



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

**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF***  
**MASSACHUSETTS McDONALD'S OPERATORS' WORKERS'**  
**COMPENSATION GROUP, INC.**

**Spencer, Massachusetts**

**As of December 31, 2023**

**EMPLOYER ID NUMBER 04-3139957**

**MASSACHUSETTS McDONALD'S OPERATORS' WORKERS' COMPENSATION  
GROUP, INC.**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Salutation	1
Scope of Examination	2
Summary of Significant Findings of Fact	2
Company History	3
General	3
Dividends	3
Management and Control	3
Board of Directors Minutes	3
Articles of Organization and Bylaws	4
Board of Directors	4
Officers	4
Management Service Agreements	4
Territory and Plan of Operation	4
Reinsurance	5
Financial Statements	5
Statement of Assets, Liabilities, Surplus and Other Funds	6
Statement of Income	7
Analysis of Changes in Financial Statements Resulting from the Examination	8
Comments on Financial Statement Items	8
Subsequent Events	8
Summary of Recommendations	8
Signature Page	9



**COMMONWEALTH OF MASSACHUSETTS**  
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**KEVIN P. BEAGAN**  
ACTING COMMISSIONER OF INSURANCE

**KIMBERLEY DRISCOLL**  
LIEUTENANT GOVERNOR

July 2, 2024

Honorable Kevin P. Beagan  
Acting Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118-6200

Honorable Acting 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

**MASSACHUSETTS McDONALD'S OPERATORS' WORKERS' COMPENSATION  
GROUP, INC.**

at its main office located at 8 Lake Street, Spencer, MA 01562. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Massachusetts McDonald's Operators' Workers' Compensation Group, Inc. ("Group") was last examined as of December 31, 2020, 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, 2021, 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.

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, 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.

The Group is audited annually by an independent certified public accounting firm. The firm of Doyle & Associates, PLLC expressed an unqualified opinion on the Group's financial statements for the fiscal years 2021 through 2023. 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**

The previous examination noted that the Group was not in compliance with the Code of Massachusetts Regulation ("CMR") 211 67.00, the Group's reinsurance policy did not have a 105% attachment point. The current reinsurance policy has aggregate excess coverage that attaches at a loss fund percentage of 123% while 211 CMR 67.21 requires a 105% attachment point.

## **GROUP HISTORY**

### **General**

The Group was organized on December 31, 1991 as a workers' compensation self-insurance group under Massachusetts General Law ("MGL") Chapter 152, Sections 25 E through 25U. The purpose of the Group is to provide workers' compensation coverage to independent McDonald's restaurant franchise owners/operators within the Commonwealth of Massachusetts.

During the period under examination, the Group, by written administrative service agreement, engaged Arthur J. Gallagher Risk Management Services, Inc. ("Arthur Gallagher" or "Administrator") to perform and manage the day-to-day activities of the Group.

### **Dividends**

In accordance with 211 CMR 67.08 (4), if actuarially sound, the Group may declare and accrue dividend liabilities from a fund year's operating activities during that fund year but shall not begin distributions for that fund year until at least 24 months after the end of the fund year.

The following amounts were reported as dividends declared and unpaid each year covered by this examination:

2023	\$ 1,565,149
2022	1,629,068
2021	1,397,061

Under the distribution formula provided for by 211 CMR 67.08 (4), the following amounts were paid and distributed as dividends to policyholders (members) during the period covered by this examination:

2023	\$ 178,860
2022	413,242
2021	473,016

## **MANAGEMENT AND CONTROL**

### **Board of Directors Minutes**

The minutes of meetings of the Board of Directors ("Board") for the period under examination were reviewed 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 of the Group were reviewed. There were no amendments since the last examination.

### Board of Directors

According to the bylaws, the Group's business shall be managed by a Board which may exercise all of the powers of the Group, except as otherwise provided by the Articles of Organization, by law, or the bylaws. The Board shall consist of not fewer than five Directors. The Group's Board as of December 31, 2023 consisted of the following individuals:

<u>Name of Director</u>	<u>Professional Affiliation</u>
Joseph Spadea	- Sellia Corporation
Dave Balducci	- Sellia Corporation
David Yee	- MDC Management Co, LLC
Katie Hurley	- Hurley Organization, LLC
Jeff Brewster	- The Brewster Company
Vern Chin	- Chin Management
Vijay Selhi	- Selhi & Associates, LLC

### Officers

Officers and management of the Group as of December 31, 2023 were as follows:

<u>Name of Officer</u>	<u>Title</u>
Dave Balducci	- President
Vern Chin	- Treasurer
David Yee	- Secretary

### Management Service Agreements

The Group has retained Arthur Gallagher as the Administrator of the Group. In addition, the Group has a service agreement with Cannon Cochran Management Services, Inc. to handle all aspects of claim management and administration. The Group also has an Investment Advisory Agreement with Opus Investment Management, Inc. to oversee the Group's investment portfolio.

## **TERRITORY AND PLAN OF OPERATION**

The Group is a self-insurance group permitted to transact business 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, 2023, in excess of \$500,000 for each individual accident will be covered up to the statutory limits per occurrence. The aggregate excess coverage attaches at loss fund percentage of 123% with a maximum limit for the liability period of \$5,000,000 while 211 CMR 67.21 requires a 105% attachment point.

### **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, 2023. The financial statements are the responsibility of Group management.

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

Statement of Income for the Year Ended December 31, 2023

Massachusetts McDonald's Operators' Workers' Compensation Group, Inc.  
Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31, 2023

<b>Assets</b>	<u>As Reported by the Group</u>
Bonds	\$ 3,599,589
Cash and short-term investments	<u>1,133,970</u>
Subtotals, cash and invested assets	4,733,559
Investment income due and accrued	<u>25,602</u>
Total Assets	<u><u>\$ 4,759,161</u></u>
 <b>Liabilities</b>	
Losses	\$ 1,974,832
Advance premium	471,018
Dividends declared and unpaid: Policyholders	1,565,149
Aggregate write-ins for liabilities:	
10% Policyholder retention	<u>748,162</u>
Total Liabilities	<u>4,759,161</u>
Aggregate write-ins for other than special surplus funds	
Unassigned funds (surplus)	<u>0</u>
Surplus as regards policyholders	<u>0</u>
Total Liabilities, Capital, and Surplus	<u><u>\$ 4,759,161</u></u>



Massachusetts McDonald's Operators' Workers' Compensation Group, Inc.  
Statement of Income  
As of December 31, 2023

	As Reported by the Group
Premiums earned	\$ 1,942,431
Deductions:	
Losses incurred	1,514,912
Loss expenses incurred	227,089
Other underwriting expenses incurred	117,102
Total underwriting deductions	<u>1,859,103</u>
Net underwriting gain (loss)	<u>83,328</u>
 Net investment income earned	 98,798
Net realized capital gains (losses)	<u>(3,266)</u>
Net investment gain (loss)	<u>95,532</u>
 Net income before dividends to policyholders and before federal and foreign income taxes	  178,860
Dividends to policyholders	<u>178,860</u>
 Net income, after dividends to policyholders but before federal and foreign income taxes	  0
Federal and foreign income taxes incurred	<u>0</u>
 Net Income	 <u><u>\$ 0</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 this examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

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

**SUBSEQUENT EVENTS**

In July 2024 the Group will be changing to a new investment advisor, The Kelliher Corbett Group at Morgan Stanley.

**SUMMARY OF RECOMMENDATIONS**

It is recommended that the Group comply with all aspects of 211 CMR 67.00.

**SIGNATURE PAGE**

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

*Kenneth R. Plumb*

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