



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

***REPORT OF EXAMINATION OF THE***  
**Independent School Compensation Corporation**  
**Chicopee, Massachusetts**  
**As of December 31, 2020**

**EMPLOYER ID NUMBER 04-3149237**

# INDEPENDENT SCHOOLS COMPENSATION CORPORATION

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# **COMMONWEALTH OF MASSACHUSETTS**

## **Office of Consumer Affairs and Business Regulation**

### **DIVISION OF INSURANCE**

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**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

August 2, 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

### **INDEPENDENT SCHOOLS COMPENSATION CORPORATION**

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

## Independent Schools Compensation Corporation

### **SCOPE OF EXAMINATION**

Independent Schools Compensation Corporation (“ISCC” 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 Shores, Tagman, Butler & Company, P.A, 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 pursuant to and in accordance with Massachusetts General Laws, Chapter 180, to establish a not-for-profit association of employers to constitute a workers’

## Independent Schools Compensation Corporation

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 educational institutions in Massachusetts. The Group commenced business on April 1, 1992.

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	\$4,857,377
2019	3,947,631
2018	4,726,751

## **MANAGEMENT AND CONTROL**

### Board of Directors Minutes

The minutes of meetings of the Board of Directors 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 for entities engaged in the business of non-profit education or a related non-profit industry in the Commonwealth of Massachusetts; are a member in good standing of a bona fide industry, trade or professional organization designated by the Board of Directors; and meet such criteria as may be established by the Board of Directors.

### 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 organization, by law, or the bylaws. There are two classes of members: Class A members shall consist of those members who at the time first accepted into membership had an annual manual Massachusetts workers' compensation premium less than \$350,000; Class B shall consist of those members who at the time first accepted into membership had an annual manual Massachusetts

## Independent Schools Compensation Corporation

workers' compensation premium equal to or greater than \$350,000. The number of Class A Directors shall be no fewer than nine and are elected by the members to serve a term of three years. Five Class B Members listed in the bylaws may each nominate one Director for membership, and the Board may elect the nominee as a Director who will serve at the discretion of the nominator. The Group's Board of Directors consisted of the following individuals:

<u>Name of Directors</u>	<u>Title</u>
Thompson Greenlaw	Board Emeritus, Summit Montessori School
Anthony Penny	Business & Auxiliary Services Manager, Trustees of Clark University
Elizabeth Dionne	Vice President for Finance, New England Conservatory of Music
Laura Gaudette	Retired, Belmont Hill School
Edward Gotgart	Trustee Emeritus, Learning Center for the Deaf
Charles Breslin	Chief Operating/Finance Officer, Dana Hall School
Rosiane LaRose	Associate Controller, Smith College
Steph Nigro	Controller, Amherst College
Richard Dalrymple	Director of Finance, Riverview School
David Rosati	Executive Vice President & Chief Financial Officer, Curry College
Kathleen Donahue	Controller, Boston Symphony Orchestra
Richard Saul	Thacher Montessori School
Melissa Fletcher	Assistant Vice President Finance & Controller, Wellesley College
Peter Shea	Retired, Roxbury Latin School

### Officers

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

<u>Name of Officers</u>	<u>Title</u>
Thompson Greenlaw	President
Anthony Penny	Vice-President
Elizabeth Dionne	Vice-President
Laura Gaudette	Treasurer
Edward Gotgart	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 are educational institutions. The Group reported \$10 million of 2020 direct premium written in Massachusetts.

### **REINSURANCE**

#### **Ceded Reinsurance**

The Group maintains specific and aggregate excess workers compensation coverage through Arch Insurance 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 2017 was \$600,000. The reinsurer's limit of liability per occurrence for each year under examination was \$5,000,000. The Group does not have aggregate excess coverage in place but instead maintains a \$1,000,000 fund restricted within the assets of the Group.

### **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

# Independent Schools Compensation Corporation

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

	Per Annual Statement
<b>ASSETS</b>	
Bonds	\$ 16,046,884
Cash, cash equivalents and short-term investments	9,725,965
Subtotals, cash and invested assets	<u>25,772,849</u>
Investment income due and accrued	110,122
Uncollected premiums and agents' balances	541
Amounts recoverable from reinsurers	84,629
Net deferred tax asset	39,725
Total Assets	<u>\$ 26,007,866</u>
<b>LIABILITIES</b>	
Losses	\$ 6,474,411
Loss adjustment expenses	964,828
Other expenses	176,305
Taxes, licenses and fees	45,898
Current federal and foreign income taxes	34,725
Advance premium	2,309,998
Dividends declared and unpaid: Policyholders	16,001,701
Total Liabilities	<u>26,007,866</u>
<b>SURPLUS</b>	
Surplus as regards policyholders	<u>-</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 26,007,866</u>



# Independent Schools Compensation Corporation

## Statement of Income For the Year Ended December 31, 2020

	Per Annual Statement
Premiums earned	\$ 9,639,534
Deductions:	
Losses incurred	3,487,969
Loss adjustment expenses incurred	926,077
Other underwriting expenses incurred	1,052,896
Total underwriting deductions	5,466,942
Net underwriting gain (loss)	4,172,592
 Net investment income earned	 422,522
Net realized capital gains (losses) less capital gains tax	91,937
Net investment gain (loss)	514,459
 Aggregate write-ins for miscellaneous income	 175,977
Total other income	175,977
 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	  4,863,028
Dividends to policyholders	4,857,377
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	  5,651
Federal and foreign income taxes incurred	39,725
Net income	\$ (34,074)
 <b>CAPITAL AND SURPLUS ACCOUNT</b>	
Surplus as regards policyholders, December 31 prior year	\$ -
Net income	(34,074)
Change in net deferred income tax	39,725
Change in nonadmitted assets	(5,651)
Change in surplus as regards policyholders for the year	-
Surplus as regards policyholders, December 31 current year	\$ -

**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 Willis Towers Watson (“Willis”) 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 gross and net basis.

Willis’ projection of future claim reporting and payment is based on ISCC’s historical experience. In cases for which ISCC’s historical data is not sufficiently credible, stable or mature, Willis supplemented ISCC’s experience with FutureComp SIG Compilation historical experience as well as benchmark reporting and payment patterns.

Willis 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 Willis’ analysis providing the actuarial central estimate and the reserves for loss and LAE carried by the Group. The Group’s carried reserves are within Willis’ range of reasonable estimates.

<b><u>Independent Schools Compensation Corporation</u></b>			
(Dollars in thousands)			
	<b><u>Gross of Excess Insurance</u></b>	<b><u>Net of Excess Insurance</u></b>	<b><u>Discounted Reserve</u></b>
<b><u>Willis’ Central Estimate</u></b>	\$9,063	\$8,559	\$7,372
<b><u>Group Carried</u></b>	\$9,146	\$8,640	\$7,439

**SUMMARY OF RECOMMENDATIONS**

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

Independent Schools Compensation Corporation

**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, CFE, Financial Examiner II



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