



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

***REPORT OF EXAMINATION OF THE***  
**SCHOOL TRANSPORTATION ASSOCIATION OF MASSACHUSETTS**  
**SELF-INSURANCE GROUP, INC.**

**East Bridgewater, Massachusetts**

**As of December 31, 2020**

**EMPLOYER ID NUMBER 04-3236715**

# **SCHOOL TRANSPORTATION ASSOCIATION OF MASSACHUSETTS WORKERS' COMPENSATION SELF-INSURANCE GROUP, INC**

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**COMMONWEALTH OF MASSACHUSETTS**  
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**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

July 27, 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

**SCHOOL TRANSPORTATION ASSOCIATION OF MASSACHUSETTS WORKERS'**  
**COMPENSATION SELF-INSURANCE GROUP, INC.**

The Company's home office is located at 76 North Bedford Street, East Bridgewater, Massachusetts, 02333. The examination was conducted remotely. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

School Transportation Association of Massachusetts Workers' Compensation Self-Insurance Group, Inc. ("STAM" 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 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 BDO USA, LLP ("BDO"), 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.

School Transportation Association of Massachusetts Workers' Compensation Self-Insurance Group, Inc.

**GROUP HISTORY**

**General**

The Group was organized on October 27, 1993 and commenced business within the Commonwealth of Massachusetts on November 1, 1993, pursuant to and in accordance with Massachusetts General Laws, Chapter 180, to establish a not-for-profit association of employers to constitute a workers' compensation self-insurance group. The Group was created consistent with Massachusetts General Laws, Chapter 152, and Section 25E through 25U and 211 Commonwealth of Massachusetts Regulation ("CMR") 67.00 to provide workers' compensation coverage for a group of eligible companies which are engaged in the Massachusetts school transportation industry.

During the operating period under review, the Group has engaged FutureComp ("Administrator"), a subsidiary of USI Insurance Services, to perform and manage the day-to-day activities of the Group through a written administrative 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	\$1,459,695
2019	1,030,558
2018	(95,936)

**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, with the exception that the Board of Directors met three times during 2018 and 2019 and not each quarter as required but beginning in 2020 the Board began met quarterly to comply with the bylaws. The minutes indicate that all meeting were held in accordance with 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 Laws, Chapter 180 to operate as a workers' compensation self-insurance

School Transportation Association of Massachusetts Workers' Compensation Self-Insurance  
Group, Inc.

group as defined by Chapter 152 of the General Law in order to support the activities for a group of eligible companies which are engaged in the Massachusetts school transportation industry.

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 Incorporation, by law, or the bylaws. The Board of Directors shall consist of not fewer than three nor more than eleven Directors. The Group's Board of Directors consisted of the following individuals:

<u>Name of Directors</u>	<u>Title</u>
Stephen Ingle	Joseph Ingle Bus Service
Clayton Tellstone	Tellstone & Son, Inc.
Eric Amaral	Amaral Auto & Truck Driving School
Theresa Lecrenski	Five Star Transportation
Jose Amaral	Amaral Bus Company, Inc.
Kevin Penney	Vendetti Motors, Inc.
Kristin Binette	NRT Bus, Inc.
William Lucini	Lucini Bus Lines, Inc.
David Strong, Jr.	STAM Association President

Officers

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

<u>Name of Officers</u>	<u>Title</u>
Stephen Ingle	President
Clayton Tellstone	Vice-President
Frank Underhill	Treasurer/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.

Services Agreement

The Group has a services agreement with School Transportation Association of Massachusetts. Under the agreement the Sponsoring Organization shall promote the interests of the Group which

School Transportation Association of Massachusetts Workers' Compensation Self-Insurance  
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shall include but not be limited to, recruiting new members for the Group; monitoring, reporting and lobbying legislation of interest to the Group; utilization of meeting space and computer system; and participating at meeting of the Board of Trustees, its committees and safety meetings. The expense for the services under the agreement with the Sponsoring Organization during the period covered by this examination were as follows:

2020	\$177,999
2019	170,575
2018	120,992

**TERRITORY AND PLAN OF OPERATION**

The Group is a workers' compensation self-insurance group permitted to transact workers' compensation business only in the Commonwealth of Massachusetts to qualifying members engaged in the Massachusetts school transportation industry. Members must have a payroll domiciled in the Commonwealth of Massachusetts. As of the examination date, the Group consisted of 45 active members. The Group reported \$4.5 million of 2020 direct premium written in Massachusetts

**REINSURANCE**

**Ceded Reinsurance**

The Group maintains specific and aggregate excess workers' compensation coverage through Midwest Employers Casualty 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 2020 was \$750,000. The limits of liability per occurrence and in aggregate for each year under examination were the statutory level which was \$5,000,000.

**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.

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

Statement of Income for the Year Ended December 31, 2020

School Transportation Association of Massachusetts Workers' Compensation Self-Insurance  
Group, Inc.

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

	Per Annual Statement
<b>ASSETS</b>	
Bonds	\$ 4,810,903
Cash, cash equivalents and short-term investments	1,576,916
Subtotals, cash and invested assets	<u>6,387,819</u>
Investment income due and accrued	29,227
Aggregate write-ins for other-than-invested assets	9,246
Total Assets	<u><u>\$ 6,426,292</u></u>
<b>LIABILITIES</b>	
Losses	\$ 1,939,293
Loss adjustment expenses	241,610
Other expenses	36,674
Taxes, licenses and fees	18,727
Current federal and foreign income taxes	19,599
Advance Premium	466,636
Dividends declared and unpaid: Policyholders	3,608,558
Aggregate write-ins for special surplus funds	95,195
Total Liabilities	<u>6,426,292</u>
<b>SURPLUS</b>	
Surplus as regards policyholders	<u>-</u>
Total Liabilities, Surplus and Other Funds	<u><u>\$ 6,426,292</u></u>



School Transportation Association of Massachusetts Workers' Compensation Self-Insurance  
Group, Inc.

Statement of Income  
For the Year Ended December 31, 2020

	Per Annual Statement
Premiums earned	\$ 3,964,787
Deductions:	
Losses incurred	1,156,966
Loss adjustment expenses	256,401
Other underwriting expenses	1,202,265
Aggregate write-ins for underwriting deductions	(19,039)
Total underwriting deductions	2,596,593
Net underwriting gain (loss)	1,368,194
 Net investment income earned	 82,701
Net realized capital gains (losses) less capital gains tax	15,787
Net investment gain (loss)	98,488
 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	 1,466,682
Dividends to policyholders	1,459,695
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	6,987
Federal and foreign income taxes incurred	19,599
Net income	\$ (12,612)
 <b>CAPITAL AND SURPLUS ACCOUNT</b>	
Surplus as regards policyholders, December 31 prior year	\$ -
Net income	(12,612)
Change in nonadmitted assets	12,612
Change in surplus as regards policyholders for the year	-
Surplus as regards policyholders, December 31 current year	\$ -

School Transportation Association of Massachusetts Workers' Compensation Self-Insurance Group, Inc.

**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 Group retained the services of Milliman, Inc. ("Milliman") 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 net basis.

Milliman's projection of future claim reporting and payment is based on STAM's historical results supplemented with applicable insurance industry information in the areas of loss development, benefit level changes, trend, and increased limits factors.

Milliman 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 statutory Annual Statement have been discounted using a discount factor that would result from use of the interest rates and loss payment patterns prescribed by and under section 846 of the Internal Revenue code of 1986, as amended. Such discounting of loss reserves is permitted by Massachusetts Regulation 211 CMR 67.00.

The following chart illustrates the results of Milliman's analysis providing the actuarial central estimate. The Group holds reserves for loss and LAE at the central estimate.

<u>School Transportation Association of Massachusetts Workers' Compensation Self-Insurance Group, Inc.</u>			
<u>Milliman's Central Estimate</u>	<u>Group Carried</u>	<u>Discount</u>	<u>Group Carried Discounted</u>
\$2,525,584	\$2,525,584	\$(344,680)	\$2,180,903

**SUMMARY OF RECOMMENDATIONS**

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

School Transportation Association of Massachusetts Workers' Compensation Self-Insurance  
Group, Inc.

**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

*John Curran*

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