

EXAMINATION REPORT
of
VIRGINIA CONTRACTORS
GROUP SELF-INSURANCE ASSOCIATION
ROANOKE, VIRGINIA
as of
DECEMBER 31, 2014

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Virginia Contractors Group Self-Insurance Association as of December 31, 2014, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 24th day of February, 2016

A handwritten signature in cursive script that reads "Jacqueline K. Cunningham".

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

TABLE OF CONTENTS

DESCRIPTION	1
HISTORY	1
MANAGEMENT AND CONTROL	2
TERRITORY AND PLAN OF OPERATION	3
ADMINISTRATIVE AGREEMENT	4
CLAIMS SERVICE AGREEMENT	4
DIVIDENDS TO MEMBERS	5
FIDELITY BOND COVERAGE.....	5
SPECIAL RESERVES AND DEPOSITS	5
EXCESS INSURANCE COVERAGE	6
SCOPE	7
FINANCIAL STATEMENTS	8
RECOMMENDATIONS FOR CORRECTIVE ACTION	15
CONCLUSION	18

Richmond, Virginia
November 17, 2015

Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Richmond, Virginia

Dear Madam:

Pursuant to your instructions and by authority of Section 38.2-1317 of the Code of Virginia, an examination of the records and affairs of:

**VIRGINIA CONTRACTORS
GROUP SELF-INSURANCE ASSOCIATION**

Roanoke, Virginia

hereinafter referred to as the Association, has been completed. The report is hereby submitted for your consideration.

DESCRIPTION

The Association is a group self-insurance association licensed to provide workers' compensation coverage and employers' liability coverage to its members pursuant to Section 65.2-802 of the Code of Virginia and 14 VAC 5-370-10 et seq. (Rules Governing Group Self-Insurers of Liability Under the Virginia Workers' Compensation Act) promulgated by the State Corporation Commission (the "Commission").

The Association was last examined by representatives of the Commission's Bureau of Insurance (the "Bureau") as of December 31, 2011. This examination covers the period from January 1, 2012 through December 31, 2014.

HISTORY

The Association was licensed by the Bureau effective June 1, 1982. On July 1, 1990, the Bureau revised the Association's license to authorize employers' liability coverage.

According to the Articles of Association, the Association was formed for the following purposes:

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

- (a) To consider and deal by all lawful means with common problems involved in employee safety in the construction industry and to secure cooperative action in advancing common purposes of the members of the Association.
- (b) To qualify as a group self-insurance association with the goal of pooling the liabilities of its members which liabilities may arise under the Virginia Workers' Compensation Act. Such qualification shall be done in accordance with the applicable laws of the Commonwealth of Virginia as well as any rules or regulations adopted pursuant thereto.
- (c) To do anything necessary and proper for the accomplishment of any of the purposes set forth herein.

MANAGEMENT AND CONTROL

Control of the Association is vested in a Members' Supervisory Board (the "Board") elected by the members of the Association. The by-laws provide for no less than six nor more than nine board members of which three-fourths must be members of the Association. The Board shall elect a Chairman, a Vice-Chairman, a Secretary and any additional officers, as the Board deems necessary.

The Board and officers were as follows at December 31, 2014:

<u>Representative</u>	<u>Member</u>
Charles G. Cary	Retired Richmond, Virginia
John M. Jordan, III	Hawkins-Graves, Inc. Lynchburg, Virginia
Alastair S. Macdonald	Bruce Corporation Yorktown, Virginia
James J. Malloy	Retired Charlottesville, Virginia
Mark R. Pace	E.C. Pace Company, Inc. Roanoke, Virginia

Anthony D. Shultz

Nicholson Sprinkler Corporation
Richmond, Virginia

Allen B. Whittle

Thor, Inc.
Roanoke, Virginia

Wayne D. Witmer

Harman Construction, Inc.
Harrisonburg, Virginia

Officers

Anthony D. Shultz
Mark R. Pace
John M. Jordon

Chairman
Vice-Chairman
Secretary

TERRITORY AND PLAN OF OPERATION

The operation of the Association is confined to Virginia where it is licensed to transact the business of workers' compensation and employers' liability group self-insurance. Membership in the Association is available to applicants engaged in a similar type of business upon the approval of the Board and the Bureau.

All members are required to enter into an indemnity agreement in which each member jointly and severally agrees to assume and discharge members' employers' liabilities and any and all members' liabilities covered under the Virginia Workers' Compensation Act. No formal insurance policy is issued to the members.

The Association has a contractual agreement with an administrator who shall administer and manage the affairs of the Association in accordance with the policies adopted and established by the Board. Claims are processed and paid by a service agent under a contractual agreement with the Association. The Association's operations are conducted on a fiscal year basis ending May 31.

ADMINISTRATIVE AGREEMENT

Effective June 1, 1984, the Association entered into an administrative agreement with Thomas Rutherford, Inc. ("Rutherford"). The initial term of this agreement was for a period of two years and shall be continued for additional two year periods thereafter unless written notice of intent to cancel is given no later than 60 days prior to the end of the contract period by either party.

According to the agreement, Rutherford shall advise the Board on policy matters and ensure that the provisions of the Association's contracts for services are met. Additionally, Rutherford shall establish and maintain a resident address for the Association; maintain a set of books; bill and collect all sums due the Association; pay all items of expense; invest the Association's fund surpluses as directed by the Board; properly account for all funds so handled to the Board annually; and perform other duties as directed.

As compensation for its services, Rutherford shall receive 11% of the normal premium collected. Total administrative fees expense for the calendar year 2014 was \$794,057.

CLAIMS SERVICE AGREEMENT

Effective June 1, 2011, the Association entered into a claims service agreement with Assurance Services Corporation ("ASC"). The Association may terminate the Agreement upon 90 days written notice; however ASC must give 180 days written notice to the Association if it intends to terminate the Agreement.

According to the agreement, ASC shall provide full claims handling and adjusting for all claims incurred during the period of this agreement until their conclusion, unless otherwise transferred; furnish full and complete monthly reports to the Association and member employers on injuries, including occupational diseases, and of all payments made and reserves set up for anticipated compensation and expenses of these injuries and diseases; provide risk control services to the Association's members; and prepare, on behalf of the Association and member employers, for all scheduled hearings before the Virginia Workers' Compensation Commission. Other services include supervision of the member payroll audit process, attendance at the Association's annual members' meeting, quarterly Board meetings and marketing workshops. As compensation for its services, Assurance Services shall receive 7.5% of the collected premium. Total claims service agent fee expense for calendar year 2014 was \$542,757.

Effective May 1, 2013, ASC entered into a third party claims administrative services agreement with PMA Management Corp. ("PMA") to provide full claims handling services previously provided to the Association by ASC. ASC compensates PMA for all services provided under the agreement.

DIVIDENDS TO MEMBERS

Any surplus assets accumulated within a fiscal year may be declared refundable by the Board. Payment of this surplus in the form of dividends, however, may not be made until the Association has received approval from the Bureau. During the examination period, the Bureau approved the following dividend:

<u>Fiscal Year</u>	<u>December 13, 2012</u>
1986/1987	\$ 46,314
1996/1997	26,582
2000/2001	11,479
2002/2003	11,414
2005/2006	179,774
2010/2011	<u>0</u>
 Total	 <u>\$ 275,563*</u>

*The approval was contingent upon dividend funds in the 1986/1987, 1996/1997, 2000/2001 and 2002/2003 fiscal years totaling \$95,789 being reallocated to the 1997/1998, 2001/2002 and 2003/2004 fiscal year for deficit reduction.

FIDELITY BOND COVERAGE

At December 31, 2014, the Administrator was listed as a named insured on a fidelity bond, with a \$2,500,000 limit of liability, to insure against losses arising from dishonest acts of its officers and employees. As the Association does not have employees all transactions are conducted by employees of the Administrator.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2014, the Association had United States Government Agency obligations with a par value of \$1,000,000 on deposit with the Treasurer of Virginia in lieu of carrying aggregate excess insurance. Pursuant to 14 VAC 5-370-60 A, each group self-insurance association licensed by the Bureau shall maintain a security deposit of

\$250,000. This requirement was met by a separate surety bond on deposit with the Treasurer of Virginia

EXCESS INSURANCE COVERAGE

The Association had a specific excess insurance agreement in force at December 31, 2014, with the following limits:

	<u>Association's Retention</u>	<u>Excess Insurer's Limits</u>
Specific Excess	\$1,000,000 for each Accident or Disease	Workers' Compensation Statutory Employers' Liability \$1,000,000

The Association does not carry aggregate excess insurance because it has satisfied the requirement set forth in 14 VAC 5-370-90, which states, in part, that the Commission may release the Association from the aggregate excess insurance requirement if the deposit with the Treasurer of Virginia established by the Association is in an amount determined by the Commission to be adequate.

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. It covers the period January 1, 2012 through December 31, 2014. Assets were verified and liabilities were established at December 31, 2014. A review of income and disbursements for the period was made to the extent deemed necessary.

The items comprising the Balance Sheet had a medium or low risk assessment as determined from the principles of the risk-based examination approach contained in the NAIC Financial Condition Examiners Handbook. Analytical review procedures were applied to non-material items.

In addition, the following matters were reviewed, several of which are discussed separately under their respective captions in the report:

History
Management and Control
Territory and Plan of Operation
Administrative Agreement
Claims Service Agreement
Dividends to Members
Fidelity Bond Coverage
Special Reserves and Deposits
Excess Insurance Coverage
Financial Statements

FINANCIAL STATEMENTS

There follows a statement reflecting the financial condition of the Association at December 31, 2014, a statement of income for the year ended December 31, 2014, a reconciliation of members' equity for the period under review, a statement of members' account by fiscal year inception to date and a statement of Examiners' changes in members' equity.

BALANCE SHEET
DECEMBER 31, 2014

ASSETS

Bonds, short-term	\$473,315
Bonds, long-term	9,613,325
Other invested assets	1,114,681
Cash on deposit	2,139,588
Deposit with service agent	563,293
Premiums receivable	445,788
Interest due and accrued	89,171
Amounts recoverable on paid losses	212,325
Refundable income taxes	25,688
Income tax special deposit	626,480
Prepaid insurance	102,789
Prepaid service fees	119,759
Prepaid administrative fees	107,340
	<hr/>
Total assets	<u><u>\$15,633,542</u></u>

LIABILITIES AND MEMBERS' EQUITY

Losses unpaid	\$11,761,792
Loss adjustment expenses unpaid	726,912
Contingency reserve	1,746,867
Unearned premiums	1,556,606
Excess insurance premiums payable	39,067
Premium refunds payable	403,857
Administrative fees payable	19,122
Service agent's fees payable	12,891
Taxes, licenses and fees payable	313,602
Dividends payable	3,919
	<hr/>
Total liabilities	\$16,584,635
Restricted members' equity	\$998,230
Unrestricted members' equity	(1,949,323)
	<hr/>
Total liabilities and members' equity	<u><u>\$15,633,542</u></u>

STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2014

UNDERWRITING INCOME

Premiums earned	<u>\$6,408,205</u>
Deductions:	
Losses incurred	\$5,328,415
Loss expenses incurred	899,534
Other underwriting expenses incurred	1,143,694
Contingency reserve	(176,788)
Voluntary supplemental fund	<u>(300,000)</u>
Total underwriting deductions	<u>\$6,894,855</u>
Net underwriting loss	<u>(\$486,650)</u>

INVESTMENT INCOME

Net investment income earned	\$392,623
Net realized capital losses	<u>(180,634)</u>
Net investment gain	<u>\$211,989</u>

OTHER INCOME

Other income	<u>(\$3,473)</u>
Total other income	<u>(\$3,473)</u>
Net income before federal income taxes incurred	(\$278,134)
Federal income taxes incurred	<u>9,984</u>
Net loss	<u><u>(\$288,118)</u></u>

RECONCILIATION OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Members' equity, previous year before undistributed dividends *	\$1,158,442	\$136,377	(\$791,078)
Adjustment for previous examination changes	(63,201)		
Net income or (loss)	(344,179)	(274,718)	(288,118)
Net unrealized capital gains or (losses)	(616,986)	(474,581)	132,022
Dividends paid to members	<u>2,301</u>	<u>(178,156)</u>	<u>0</u>
Restricted and unrestricted members' equity, end of year	\$136,377	(\$791,078)	(\$947,174)
Less: Restricted members' equity, end of year	<u>1,009,265</u>	<u>991,474</u>	<u>998,230</u>
Unrestricted members' equity, end of year before undistributed dividends	(\$872,888)	(\$1,782,552)	(\$1,945,404)
Less: Dividends declared but unpaid	<u>2,301</u>	<u>3,919</u>	<u>3,919</u>
Unrestricted members' equity, end of year	<u><u>(\$875,189)</u></u>	<u><u>(\$1,786,471)</u></u>	<u><u>(\$1,949,323)</u></u>

* Adjusted members' equity from previous examination

Members' Account By Fiscal Year Inception to Date December 31, 2014

	All Other Fiscal Years Preceding 1982-2011	Third Fiscal Year Preceding 2011/2012	Second Fiscal Year Preceding 2012/2013	First Fiscal Year Preceding 2013/2014	Partial Current Fiscal Year 6/1/14-12/31/14	Total Inception to Date (1982-2014)
<u>Income Received</u>						
Premiums written	\$149,439,084	\$7,113,963	\$7,078,734	\$6,417,442	\$5,821,998	\$175,871,221
Less: Excess insurance	14,155,341	598,794	633,180	582,141	551,785	16,521,241
Net premiums written	\$135,283,743	\$6,515,169	\$6,445,554	\$5,835,301	\$5,270,213	\$159,349,980
Investment income	12,519,272	666,046	893,964	357,056	148,835	14,585,173
(Allocation between years)	1,453,323	(399,617)	(642,456)	(282,866)	(128,384)	0
Other	39,139	8,204	(12,442)	28,654	(364,109)	(300,554)
Total income collected	\$149,295,477	\$6,789,802	\$6,684,620	\$5,938,145	\$4,926,555	\$173,634,599
<u>Less: Expenses Paid</u>						
Losses paid	\$85,690,475	\$5,214,898	\$2,746,781	\$1,969,989	\$493,693	\$96,115,836
Allocated loss adjustment expenses paid	4,883,445	358,826	239,222	234,279	81,159	5,796,931
Administrative fees	15,843,121	782,755	772,394	693,063	609,321	18,700,654
Service agent's fees	10,863,586	533,683	526,758	472,564	415,447	12,812,038
Taxes, licenses and fees	3,884,514	429,354	329,891	342,236	26,129	5,012,124
Federal income tax	224,666	104,706	15,197	50,763	71,069	466,401
Other expenses	673,296	19,670	15,386	15,452	15,295	739,099
Total expenses	\$122,063,103	\$7,443,892	\$4,645,629	\$3,778,346	\$1,712,113	\$139,643,083
Net cash income	\$27,232,374	(\$654,090)	\$2,038,991	\$2,159,799	\$3,214,442	\$33,991,516
<u>Add: Receivables</u>						
Premiums receivable	\$0	\$0	\$0	\$0	\$445,788	\$445,788
Interest due and accrued	47,566	0	14,125	15,229	12,251	89,171
Recoverable on paid losses	212,325	0	0	0	0	212,325
Other	225	801	0	10,703	343,847	355,576
Total	\$260,116	\$801	\$14,125	\$25,932	\$801,886	\$1,102,860
<u>Deduct: Liabilities</u>						
Losses unpaid	\$4,862,349	\$1,288,685	\$1,365,236	\$1,799,629	\$2,445,893	\$11,761,792
Loss adjustment expenses	424,982	73,300	60,405	55,191	113,034	726,912
Contingency reserve	1,204,902	0	212,362	192,523	137,080	1,746,867
Unearned premiums	0	0	0	0	1,556,606	1,556,606
Excess insurance payable	0	0	0	39,067	0	39,067
Premium refunds payable	0	2,412	0	0	401,445	403,857
Administrative fees payable	0	0	6,267	12,855	0	19,122
Service agent's fees payable	0	0	4,148	8,743	0	12,891
Taxes, licenses and fees payable	0	0	0	0	313,602	313,602
Total	\$6,492,233	\$1,364,397	\$1,648,418	\$2,108,008	\$4,967,660	\$16,580,716

Members' Account By Fiscal Year Inception to Date December 31, 2014

	All Other Fiscal Years Preceding 1982-2011	Third Fiscal Year Preceding 2011/2012	Second Fiscal Year Preceding 2012/2013	First Fiscal Year Preceding 2013/2014	Partial Current Fiscal Year 6/1/14-12/31/14	Total Inception to Date (1982-2014)
Restricted and Unrestricted Members' Equity to date by fiscal year before dividends	\$21,000,257	(\$2,017,686)	\$404,698	\$77,723	(\$951,332)	\$18,513,660
Less: Dividends paid inception to date by fiscal year	19,460,834	0	0	0	0	19,460,834
Contingency fund special allocatio	(234,807)	234,807	0	0	0	0
Less: Restricted Members' Equity by fiscal year	<u>665,488</u>	<u>83,186</u>	<u>83,186</u>	<u>83,185</u>	<u>83,185</u>	<u>998,230</u>
Unrestricted Members' Equity undistributed by fiscal year	\$639,128	(\$1,866,065)	\$321,512	(\$5,462)	(\$1,034,517)	(\$1,945,404)
Less: Dividends declared but unpaid	<u>3,919</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,919</u>
Unrestricted Members' Equity 12/31/14	<u>\$635,209</u> *	<u>(\$1,866,065)</u>	<u>\$321,512</u>	<u>(\$5,462)</u>	<u>(\$1,034,517)</u>	<u>(\$1,949,323)</u>

* - Although the cumulative unrestricted members' equity for the fiscal years 1982-2011 at December 31, 2014 was \$635,209; the 1992/1993, 1993/1994, 1996/1997, 1997/1998, 1998/1999, 2001/2002 and 2007/2008 fiscal years had members' equity deficits of \$617, \$28, \$168,389, \$131,768, \$52,281, \$16,968 and \$788,846, respectively.

STATEMENT OF EXAMINERS' CHANGES IN MEMBERS' EQUITY
DECEMBER 31, 2014

	Amount Per <u>Association</u>	Amount Per <u>Examiner</u>	Increase (Decrease) <u>Members' Equity</u>
Assets:			
Premiums receivable	\$164,912	\$445,788	\$280,876
Amounts recoverable on paid losses	220,651	212,325	(8,326)
Prepaid insurance	107,521	102,789	(4,732)
Prepaid service fees	80,409	119,759	39,350
Prepaid administrative fees	117,947	107,340	(10,607)
Liabilities:			
Losses unpaid	11,093,427	11,761,792	(668,365)
Loss adjustment expenses unpaid	693,371	726,912	(33,541)
Contingency reserve	1,743,966	1,746,867	(2,901)
Unearned premiums	1,388,504	1,556,606	(168,102)
Premium refunds payable	211,920	403,857	(191,937)
Taxes, licenses and fees payable	301,433	313,602	(12,169)
Examiners' changes in members' equity			<u>(\$780,454)</u>
Restricted and unrestricted members' equity per Association			(\$170,639)
Restricted and unrestricted members' equity per Examiners			<u>(951,093)</u>
Increase in unrestricted members' equity			<u>(\$780,454)</u>

RECOMMENDATIONS FOR CORRECTIVE ACTION

Management and Control

1. The results of this examination reflect a members' equity deficit for the 1992/1993, 1993/1994, 1996/1997, 1997/1998, 1998/1999, 2001/2002, 2007/2008, 2011/2012, 2013/2014 fiscal years and the 2014/2015 partial current fiscal year of \$617, \$28, \$168,389, \$131,768, \$52,281, \$16,968, \$788,846, \$1,866,065, \$5,462 and \$1,034,517, respectively. The Board is reminded of its responsibility to assure that the Association is financially sound and able to fulfill its obligations under the Virginia Workers' Compensation Act.

Accounts and Records

2. Amounts recoverable on paid losses \$212,325

The above asset is \$8,326 less than the amount reported by the Association in its 2014 Annual Statement. The decrease is due to amounts reported by the Association as excess claims recoverable at December 31, 2014 deemed uncollectible by the Examiner. It is recommended that the Association, with its service agent, fully review and properly report the amounts recoverable on paid losses in future Annual Statement filings with the Bureau.

3. Prepaid insurance \$102,789

The above asset is \$4,732 less than the amount reported by the Association in its 2014 Annual Statement. The Examiners' amount reflects the unused portion of the Association's excess insurance and other insurance premiums paid in 2014, but applicable to policy periods ending in 2015.

4. Losses unpaid \$11,761,792

The above liability is \$668,365 more than the amount reported by the Association in its 2015 Annual Statement. The increase in Losses unpaid by fiscal year is as follows:

<u>Fiscal Year</u>	<u>Association</u>	<u>Examiners</u>	<u>Increase</u>
1996/1997	(\$91,224)	\$1,136	\$92,360
1998/1999	(2,082)	82,195	84,277
2006/2007	259,685	310,402	50,717
2007/2008	644,417	852,377	207,960
2009/2010	780,925	904,821	123,896
2010/2011	830,664	939,819	<u>109,155</u>
			<u>\$668,365</u>

The Examiners' increase results from a development of losses paid and reserve changes occurring during the period January 1, 2015 through September 30, 2015 on claims incurred December 31, 2014 and prior. The Association should review its methodologies to ensure sufficient loss reserves are established in future filings with the Bureau.

5. Loss adjustment expenses unpaid \$726,912

The above liability is \$33,541 more than the amount reported by the Association in its 2014 Annual Statement. The increase in loss adjustment expenses unpaid by fiscal year is as follows:

<u>Fiscal Year</u>	<u>Association</u>	<u>Examiners</u>	<u>Increase</u>
1990/1991	\$0	\$838	\$838
1996/1997	161,079	178,707	17,628
1998/1999	9,892	18,117	8,225
2006/2007	26,135	28,351	2,216
2009/2010	13,405	16,657	3,252
2010/2011	21,270	22,652	<u>1,382</u>
			<u>\$33,541</u>

The Examiners' increase results from a development of loss adjustment expenses paid and reserve changes occurring during the period January 1, 2015 through September 30, 2015 on claims incurred December 31, 2014 and prior. The

Association should review its methodologies to ensure sufficient loss adjustment expense reserves are established in future filings with the Bureau.

6. Taxes, licenses, and fees payable \$313,602

The above liability is \$12,169 more than the amount reported by the Association in its 2014 Annual Statement. The Examiners' amount is based on a review of invoices paid in 2015 for taxes pertaining to 2014.

Payroll Audit Changes

The adjustments in the following recommendations were determined by utilizing each member's final 2014/2015 fiscal year payrolls which were not fully completed until after the Association's 2014 Annual Statement filing to the Bureau.

7. Premiums receivable \$445,788
Premium refunds payable \$403,857

The above amounts have been increased \$280,876 and \$191,937, respectively. The Examiners' amounts are based on subsequent 2014/2015 fiscal year member payroll audits and reflect differences between audited contributions and contributions paid, prorated for the period June 1, 2014 through December 31, 2014.

8. Prepaid service fees \$119,759

The above asset is \$39,350 more than the amount reported by the Association in its 2014 Annual Statement. The Examiners' amount reflects claims service agent fees paid at December 31, 2014, less the amount owed at December 31, 2014 based on the Examiners' analysis of member payroll audits for the period under review and subsequent 2014/2015 fiscal year member payroll audits.

9. Prepaid administrative fees \$107,340

The above asset is \$10,607 less than the amount reported by the Association in its 2014 Annual Statement. The Examiners' amount reflects administrative fees paid at December 31, 2014, less the amount owed at December 31, 2014 based on the Examiners' analysis of member payroll audits for the period under review and subsequent 2014/2015 fiscal year member payroll audits.

10. Contingency reserve \$1,746,867

The above liability is \$2,901 more than the amount reported by the Association in its 2014 Annual Statement. The Examiners' change is a result of an increase in earned premium based on a review of member payroll audits during the period under review and subsequent 2014/2015 fiscal year member payroll audits, which is the basis for the calculation of the contingency reserve.

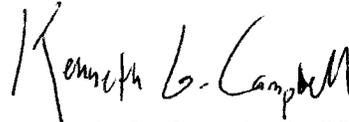
11. Unearned premiums \$1,556,606

The above liability is \$168,102 more than the amount reported by the Association in its 2014 Annual Statement. The Examiners' amount reflects the estimated premiums received to date at December 31, 2014, less the amount earned at December 31, 2014 based on subsequent 2014/2015 fiscal year member payroll audits.

CONCLUSION

The courteous cooperation extended by the Association's administrator and service agent during the course of the examination is gratefully acknowledged.

Respectfully submitted,



Kenneth G. Campbell, CFE
Assistant Chief Examiner



February 9, 2016

Mr. David H. Smith
Chief Examiner
State Corporation Commission
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23209

RE : Virginia Contractors Group Self-Insurance Association
Examination Report – December 31, 2014

Dear Mr. Smith,

Thank you for your letter of January 14, 2016 and the examination report as of December 2014. Please provide ten copies of the report.

Below you will find our responses to the recommendations made. We will share this information with our CPAs, Brown, Edwards & Company. The responses are provided in the same numerical order as your recommendations.

1. We understand the requirement that the Board act responsibly to keep the Group financially sound. We will address specific plan years in a dividend request/deficit elimination proposal to the Bureau this coming spring.
2. We will work with our claims team and the appropriate excess carrier to try to collect these old balances. We will also be aware of the age of excess coverage receivables in future reports.
3. The change on this item is a result of the examiner having the benefit of more complete information than was available at the time of the 12/31/14 report filing.
4. The change on this item is a result of the examiner having the benefit of more complete information than was available at the time of the 12/31/14 report filing.
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Please advise if any additional information is necessary. Thank you.

Sincerely,



Robert D. Nave
Administrator

Enclosure

Cc: Mr. Anthony Shultz
Mr. Mark Wiseman, Brown, Edwards & Co.