



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

***REPORT OF EXAMINATION OF***  
**ASSOCIATED INDUSTRIES OF MASSACHUSETTS MUTUAL INSURANCE**  
**COMPANY**

**Burlington, Massachusetts**

**As of December 31, 2023**

**NAIC GROUP CODE 2498**

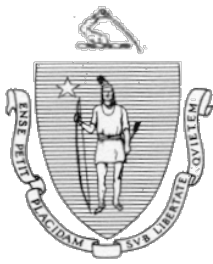
**NAIC COMPANY CODE 33758**

**EMPLOYER ID NUMBER 22-2946313**

# **Associated Industries of Massachusetts Mutual Insurance Company**

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
Salutation	1
Scope of Examination	2
Summary of Significant Findings of Fact	3
Company History	3
General	3
Guaranty Capital	4
Dividends to Shareholders	4
Dividends to Policyholders	5
Management and Control	5
Board of Directors Minutes	5
Articles of Organization and Bylaws	5
Board of Directors	5
Officers	5
Committees of the Board of Directors	7
Affiliated Companies	7
Organization Chart	7
Transactions and Agreements with Subsidiaries and Affiliates	8
Territory and Plan of Operation	9
Reinsurance	9
Pooling Agreement	9
Ceded Reinsurance	9
Participation in Assigned Risk Business	9
Financial Statements	10
Statement of Assets, Liabilities, Capital and Surplus	11
Statement of Income	13
Reconciliation of Capital and Surplus	14
Analysis of Changes in Financial Statements Resulting from the Examination	15
Comments on Financial Statement Items	15
Subsequent Events	16
Summary of Recommendations	16
Signature Page	17



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

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LIEUTENANT GOVERNOR

April 3, 2025

Honorable Michael T. Caljouw  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
One Federal Street, Suite 700  
Boston, MA 02110

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, and other applicable statutes, an examination has been made of the financial condition and affairs of

**ASSOCIATED INDUSTRIES OF MASSACHUSETTS MUTUAL INSURANCE  
COMPANY**

The Company's home office is located at 54 Third Avenue, Burlington, Massachusetts, 01803. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Associated Industries of Massachusetts Mutual Insurance Company (“A.I.M. Mutual” or “Company”) was last examined as of December 31, 2018, by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the five-year period from January 1, 2019, through December 31, 2023, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Concurrent with this examination, the following Massachusetts insurance affiliates in the A.I.M. Insurance Group were also examined and separate Reports of Examination have been issued:

Associated Employers Insurance Company  
Massachusetts Employers Insurance Company

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 current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Company were considered in accordance with the 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 Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws (“M.G.L.”), Chapter 175, Section 4, and general information about the insurer 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 Company.

The Company is audited annually by Ernst & Young LLP (“E&Y”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for calendar years 2019 through 2023. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective.

Representatives from the firm of Baker Tilly US, LLP (“Baker Tilly”) were retained by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division’s examination staff. The assistance included

a review of accounting records, information systems, investment and actuarially determined loss and loss adjustment expense reserves.

### **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

There were no significant findings identified during the previous examination period, and no recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

### **COMPANY HISTORY**

#### **General**

The Company was originally organized as a reciprocal insurance exchange, named Massachusetts Employers Insurance Exchange ("MEIE"). The Company received a provisional Certificate of Authority effective December 9, 1988, and commenced business on January 1, 1989. MEIE was a cooperative organization where workers' compensation and employers' liability coverages were provided on an exchange basis through mutual covenants executed among MEIE's subscribers and a designated attorney-in-fact for MEIE; the subscribers thereby insured one another. MEIE's subscribers were also members of MEIE's sponsoring organization: Associated Industries of Massachusetts, Inc. ("AIM"), a not-for-profit employer service organization.

During 1995, MEIE's subscriber members and its Board of Advisors approved a plan to convert MEIE from a reciprocal insurance exchange into a mutual insurance company. A Commissioner's Order dated January 25, 1996, approved the Plan of Conversion. On February 27, 1996, a Certificate of Authority was issued to the organization under the name "Associated Industries of Massachusetts Mutual Insurance Company".

As part of the Plan of Conversion and as required by statute, various aspects of MEIE's structure and obligations were to be addressed by the new company. Previously, subscribers were required to enter into a subscription agreement whereby the subscribers agreed to insure each other through the exchange of reciprocal contracts executed with MEIE's attorney-in-fact. The reciprocal insurance contracts issued through MEIE were endorsed and subsequently replaced by the Company's policies on the respective anniversary dates of coverage renewal.

Subscribers previously had committed to pay a surplus contribution equal to ten percent of the final annual premium for each of the first five years of their membership in the exchange. Following the conversion, the balance in each member's surplus contribution account remained unchanged. In accordance with the Plan of Conversion, the subscriber savings accounts were converted into interest bearing surplus notes in the Company with principal amounts, terms, and payment schedules equivalent to those of the subscriber savings accounts. As part of the conversion, AIM contributed its existing \$200,000 subordinated surplus note in exchange for \$200,000 of the Company's guaranty capital shares.

## Associated Industries of Massachusetts Mutual Insurance Company

On April 4, 1996, the Division designated the Company as a servicing carrier to the Massachusetts Workers' Compensation Assigned Risk Pool ("MWCARP") effective July 1, 1996. MWCARP is a residual market for workers' compensation coverage to those employers entitled to coverage. The Company also became a voluntary direct assignment carrier ("VDAC") to MWCARP effective January 1, 1998.

The Company has three wholly owned insurance subsidiaries; Associated Employers Insurance Company ("AEIC"), Massachusetts Employers Insurance Company ("MEIC") and New Hampshire Employers Insurance Company ("NHEIC"), to offer rates different from A.I.M. Mutual. AEIC was formed in 2001, MEIC in 2007 and NHEIC in 2008. All insurance subsidiaries participate in a reinsurance pooling agreement with A.I.M. Mutual whereby the subsidiaries cede 100% of any retained business (after unaffiliated reinsurance) to A.I.M. Mutual but do not assume any business from the pool.

A.I.M. Mutual also has three wholly owned non-insurance subsidiaries, Associated Insurance Management, LLC ("AIM, LLC"), Associated Insurance Services, LLC ("AIS, LLC"), and the Fairway Agency, LLC.

### Guaranty Capital

As a mutual company, the Company has no capital stock. As a reciprocal insurance exchange, MEIE had entered into an unsecured subordinated surplus loan agreement on December 9, 1988, with AIM to satisfy the requirements of statute. By terms of the agreement, MEIE borrowed \$200,000 to be used as the unencumbered surplus of the exchange and repayment of the loan was subject to prior approval of the Commissioner of Insurance.

In accordance with the Plan of Conversion, AIM contributed the \$200,000 subordinated surplus note it held in exchange for 2,000 shares of \$100 par value guaranty capital of the Company. The shares were issued on February 27, 1996, with an annual dividend rate of seven percent.

### Dividends to Shareholders

The Board of Directors ("Board") authorized dividends to be paid to the holder of the Company's Guaranty Capital Shares during the period of examination amounting to \$70,000, representing the stated annual dividend rate of seven percent or \$14,000 per year.

## Associated Industries of Massachusetts Mutual Insurance Company

### Dividends to Policyholders

The Board authorized dividends to be paid to the Company's policyholders during the period of examination amounting to \$747,451. The Company paid the following dividends during the five-year examination period:

<u>Year</u>	<u>Policyholder Dividends Paid</u>
2023	\$169,461
2022	133,389
2021	149,621
2020	129,244
2019	165,736

## **MANAGEMENT AND CONTROL**

### Board of Directors Minutes

The minutes of the Board and its committees for the period under examination were read, and they indicated that all meetings were held in accordance with the Company's bylaws and the laws of the Commonwealth of Massachusetts. Activities of the committees were ratified at meetings of the Board as required by Massachusetts statute.

### Articles of Organization and Bylaws

The articles of organization and bylaws and amendments thereto were reviewed. There have been no changes to the articles of organization or bylaws during the exam period.

### Board of Directors

According to the bylaws, the Board shall manage and control the business and affairs of the Company. The Board shall consist of not less than eight or more than twelve directors with the number of directors determined at each annual member's meeting coinciding with the expiration of one or more director's term. Each director holds office for a term of two years. Upon expiration or resignation, his/her successor is elected at the next annual meeting. As long as shares of the authorized guaranty capital remain outstanding, one-half of the directors shall be elected from the holders of guaranty capital and one-half shall be elected from the members who are not holders of guaranty capital.

## Associated Industries of Massachusetts Mutual Insurance Company

At December 31, 2023, the Company's Board was composed of eight persons, which is in compliance with the Company's bylaws and the General Laws of Massachusetts. The members of the Board were as follows:

<u>Director</u>		<u>Business Affiliation</u>
John A. Myers		Chairman A.I.M. Mutual Insurance Company
William C. Blanker	*	Retired
Peter R. Chase		Executive Chairman Chase Corporation
Michael G. Faucher		Retired
Leslie E. Greis		Owner and Manager Perennial Capital Advisors, LLC
Richard C. Lord		Retired
Wells A. Sampson		President American Alarm and Communications
Ralph P. Schlenker		President R.P. Schlenker, Inc.

\* William Blanker served as director emeritus through May 2024.

### Officers

According to the Company's bylaws, the Board shall elect the officers of the Company. The officers of the Company shall be the President, the Secretary, the Clerk, the Treasurer, the Chairperson of the board and such other officers as deemed necessary. The officers shall be elected annually by the directors and shall unless removed, hold office until his or her successor is elected and qualified. No officer need be a member or director.

The bylaws state that the President shall be the Chief Executive Officer of the Company and shall have general operating charge of the business. In addition to what is defined explicitly in the bylaws, the Company's officers shall have and may exercise such duties and powers prescribed by law, are commonly incident to his or her office and as the Board may from time to time prescribe. Except as otherwise required or prohibited by law, any one or more offices may be held by the same person.



## Associated Industries of Massachusetts Mutual Insurance Company

The officers of the Company as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Daniel A. Landers	President and Chief Executive Officer
Paul M. Kehoe	Vice President and Treasurer
Glenn S. MacDonald	Secretary

### Committees of the Board of Directors

The Company's bylaws allow that the Board authorize such committees as it deems necessary, including a Nominating Committee, to conduct the business of the Board and shall appoint persons to serve thereon. In accord therewith, the Board appointed an Investment Committee to monitor the performance of the Company's investments and authorize the purchase and/or sale of securities, an Audit Committee to provide assistance to the Board in fulfilling their oversight responsibility relating to the integrity of the Company's financial reporting process.

Minutes of the Investment Committee documented regular meetings of the members with representatives of the Company's investment advisors/managers, Conning, Inc. Minutes of the Audit Committee documented regular meetings with the Company's independent auditors, E & Y.

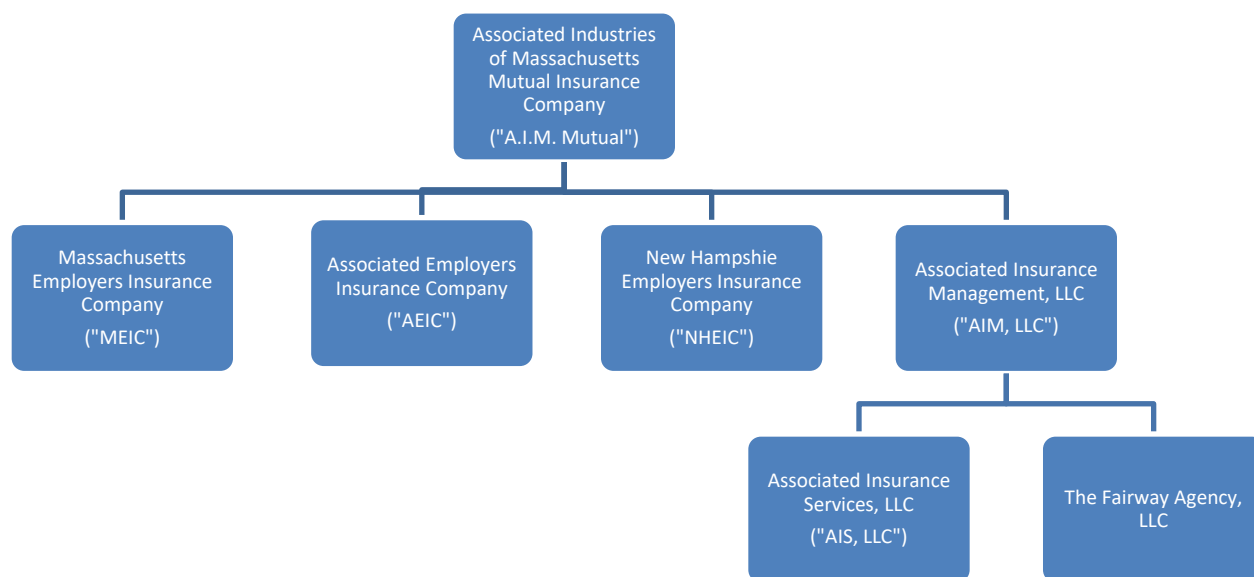
### Affiliated Companies

As stated in the Insurance Company Holding Company System Form B and C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of M.G.L., Chapter 175, Section 206C and Regulation 211 CMR 7.00. Ultimate control of the holding company system is held by A.I.M. Mutual. The Company became part of the holding company system on November 21, 2000.

### Organization Chart

At December 31, 2023, the following companies were part of the following organizational structure:

## Associated Industries of Massachusetts Mutual Insurance Company



### Transactions and Agreements with Subsidiaries and Affiliates

#### *Management Agreement*

In 1996, the Company entered into a management agreement with MEIE Attorney-in-Fact. Under the agreement, MEIE provides services to run the day-to-day operations of the Company. MEIE later became Associated Insurance Management, Inc. ("AIM Inc."), now Associated Insurance Management, LLC ("AIM, LLC"). These services include but are not limited to underwriting, claims and accounting services. A.I.M. Mutual reimburses AIM, LLC 100% for the costs of running the business. In addition, if the Board determines it is appropriate to make a distribution to its policyholders, then AIM, LLC shall be entitled to receive 5% of any distributions paid or credited to the policyholders.

#### *Licensing Agreement*

In 1994, the Company entered into a licensing agreement with AIM. Under the agreement, A.I.M. Mutual is permitted to use the Licensed Marks of AIM. These marks are "A.I.M. Mutual" and "Associated Industries of Massachusetts" and the AIM logo. In return for the use of these marks, A.I.M. Mutual pays to AIM a royalty of 3% of voluntary direct premiums written for each calendar year to a maximum of \$1,200,000.

#### *Tax Sharing Agreement*

The Company participates in tax allocation agreements with its wholly owned subsidiaries, AEIC, MEIC and NHEIC. The allocation method is based upon the respective tax liability of each member computed as if a separate return were filed, in accordance with the Internal Revenue Code.

## **TERRITORY AND PLAN OF OPERATION**

The Company is licensed to write workers' compensation and employers' liability in all six New England states, with most of the Company's business in Massachusetts.

### **Treatment of Policyholders – Market Conduct**

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination. During the claims test work, it was noted that the Company investigates and settles claims on a timely and fair basis.

## **REINSURANCE**

### **Pooling Agreement**

The Company and its subsidiaries, AEIC, MEIC and NHEIC entered into a Reinsurance Pooling Agreement. The agreements were effective in 2001 for AEIC, 2007 for MEIC and 2008 for NHEIC. Under terms of the agreement, the Company's subsidiaries cede 100% of any retained business (after unaffiliated reinsurance) to A.I.M. Mutual but assume nothing from the pool.

### **Ceded Reinsurance**

All insurance companies in the Group participate in the reinsurance program which provides a per occurrence limit of \$123.5 million in excess the company's retention of \$1.5 million for voluntary and VDAC claims. The reinsurance program also maintains per claimant coverage in the amount of \$15.0 million. To protect against potential catastrophic loss, the group maintains \$15.0 million excess \$10.0 million per occurrence, per claimant layer with one reinstatement. The reinsurance program also includes coverage for earthquake and terrorism losses.

### **Participation in Assigned Risk Business**

The Company began participating in the MWCARP pool effective with policy year 1991. In 1994, they exercised the option to make a lump sum settlement of its obligations for policy year 1991. For policy years 1992 to 1994, the Company retroceded 100% to American Reinsurance Company. Subsequent to policy year 1994, the Company participates in the MWCARP results relative to its market share.

On April 4, 1996, the Company was designated as a servicing carrier to MWCARP effective July 1, 1996. The Company is assigned risks to be insured and provides services including policy issuance, claim handling and loss control to those risks. In turn, the Company cedes all of the premiums and losses of such risks to MWCARP but, remains responsible for certain loss adjustment expenses and underwriting expenses it incurs. The Company receives a servicing carrier fee based on written premiums with certain adjustments.

## Associated Industries of Massachusetts Mutual Insurance Company

Effective January 1, 1998, the Company was approved as a VDAC to MWCARP. As such, the Company takes its approximate equivalent share of the pool in the form of specific policies assigned to it in lieu of accepting a percentage share of the pool. All of the premiums, losses, loss adjustment expenses, and underwriting expenses for these policies are retained by the Company, subject to applicable reinsurance.

### **FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2023. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2023

Statement of Income as of December 31, 2023

Reconciliation of Capital and Surplus for the Five-Year Period Ended December 31, 2023

Associated Industries of Massachusetts Mutual Insurance Company  
Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31, 2023

	As Reported by the Company
<b>Assets</b>	
Bonds	\$ 633,147,673
Preferred stocks	740,000
Common stocks	111,721,718
Cash and short-term investments	10,159,476
Other invested assets	25,048,089
Subtotals, cash and invested assets	<u>780,816,956</u>
Investment income due and accrued	5,486,550
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	14,760,067
Deferred premiums, agents' balances and installments booked but deferred and not yet due	35,730,063
Accrued retrospective premiums	241,901
Amounts recoverable from reinsurers	5,739,425
Current federal and foreign tax recoverable	8,881,752
Aggregate write-ins for other than invested assets	<u>90,391</u>
Total Assets	<u><u>\$ 851,747,105</u></u>

Associated Industries of Massachusetts Mutual Insurance Company  
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)  
As of December 31, 2023

	As Reported by the Company
<b>Liabilities</b>	
Losses	\$ 272,405,362
Loss adjustment expenses	61,788,647
Commissions payable	6,775,380
Other expenses	4,884,660
Taxes, licenses and fees	6,279,865
Current federal income taxes	698,205
Borrowed money	15,015,042
Unearned premiums	61,420,179
Advance premium	1,328,061
Ceded reinsurance premiums payable	8,488,538
Amounts withheld or retained by company for account of others	6,697,951
Payable to parent, subsidiaries and affiliates	3,741,499
Payable for securities	3,166,621
Aggregate write-ins for liabilities	760,605
Total Liabilities	<u>453,450,615</u>
 Aggregate write-ins for other-than-special surplus	 200,000
Unassigned funds (surplus)	<u>398,096,490</u>
Surplus as regards policyholders	<u>398,296,490</u>
 Total Liabilities, Capital and Surplus	 <u><u>\$ 851,747,105</u></u>

Associated Industries of Massachusetts Mutual Insurance Company  
Statement of Income  
For the Year Ended December 31, 2023

	As Reported by the Company
Premiums earned	\$ 156,417,179
Deductions:	
Losses incurred	91,994,141
Loss adjustment expenses incurred	17,778,562
Other underwriting expenses incurred	38,132,031
Total underwriting deductions	147,904,734
Net underwriting gain (loss)	8,512,445
Net investment income earned	24,173,498
Net realized capital gains (losses)	1,256,336
Net investment gain (loss)	25,429,834
Net gain (loss) from agents' or premium balances charged off	(1,405,386)
Net income before dividends to policyholders and before federal and foreign income taxes	32,536,893
Dividends to policyholders	169,461
Net income, after dividends to policyholders but before federal and foreign income taxes	32,367,432
Federal and foreign income taxes incurred	7,108,492
Net Income	\$ 25,258,940

Associated Industries of Massachusetts Mutual Insurance Company  
Reconciliation of Capital and Surplus  
For the Five Year Period Ended December 31, 2023

	2023	2022	2021	2020	2019
Capital and surplus, December 31, prior year	\$ 370,278,127	\$ 356,655,429	\$ 318,820,203	\$ 295,065,405	\$ 257,819,554
Net income	25,258,940	25,379,581	26,622,356	22,454,615	26,496,926
Change in net unrealized capital gains or (losses)	4,093,362	(9,719,778)	9,985,695	422,471	8,544,370
Change in net deferred income tax	1,412,104	39,525	495,986	1,378,451	1,977,474
Change in nonadmitted assets	(2,732,042)	(2,062,630)	745,189	(486,738)	241,081
Aggregate write-ins for gains and (losses) in surplus	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
Net change in capital and surplus for the year	28,018,363	13,622,698	37,835,226	23,754,798	37,245,851
Capital and surplus, December 31, current year	<u>\$ 398,296,490</u>	<u>\$ 370,278,127</u>	<u>\$ 356,655,429</u>	<u>\$ 318,820,203</u>	<u>\$ 295,065,405</u>



**ANALYSIS OF CHANGES 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**

As a result of the examination, no significant issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

The Division engaged the consulting actuaries from Baker Tilly to review the reasonableness of the loss and loss adjustment expense reserves (“Reserves”) of the Company as of December 31, 2023. The review was conducted in a manner consistent with the Code of Professional Conduct and Qualification Standards of the American Academy of Actuaries and the Standards of Practice adopted by the Actuarial Standards Board.

Baker Tilly’s actuarial review utilized year-end paid and incurred loss data developed through December 31, 2023. Management determines its recorded loss and loss adjustment expense reserves and is based on reducing the probability of the risk of material adverse deviation.

The table below summarizes a comparison of Baker Tilly’s range of reasonable net estimates, to the Company’s carried net reserves as of December 31, 2023.

Summary of Loss and Loss Adjustment Expense Reserves Estimates (000's omitted)			
	Low Point of Range	Central Estimate	High Point of Range
Baker Tilly Total Net Loss & LAE Reserves	\$230,400	\$242,527	\$266,779
Total Company Carried Net Loss & LAE Reserves	334,194	334,194	334,194
Difference	(103,794)	(91,667)	(67,415)

Management carried reserves include an additional \$6,000,000 margin above the Appointed Actuary’s central net estimate (\$328,194,000). The estimated overall redundancy is \$67,415,000 compared to Baker Tilly’s high point of their estimated range.

**SUBSEQUENT EVENTS**

No subsequent events or transactions that occurred after the December 31, 2023, examination date were noted that would have had a material effect on the Company's financial statements.

**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 this report.

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by representatives from Baker Tilly, who participated in this examination is hereby acknowledged.

*Kenneth R. Plumb*  
Kenneth R. Plumb, CFE  
Supervising Examiner and Examiner in Charge  
Commonwealth of Massachusetts  
Division of Insurance