

**COMMONWEALTH OF MASSACHUSETTS**

**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**

**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF THE***

**SCHOOL TRANSPORTATION ASSOCIATION OF MASSACHUSETTS  
WORKERS' COMPENSATION SELF-INSURANCE GROUP, INC.**

**East Bridgewater, Massachusetts**

**As of December 31, 2014**

**EMPLOYER ID NUMBER 04-3236715**

## **STAM WORKERS' COMPENSATION SIG, INC.**

<b>TABLE OF CONTENTS</b>	<b><u>Page</u></b>
Salutation	1
Scope of Examination	2
Summary of Significant Findings of Fact	2
Group History	3
General	3
Dividends	3
Management and Control	3
Annual Meeting of the Members	3
Board of Director Minutes	4
Articles of Organization and Bylaws	4
Board of Directors	4
Officers	4
Management Services Agreements	5
Territory and Plan of Operation	5
Reinsurance	5
Financial Statements	6
Statement of Assets, Liabilities, Surplus and Other Funds	7
Statement of Income	8
Signature Page	9



**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

**JAY ASH**  
SECRETARY OF HOUSING AND  
ECONOMIC DEVELOPMENT

**JOHN C. CHAPMAN**  
UNDERSECRETARY OF CONSUMER AFFAIRS  
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 the

**SCHOOL TRANSPORTATION ASSOCIATION OF MASSACHUSETTS**  
**WORKERS' COMPENSATION 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**

The School Transportation Workers' Compensation Self-Insurance Group, Inc. ("Group" or "STAM") 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 the firm of Feeley & Driscoll, P.C., 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.

## **GROUP HISTORY**

### **General**

The Group was organized on December 1, 1993, and commenced business within the Commonwealth of Massachusetts on May 12, 1994, 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. The Group was created consistent with Massachusetts General Law, Chapter 152, and Section 25E through 25U, to provide workers' compensation coverage for a group of eligible companies which are engaged in the Massachusetts school transportation industry.

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	\$4,529,665
2013	4,080,016
2012	3,230,819
2011	3,352,807

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	\$ 703,360
2013	910,301
2012	1,212,250
2011	1,034,054

## **MANAGEMENT AND CONTROL**

### **Annual Meeting of the Members**

Per the Group's bylaws the annual meeting of the members shall be held on the third Thursday of June of each year. During the period covered by the examination, the annual meetings have been

## STAM Workers' Compensation Self-Insurance Group, Inc.

held in July or August. 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.

### Board of Director Minutes

The minutes of meetings of the Board of Directors ("Board") 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 Law in order to support the activities for a group of eligible companies which are engaged in the Massachusetts school transportation industry.

### Board of Directors

According to the bylaws, the Group's business shall be managed by a Board of Directors 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 Directors shall consist of not fewer than three and no more than eleven, which shall serve for a term of three years. The Group's Board of Directors consisted of the following individuals:

<u>Name of Director</u>	<u>Title</u>
Eric Amaral	Vice President, Amaral Auto & Truck Driving School
Jose Amaral	President, Amaral Bus Co, Inc.
Kristen Binette	Safety Manager, NRT Bus, Inc.
Steve Ingle	Owner, Joseph Ingle Bus Service
Keith Jenkins	President, Carl Liebenow, Inc.
Richard Unda	President, East Coast Transit Services, Inc.
Frank Underhill	Executive Director, STAM
David Strong, Jr.	President, Strong Corporation
Clayton Tellstone	President, Tellstone & Son, Inc.
Bob Trainque	Heritage Truck & Transit, Inc.

### Officers

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

<u>Name of Officer</u>	<u>Title</u>
Steve Ingle	President
Clayton Tellstone	Vice President

## STAM Workers' Compensation Self-Insurance Group, Inc.

Frank Underhill

Treasurer/Clerk

### Management Services Agreement

The Group has in place a Management Service 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 a workers' compensation self-insurance group permitted to transact workers' compensation business only in the Commonwealth of Massachusetts to qualifying members engaged in the Massachusetts school transportation industry. In order to qualify for membership, an applicant must meet certain requirements established by the Board as well as be a member of the School Transportation Association of Massachusetts. As of the examination date, the Group consisted of 51 active members.

### **REINSURANCE**

Massachusetts General Law, Chapter 152, Section 25G and 211 CMR 67.21 requires the Group to have in place reinsurance or 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 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.

For 2014 and 2013, the Group's net retention was \$750,000 and \$600,000 respectively, which exceeds the maximum allowable retention. 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



STAM Workers' Compensation Self-Insurance Group, Inc.

School Transportation Association of Massachusetts Workers' Compensation Self-Insurance Group, Inc.  
Statement of Assets, Liabilities, Surplus and Other Funds  
as of December 31, 2014

<b>Assets</b>	Per Annual Statement
Bonds	\$4,830,513
Cash, cash equivalents, and short-term investments	1,062,383
Subtotals, cash and invested assets	5,892,896
Investment income due and accrued	24,870
Premiums and considerations:	
Uncollected premiums and agents' balances	11,947
Other receivable	129,088
Total Assets	\$6,058,802
<b>Liabilities</b>	
Losses	\$1,298,332
Loss adjustment expense	159,282
Other expenses	52,025
Taxes, licenses and fees	19,498
Dividends declared and unpaid:	
Policyholders	4,529,665
Total Liabilities	6,058,802
Surplus as regards policyholders	0
Total liabilities and policyholder surplus	\$6,058,802

STAM Workers' Compensation Self-Insurance Group, Inc.

**School Transportation Association of Massachusetts Workers' Compensation Self-Insurance Group, Inc.**  
**Statement of Income**  
**For the Year Ended December 31, 2014**

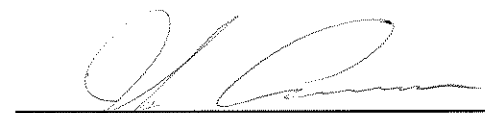
	<u>Per Annual Statement</u>
<b>Underwriting Income</b>	
Premiums earned	\$3,373,589
<b>Deductions</b>	
Losses incurred	1,352,414
Loss adjustment expenses incurred	190,185
Other underwriting expenses incurred	752,404
Total underwriting deductions	<u>2,295,003</u>
Net underwriting gain (loss)	<u>1,078,586</u>
<b>Investment Income</b>	
Net investment income earned	63,310
Net realized capital gains or (losses)	11,084
Net investment gain or (loss)	<u>74,394</u>
Net income before dividends to policyholders and before federal income taxes	1,152,980
Dividends to Policyholders	<u>1,153,010</u>
Net income after dividends to policholders and before federal income taxes	(30)
Federal and foreign income taxes incurred	(30)
Net Income	<u><u>\$0</u></u>

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the Directors 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