



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS
REGULATION

DIVISION OF INSURANCE

REPORT OF EXAMINATION OF
MASSACHUSETTS EMPLOYERS INSURANCE COMPANY

Burlington, Massachusetts

As of December 31, 2023

NAIC GROUP CODE 2498

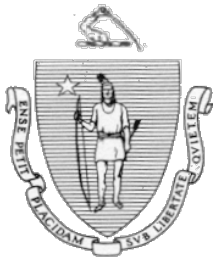
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Massachusetts Employers Insurance Company

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

One Federal Street, Suite 700 • Boston, MA 02110
(617) 521-7794 • Toll-free (877) 563-4467
<http://www.mass.gov/doi>

MAURA T. HEALEY
GOVERNOR

MICHAEL T. CALJOUW
COMMISSIONER OF INSURANCE

KIMBERLEY DRISCOLL
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

MASSACHUSETTS EMPLOYERS 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

Massachusetts Employers Insurance Company (“MEIC” 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 Industries of Massachusetts Mutual Insurance Company
Associated 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, 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

On January 26, 2007, Associated Industries of Massachusetts Mutual Insurance Company (“A.I.M. Mutual”) contributed \$3 million in capital and surplus to form a wholly owned subsidiary, MEIC. MEIC was issued a Certificate of Authority to write workers’ compensation and employers’ liability coverages in Massachusetts on February 13, 2007.

Capital Stock

MEIC has authorized and issued 30,000 shares of \$20 par value common stock, all of which are owned by A.I.M. Mutual.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of the Board of Directors (“Board”) 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.

Articles of Organization and Bylaws

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

Board of Directors

According to the bylaws, the Board shall have supervision and control of the business, property, affairs and management of the Company. The Board shall consist of not less than three or more than twelve directors with the number of directors determined at each annual stockholders meeting coinciding with the expiration of one or more director’s term. Each director holds office until the annual meeting of the stockholders in the years designated by the Incorporators of the Corporation and until his or her successor is duly elected and qualified.

Massachusetts Employers Insurance Company

As of December 31, 2023, the Company's Board was composed of four 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
Daniel A. Landers	President and Chief Executive Officer A.I.M. Mutual Insurance Company
Paul Kehoe	Vice President and Chief Financial Officer A.I.M. Mutual Insurance Company
Richard C. Lord	Retired

Officers

According to the Company's bylaws, the officers of the Board shall include a chairperson and also the Board shall elect the officers of the Company. The officers of the Company shall be the President, the Secretary, the Clerk, the Treasurer, and such other officers as deemed necessary. The officers shall hold their respective office for one year and thereafter until their successors are elected and qualified. The persons elected by the Board to serve as officers shall be the same person(s) who hold(s) the corresponding office of the Company's majority stockholder. No officer need be a stockholder or director.

The bylaws state that the President shall be the Chief Executive Officer of the Company. The President shall perform such duties as are required by law or which usually pertain to such office and shall exercise such other powers and perform such other duties as may be assigned by the Board. In addition to what is defined explicitly in the bylaws, the Company's officers shall have and may exercise such duties and powers as are 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.

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
Heather H. Kortenkaemper	Controller

Massachusetts Employers Insurance Company

Committees of the Board of Directors

The Company's bylaws allow that the Board shall 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 and a Nominating Committee to present to the Board nominations for any vacancies on the Board.

Minutes of the Investment Committee documented regular meetings 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. Minutes of the Nominating Committee documented regular meetings at which the members discussed nominations to the Board.

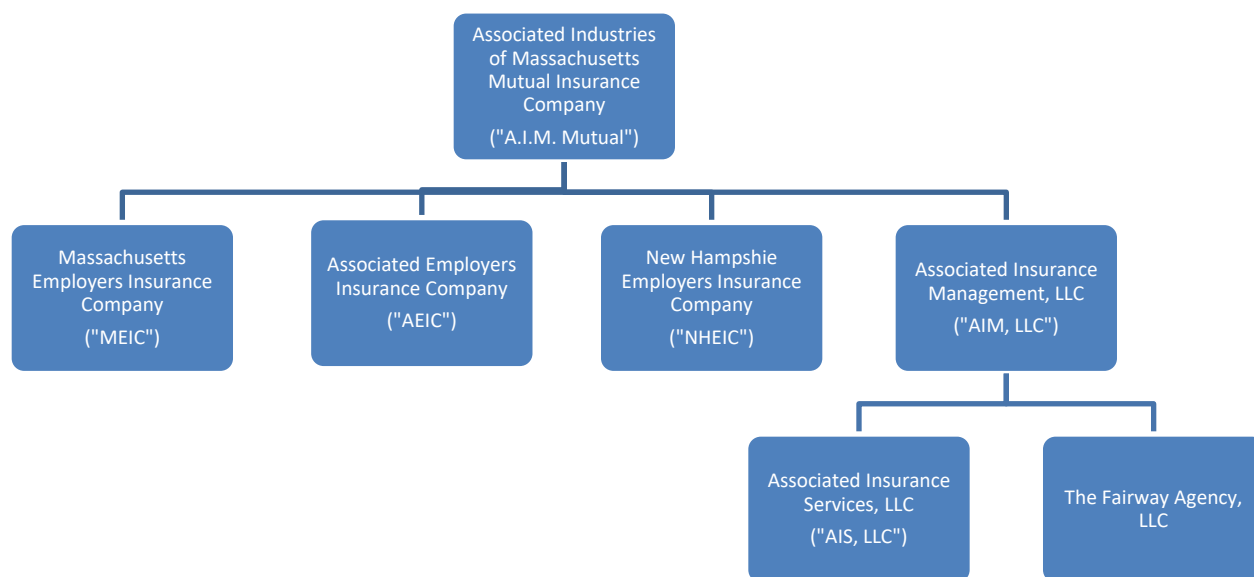
Affiliated Companies

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 Massachusetts General Law, 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 February 13, 2007.

Organization Chart

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

Massachusetts Employers Insurance Company



Transactions and Agreements with Subsidiaries and Affiliates

Management Agreement

In 2007, MEIC entered into a management service agreement with Associated Insurance Management, Inc. ("AIM, Inc."), which became Associated Insurance Management, LLC ("AIM, LLC"). Under the terms of the agreement, AIM, LLC will provide all services necessary to run the business operations of MEIC. These services include but are not limited to underwriting, claims and accounting services. MEIC 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

MEIC also entered into a licensing agreement with Associated Industries of Massachusetts, Inc. ("AIM") in 2007. Under the agreement, MEIC is permitted to use the Licensed Marks of A.I.M. These marks are "A.I.M." and "Associated Industries of Massachusetts" and the A.I.M. logo. In return for the use of these marks, MEIC pays to AIM a royalty of 3% of voluntary direct premiums written for each calendar year provided that the maximum annual royalty payable shall be equal to the amount, if any, by which \$1,200,000 exceeds the sum of the royalty payable by A.I.M. Mutual and AEIC.

Tax Sharing Agreement

The Company participates in a tax allocation agreement with its parent, A.I.M. Mutual. 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 only 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 participates in a Reinsurance Pooling Agreement with their parent, A.I.M. Mutual. The agreement became effective in 2007. Under terms of the agreement, MEIC cedes 100% of any retained business (after unaffiliated reinsurance) to A.I.M. Mutual.

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 voluntary direct assignment carrier 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.

Massachusetts Employers Insurance Company

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

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

	As Reported by the Company
Assets	
Bonds	\$ 4,470,785
Cash and short-term investments	585,938
Receivables for securities	100,000
Subtotals, cash and invested assets	<u>5,156,723</u>
Investment income due and accrued	31,729
Amounts recoverable from reinsurers	<u>141</u>
 Total Assets	 <u><u>\$ 5,188,593</u></u>
 Liabilities	
Other expenses	\$ 1,200
Current federal income taxes	33,657
Amounts withheld or retained by company for account of others	179,425
Payable to parent, subsidiaries and affiliates	841,431
Total Liabilities	<u>1,055,713</u>
 Common capital stock	600,000
Gross paid in and contributed surplus	2,400,000
Unassigned funds (surplus)	1,132,880
Surplus as regards policyholders	<u>4,132,880</u>
 Total Liabilities, Capital and Surplus	 <u><u>\$ 5,188,593</u></u>

Massachusetts Employers Insurance Company
Statement of Income
For the Year Ended December 31, 2023

	As Reported by the Company
Premiums earned	\$ 0
Total underwriting deductions	<u>0</u>
Net underwriting gain (loss)	0
 Net investment income earned	 161,093
Net realized capital gains (losses)	<u> </u>
Net investment gain (loss)	<u>161,093</u>
 Net income before dividends to policyholders and before federal and foreign income taxes	 <u>161,093</u>
 Dividends to policyholders	 0
Net income, after dividends to policyholders but before federal and foreign income taxes	<u>161,093</u>
 Federal and foreign income taxes incurred	 <u>33,657</u>
 Net Income	 <u><u>\$ 127,436</u></u>

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and surplus, December 31, prior year	\$ 4,005,444	\$ 3,944,207	\$ 3,882,921	\$ 3,810,965	\$ 3,735,911
Net income	<u>127,436</u>	<u>61,237</u>	<u>61,286</u>	<u>71,956</u>	<u>75,054</u>
Net change in capital and surplus for the year	<u>127,436</u>	<u>61,237</u>	<u>61,286</u>	<u>71,956</u>	<u>75,054</u>
Capital and surplus, December 31, current year	<u><u>\$ 4,132,880</u></u>	<u><u>\$ 4,005,444</u></u>	<u><u>\$ 3,944,207</u></u>	<u><u>\$ 3,882,921</u></u>	<u><u>\$ 3,810,965</u></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

All losses and loss adjustment expenses are ceded 100% to A.I.M. Mutual per the intercompany pooling agreement. Therefore, a separate analysis of loss reserves and loss adjustment expenses was not performed for MEIC.

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