COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE

DIOCESAN FACILITIES SELF-INSURANCE GROUP, INC.

Fall River, Massachusetts

As of December 31, 2014

EMPLOYER ID NUMBER 04-3212416

DIOCESAN FACILITIES 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

August 16, 2016

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 ("MGL"), Chapter 152, Section 25I, an examination has been made of the financial condition and affairs of

DIOCESAN FACILITIES SELF-INSURANCE GROUP, INC.

at its administrative office located at 100 Quannapowitt Parkway, Suite 201, Wakefield, Massachusetts 01880. The following report thereon is respectfully submitted

SCOPE OF EXAMINATION

Diocesan Facilities Self-Insurance Group, Inc., ("Group") was last examined as of December 31, 2003 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the period ending December 31, 2014, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination

During the examination, the transactions of the Group were reviewed and tested to the extent deemed necessary. The Group is audited annually by Livingston & Haynes, P.C. ("LHCPA"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Group's financial statements for the calendar ending 2014. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective.

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.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings disclosed in the previous exam.

GROUP'S HISTORY

General

The Diocesan Facilities Self-Insurance Group, Inc. was organized within the Commonwealth of Massachusetts on November 13, 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 Law, Chapter 152; Section 25E through 25U, the Group was created to support the interests of organizations engaged in the Catholic health and welfare services which are operated in the Diocese of Fall River, Massachusetts.

The Group, by a written administrative service agreement, engages Cannon Cochran Management Services, Inc. ("CCMSI") a workers' compensation administrator, to perform and manage the day-to-day activities of the Group.

Dividends

The declaration of distributions payable to members is at the discretion of the Group's Board of Directors. In accordance with Massachusetts Self-Insurance Group regulations, distributions of these amounts will not begin until twenty-four months after the end of the related policy year. Then, twenty-five percent of the distributions may be made. Subsequently, thirty-three percent, fifty percent, and one hundred percent of the recalculated distributions may be made in each of the successive years. It is noted that the last time the Group distributed any of it surplus was in 2009.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The Board does not hold meetings on a regular basis. There was only one board meeting during the exam period (2009) and the minutes were unavailable. The Division was unable to determine if votes and authorizations were found to be in order or if any records indicated that the Group appeared to be conducting its affairs in compliance with its bylaws and Laws of the Commonwealth of Massachusetts.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Group as filed with and approved by the Commonwealth's Secretary of State's office were read and reviewed.

Annual Meeting

As outlined within the amended and restated bylaws, the annual meeting of the members should be held on the first Tuesday in May of each year or a date fixed by the Board of Directors each year. The annual meeting may be held at the principal office of the Group or at such other place within the United States as the President, members or directors shall determine.

The minutes of the annual meeting were not available as the there were no annual meeting held during the examination period.

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 Directors. The Group's Board of Directors consisted of the following individuals:

Names of Directors	Title
Edgar M. da Cunha	Bishop of the Diocese of Fall River
Rev. Edmund J. Fitzgerald	Director of the Diocesan Health Facilities
Paul Kawa	Finance Officer & Chancellor of the Diocese of Fall River
Gregory A. Mathias	Vicar General of the Diocese of Fall River
Michael K. McManus	Moderator of the Curia for the Diocese of Fall River
Arlene A. McNamee	Director of the Catholic Social Services of Fall River
John T. Weldon	Executive Director of the St. Vincent's Home Corporation

Officers

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

Names of Officers	Title
Edgar M. da Cunha	President, Treasurer
Gregory A. Mathias	Vice President
Michael K. McManus	Secretary

Administrative Services and Investment Management Agreements

During the exam period the Group entered into an Administration Service Contract with Cannon Cochran Management Services, Inc. to serve as the Group's third party administrator. CCMSI carries out the policies established by the Board of Directors and provides daily management of the Group. CCMSI receives an annual fee for administrative functions.

The Group does not have an investment advisor, as it does not invest any of its cash in long-term bonds or common stock.

TERRITORY AND PLAN OF OPERATION

The Group is a self-insurance group permitted to transact business only in the Commonwealth of Massachusetts. The Group reported $1 million of direct premium written in 2014.

REINSURANCE

Ceded Reinsurance

The Group maintains specific and aggregate excess workers compensation and employers liability indemnity coverage with an unaffiliated insurance carrier authorized to transact reinsurance in the Commonwealth of Massachusetts. Under the annual policy, the Group retains the first $500,000 of each occurrence subject to a limit of liability to the reinsurer of $5,000,000 for each occurrence. The reinsurer is rated (A+) by A.M. Best & Company and Standard & Poor's Corporation as required by the Commonwealth of Massachusetts Regulation 211 CMR 67.21 (5) (b).

Per regulation, 211CMR 67, the aggregate excess insurance shall attach at 105% of standard premium. The Group is not in compliance as the attachment was at 147% in 2014.

Per regulation, 211 CMR 67, the maximum reinsurance retention shall be not more that 30% of the net premium of the Group. The amount calculates to $302,344 for 2014. The group is not in compliance as the retention was $450,000 in 2012 and 2013 and $500,000 in 2014.

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by the external auditors 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. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements

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

Statement of Income for the Year Ended December 31, 2014

Reconciliation of Capital and Surplus for Each Year in a Five-Year Period Ended December 31, 2014

Diocesan Facilities Self-Insurance Group, Inc.

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

ASSETS	Per Annual Statement
Cash	$1,517,136
Cash equivalents	1,950,000
Subtotals, cash and invested assets	3,467,136
Reinsurance:	
Amounts recoverable from reinsurers	18,276
Total Assets	$3,485,412

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

LIABILITIES	Per Annual Statement
Losses	$807,562
Reinsurance payable on paid losses and LAE	18,276
Loss adjustment expenses	227,355
Other expenses	126,971
Advance premium	184,495
Total Liabilities	1,364,659
Unassigned funds (surplus)	2,120,753
Surplus as regards policyholders	2,120,753
Total liabilities, Surplus and Other Funds	$3,485,412

Diocesan Facilities Self-Insurance Group, Inc.

Statement of Income
For the Year Ended December 31, 2014

	Per Annual Statement
Net Premiums Earned	$1,007,815
Deductions:	
Net Losses incurred	152,087
Net Loss adjustment expenses incurred	80,269
Net Other underwriting expenses incurred	351,393
Total underwriting deductions	583,749
Net underwriting gain/(loss)	424,066
Net investment income earned	363
Net investment gain/(loss)	363
Net income/(loss)	$424,429

Diocesan Facilities Self-Insurance Group, Inc.

Reconciliation of Capital and Surplus
For Each Year in a Five Year Period Ended December 31, 2014

	2014	2013	2012	2011	2010
Surplus as regards policyholders, December 31 prior year	$1,696,324	$2,011,896	$2,174,117	$2,464,171	$2,695,690
Net income (loss)	424,429	(315,572)	(162,221)	(290,054)	(231,519)
Dividends to stockholders	0	0	0	0	0
Change in surplus as regards policyholders for the year	424,429	(315,572)	(162,221)	(290,054)	(231,519)
Surplus as regards policyholders, December 31 current year	$2,120,753	$1,696,324	$2,011,896	$2,174,117	$2,464,171

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

Upon completion of the examination it was determined that Total Assets should be $3,583,969 and Total Liabilities should be the same amount of $3,583,969. See Comments on Financial Statements Items for detail.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Advance Premiums 85,985

The total amount of Advance Premium should be $270,480 on page 3, line 10 of the 2014 Annual Statement.

Aggregate write-ins for liabilities $12,572

The amount of $12,572 from Advance Premiums should be listed as DIA Assessments Payable on 3, line 25.01 of the 2014 Annual Statement.

Aggregate write-ins for other than invested assets $98,557

An amount of $63,585 from Advance Premiums should be listed as Reinsurance and D&O Insurance Receivable on page 2, line 25.01 of the 2014 Annual Statement. An amount of $34,972 from Advance Premiums should be listed as Audit Premium Receivable on page 2, line 25.02 of the 2014 Annual Statement.

SUBSEQUENT EVENTS

The administrator provided evidence dated August 14, 2015 that the fidelity bond coverage increased to $5 million for the period July 31, 2015 to July 31, 2016. There were no other significant events identified by the examiner through the date of the examination report.

SUMMARY OF RECOMMENDATIONS

- To be in compliance with regulation, 211 CMR 67, and their own bylaws the Group needs to hold regular Board, Annual and Committee meetings with minutes prepared.
- The Group and its administrator need to comply with all the guidelines within the Massachusetts General Laws, Chapter 152; Section 25E though 25U and the 211 Commonwealth of Massachusetts Regulation 67.00.
- The administrator and the Group needs to ensure that the current NAIC Annual/Quarterly Statement Instructions (Financial) are followed during its preparation.

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Group and its TPA, Cannon Cochran Management Services, Inc. during the examination.

Brian A. Knowlton
Examiner-In-Charge

James A. McCarthy
Director and Chief Examiner of Financial Examinations