



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

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TO: All Approved Workers' Compensation Self-Insurance Groups (211 CMR 67.00) and
Municipal Property-Casualty Insurance Groups (M.G.L. c. 40M)

FROM: James A. McCarthy, AFE, Director and Chief Examiner of Financial Examinations

DATE: January 7, 2021

RE: ***2020 ANNUAL STATEMENT NOTICE for Self-Insurance Groups***

This notice contains instructions for filing the 2020 Annual Statement with The Commonwealth of Massachusetts, Division of Insurance. Unless otherwise indicated, all filings must comply with **2020 NAIC Annual Statement Instructions - Property and Casualty ("Instructions")**, including the required quarterly filings. Copies of these instructions and of the **Accounting Practices and Procedures Manual for Property and Casualty Insurance Companies ("AP&P")** can be obtained from the Publications Department of the NAIC (816) 783-8300. The differences between the Annual Statement requirements of property casualty insurers and for workers' compensation self-insurance groups are shown in Exhibit A.

In addition to the requirements in the Instructions, all Workers' Compensation Self-Insurance Groups must comply with the following:

We are requiring Groups to provide a copy of their **signed** Annual and Quarterly Statements submitted by email as a PDF attachment. The **signed** PDF will be available to the public. The Annual Statement should include the signed copy and should also include the Actuarial Certification. All draft Quarterly Statements should be submitted as an email attachment in PDF format rather than hard copy. The actual, printed, and signed statements must be filed within 30 days of the due date.

FILING DATES AND SIZE

Annual Statements, as well as enclosures and special forms, shall be 9" x 14" in size and properly bound to withstand public use. Xeroxed copies are not acceptable: statements must be printed by a financial printer. All schedules due with the Annual Statement must be securely attached to the appropriate pages or bound separately. Annual Statements must bear original notarized signatures of **two** principal officers of the Group. The provisions of 211 CMR 67.08(3)(a) require that the Annual Statement be **received on or before the first day of the third month after the end of a Group's fiscal year (e.g., March 15 for Groups with a fiscal year ending December 31)**. The filing date for the Quarterly Report of Membership will be the fifteenth of the month. In addition to monetary penalties, Groups failing to file within 30 days of the due date will not be permitted to pay dividends, nor will they be allowed to use any approved premium discounts until the statements are filed.

Please send a PDF copy of signed (as noted above), Annual Statement as well as the hard copy. The Self-Insurance Group may file an unsigned Annual Statement PDF photocopy with an email to the Division on the due date. A letter or email from the administrator attesting that this is a true copy should accompany the submission. Preliminary Quarterly Statements should be sent as a PDF email attachment with a signed copy along with the hard copy. The bound, printed, and signed statements must be filed within 30 days of the due date. A complete schedule of all due dates and filing requirements for Workers' Compensation Self-Insurance Groups is attached to this notice as **Exhibit B**.

Failure to meet these deadlines may result in penalties being assessed from the original due date.

Annual and Quarterly Statements should have heavy weight BROWN covers to distinguish them from Annual Statements for Property and Casualty Insurance companies.

NUMBER OF REQUIRED STATEMENTS AND MAILING ADDRESSES

Two copies of the Annual and one copy of the Quarterly Statement are required (**one copy sent to DOI and one copy to WCRIB**).

The first copy of each should be sent to:

Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200
Attn.: **Mr. Brian Knowlton**
E-mail: **Brian.Knowlton@mass.gov**

The second copy of only the Annual Statement and Actuarial Opinion should be sent to the Commissioner's Statistical Agent, even if the Group is not a member of the Workers Compensation Rating and Inspection Bureau of Massachusetts ("WCRI"):

The Workers Compensation Rating and Inspection Bureau of Massachusetts
101 Arch Street, 5th Floor
Boston, MA 02110
Attn.: **Ms. Laura Kirchberg**
E-mail: LKirchberg@wcribma.org

CROSS-CHECKS

All statements must be cross-checked. Annual Statement software packages automatically perform the cross-checks. Please explain any non-trivial cross-check errors.

PENALTIES

The provisions of 211 CMR 67.08(6) provide for a penalty of \$100 per day if the Annual Statement and all other related filings are not received in the proper form and by the date required. In addition, any company that neglects to file in the proper form and by the date required may be required to cease writing new business as long as the filing deficiency continues.

STATEMENT OF ACTUARIAL OPINION

All Workers' Compensation Self-Insurance Groups, when sending the Annual Statement, shall include a **signed** Statement of Actuarial Opinion. The Actuarial Opinion must comply with standards contained in the NAIC's Annual Statement Instructions; however, Self-Insurance Groups are permitted by regulation to discount reserves at the rate set by the Internal Revenue Service.

REINSURANCE CREDIT

Credit for reinsurance must be recorded in accordance with the provisions of Massachusetts General Law ("M.G.L."), Chapter 175, Section 20, and 211 CMR 67.21.

CLAIMS IN SUIT

This schedule relates only to policyholders' suits against the Group, not suits against an insured defended by the Group under workers' compensation policies.

In accordance with M.G.L. Chapter 175, section 27, the Group shall prepare a schedule showing all Massachusetts claims for losses in suit during the year, including suits disposed of during the year and those outstanding at year end. We are simplifying the requirement. On the last page of page 15 of the Blank, insert the following:

40. "Claims in Suit" is a required filing for all Groups. Does this filing accompany the Annual Statement? Yes ☐
No Claims in Suit ☐

If there are any such suits, please prepare a report as follows: the schedule may be prepared on Group letterhead since the Division does not provide forms for this purpose. The schedule shall reflect the following information:

1. Policy/Bond Number
2. Date of Loss
3. Date of Notice of Suit
4. Amount Claimed
5. Amount Paid Claimant to Date
6. Name of Local Attorney in Charge of Case
7. Reason for Resisting Claim

Insert the amount presented in the proof of claim if Ad Damnum and amount claimed differ.

FILING REQUIREMENTS

As noted above, we are requiring a **signed** copy of all statements in PDF format. Statements can be submitted by email as a PDF attachment. Please send to **Brian Knowlton** at the Division of Insurance. His addresses are listed on page 2.

Should you have any questions, please contact me at (617) 521-7417 or e-mail me at James.A.McCarthy@mass.gov

**DIFFERENCES BETWEEN THE ANNUAL STATEMENT REQUIREMENTS FOR
INSURANCE COMPANIES AND WORKERS' COMPENSATION SELF-INSURANCE
GROUPS AND CHANGES IN THE ANNUAL STATEMENT**

SPECIFIC CHANGES

There are no specific changes in the **Annual Statement** for the year which affects Self-Insurance Groups ("SIGs").

Page 14 – Notes to Financial Statements

SIGs will again be required to include answers **only** to the following:

Note (1) **"Summary of Significant Accounting Policies & Going Concern"**

Note (2) **"Accounting Changes and Corrections of Errors"**

Note (5) **"Investments"** (If applicable)

Note (7) **"Investment Income"** (If applicable)

Note (9) **"Income Taxes"**, only if the SIG books any deferred tax assets or deferred tax liabilities. Otherwise, simply note that the question is not applicable.

Note (13) **"Capital & Surplus, Dividend Restrictions and Quasi Reorganizations"** THIS APPLIES ONLY TO STOCKHOLDER DIVIDENDS, NOT POLICYHOLDER DIVIDENDS.

Note (14) **"Liabilities, Contingencies and Assessments"**

Note (21) **"Other Items"** If there are none, simply state "none" (**Do not** note that you are rounding to whole dollars: we already know that.)

Note (22) **"Events Subsequent"** If there are none, simply state: "none"

Note (23) **"Reinsurance"** If some or all of these do not apply, simply state "not applicable"

Note (24) **"Retrospectively Rated Contracts & Contracts subject To Redetermination"** This applies only to municipal property-casualty groups operating under M.G.L. c. 40M.

Note (25) **"Changes in Incurred Losses and Loss Adjustment Expenses"**

Note (27) **"Structured Settlements"**

Note (32) **"Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjusting Expenses"**

Note (33) **"Asbestos/Environmental Reserves"**

Page 15 - General Interrogatories

SIGs only need to answer the questions in this section noted below:

Pages 15 to 15.X, Part 1 - Common Interrogatories

SIGs only need to answer the following interrogatories Nos.:

General - 2.1, 2.2, 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 9, 11, 14.1, 14.11, 14.2, 14.21, 14.3 14.31

Board of Directors - 16, 17, and 18

Financial - 19

Investment - 24.01, 25.1, 25.2, 28, 28.01, 28.02, 28.03, 28.04, 28.05, 28.06, 29.1, 29.2, 29.3, 30, 30.4, 31.1, 31.2, 31.3, 32.1, 32.2, 33, 34 and 35

Other - 37.1, 37.2, 38.1, 38.2, 39.1, 39.2, 40 and 41 (see next page).

**DIFFERENCES BETWEEN THE ANNUAL STATEMENT REQUIREMENTS FOR
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GROUPS AND CHANGES IN THE ANNUAL STATEMENT**

DO NOT FORGET TO ADD THE "CLAIMS IN SUIT" INTERROGATORY AS #40: Since this replaces a separate filing, failure to include this subject's the group to a separate \$100 per day penalty until the error is corrected.

Current year's Final Standard Premium #41

Beginning this year (2020), we are asking the SIG's to include the current year's final standard premium with the annual statement on the last page of the Part 1 - Common Interrogatories page 15.X, item # 41. If the amount is not available at that time, please include the last years completed final standard premium amount. Please note the year as follows: "The 20XX policy year standard premium is: _____."

Pages 16 to 16.3- Part 2 – Property & Casualty Interrogatories

SIGs do not need to answer any of these interrogatories, since they are covered by the law and regulation.

Pages SI01-SI15– Summary Investment

SIGs are only required to complete pages SI01, SI03 to SI10 and SI15 which are unchanged from last year.

Pages E01- E29 - Investment

SIGs are only required to complete pages E10 to E17 and E27 to E29 which have not changed from last year. If a Group is using a surety bond or letter of credit as its security deposit, the information must be reported on *Schedule E, Part 3 – Special Deposits*.

Please note: The total of the amounts list as security on pages E10, E17, E27 and E28 should be listed on page E29 - *Schedule E, Part 3 – Special Deposits*.

Recap – pages to be completed by SIGs for their Annual Statement

1 to 15.X, 17 to 19GT, 22 to 29, 33, 34, 38, 57, 62, 67, 75, 84, 93, 94, 99, 100, SI01, SI03 to SI10, SI15, E10 to E17 and E27 to E29.

None of the Annual Statement Supplements (Pages SUPP1 to SUPPXX) need to be filed since they do not apply to SIGs

Workers' Compensation Self-Insurance Groups
Calendar of Required 2020 Filings with the Division of Insurance

	<u>Number of Copies</u>	<u>Due Dates for Groups Operating on a:</u>	
		<u>Fiscal Year</u>	<u>Calendar Year</u>
<u>Annual Statement</u> , including jurat page with <u>two</u> original signatures, and on page 19GT - Exhibit of Premiums and Losses (Statutory Page 14)	2*	Fifteenth day of the third month after the end of a Group's fiscal year Include email with signed PDF Copy	3/15/2021
<u>Statement of Actuarial Opinion</u>	2	Same	3/15/2021
<u>Claims in Suit</u>	1	If there are none, add Interrogatory #40 to the Annual Statement (See above)	3/15/2021
<u>CPA Audit Report</u> One hard copy and one signed PDF copy	1	<u>Last</u> day of the <u>sixth</u> month after the end of a Group's fiscal year (One signed hard copy and one PDF copy)	6/30/2021
<u>Quarterly Statements</u> Bound, printed, and signed copy must be filed within 30 days of the due date	1	60 days after the end of the first, second and third fiscal quarters File a draft copy <u>on this date</u> as a PDF attachment to an email and send a signed PDF and "hard" copy	6/1/2021 8/30/2021 11/30/2021
<u>Quarterly Report of Membership</u> An email attachment. If there is no change in membership, just send an email saying that there is no change	1	Same as calendar year Groups	1/15/2021 4/15/2021 7/15/2021 10/15/2021

- * **Annual Statement** and **Statement of Actuarial Opinion**: One signed copy should be sent to the Division of Insurance along with a signed PDF copy, and one signed copy to the Workers Compensation Rating and Inspection Bureau of Massachusetts as the Commissioner's Statistical Agent.

All the above documents are required filings. 211 CMR 67.08(6), provides for a penalty of \$100 per day for late filings. Please send to **Brian Knowlton** at the Division of Insurance. His addresses are listed on page 2.