

**EXAMINATION REPORT**  
**of**  
**WCAMC SERVICE**  
**GROUP SELF-INSURANCE ASSOCIATION**  
**MANAKIN-SABOT, VIRGINIA**  
**as of**  
**DECEMBER 31, 2012**

**COMMONWEALTH OF VIRGINIA**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

# COMMONWEALTH OF VIRGINIA

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



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
<http://www.scc.virginia.gov/division/boi>

I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of WCAMC Service Group Self-Insurance Association as of December 31, 2012, 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 7<sup>th</sup> day of March, 2014

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Jacqueline K. Cunningham  
Commissioner of Insurance

(SEAL)

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Richmond, Virginia  
December 12, 2013

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:

**WCAMC SERVICE GROUP  
SELF-INSURANCE ASSOCIATION**

Manakin-Sabot, 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").

This Association was last examined by representatives of the Commission's Bureau of Insurance (the "Bureau") as of December 31, 2007. This examination covers the period from January 1, 2008 through December 31, 2012.

**HISTORY**

The Association was licensed by the Bureau on February 1, 1996. The Association's membership consists of companies affiliated with the service industry in the Commonwealth of Virginia. According to its by-laws, the Association was formed for the purpose of cooperatively satisfying their legal obligations under the Virginia Workers' Compensation Act.

Effective March 1, 1999, the Association ceased underwriting business in response to a Commission consent order and is currently managing assets for the purpose of providing funding for existing claims. On February 18, 2000, the Association implemented a member assessment as it was determined that it would be unable to meet all of its obligations without additional contributions from its members.

### MANAGEMENT AND CONTROL

Control of the Association is vested in a Members' Supervisory Board (the "Board") elected by members of the Association. The by-laws provide for no less than three nor more than six board members, all of whom shall be members of the Association in good standing. Each board member shall serve a term of three years or until the members elect a successor.

The Board and officers were as follows at December 31, 2012:

#### Board

##### Representative

Steven R. Bonday

Geraldine C. Myers

Robert M. Roberts, Jr.

##### Member

Book'N Card  
Newport News, Virginia

Coastal Atlantic  
Virginia Beach, Virginia

Specialty Beverage, Inc.  
Richmond, Virginia

#### Officers

Steven R. Bonday  
Robert M. Roberts, Jr.

Chairman  
Vice-Chairman and  
Secretary/Treasurer

## **TERRITORY AND PLAN OF OPERATION**

The operation of the Association was confined to Virginia where it was licensed to transact the business of workers' compensation and employers' liability group self-insurance. Membership in the Association was available to employers engaged in a similar type of business, subject to approval of the Association's Board, the Bureau, and the Association's excess insurance carrier.

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

The Association has a contractual agreement with an administrator who administers and manages the affairs of the Association in accordance with the policies adopted and established by the Board. Existing claims are processed and paid by two service agents under contractual agreements with the Association. The Association operated on a fiscal year basis ending January 31, however, their last fiscal year of underwriting business was thirteen months ending February 28, 1999.

## **ADMINISTRATIVE AGREEMENT**

Effective June 15, 2009, the Association entered into an administrative agreement with Workers Compensation Accounts Management Corporation ("WCAMC"). The term of this agreement was and will be as mutually agreed upon or until the final closure of the Association.

According to this agreement, WCAMC will serve as the Association's administrator responsible for ensuring that the Association's obligations are satisfied and that funds are managed and disbursed as authorized by the Board.

As compensation for its services, WCAMC shall receive \$600 per month. During calendar year 2012, the Association incurred \$7,200 in administrative fees related to this agreement.

### CLAIMS SERVICE AGREEMENT

Effective February 1, 1998, the Association entered into a claims service agreement with Palmer & Cay. The term of the agreement was for a three year period. As a result of an asset purchase agreement, Palmer & Cay merged its claims administration division with Underwriter's Safety and Claims (USC) effective June 1, 2000. USC and the Association executed an agreement, with the same effective date, to assign the responsibility of claims administration to USC. Currently, USC is servicing no open claims for the Association.

Additionally, the Association has operated in a run-off status on its terminated claims service agreement with PMA Management Corporation ("PMA"). The PMA agreement covered claims incurred from inception to January 31, 1998. The terminated service agreement requires that the service agent handle and adjust, to conclusion, any claim or loss incurred during the contract period. Currently, PMA is servicing no open claims for the Association.

### FIDELITY BOND COVERAGE

At December 31, 2012, the Association was listed as a named insured on a fidelity bond with a \$100,000 limit of liability, subject to a \$2,500 deductible, to insure against losses arising from dishonest acts of its administrator and employees.

### EXCESS INSURANCE COVERAGE

The Association had both specific excess and aggregate excess insurance agreements in force at February 28, 1999, with the following limits:

	<u>Association's Retention</u>	<u>Excess Insurer's Limits</u>
Specific Excess	\$300,000 maximum for each accident and each employee for disease	Workers' Compensation Statutory Employers' Liability \$1,000,000
Aggregate Excess	100% of normal premium subject to a minimum retention of \$1,119,900	\$5,000,000

**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 from January 1, 2008 through December 31, 2012. Assets were verified and liabilities were established at December 31, 2012. 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 items were reviewed, several of which are discussed separately under their respective captions in this report.

History  
Management and Control  
Territory and Plan of Operation  
Administrative Agreement  
Claims Service Agreement  
Fidelity Bond Coverage  
Excess Insurance Coverage  
Financial Statements

**FINANCIAL STATEMENTS**

There follows a statement reflecting the financial condition of the Association at December 31, 2012, a statement of income for the year ended December 31, 2012, a reconciliation of members' equity for the period under review and a statement of members' account by fiscal year inception to date.

**BALANCE SHEET**  
**DECEMBER 31, 2012**

**ASSETS**

Cash on deposit	\$81,401
Interest due and accrued	54
	54
Total assets	\$81,455

**LIABILITIES AND MEMBERS' EQUITY**

Contingency reserve	\$58,245
Taxes, licenses and fees payable	300
Accounting fees	4,200
	4,200
Total liabilities	\$62,745
Restricted members' equity	\$0
Unrestricted members' equity	18,710
	18,710
Total liabilities and members' equity	\$81,455

**STATEMENT OF INCOME**  
**FOR YEAR ENDED DECEMBER 31, 2012**

**UNDERWRITING INCOME**

Premiums earned	<u>\$0</u>
Deductions:	
Other underwriting expenses incurred	<u>\$13,716</u>
Total underwriting deductions	<u>\$13,716</u>
Net underwriting loss	<u>(\$13,716)</u>

**INVESTMENT INCOME**

Net investment income earned	<u>\$217</u>
Net investment gain	<u>\$217</u>
Net income before federal income taxes	(\$13,499)
Federal income taxes incurred	<u>0</u>
Net loss	<u><u>(\$13,499)</u></u>

**RECONCILIATION OF MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Members' equity, previous year before undistributed dividends	* \$65,260	\$67,292	\$61,335	\$43,965	\$32,209
Adjustment for previous examination changes	3,017				
Net loss	(985)	(5,957)	(17,370)	(11,756)	(13,499)
Dividends paid to members	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted and unrestricted members' equity, end of year	\$67,292	\$61,335	\$43,965	\$32,209	\$18,710
Less: Restricted members' equity, end of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted members equity, end of year before undistributed dividends	\$67,292	\$61,335	\$43,965	\$32,209	\$18,710
Less: Dividends declared but unpaid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted members' equity, end of year	<u><u>\$67,292</u></u>	<u><u>\$61,335</u></u>	<u><u>\$43,965</u></u>	<u><u>\$32,209</u></u>	<u><u>\$18,710</u></u>

\* Adjusted members' equity from previous examination.

**Members' Account By Fiscal Year Inception to Date December 31, 2012\***

	<u>Fiscal Year 1996/1997</u>	<u>Fiscal Year 1997/1998</u>	<u>Fiscal Year 1998/1999</u>	<u>Total Inception to Date</u>
<b><u>Income Received</u></b>				
Premiums written	\$653,045	\$739,490	\$782,849	\$2,175,384
Less: Excess insurance	86,043	91,208	73,996	251,247
Net premiums written	\$567,002	\$648,282	\$708,853	\$1,924,137
Investment income	37,166	45,951	354	83,471
Allocation between years	0	0	0	0
Other	0	0	77,762	77,762
Total income collected	<u>\$604,168</u>	<u>\$694,233</u>	<u>\$786,969</u>	<u>\$2,085,370</u>
<b><u>Less: Expenses Paid</u></b>				
Losses paid	\$274,734	\$256,565	\$742,583	\$1,273,882
Allocated loss adjustment expenses paid	30,429	33,793	95,853	160,075
Administrative fees	96,062	108,781	90,209	295,052
Service agent's fees	29,387	33,277	16,249	78,913
Taxes, licenses, and fees	6,771	10,344	15,836	32,951
Federal income tax	0	286	0	286
Other expenses	43,713	51,059	68,038	162,810
Total expenses	<u>\$481,096</u>	<u>\$494,105</u>	<u>\$1,028,768</u>	<u>\$2,003,969</u>
Net cash income	<u>\$123,072</u>	<u>\$200,128</u>	<u>(\$241,799)</u>	<u>\$81,401</u>
<b><u>Add: Receivables</u></b>				
Interest due and accrued	\$21	\$33	\$0	\$54
Total	<u>\$21</u>	<u>\$33</u>	<u>\$0</u>	<u>\$54</u>
<b><u>Deduct: Liabilities</u></b>				
Contingency reserve	\$19,591	\$22,185	\$16,469	\$58,245
Taxes, licenses and fees payable	90	102	108	300
Other expenses payable	1,261	1,428	1,511	4,200
Total	<u>\$20,942</u>	<u>\$23,715</u>	<u>\$18,088</u>	<u>\$62,745</u>

**Members' Account By Fiscal Year Inception to Date December 31, 2012\***

	<u>Fiscal Year 1996/1997</u>	<u>Fiscal Year 1997/1998</u>	<u>Fiscal Year 1998/1999</u>	<u>Total Inception to Date</u>
Restricted and Unrestricted Members' Equity to date by fiscal year before dividends	\$102,151	\$176,446	(\$259,887)	\$18,710
Less: Dividends paid inception to date by fiscal year	0	0	0	0
Less: Restricted Members' Equity by fiscal year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted Members' Equity undistributed by fiscal year	\$102,151	\$176,446	(\$259,887)	\$18,710
Less: Dividends declared but unpaid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted Members' Equity 12/31/12	<u>\$102,151</u>	<u>\$176,446</u>	<u>(\$259,887)</u>	<u>\$18,710</u>

\* Association ceased writing businesses on March 1, 1999.

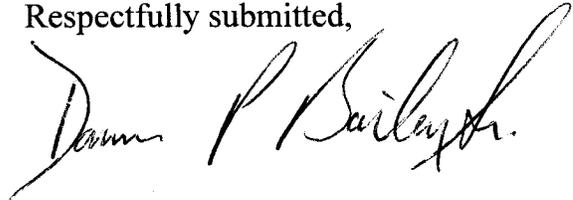
Fiscal years 1996 -1998 include allocation of expenses incurred from 1999 through 2012.

**CONCLUSION**

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

In addition to the undersigned, Milton Parker, Jr. participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Darrin P. Bailey, Sr.", written in a cursive style.

Darrin P. Bailey, Sr., CFE, MHP, AIAF  
Senior Insurance Examiner



**Workers Compensation Accounts Management Corp.**

688 Seay Road, Manakin-Sabot, Va, 23103, Ph. (804) 749-3717

STATE CORP. COMMISSION  
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February 21, 2014

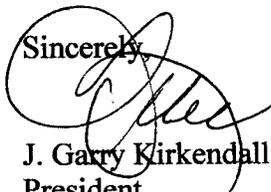
David H. Smith, CFE, CPA, CPCU  
Chief Examiner  
Commonwealth of Virginia  
Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218

**RE: WCAMC Service Group Self Insurance Association  
Examination Report as of December 31, 2012**

Dear Mr. Smith,

As the Administrator and on behalf of the WCAMC Service Group's Members' Supervisory Board, this will acknowledge receipt and review of the captioned report.

I want to thank you and your staff, especially Mr. Darrin P. Bailey, Sr., for the courteousness and cooperation he extended during the completion of this examination.

Sincerely,  
  
J. Garry Kirkendall  
President  
JGK/

CC: Mr. Steven R. Bonday  
Gateway Insurance Services, Inc.  
P.O. Box 3100  
Kitty Hawk, NC 27949-3100