



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

***REPORT OF EXAMINATION OF***  
**MASSACHUSETTS BAY SELF-INSURANCE**  
**GROUP, INC.**

**Woburn, Massachusetts**

**As of December 31, 2021**

**EMPLOYERS ID NO. 04-3226260**

# MASSACHUSETTS BAY SELF-INSURANCE GROUP, INC.

## TABLE OF CONTENTS

	<b><u>Page</u></b>
Salutation	1
Scope of Examination	2
Summary of Significant Findings of Fact	3
History	3
General	3
Management and Control	3
Members	3
Board of Trustees	3
Officers	4
Administrator	4
Territory and Plan of Operation	4
Reinsurance	4
Financial Statements	5
Statement of Assets, Liabilities, Capital and Surplus	6
Statement of Income	7
Reconciliation of Capital and Surplus	8
Analysis of Change in Financial Statements Resulting from the Examination	9
Comments on Financial Statement Items	9
Subsequent Events	10
Summary of Recommendations	10
Signature Page	10



**COMMONWEALTH OF MASSACHUSETTS**  
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COMMISSIONER OF INSURANCE

September 28, 2022

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 specific instructions and by authority of Section 25I of Chapter 152 of the Massachusetts General Laws an examination has been made of the transactions and financial condition as of December 31, 2021, of the

**MASSACHUSETTS BAY SELF-INSURANCE GROUP, INC.**

at its main administrative office located at 15 Cabot Road, Woburn, Massachusetts 01801. The examination was conducted remotely. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

The Massachusetts Bay Self-Insurance Group, Inc., ("Group"), was last examined by the Massachusetts Division of Insurance ("Division") as of December 31, 2018. The examination covers the transactions of the Group from January 1, 2019, through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted in the course of this examination.

The current 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 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. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations. All accounts and activities of the Group were considered in accordance with a modified risk-focused examination process.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 152, Section 25I, 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 Group.

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.

The books and records of the Group for the years under examination were audited by Shores, Tagman, Butler & Company, P.A., independent certified public accountants. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective.

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

There have not been any significant findings noted during the current examination and there were no significant findings noted during the previous examination.

## **HISTORY**

### **General**

The Group was organized on April 14, 1994, as a workers' compensation self-insurance group under Massachusetts General Law Chapter 152, Sections 25E through 25U. The Group was created to make available workers' compensation coverage for a group of charitable organizations which receive funding from the United Way of Massachusetts Bay, Inc.

## **MANAGEMENT AND CONTROL**

Pursuant to the bylaws the affairs of the Group shall be managed by the Board of Trustees, ("Board") who shall have and may exercise all the powers of the Group except those powers reserved to the members by law, the articles of organization or the bylaws. To assist in the management of the Group, the Board shall appoint an Administrator to perform and manage the day-to-day activities of the Group. The Board shall have the power to adopt and issue rules, regulations, policies and procedures which shall be binding upon the members and the Administrator.

### **Members**

The members of the corporation shall be those entities who are members of the Group; provided that the number of members shall at no time be fewer than five. To be eligible for membership, an entity must be an organization which is engaged in the charitable, human and social services industry whose payroll is domiciled in the Commonwealth of Massachusetts and be a member in good standing of or receive funding from the United Way of Massachusetts Bay, Inc. A potential member must complete and execute an application and indemnity agreement approved by the Board and receive written acceptance of membership pursuant to the bylaws.

### **Board of Trustees**

The Board of Trustees shall consist of a minimum of seven (7) trustees to a maximum of eleven (11) trustees. At least two-thirds (2/3) of the trustees shall be employees, officers, directors or trustees of members of the Group. All trustees shall be residents of the Commonwealth of Massachusetts or officers authorized to do business in the Commonwealth of Massachusetts. Each trustee holds office for a term of one year. Upon expiration or resignation, his/her successor is elected at any special or regular meeting of the members.

MASSACHUSETTS BAY SELF-INSURANCE GROUP, INC.

At December 31, 2021 the board had six members, Cecile Durham resigned in September 2021. The members of the board of trustees as of December 31, 2021 were as follows:

<u>Trustee</u>	<u>Professional Affiliation</u>
Timothy Barrett	Pine Street Inn, Inc.
Donna Desmond	Old Colony YMCA
Laure Donkin	Girl Scouts of Eastern Massachusetts
Susan Kelley	Fenway Community Health Center
James Laprade	Bay Cove Human Services
Sheila Muisse	Family Service Association

Officers

Pursuant to the bylaws the officers of the Group shall be elected annually by the trustees and there shall be a president, vice president, treasurer, clerk and such other officers, if any as the trustees may determine. The officers shall be elected annually by the trustees at their first meeting following the annual meeting of the members. The president shall be the chief executive officer of the corporation and subject to the control of the trustees, shall have general charge and supervision of the affairs of the corporation.

The elected officers and their respective titles at December 31, 2021 follows:

<u>Name of Officer</u>	<u>Title</u>
Donna Desmond	President
Timothy Barrett	Treasurer
Laure Donkin	Clerk

Administrator

During the operating period review, the Group by a written administrative service agreement engaged Cabot Risk Strategies, LLC to perform and manage the day-to-day activities of the Group.

**TERRITORY AND PLAN OF OPERATION**

The Group is a self-insurance group permitted to transact workers' compensation coverage only in the Commonwealth of Massachusetts.

**REINSURANCE**

The Group maintains a specific excess workers' compensation insurance policy with an unaffiliated insurer. Under this policy, the Group's losses at December 31, 2021, in excess of \$750,000 for each individual accident or employee will be covered by the policy in accordance with statutory limits. Due to difficulties in the current reinsurance market, the Group has been unable to obtain coverage

with a \$500,000 maximum retention and aggregate excess coverage in accordance with 211 CMR 67.21.

### **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, 2021. The financial statements are the responsibility of the Group's management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2021

Statement of Income as of December 31, 2021

Reconciliation of Capital and Surplus for the Three-Year Period Ended December 31, 2021

Massachusetts Bay Self-Insurance Group, Inc.  
Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31, 2021

	As Reported by the Group
<b>Assets</b>	
Bonds	\$ 5,673,219
Cash and short-term investments	997,267
Subtotals, cash and invested assets	<u>6,670,486</u>
Investment income due and accrued	32,792
Current federal income tax recoverable	49,748
Aggregate write-ins for invested assets:	
Other Receivables	25,600
Total Assets	<u><u>\$ 6,778,626</u></u>
 <b>Liabilities</b>	
Losses	\$ 2,111,880
Loss adjustment expenses	279,312
Other expenses	57,416
Taxes, licenses and fees	10,484
Advance premium	364,950
Dividends declared and unpaid: Policyholders	1,782,628
Aggregate write-ins for liabilities:	
Payable to members	11,957
Total Liabilities	<u>4,618,627</u>
Aggregate write-ins for other than special surplus funds	1,389,211
Unassigned funds (surplus)	<u>770,788</u>
Surplus as regards policyholders	<u>2,159,999</u>
Total Liabilities, Capital, and Surplus	<u><u>\$ 6,778,626</u></u>



Massachusetts Bay Self-Insurance Group, Inc.  
Statement of Income  
As of December 31, 2021

	As Reported by the Group
Premiums earned	\$ 2,071,287
Deductions:	
Losses incurred	1,050,752
Loss expenses incurred	160,353
Other underwriting expenses incurred	542,054
Total underwriting deductions	<u>1,753,159</u>
Net underwriting gain (loss)	<u>318,128</u>
Net investment income earned	139,627
Net realized capital gains (losses)	<u>15,694</u>
Net investment gain (loss)	<u>155,321</u>
Net income before dividends to policyholders and before federal and foreign income taxes	473,449
Dividends to policyholders	<u>172,273</u>
Net income, after dividends to policyholders but before federal and foreign income taxes	301,176
Federal and foreign income taxes incurred	<u>48,852</u>
Net Income	<u><u>\$ 252,324</u></u>

Massachusetts Bay Self-Insurance Group, Inc.  
Reconciliation of Capital and Surplus  
For the Three Year Period Ended December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Surplus as regards policyholders, December 31, prior year	\$ 1,907,704	\$ 1,636,932	\$ 1,417,711
Net income	252,324	270,784	219,222
Change in net unrealized capital gains or (losses)			
Change in nonadmitted assets	<u>(29)</u>	<u>(13)</u>	<u>(1)</u>
Net change in capital and surplus for the year	<u>252,295</u>	<u>270,771</u>	<u>219,221</u>
Capital and surplus, December 31, current year	<u><u>\$ 2,159,999</u></u>	<u><u>\$ 1,907,704</u></u>	<u><u>\$ 1,636,932</u></u>

**ANALYSIS OF CHANGE IN FINANCIAL STATEMENTS RESULTING  
FROM THE EXAMINATION**

There have been no changes to the amounts reported in the Annual Statement.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Losses	\$ 2,111,880
Loss Adjustment Expenses	\$ 279,312

The Division has relied on the analysis performed by the Group’s actuary, Willis Towers Watson (“Willis”), to review the reasonableness of the loss and loss adjustment expense reserves (the “reserves”) of the Group as of December 31, 2021. The review was conducted in a manner consistent with the Code of Professional Conduct and the Qualification Standards of the American Academy of Actuaries and the Standards of Practice adopted by the Actuarial Standards Board.

The Group held net loss and loss adjustment expense (LAE) reserves of \$2.4 million as of December 31, 2021. These reserves are net of anticipated salvage and subrogation, discounting and ceded reinsurance.

Willis’s actuarial review utilized various actuarial methodologies to analyze the Group’s accident year paid and incurred loss data at annual valuations through December 31, 2021. Willis’s actuarial central estimate of the net loss and LAE reserves is \$2.4 million. Willis also calculated a range of estimates that it considered reasonable and acceptable. The overall reasonable range of estimates extends from \$2.0 million to \$2.9 million.

The table below summarizes a comparison of Willis’s range of reasonable estimates for loss and LAE reserves to the Group’s net carried loss and LAE reserves as of December 31, 2021.

	Low Point of Range	Selected Estimate	High Point of Range
Willis Estimate	\$2,012,000	\$2,379,000	\$2,939,000
Company Carried	2,391,192	2,391,192	2,391,192
Company Carried Over / (Under) Willis	379,192	12,192	(547,808)

**SUBSEQUENT EVENTS**

No subsequent events or transactions that occurred after the December 31, 2021 examination date were noted that would have had a material effect on the Company's financial statements.

**SUMMARY OF RECOMMENDATIONS**

The examination does not have any recommendations for the Group.

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Group to the Division's examiner during the examination.

*Kenneth R. Plumb*

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Kenneth R. Plumb, CPA, CFE  
Examiner-in-Charge  
Supervising Examiner  
Commonwealth of Massachusetts  
Division of Insurance