

EXAMINATION REPORT
of
WCAMC SERVICE
GROUP SELF-INSURANCE ASSOCIATION
MANAKIN-SABOT, VIRGINIA
as of
DECEMBER 31, 2017

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
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I, Scott A. White, 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, 2017, 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 2nd day of August 2018

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
May 29th, 2018

Honorable Scott A. White
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

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.

SCOPE OF THE EXAMINATION

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. The last examination of the Association was made by representatives of the State Corporation Commission's Bureau of Insurance (the "Bureau") as of December 31, 2012. This examination covers the period from January 1, 2013 through December 31, 2017.

The Bureau planned and performed the examination to evaluate the Association's financial condition and operational activities. All accounts and activities of the Association were considered generally in accordance with the risk-focused examination process contained in the NAIC Financial Condition Examiners Handbook.

The examination report includes findings of fact and general information about the Association and its financial condition.

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").

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.

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, 2017:

<u>Representative</u>	<u>Member</u>
Steven R. Bonday	Book'N Card Newport News, Virginia
Geraldine C. Myers	Coastal Atlantic Virginia Beach, Virginia
Robert M. Roberts, Jr.	Specialty Beverage, Inc. Richmond, Virginia

Officers

Steven R. Bonday
Robert M. Roberts, Jr.
Geraldine C. Myers

Chairman
Vice-Chairman
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 2017, 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.

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 \$6,556,596	\$5,000,000

FINANCIAL STATEMENTS

There follows a statement reflecting the financial condition of the Association at December 31, 2017, a statement of income for the year ended December 31, 2017, 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, 2017

ASSETS

Cash on deposit	<u>\$21,345</u>
Total assets	<u><u>\$21,345</u></u>

LIABILITIES AND MEMBERS' EQUITY

Contingency reserve	\$58,245
Taxes, licenses and fees payable	300
Accounting fees	<u>3,500</u>
Total liabilities	<u>\$62,045</u>
Restricted members' equity	\$0
Unrestricted members' equity	<u>(40,700)</u>
Total liabilities and members' equity	<u><u>\$21,345</u></u>

STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2017

UNDERWRITING INCOME

Premiums earned	<u>\$0</u>
Deductions:	
Other underwriting expenses incurred	<u>\$11,000</u>
Total underwriting deductions	<u>\$11,000</u>
Net underwriting loss	<u>(\$11,000)</u>

INVESTMENT INCOME

Net investment income earned	<u>\$8</u>
Net investment gain	<u>\$8</u>
Net income before federal income taxes	(\$10,992)
Federal income taxes incurred	<u>0</u>
Net loss	<u><u>(\$10,992)</u></u>

RECONCILIATION OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Members' equity, previous year before undistributed dividends	\$18,710	\$7,139	(\$6,622)	(\$17,607)	(\$29,708)
Net loss	<u>(11,571)</u>	<u>(13,761)</u>	<u>(10,985)</u>	<u>(12,101)</u>	<u>(10,992)</u>
Restricted and unrestricted members' equity, end of year	\$7,139	(\$6,622)	(\$17,607)	(\$29,708)	(\$40,700)
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	\$7,139	(\$6,622)	(\$17,607)	(\$29,708)	(\$40,700)
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>\$7,139</u>	<u>(\$6,622)</u>	<u>(\$17,607)</u>	<u>(\$29,708)</u>	<u>(\$40,700)</u>

Members' Account By Fiscal Year Inception to Date December 31, 2017

	Fiscal Year 1996/1997	Fiscal Year 1997/1998	Fiscal Year 1998/1999	Total Inception to Date
<u>Income Received</u>				
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	37,266	46,117	354	83,737
Allocation between years	5	9	0	14
Other	0	0	77,762	77,762
Total income collected	\$604,273	\$694,408	\$786,969	\$2,085,650
<u>Less: Expenses Paid</u>				
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	106,867	121,021	103,164	331,052
Service agent's fees	29,387	33,277	16,249	78,913
Taxes, licenses, and fees	7,221	10,854	16,376	34,451
Federal income tax	0	286	0	286
Other expenses	50,567	58,823	76,256	185,646
Total expenses	\$499,205	\$514,619	\$1,050,481	\$2,064,305
Net cash income	\$105,068	\$179,789	(\$263,512)	\$21,345
<u>Deduct: Liabilities</u>				
Contingency reserve	\$19,591	\$22,185	\$16,469	\$58,245
Taxes, licenses and fees payable	90	102	108	300
Other expenses payable	1,051	1,190	1,259	3,500
Total	\$20,732	\$23,477	\$17,836	\$62,045

Members' Account By Fiscal Year Inception to Date December 31, 2017*

	<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	\$84,336	\$156,312	(\$281,348)	(\$40,700)
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	\$84,336	\$156,312	(\$281,348)	(\$40,700)
Less: Dividends declared but unpaid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted Members' Equity 12/31/17	<u><u>\$84,336</u></u>	<u><u>\$156,312</u></u>	<u><u>(\$281,348)</u></u>	<u><u>(\$40,700)</u></u>

* Association ceased writing business on March 1, 1999.

Fiscal years 1996 -1998 include allocation of expenses incurred from 1999 through 2017.

ACKNOWLEDGEMENT

Acknowledgment is hereby made of the courteous cooperation extended by the Association's administrator and service agent during the course of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Benjamin MacKercher". The signature is fluid and cursive, with a long horizontal stroke at the end.

Benjamin MacKercher
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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BUREAU OF INSURANCE

July 24, 2018

David H. Smith, CFE, CPA, CPCU
Chief Examiner
Commonwealth of Virginia
Bureau of Insurance
P.O. Box 1157
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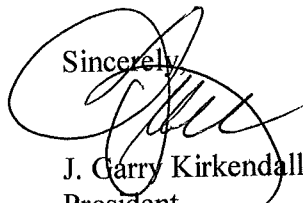
**RE: WCAMC Service Group Self Insurance Association
Examination Report as of December 31, 2017**

Dear Mr. Smith,

As the Administrator of the WCAMC Service Group, this will acknowledge receipt and review of the captioned report.

I want to thank you and your staff, especially Mr. Benjamin MacKercher, for the courteousness and cooperation he extended during the completion of this examination.

Sincerely,



J. Garry Kirkendall
President
JGK/