



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

***REPORT OF EXAMINATION OF THE***  
**ABC Massachusetts Workers' Compensation Self-Insurance Group, Inc.**  
**Chicopee, Massachusetts**  
**As of December 31, 2020**

**EMPLOYER ID NUMBER 04-3209117**

# **ABC MASSACHUSETTS WORKERS' COMPENSATION SELF-INSURANCE GROUP, INC.**

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# COMMONWEALTH OF MASSACHUSETTS

## Office of Consumer Affairs and Business Regulation

### DIVISION OF INSURANCE

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COMMISSIONER OF INSURANCE

January 20, 2022

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

**ABC MASSACHUSETTS WORKERS' COMPENSATION SELF-INSURANCE GROUP,  
INC.**

The Company's home office is located at 711 East Main Street, Suite 201, Chicopee, Massachusetts, 01020. Due to the COVID-19 pandemic, the examination was conducted remotely. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

ABC Massachusetts Workers' Compensation Self-Insurance Group, Inc. ("ABC" or "Group") was last examined as of December 31, 2017 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, 2018 through December 31, 2020, 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 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 BDO USA, LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Group's financial statements for the calendar years 2018 through 2020. 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**

There were no significant findings as a result of the examination.

## **GROUP HISTORY**

### **General**

The Group was organized on October 27, 1993 and commenced business within the Commonwealth of Massachusetts on November 1, 1993, pursuant to and in accordance with

## ABC Massachusetts Compensation Self-Insurance Group, Inc.

Massachusetts General Laws, 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 Laws, Chapter 152, Sections 25E through 25U and 211 CMR 67.00 to provide workers' compensation coverage for a group of eligible companies which are engaged in the Massachusetts building and contracting industry.

During the operating period under review, the Group has engaged FutureComp, 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 declared as dividends to policyholders (members) during the period covered by this examination:

2020	\$1,586,856
2019	984,936
2018	770,759

## **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.

### Article of Organization and Bylaws

The articles of organization and bylaws of the Group were reviewed. The Group was formed under Massachusetts General Law, 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 provide construction services as determined by the Board; are a corporation or other business entity in good standing and doing business in the Commonwealth of Massachusetts, or be a subsidiary or affiliate of such an organization or entity, or be another related entity sponsored by such an organization or entity; are a member of the Associated Builders and Contractors of Massachusetts; and meet the established underwriting criteria.

### Board of Trustees

According to the bylaws, the Group's business shall be managed by a Board of Trustees which may exercise all 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 not fewer than three

## ABC Massachusetts Compensation Self-Insurance Group, Inc.

nor more than eleven Trustees. The Group's Board of Trustees consisted of the following individuals:

<u>Name of Trustees</u>	<u>Title</u>
Timothy Hjermstad	Director of Safety, Florence Electric LLC
Christopher McCauley	Vice President, Rivers Electrical Corporation
Sarah Badway	Vice President, Plumb House, Inc.
Jane Kaplan Peck	Chief Operating Officer, Kaplan Construction
Alfred Marion	Controller, Tocco Building Systems
Pauline Lally	President, Piping Systems, Inc.
Samuel Tabasky	Chief Financial Officer, Medford Wellington
Don Marsolini	Vice President, DECCO, Inc.
Brian Ferreira	Director of Safety, Professional Electric Contractors of CT, Inc.

### Officers

Officers of the Group as of December 31, 2020 were as follows:

<u>Name of Officers</u>	<u>Title</u>
Timothy Hjermstad	President
Christopher McCauley	Vice-President
Sarah Badway	Treasurer
Jane Kaplan Peck	Clerk

### 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 permitted to transact workers' compensation business only in the Commonwealth of Massachusetts to qualifying members which provide construction services. The Group reported \$3.48 million of 2020 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 each year under examination was \$850,000. The limits of liability per occurrence and in aggregate for each year under examination were the statutory level which was \$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, 2020. The financial statements are the responsibility of Group 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, 2020

Statement of Income for the Year Ended December 31, 2020

ABC Massachusetts Compensation Self-Insurance Group, Inc.

Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31, 2020

	Per Annual Statement
<b>ASSETS</b>	
Bonds	\$ 5,079,644
Cash, cash equivalents and short-term investments	1,389,927
Subtotals, cash and invested assets	6,469,571
Investment income due and accrued	27,375
Aggregate write-ons for other-than-invested assets	17,313
Total Assets	\$ 6,514,259
<b>LIABILITIES</b>	
Losses	\$ 2,592,540
Loss adjustment expenses	188,898
Other expenses	68,865
Taxes, licenses and fees	13,357
Advance premium	516,999
Dividends declared and unpaid: Policyholders	2,966,610
Aggregate write-ins for liabilities	166,990
Total Liabilities	6,514,259
<b>SURPLUS</b>	
Surplus as regards policyholders	-
Total Liabilities, Surplus and Other Funds	\$ 6,514,259



ABC Massachusetts Compensation Self-Insurance Group, Inc.

Statement of Income  
For the Year Ended December 31, 2020

	Per Annual Statement
Premiums earned	\$ 2,805,504
Deductions:	
Losses incurred	478,661
Loss adjustment expenses	228,927
Other underwriting expenses	621,425
Aggregate write-ins for underwriting deductions	(33,398)
Total underwriting deductions	1,295,615
Net underwriting gain (loss)	1,509,889
Net investment income earned	106,318
Net realized capital gains (losses) less capital gains tax	6,559
Net investment gain (loss)	112,877
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,622,767
Dividends to policyholders	1,586,856
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	35,911
Federal and foreign income taxes incurred	35,911
Net income	\$ 0

## **ANALYSIS OF CHANGE 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, 2020. The analysis is performed on a net basis.

Milliman's projection of future claim reporting and payment is based on ABC's historical results supplemented with applicable insurance industry information in the areas of loss development, benefit level changes, trend, and increased limits factors.

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 Group's statutory Annual Statement have been discounted to reflect the time value of money. 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>ABC Massachusetts Workers' Compensation Self-Insurance Group, Inc.</u>			
<u>Milliman's</u> <u>Central Estimate</u>	<u>Group Carried</u>	<u>Discount</u>	<u>Group Carried</u> <u>Discounted</u>
\$3,255,201	\$3,255,203	\$(473,765)	\$2,781,438

### **SUBSEQUENT EVENTS**

No significant recommendations were identified during the examination that should be noted in this report.

### **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 the report.

**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, AFE, Financial Examiner II



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