



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

***REPORT OF EXAMINATION OF THE***  
**Self Insured Lumber Businesses Association, Inc.**  
**Chicopee, Massachusetts**  
**As of December 31, 2020**

**EMPLOYER ID NUMBER 04-3138069**

# **SELF INSURED LUMBERS BUSSINESSES ASSOCIATION, INC.**

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

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**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

July 28, 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

**SELF INSURED LUMBER BUSINESSES ASSOCIATION, INC.**

The Company's home office is located at 711 East Main Street, Suite 201, Chicopee, Massachusetts, 01020. The examination was conducted remotely. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Self Insured Lumber Businesses Association, Inc. (“SILBA” 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.

## **GROUP HISTORY**

### **General**

The Group was organized on October 1, 1991 and commenced business within the Commonwealth of Massachusetts on March 1, 1992, pursuant to and in accordance with Massachusetts General

## Self Insured Lumber Businesses Association, Inc.

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, Sections 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 lumber/building materials 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	\$107,829
2019	134,530
2018	(245,420)

## **MANAGEMENT AND CONTROL**

### Board of Trustees Minutes

The minutes of meetings of the Board of Trustees 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.

### 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 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 lumber/building materials business in the Commonwealth of Massachusetts.

### Board of Trustees

According to the bylaws, the Group's business shall be managed by a Board of Trustees 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 Trustees shall consist of not fewer than five nor more than eleven Trustees. The Group's Board of Trustees consisted of the following individuals:

## Self Insured Lumber Businesses Association, Inc.

<u>Name of Trustees</u>	<u>Title</u>
Debra D. Torres	Chief Employee Experience Officer, North Atlantic Corporation
Joseph Torrisi	Treasurer, Jackson Lumber & Millwork Company
David Perry	Chief Financial Officer, Concord Lumber Corporation
John Hoell	Manager, Shepley Wood Products
Thomas McManus	President, Cape Cod Lumber
Linda Lyons	Human Resources Manager, Brockway-Smith Company
Wayne Moriarty	Chief Financial Officer, Atlantic Plywood Corporation
John Mahoney	Chief Operating Officer, Fairview Millwork, Inc.
Jason Thacker	Operations & Outside Sales Manager, Howe Lumber

### Officers

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

<u>Name of Officers</u>	<u>Title</u>
Debra D. Torres	President
Joseph Torrisi	Treasurer
David Perry	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.

### Sponsorship Relationship

The Group's bylaws require that members of the Group be a member or associate member in good standing of the Massachusetts Retail Lumber Dealers Association ("MRLDA"). The Group also pays an annual fee of \$7,500 to MRLDA, who provides resources and exposure to potential members for the Group. There is no formal agreement between SILBA and MRLDA.

## **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 which

## Self Insured Lumber Businesses Association, Inc.

are engaged in the Massachusetts lumber/building materials industry. As of the examination date, the Group consisted of 55 active members. The Group reported \$4.35 million of 2020 direct premium written in Massachusetts

### **REINSURANCE**

#### **Ceded Reinsurance**

The Group maintains specific and aggregate excess workers' compensation coverage through Safety National Casualty Corporation, 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 \$700,000. The limits of liability per occurrence and in aggregate for each year under examination were \$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

Self Insured Lumber Businesses Association, Inc.

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

	Per Annual Statement
<b>ASSETS</b>	
Bonds	\$ 5,518,822
Cash, cash equivalents and short-term investments	1,273,252
Subtotals, cash and invested assets	<u>6,792,074</u>
Investment income due and accrued	35,563
Amounts recoverable from reinsurers	33,826
Aggregate write-ins for other-than-invested assets	1,224
Total Assets	<u>\$ 6,862,687</u>
<b>LIABILITIES</b>	
Losses	\$ 4,242,712
Loss adjustment expenses	602,013
Other expenses	36,603
Taxes, licenses and fees	76,257
Current federal and foreign income taxes	13,810
Advance Premium	770,108
Dividends declared and unpaid: Policyholders	897,692
Ceded reinsurance premiums payable	38,562
Aggregate write-ins for liabilities	142,963
Total Liabilities	<u>6,820,720</u>
<b>SURPLUS</b>	
Gross paid in and contributed surplus	\$ 41,967
Surplus as regards policyholders	41,967
Total Liabilities, Surplus and Other Funds	<u>\$ 6,862,687</u>



# Self Insured Lumber Businesses Association, Inc.

## Statement of Income For the Year Ended December 31, 2020

	Per Annual Statement
Premiums earned	\$ 3,921,888
Deductions:	
Losses incurred	3,132,696
Loss adjustment expenses	218,674
Other underwriting expenses	670,630
Aggregate write-ins for underwriting deductions	(28,592)
Total underwriting deductions	3,993,408
Net underwriting gain (loss)	(71,520)
Net investment income earned	118,496
Net realized capital gains (losses) less capital gains tax	21,643
Net investment gain (loss)	140,139
Aggregate write-ins for miscellaneous income	57,749
Total other income	57,749
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	126,368
Dividends to policyholders	107,829
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	18,539
Federal and foreign income taxes incurred	18,539
Net income	\$ 0

### CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31 prior year	\$ 41,967.00
Change in surplus as regards policyholders for the year	-
Surplus as regards policyholders, December 31 current year	\$ 41,967.00

**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 Willis Towers Watson US LLC (“Willis”) to prepare an independent actuarial analysis of the Group’s loss and LAE liabilities as of December 31, 2020. The analysis is performed on both a gross and net basis.

Willis’ projection of future claim reporting and payment is based on SILBA’s historical experience. In cases for which SILBA’s historical data is not sufficiently credible, stable or mature, Willis supplemented SILBA’s experience with FutureComp SIG Compilation historical experience as well as benchmark reporting and payment patterns.

Willis 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 Willis’ analysis providing the actuarial central estimate. The Group holds reserves within Willis’ range of reasonable estimates.

<b><u>Self Insured Lumber Businesses Association, Inc.</u></b> (Dollars in thousands)			
	<b><u>Gross of Excess Insurance</u></b>	<b><u>Net of Excess Insurance</u></b>	<b><u>Discounted Reserve</u></b>
<b><u>Willis’ Central Estimate</u></b>	\$6,013	\$5,888	\$5,084
<b><u>Group Carried</u></b>	\$5,737	\$5,611	\$4,845

**SUMMARY OF RECOMMENDATIONS**

The Division recommends that going forward the Group carry loss and LAE reserves only at the actuary’s central estimate.

**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



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