



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

***REPORT OF EXAMINATION OF THE***  
**MIA PROPERTY AND CASUALTY GROUP, INC.**

**Boston, Massachusetts**

**As of June 30, 2022**

**EMPLOYER ID NUMBER 04-2925648**

# **MIIA PROPERTY AND CASUALTY GROUP, INC.**

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

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**MAURA HEALY**  
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**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

**KIM DRISCOLL**  
LIEUTENANT GOVERNOR

December 7, 2023

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 40M, Section 6, an examination has been made of the financial condition and affairs of the

**MIA PROPERTY AND CASUALTY GROUP, INC.**

Its home office is located at 3 Center Plaza, Suite 610, Boston, Massachusetts, 02108. The examination was conducted remotely. The following report thereon is respectfully submitted.

### **SCOPE OF EXAMINATION**

MIIA Property and Casualty Group, Inc. (“MIIA” or “Group”) was last examined as of June 30, 2018, by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the four-year period from July 1, 2018, through June 30, 2022, 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 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.

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 Johnson Lambert LLP (“CPA”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Group’s financial statements for fiscal years 2019 through 2022. The review and use of the CPA work papers were made to the extent deemed appropriate and effective.

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

There were no significant findings identified during the examination.

## **GROUP HISTORY**

### **General**

On April 12, 1982, the Massachusetts Municipal Association (“MMA”), a non-profit and non-partisan association of cities and towns in Massachusetts, created the Massachusetts Interlocal Insurance Association, Inc. (“MIIA, Inc.”) to promote safety and loss prevention for municipal employees. To further this purpose, the Group was incorporated under the Laws of the Commonwealth of Massachusetts and commenced business on July 1, 1987, as a non-profit organization to provide a program of property and casualty coverage for cities, towns, and other governmental entities which were members in good standing of MIIA, Inc. The Group received a Certificate of Approval from the Commissioner of Insurance as a self-insurance group organized under and subject to Massachusetts General Laws (“MGL”) Chapter 40M. Section 1 of this statute stipulates that such a group shall not be subject to the provisions of the insurance laws and regulations of the Commonwealth except as otherwise provided by this Chapter.

Prior to the incorporation of the Group, MMA also had established MIIA Workers’ Compensation Group, Inc. (“MIIAWC”). MIIAWC was incorporated on February 18, 1986, and commenced business on July 1, 1986, as a workers’ compensation self-insurance group regulated pursuant to Sections 25E through 25U of MGL Chapter 152 and to 211 Code of Massachusetts Regulations (“CMR”) 67.00. MIIAWC had been a non-profit organization providing a program of workers’ compensation coverage and risk management services for the cities, towns, and other governmental entities that were members in good standing of MIIA, Inc. In July of 1998, MIIAWC merged into the Group and the Group became the surviving entity, assuming all MIIAWC’s obligations while continuing to offer workers’ compensation coverage in addition to its lines of other property and casualty coverage under the Certificate of Approval issued by the Commissioner pursuant to MGL Chapter 40M.

On December 6, 2011, the Group incorporated a captive, MIIA Reinsurance Company (“MIIA Re”), a Vermont domiciled captive reinsurance entity. MIIA Re was formed to reinsure a portion of the Group’s risks. The Group capitalized MIIA Re with an initial \$5,000,000 contribution.

### **Dividends**

The Board of Trustees (“Board”) authorized dividends to be paid to the workers’ compensation members during the period under examination. The Group paid the following dividends during the four-year period under examination:

- The Group paid dividends of \$500,000 to workers’ compensation members in 2019.
- The Group paid dividends of \$500,000 to workers’ compensation members in 2020.
- The Group paid dividends of \$1,000,000 to workers’ compensation members in 2021.
- The Group paid dividends of \$500,000 to workers’ compensation members in 2022.

Additional Participation Credits

The Board authorized participation credits available to property and casualty members upon renewal of their policies in subsequent fiscal years. The additional participation credits in practice are recognized and applied against the premium amount receivable by the Group from each renewing member and supplement the participation credit applied during the pricing period. In the Group's annual statement, the provision for participation credits not yet applied was reported as an aggregate write-in liability included within amounts payable to policyholders. As of June 30, 2022, the Group's unapplied participation credit was \$872,573. The Group declared the following additional participation credits during the four-year period under examination:

- The Group declared additional participation credits of \$5 million to members in 2019.
- The Group declared additional participation credits of \$2 million to members in 2020.
- The Group declared additional participation credits of \$2 million to members in 2021.
- The Group declared no additional participation credits to members in 2022.

**MANAGEMENT AND CONTROL**

Board of Trustees Minutes

The minutes of meetings of the Board of Trustees and its Committees 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. Activities of the Committees were ratified at meetings of the Board.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Group were reviewed. There were no changes to the articles of organization and bylaws during the examination period. Further, the Group was operating in accordance with the articles of organization and bylaws.

Board of Trustees

According to the bylaws, the Group's business shall be managed by a Board of Trustees which may exercise all the powers of the Group. The Board shall consist of the following persons: the Executive Director of MMA, the Treasurer of MIIA, Inc., each ex-officio; and six voting Delegates of Class W members, which are cities and towns, nominated in accordance with Section 4, Article III of the bylaws. At each annual meeting, three voting delegates of Class W members shall be elected for a two-year term to serve until his or her successor is elected. As of June 30, 2022, the Group's Board consisted of the following individuals:

## MIIA Property and Casualty Group, Inc.

| <u>Name of Trustee</u> | <u>Title</u>  |
|------------------------|---|
| Paul Cohen (Chair)     | Town Manager, Town of Chelmsford                      |
| Geoffrey C. Beckwith   | Executive Director of MMA and President of MIIA, Inc. |
| Stanley J. Corcoran    | Executive Vice President and Treasurer of MIIA, Inc.  |
| Ellen Allen            | Select Board, Town of Norwell                         |
| Christopher Coleman    | Town Administrator, Town of Westwood                  |
| Leon Gaumond           | Town Manager, Town of Weston                          |
| William Keegan         | Town Manager, Town of Foxborough                      |
| Blythe Robinson        | Executive Director, Town of Norfolk                   |

### *Budget Committee*

The Budget Committee was established by the Board to provide oversight and input to the annual budget process. The President and three members appointed by the President and approved by the Board, shall serve on the Budget Committee. The Committee appointments for 2022 were: Dianne Kennedy, Geoffrey Beckwith, Paul Cohen and Ellen Allen

### *Investment Committee*

The Investment Committee was established by the Board to provide oversight and input on investments and the investment policy. The President, Executive Vice President, and three members appointed by the President and approved by the Board shall serve on the Investment Committee. The committee appointments for 2022 were: Geoffrey Beckwith, Stanley Corcoran, Paul Cohen, William Keegan and Leon Gaumond.

### *Audit Committee*

The Audit Committee was established by the Board to provide selection and oversight of audit services. Three members appointed by the President and approved by the Board shall serve on the Audit Committee. The committee appointments for 2022 were: Gregory Federspiel, Blythe Robinson and Leon Gaumond.

### *Nominating Committee*

The Nominating Committee meets annually to nominate individuals for election as Trustees by members at the Group's annual meeting. It is appointed by the President and consists of two voting delegates of Class W members and one officer or employee of MMA or MIIA, Inc.

## MIIA Property and Casualty Group, Inc.

### Officers

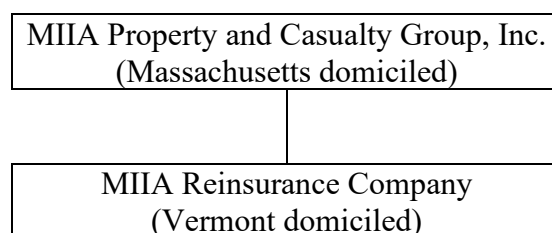
Officers of the Group as of June 30, 2022, were as follows:

| <u>Name of Officers</u>           | <u>Title</u>    |
|-----------------------------------|-----------------|
| Geoffrey C. Beckwith <sup>1</sup> | President       |
| Christopher Bailey                | Secretary/Clerk |
| Stanley J. Corcoran               | Treasurer       |
| Paul Cohen                        | Chairman        |

### Affiliated Companies

The Group is not required to file an Insurance Holding Group System Form B with the Division and is not subject to the registration requirements of MGL Chapter 175, Section 206C and 211 CMR 7.00. However, MIIA Re is the only captive affiliated with the Group; it was formed and incorporated in Vermont in December 2011.

### Organizational Chart



### Transactions and Agreements with Affiliates

MIIA Re assumes reinsurance on the Group's property lines of business.

The Group entered into an unsecured and uncollateralized demand note agreement with MIIA Re. The note allowed these funds to become part of the Group's investment portfolio, to maximize investment income returns for MIIA Re. As of June 30, 2020, the balance of the Note was \$21.25 million, and the note was subsequently paid off in 2021.

### Administrator

Since its formation, the Group has retained MIIA, Inc. as its designated administrator to handle day-to-day activities on behalf of the Group in accordance with the terms of a written administrative services agreement. By such agreement, MIIA, Inc. is obligated to provide or arrange for the provision of appropriate office space, equipment, and supplies subject to the approval of the Group, qualified staff to operate the Group, and such specialized services as may be required from time to time by the Group. MIIA, Inc. also prepares periodic reports for the

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<sup>1</sup> Retired September 8, 2023



## MIIA Property and Casualty Group, Inc.

Group's Board regarding claims, payments made by the Group, investments of the Group's assets, loss history, and such other reports as the Board may reasonably request. In addition, MIIA, Inc. arranges for research and development activities and other insurance services such as loss control and claims administration services for the Group and its members. MIIA, Inc. has no employees, and it contracts with MMA to provide the administrative staff and facilities for MIIA, Inc. to fulfill its contractual obligations with the Group.

MIIA, Inc. outsources investment advice and services for investment of the Group's assets. It also outsources underwriting of coverages, risk management analysis, surveys, and processing of the Group's claims to other third-party administrators relative to specific functions. During the period under examination, Aon Risk Services of Massachusetts, Inc. was being used to manage the Group's workers' compensation claims while Cabot Risk Strategies, LLC was being used for the Group's property and liability lines and marketing of the workers' compensation line. Both service organizations are engaged by contract and are subject to regular reporting and review by the Group or its designated professional performance evaluators.

Coterminous with the administrative service agreement, the Group and MIIA Health Benefit Trust, another MIIA, Inc. entity, have an agreement for additional payment to MIIA, Inc. Under this agreement, the Group and MIIA Health Benefit Trust agree to pay an additional amount to MIIA, Inc. for the administrative services provided.

### **TERRITORY AND PLAN OF OPERATION**

The Group is licensed only in Massachusetts. It is a self-insurance group that provides programs of property and casualty coverages including workers' compensation coverage for Massachusetts cities, towns, and other governmental entities which are members in good standing of MIIA, Inc. In addition to insurance coverages, the Group provides risk management services with an emphasis on loss control and loss management.

### **REINSURANCE**

#### **Assumed Reinsurance**

The Group does not assume reinsurance.

#### **Ceded Reinsurance**

The Group uses reinsurance to limit its exposure to losses. Below is a summary of the various reinsurance agreements.

The Group has an excess of loss agreement for its property lines of business with MIIA Re, under which the Group's retention is \$750,000 per occurrence and MIIA Re's limit of liability is \$250,000 per occurrence and \$2 million in aggregate.

## MIIA Property and Casualty Group, Inc.

The property reinsurance program has coverage up to \$500 million composed of five layers as follows:

|                 |  |
|-----------------|--|
| 1 <sup>st</sup> | \$1 million deductible with an annual aggregate retention of \$3 million<br>\$25 million limit |
| 2 <sup>nd</sup> | \$75 million xs \$25 million   |
| 3 <sup>rd</sup> | \$200 million xs \$100 million   |
| 4 <sup>th</sup> | \$100 million xs \$300 million   |
| 5 <sup>th</sup> | \$100 million xs \$400 million   |

MIIA Re reinsured a 15% quota share of the Group's first property excess of loss layer in 2022. Subsequent to the period under examination, MIIA Re's quota share increased to 20% in 2023, and to 22% in 2024.

The Group is reinsured for terrorism up to \$500 million with four layers of coverage as follows:

|                 |                                |
|-----------------|--------------------------------|
| 1 <sup>st</sup> | \$100 million xs \$250,000     |
| 2 <sup>nd</sup> | \$200 million xs \$100 million |
| 3 <sup>rd</sup> | \$100 million xs \$300 million |
| 4 <sup>th</sup> | \$100 million xs \$400 million |

For boiler & machinery coverage, there is a \$100 million per accident limit, \$50,000 expediting limit, \$500,000 for spoilage, \$1,000,000 ordinance or law limit, and \$500,000 limit on hazardous substance and water damage. The reinsurance contract has different deductibles based on type of loss.

For auto liability and general liability MIIA cedes claims in excess of \$500,000 up to the reinsurer's limit of \$3.5 million per occurrence. Under the same agreement, for law enforcement liability, public officials' liability and school board liability, MIIA cedes claims in excess of \$250,000 up to the reinsurer's limit of \$3.75 million per occurrence. The reinsurer has a maximum limit of liability of \$11 million each accident, occurrence or claim, per member.

The Group has an umbrella agreement for liability coverages under which the Group retains \$3 million in excess of \$1 million primary loss, up to the reinsurer's \$7 million limit of liability.

For the workers' compensation coverage, the reinsurance limit is the statutory limit of liability for workers' compensation and \$2 million for employers' liability, both of which have a \$750,000 retention.

The Group has an agreement for cyber liability reinsurance under which it cedes 100% of losses up to the reinsurer's \$1 million limit of liability per claim and in aggregate for any one policy. The policy provides separate coverage for defense costs to MIIA up to \$1 million in aggregate. The reinsurer has a \$10 million aggregate limit of liability. Additionally, the Group has aggregate coverage excess the underlying coverage up to the reinsurer's \$10 million limit of liability.

**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 June 30, 2022. The financial statements are the responsibility of Group management.

Statement of Assets, Liabilities, Surplus and Other Funds as of June 30, 2022

Statement of Income for the Year Ended June 30, 2022

Reconciliation of Capital and Surplus for the Four-Year Period Ended June 30, 2022

MIIA Property and Casualty Group, Inc.

Statement of Assets, Liabilities, Surplus and Other Funds  
As of June 30, 2022

|   | Per<br>Annual<br>Statement |
|---|----------------------------|
| <b>ASSETS</b>   |                            |
| Bonds   | \$ 210,277,844             |
| Common Stocks   | 69,162,219                 |
| Cash, cash equivalents and short-term investments     | 29,599,277                 |
| Receivable for securities                             | 19,539                     |
| Aggregate write-ins for invested assets               | 478,461                    |
| Subtotals, cash and invested assets                   | <u>309,537,340</u>         |
| Investment income due and accrued                     | 1,061,910                  |
| Amounts recoverable from reinsurers                   | 1,237,910                  |
| Receivables from parent, subsidiaries and affiliates  | 340,265                    |
| Aggregate write-ins for other-than-invested assets    | 219,033                    |
| Total Assets  | <u>\$ 312,396,458</u>      |
| <b>LIABILITIES</b>                                    |                            |
| Losses  | \$ 110,876,501             |
| Loss adjustment expenses                              | 25,172,429                 |
| Other Expenses  | 884,152                    |
| Dividends declared and unpaid: Policyholders          | 1,124,018                  |
| Ceded reinsurance premiums payable                    | 30,000                     |
| Amounts withheld by company for the account of others | 195,001                    |
| Provision for reinsurance                             | 14,639                     |
| Payable to parent, subsidiary and affiliates          | 167,927                    |
| Aggregate write-ins for liabilities                   | 3,020,552                  |
| Total Liabilities                                     | <u>141,485,219</u>         |
| <b>SURPLUS</b>  |                            |
| Unassigned funds                                      | <u>\$ 170,911,238</u>      |
| Surplus as regards policyholders                      | <u>170,911,238</u>         |
| Total Liabilities, Surplus and Other Funds            | <u>\$ 312,396,458</u>      |

MIIA Property and Casualty Group, Inc.

Statement of Income  
For the Year Ended June 30, 2022

|   | Per<br>Annual<br>Statement |
|---|----------------------------|
| Premiums earned   | \$ 82,026,005              |
| Deductions:   |                            |
| Losses incurred   | 50,963,082                 |
| Loss adjustment expenses incurred   | 16,020,626                 |
| Other underwriting expenses incurred  | 9,533,959                  |
| Total underwriting deductions   | 76,517,667                 |
| Net underwriting gain (loss)  | 5,508,338                  |
| Net investment income earned  | 6,928,096                  |
| Net realized capital gains (losses) less capital gains tax  | (1,060,009)                |
| Net investment gain (loss)  | 5,868,087                  |
| Aggregate write ins for miscellaneous income  | 192,892                    |
| Net income before dividends to policyholders, after<br>capital gains tax and before all other federal and foreign<br>income taxes | 11,569,317                 |
| Dividends to policyholders  | 500,000                    |
| Net income after dividends to policyholders, after<br>capital gains tax and before all other federal and foreign<br>income taxes  | 11,069,317                 |
| Net income  | \$ 11,069,317              |

MIIA Property and Casualty Group, Inc.

Reconciliation of Capital and Surplus  
For Each Year in the Four-Year Period Ended June 30, 2022

|  | 2022                 | 2021                 | 2020                 | 2019                 |
|--|----------------------|----------------------|----------------------|----------------------|
| Surplus as regards policyholders prior year    | \$166,780,704        | \$133,727,384        | \$128,743,838        | \$125,853,246        |
| Net income/(loss)                              | 11,069,317           | 18,752,558           | 6,257,466            | 8,094,737            |
| Change in net unrealized capital gains (loss)  | (6,581,995)          | 11,648,816           | 806,977              | (4,808,560)          |
| Change in nonadmitted assets                   | (468,336)            | (563,006)            | (108,807)            | (1,002,621)          |
| Change in provision for reinsurance            | 111,498              | 3,214,952            | (1,972,090)          | 607,036              |
| Aggregate write-ins for gain/loss in surplus   | 50                   | -                    | -                    | -                    |
| Change in capital and surplus                  | 4,130,534            | 33,053,320           | 4,983,546            | 2,890,592            |
| Surplus as regards policyholders, current year | <u>\$170,911,238</u> | <u>\$166,780,704</u> | <u>\$133,727,384</u> | <u>\$128,743,838</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**

**Loss and Loss Adjustment Expenses (“LAE”) Reserves**

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 of the Group as of June 30, 2022. 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 table below summarizes a comparison of Willis’ indicated net unpaid loss and LAE and the amount recorded by the Group (000’s omitted):

| Indicated Net Unpaid Loss & ALAE as of June 30, 2022 |           |                            |                            |                             | Indicated<br>Unpaid<br>ULAE |
|--|-----------|----------------------------|----------------------------|-----------------------------|-----------------------------|
|  | Expected  | 65%<br>Confidence<br>Level | 70%<br>Confidence<br>Level | 75 %<br>Confidence<br>Level |                             |
| Willis   | \$119,156 | \$125,297                  | \$127,595                  | \$129,760                   | \$9,400                     |
| Group  | \$126,649 | \$126,649                  | \$126,649                  | \$126,649                   | \$9,400                     |
| Over/(Under)   | \$7,493   | \$1,352                    | (\$946)                    | (\$3,111)                   | \$0                         |

**SUBSEQUENT EVENTS**

MMA Executive Director and MIIA President, Geoffrey Beckwith, retired on September 8, 2023. He was replaced by Adam Chapdelaine effective September 9, 2023.

MIIA began offering an unemployment services program as a risk management service initially to the workers’ compensation members in fiscal year 2023. Under this program, MIIA provides members with resources to help navigate unemployment benefits, including for identification of benefit payment errors and possible fraudulent claims as well as human resource management tools.

**SUMMARY OF RECOMMENDATIONS**


There were no significant recommendations noted by the examination team for improvement 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 Group during the examination.

The assistance rendered by the following examiner participating in this examination is acknowledged.

Steven Tsimsos, CFE, Financial Examiner II



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Maria Gannon, CFE  
Supervising Examiner  
Commonwealth of Massachusetts  
Division of Insurance



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Michael Lewandowski, CFE  
Examiner-in-Charge  
Commonwealth of Massachusetts  
Division of Insurance