expenses incurred	115,391
Total underwriting deductions	<u>432,248</u>
Net underwriting gain (loss)	<u>344,020</u>
Investment Income	
Net investment income earned	46,910
Net realized capital gains or (losses)	3,543
Net investment gain or (loss)	<u>50,453</u>
Net income before dividends to policyholders and before federal income taxes	394,473
Dividends to Policyholders	<u>392,640</u>
Net income after dividends to policholders and before federal income taxes	1,833
Federal income taxes incurred	<u>1,833</u>
Net Income	<u><u>\$0</u></u>

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the Trustees and employees of the Group's administrator, FutureComp, during the examination.

The assistance rendered by the following Division examiner who participated in the examination is hereby acknowledged.

D. Bob Dowd, Examiner II



John M. Curran, CFE
Supervising Examiner & Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance