

**EXAMINATION REPORT  
of  
WCAMC CONTRACTORS  
GROUP SELF-INSURANCE ASSOCIATION  
RICHMOND, VIRGINIA  
as of  
DECEMBER 31, 2021**

# COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

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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 Contractors Group Self-Insurance Association as of December 31, 2021, 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 18<sup>th</sup> day of May 2022

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

Scott A. White  
Commissioner of Insurance



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Richmond, Virginia  
April 6, 2021

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 CONTRACTORS GROUP  
SELF-INSURANCE ASSOCIATION**

Richmond, 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, 2016. This examination covers the period from January 1, 2017 through December 31, 2021.

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.

**HISTORY**

The Association was licensed by the Bureau effective February 15, 1985. On July 1, 1990, the Bureau revised the Association's license to authorize employers' liability coverage.

According to its original indemnity agreement, the Association was formed to allow members to self-insure and to pool their separate liabilities arising pursuant to the terms of the Virginia Workers' Compensation Act and for certain other types of employers' liabilities.

Effective February 15, 2010, the Association ceased underwriting business. On July 15, 2011, the Association implemented a member assessment of \$1,500,000 after it was determined that it would be unable to meet all of its obligations without additional contributions from its members. The Association subsequently collected \$917,992 of the member assessments.

### 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 four nor more than seven board members, each serving a three-year term. The Board is responsible for holding and managing the assets and directing the affairs of the Association in accordance with the Association's by-laws and the Bureau's regulations.

The Board and officers were as follows at December 31, 2021:

#### Board

##### Representative

Richard E. Collier

Patrick T. McAndrews

Stephen T. Murphy

Charles E. Yonce

##### Member

R.E. Collier, Inc.  
Richmond, Virginia

McAndrews Restoration  
Springfield, Virginia

Add-A-Deck, Inc.  
Richmond, Virginia

Conquest, Moncure & Dunn, Inc.  
Richmond, Virginia

#### Officers

Richard E. Collier  
Stephen T. Murphy

Chairman  
Secretary/Treasurer

## **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 employers engaged in a similar type of business, upon the approval of the Board and the Commission.

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 members' liabilities under the Virginia Workers' Compensation Act. No formal insurance policy is issued to the members.

An administrator is responsible for assisting the board in managing the affairs of the Association. 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 February 14.

## **ADMINISTRATIVE AGREEMENT**

Effective February 5, 2010, the Association entered into an administrative agreement with Self-Insurance Services, LLC, (SIS). The original term of this agreement was for a period of eleven months and subject to termination by either party with 90 days advance notice.

According to the agreement, SIS shall administer and manage the financial affairs of the Association as established and adopted by the Board, maintain necessary records of accounts, advise the Board on policy matters, contract for claims handling, pay all items of expense to the extent funds are available, prepare and file tax returns and annual statements, invest Association funds, and conduct other managerial duties. As compensation for its services, SIS shall receive \$7,500 per month. For the period under review, SIS agreed to waive the administrative fee expense pursuant to the agreement.

## **CLAIMS SERVICE AGREEMENT**

Effective February 15, 2000, the Association entered into a claims service agreement with PMA Management Corporation (PMA). The original term of this agreement was for a period of three years and the agreement shall remain in full force and effect unless otherwise amended or terminated.

Under the terms of the agreement, the services provided by PMA include full claims handling and adjusting for all claims incurred during the period of the agreement until their conclusion, unless otherwise transferred; assisting the Association in the selection of outside vendors when necessary to professionally defend a claim; and notifying excess insurers of all qualified claims which may exceed the Association's retention.

Effective with the agreement's final amendment for the one-year period, February 15, 2009 to February 14, 2010, PMA shall receive, as compensation for its claims services, 4.5% of billable premium, subject to a minimum annual fee of \$90,000. For managed care services, PMA receives \$95 per hour for medical case management services and \$95 per hour for disability management coordinators. For cost containment services, the Association pays \$8 per bill reviewed and PMA receives 35% of the savings generated. Effective February 15, 2010, the Association ceased underwriting business. The claims service agreement requires that PMA handle and adjust to conclusion any claim or loss incurred during the agreement period. Therefore, PMA does not receive any additional compensation for its services. At December 31, 2021, PMA was servicing 17 open claims.

### **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, no dividends were approved by the Bureau.

### **SPECIAL RESERVES AND DEPOSITS**

At December 31, 2021, the Association had a U.S. Treasury Note with a market value of \$53,669 on deposit with the Treasurer of Virginia as required by 14 VAC 5-370-60 A.

**EXCESS INSURANCE COVERAGE**

The Association had both specific excess and aggregate excess insurance agreements in force for any claims incurred prior to February 15, 2010, with the following limits:

	<u>Association's Retention</u>	<u>Excess Insurer's Limits</u>
Specific Excess	\$500,000 maximum for each accident and each employee for disease	Workers' Compensation Statutory Employers' Liability \$2,000,000
Aggregate Excess	114.77% of normal premium subject to a minimum retention of \$2,231,194	\$3,000,000

**FINANCIAL STATEMENTS**

There follows a statement reflecting the financial condition of the Association at December 31, 2021, a statement of income for the year ended December 31, 2021, 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, 2021**

ASSETS

Bonds, long term	\$53,669
Other invested assets	12,486
Cash on deposit	4,144
Deposit with service agent	67,608
Interest due and accrued	19
Amounts recoverable on paid losses	<u>69,228</u>
 Total assets	 <u><u>\$207,154</u></u>

LIABILITIES AND MEMBERS' EQUITY

Losses unpaid	\$605,438
Loss adjustment expenses unpaid	9,853
Contingency reserve	2,490,421
Premium refunds payable	<u>101,228</u>
 Total liabilities	 <u><u>\$3,206,940</u></u>
 Restricted members' equity	 \$53,669
Unrestricted members' equity	<u>(3,053,455)</u>
 Total liabilities and members' equity	 <u><u>\$207,154</u></u>

**STATEMENT OF INCOME**  
**FOR YEAR ENDED DECEMBER 31, 2021**

**UNDERWRITING INCOME**

Premiums earned	<u>\$0</u>
Deductions:	
Losses incurred	\$264,348
Loss expenses incurred	5,099
Other underwriting expenses incurred	<u>62,147</u>
Total underwriting deductions	<u>\$331,594</u>
Net underwriting loss	<u>(\$331,594)</u>

**INVESTMENT INCOME**

Net investment income earned	\$916
Net realized capital loss	<u>(1,759)</u>
Net investment loss	<u>(\$843)</u>
Net loss before federal income taxes	(\$332,437)
Federal income taxes incurred	<u>0</u>
Net loss	<u><u>(\$332,437)</u></u>

**RECONCILIATION OF MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Members' equity, previous year before undistributed dividends	(\$3,700,073)	(\$3,411,974)	(\$2,911,550)	(\$2,602,983)	(\$2,666,004)
Adjustment for previous examination changes	393,845				
Net income (loss)	(105,603)	500,142	307,164	(62,879)	(332,437)
Net unrealized capital gains or (losses)	<u>(143)</u>	<u>282</u>	<u>1,403</u>	<u>(142)</u>	<u>(1,344)</u>
Restricted and unrestricted members' equity, end of year	(\$3,411,974)	(\$2,911,550)	(\$2,602,983)	(\$2,666,004)	(\$2,999,786)
Less: Restricted members' equity, end of year	<u>(54,071)</u>	<u>(54,403)</u>	<u>(55,518)</u>	<u>(55,020)</u>	<u>(53,669)</u>
Unrestricted members' equity, end of year before undistributed dividends	(\$3,466,045)	(\$2,965,953)	(\$2,658,501)	(\$2,721,024)	(\$3,053,455)
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>(\$3,466,045)</u></u>	<u><u>(\$2,965,953)</u></u>	<u><u>(\$2,658,501)</u></u>	<u><u>(\$2,721,024)</u></u>	<u><u>(\$3,053,455)</u></u>

\* Adjusted members' equity from previous examination.

**Members' Account By Fiscal Year Inception to Date December 31, 2021\***

	Fiscal Years 1985-2006	Fiscal Year 2006/2007	Fiscal Year 2007/2008	Fiscal Year 2008/2009	Fiscal Year 2009/2010	Total Inception to Date
<b><u>Income Received</u></b>						
Premiums written	\$85,490,367	\$8,039,308	\$7,898,000	\$4,560,934	\$1,842,885	\$107,831,494
Less: excess insurance	10,027,381	2,077,017	1,757,002	1,055,356	370,221	15,286,977
Net premiums written	\$75,462,986	\$5,962,291	\$6,140,998	\$3,505,578	\$1,472,664	\$92,544,517
Investment income	6,572,608	219,106	130,274	58,554	8,388	6,988,930
Allocation between years	(397)	(25)	(32)	0	454	0
Other	2,880,622	0	23,110	235	301,701	3,205,668
Total income collected	\$84,915,819	\$6,181,372	\$6,294,350	\$3,564,367	\$1,783,207	\$102,739,115
<b><u>Less: Expenses Paid</u></b>						
Losses paid	\$56,563,004	\$3,794,103	\$3,678,211	\$2,286,978	\$1,287,751	\$67,610,047
Allocated loss adjustment expenses paid	4,937,808	504,097	337,736	194,900	154,224	6,128,765
Administrative fees	11,225,314	932,423	1,046,689	636,033	157,287	13,997,746
Service agent's fees	4,860,910	344,128	449,546	205,489	86,430	5,946,503
Taxes, licenses, and fees	1,658,673	220,358	216,725	146,220	68,972	2,310,948
Federal income tax	130,805	0	21,178	0	14,670	166,653
Other expenses	2,035,728	161,926	194,877	220,444	267,878	2,880,853
Total expenses	\$81,412,242	\$5,957,035	\$5,944,962	\$3,690,064	\$2,037,212	\$99,041,515
Net cash income	\$3,503,577	\$224,337	\$349,388	(\$125,697)	(\$254,005)	\$3,697,600
<b><u>Add: Receivables</u></b>						
Interest due and accrued	\$17	\$1	\$1	\$0	\$0	\$19
Recoverable on paid losses	20,249	0	0	49,419	(440)	69,228
Total	\$20,266	\$1	\$1	\$49,419	(\$440)	\$69,247
<b><u>Deduct: Liabilities</u></b>						
Losses unpaid	\$100,620	\$254,818	\$0	\$50,000	\$200,000	\$605,438
Loss adjustment expenses	6,401	3,069	0	383	0	9,853
Contingency reserve	1,815,302	249,776	238,995	134,105	52,243	2,490,421
Premium refunds payable	0	0	0	0	101,228	101,228
Total	\$1,922,323	\$507,663	\$238,995	\$184,488	\$353,471	\$3,206,940

**Members' Account By Fiscal Year Inception to Date December 31, 2021\***

	<u>Fiscal Years 1985-2006</u>	<u>Fiscal Year 2006/2007</u>	<u>Fiscal Year 2007/2008</u>	<u>Fiscal Year 2008/2009</u>	<u>Fiscal Year 2009/2010</u>	<u>Total Inception to Date</u>
Restricted and Unrestricted Members' Equity to date by fiscal year before dividends	\$1,601,520	(\$283,325)	\$110,394	(\$260,766)	(\$607,916)	\$559,907
Less: Dividends paid inception to date by fiscal year	3,559,693	0	0	0	0	3,559,693
Less: Restricted Members' Equity by fiscal year	<u>10,733</u>	<u>10,734</u>	<u>10,734</u>	<u>10,734</u>	<u>10,734</u>	<u>53,669</u>
Unrestricted Members' Equity undistributed by fiscal year	(\$1,968,906)	(\$294,059)	\$99,660	(\$271,500)	(\$618,650)	(\$3,053,455)
Less: Dividends declared but unpaid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted Members' Equity 12/31/21	<u>(\$1,968,906)</u>	<u>(\$294,059)</u>	<u>\$99,660</u>	<u>(\$271,500)</u>	<u>(\$618,650)</u>	<u>(\$3,053,455)</u>

\* The Association ceased writing business on February 15, 2010.

**STATEMENT OF EXAMINERS' CHANGES IN MEMBERS' EQUITY**  
**DECEMBER 31, 2021**

	<u>Amount Per Association</u>	<u>Amount Per Examiner</u>	<u>Increase (Decrease) Members' Equity</u>
<u>Assets:</u>			
Deposit with service agent	\$114,469	\$67,608	<u>(\$46,861)</u>
Examiners changes in members' equity			<u><u>(\$46,861)</u></u>
Restricted and unrestricted members' equity per Association			(\$2,952,925)
Restricted and unrestricted members' equity per Examiners			<u>(2,999,786)</u>
Decrease in unrestricted and undistributed members' equity			<u><u>(\$46,861)</u></u>

**RECOMMENDATIONS FOR CORRECTIVE ACTION****Management and Control**

1. The results of this examination reflect members' equity deficits for the 1997/1998, 2000/2001, 2002/2003, 2003/2004, 2004/2005, 2005/2006, 2006/2007, 2008/2009 and 2009/2010 fiscal years of \$35,478, \$428,798, \$1,249,975, \$873,274, \$2,127,882, \$561,330, \$294,059, \$271,500 and \$618,650, respectively as well as an overall deficit of \$3,053,455. As noted in the Subsequent Events section, the Association withdrew its license to transact business effective January 31, 2022 and all outstanding claims were transferred to the Uninsured Employers Fund.

**Accounts and Records**

2. Deposit with service agent \$67,608

The above asset is \$46,861 less than the amount reported by the Association in its 2021 Annual Statement. The Examiners' amount reflects the funding level required by the service agent at December 31, 2021, less the amount owed for claims paid by the service agent from this fund during December, 2021.

**SUBSEQUENT EVENTS**

Effective January 31, 2022, the Association withdrew its license to transact business. All outstanding claims have now been transferred to the Uninsured Employers Fund which is administered by the Virginia Workers' Compensation Commission.



**ACKNOWLEDGMENT**

Acknowledgment is hereby made of the courteous cooperation extended by the Association's administrator and service agent during the course of the examination. In addition to the undersigned, Gerald Hicks II, AFE, participated in the work of the examination.

Respectfully submitted,

A handwritten signature in cursive script that reads "Benjamin B. MacKercher".

Benjamin B. MacKercher, CFE  
Insurance Examiner

# SELF INSURANCE SERVICES, L.L.C.

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May 17, 2022

Mr. David H. Smith  
Bureau of Insurance  
P. O. Box 1157  
Richmond, VA 23218

Dear Mr. Smith:

This is to acknowledge that we have received the examination report for WCAMC Contractors Group Self Insurance Association as of December 31, 2021.

Thank you.

Sincerely,



Travis Miller  
Administrator

cc: Mr. Dick Collier  
WCAMC Chairman