

EXAMINATION REPORT
of
SCHOOL SYSTEMS OF VIRGINIA
GROUP SELF-INSURANCE ASSOCIATION
Richmond, Virginia
as of
December 31, 2009

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 School Systems of Virginia Group Self-Insurance Association as of December 31, 2009, 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 7th day of February, 2011

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

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
November 12, 2010

Honorable Alfred W. Gross
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

**SCHOOL SYSTEMS OF VIRGINIA
GROUP SELF-INSURANCE ASSOCIATION**

Richmond, 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 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, 2006. This examination covers the period from January 1, 2007 through December 31, 2009.

HISTORY

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

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 three nor more than nine Board members, three-fourths of whom shall be officers of members in good standing of the Association. Board members serve until their successors are elected.

The Board and officers were as follows at December 31, 2009:

<u>Representative</u>	<u>Member</u>
Lewis A. Bryant	Campbell County Public Schools Rustburg, Virginia
Lee E. Cheatham	Franklin County Public Schools Rocky Mount, Virginia
Teresa C. Crouch	Amherst County Public Schools Amherst, Virginia
Donald R. Johnson	Pittsylvania County School Board Chatham, Virginia
Lisa Mullis	Danville City School Board Danville, Virginia
Beverly A. Padgett	Lynchburg City School Board Lynchburg, Virginia
Donna Seay	Charlottesville City Schools Charlottesville, Virginia
D. Jackson Zimmermann	Albemarle County Public Schools Charlottesville, Virginia

Officers

Chairman	Lee E. Cheatham
Vice Chairman	D. Jackson Zimmermann
Secretary/ Treasurer	Donna Seay

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 having a common interest 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.

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 ending June 30.

ADMINISTRATIVE AGREEMENT

Effective August 1, 1995, the Association entered into an administrative agreement with Self-Insurance Services, LLC, ("SIS"). The original term of this agreement was for a period of 12 months and the agreement remains in effect thereafter, subject to termination by either party by written notice at least 90 days in advance of the effective date of termination.

According to the agreement, SIS shall administer 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 and with advisors and consultants, pay all items of expense to the extent funds are available, direct the solicitation and enrollment of new members, file necessary reports, and conduct other managerial duties.

As compensation for its services, SIS shall receive 7% of all members' contributions calculated under the provisions of 14 VAC 5-370-110, without reduction as a result of premium discounts, experience ratings, deviations, or other adjustments. The Association incurred \$457,365 in fees relating to this agreement in calendar year 2009. In addition, SIS retains 100% of the commission received for placement of excess insurance coverage.

CLAIMS CONSULTING SERVICE AGREEMENT

Effective August 1, 1994, the Association entered into a claims consulting service agreement with SIS. The original term of the agreement was for a period of 12 months and the agreement remains in effect thereafter, subject to termination by either party upon 90 days advance written notice. According to the agreement, SIS shall provide claims consulting services including the review of monthly loss reports, approval of all medical and compensation payments over \$2,000, monthly review of all open claim files, evaluation of members' claim experience and assistance to the service agent in settlement of claims.

As compensation, the Association shall pay SIS ½ of 1% of all members' contributions calculated under the provisions of 14 VAC 5-370-110, without reduction as a result of premium discounts, experience ratings, deviations, or other adjustments. The Association incurred \$32,669 in fees relating to this agreement in calendar year 2009.

CLAIMS SERVICE AGREEMENT

Effective August 1, 1998, the Association entered into a claims service agreement with Trigon Administrators, Inc. ("Trigon"), currently known as Sedgwick CMS ("Sedgwick"). Sedgwick serves as the Association's claims service agent pursuant to the same claims service agreement originally entered into with Trigon. The original term of the agreement was for a one-year period and the agreement remains in effect thereafter, subject to termination by either party by written notice 60 days in advance of the effective date of termination.

Pursuant to the terms of the agreement, Sedgwick shall provide full claims handling and adjusting for all claims incurred during the period of the agreement until their conclusion, unless otherwise transferred, claims counseling, loss control consulting, monthly reports, preparation for all scheduled hearings before regulatory bodies and other claims related duties. As compensation for its services, Sedgwick shall receive 5% of the Association's manual premiums. Additionally, Sedgwick will be compensated 25% of the savings generated by inpatient bills, the inpatient utilization review process and any reductions from the application of any fee schedules and negotiations generated from the cost containment program. The Association incurred \$326,690 in fees relating to this agreement in calendar year 2009.

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 dividends:

<u>Fiscal Year</u>	<u>May 30, 2007</u>	<u>May 14, 2008</u>	<u>May 19, 2009</u>
1982/1983	\$0	\$0	\$15,554
1992/1993	10,000	0	0
1993/1994	0	7,185	0
1995/1996	0	50,000	105,155
1996/1997	25,000	10,000	10,000
1997/1998	25,000	100,000	105,358
1998/1999	100,000	10,000	0
1999/2000	50,000	10,000	25,000
2000/2001	50,000	0	150,000
2001/2002	200,000	200,000	50,000
2002/2003	150,000	50,000	50,000
2004/2005	200,000	300,000	300,000
2006/2007	0	0	23,593
Total	<u>\$810,000</u>	<u>\$737,185</u>	<u>\$834,660</u>

FIDELITY BOND COVERAGE

At December 31, 2009, the Association had a fidelity bond with a \$150,000 limit of liability, subject to a \$750 deductible, to insure against losses arising from dishonest acts of its administrator and employees.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2009, the Association had a United States Treasury Note with a par value of \$250,000 on deposit with the Treasurer of Virginia as required by 14 VAC 5-370-60 A.

EXCESS INSURANCE COVERAGE

The Association had both specific and aggregate excess insurance agreements in force at December 31, 2009, with the following limits:

	<u>Association's Retention</u>	<u>Excess Insurer's Limits</u>
Specific Excess	\$400,000 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 \$6,771,102	\$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. The examination covers the period from January 1, 2007 through December 31, 2009. Assets were verified and liabilities were established at December 31, 2009. A review of income and disbursements for the period was made to the extent deemed necessary.

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 Consulting Service 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, 2009, a statement of income for the year ended December 31, 2009, 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, 2009

ASSETS

Bonds, long term	\$13,915,820
Other invested assets	650,853
Cash on deposit	15,204
Premiums receivable	55,102
Interest due and accrued	141,002
Amounts recoverable on paid losses	110,351
Prepaid excess insurance premiums	292,850
Prepaid administrative fees	122,320
Prepaid service agent's fees	<u>81,224</u>
 Total assets	 <u><u>\$15,384,726</u></u>

LIABILITIES AND MEMBERS' EQUITY

Losses unpaid	\$8,280,311
Loss adjustment expenses unpaid	556,033
Contingency reserve	1,322,648
Unearned premiums	2,224,634
Premium refunds payable	94,970
Taxes, licenses and fees payable	214,107
Dividends payable	2,727,449
Professional fees payable	13,500
Investment fees payable	4,000
Payroll audit fees payable	4,320
 Total liabilities	 <u><u>\$15,441,972</u></u>
 Restricted members' equity	 \$256,035
Unrestricted members' equity	<u>(313,281)</u>
 Total liabilities and members' equity	 <u><u>\$15,384,726</u></u>

STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2009

UNDERWRITING INCOME

Premiums earned	<u>\$5,783,886</u>
Deductions:	
Losses incurred	\$4,011,023
Loss expenses incurred	769,179
Other underwriting expenses incurred	1,163,228
Contingency reserve	<u>119,236</u>
Total underwriting deductions	<u>\$6,062,666</u>
Net underwriting loss	<u>(\$278,780)</u>

INVESTMENT INCOME

Net investment income earned	\$543,281
Net realized capital losses	<u>(207,014)</u>
Net investment gain	<u>\$336,267</u>
Net income before federal income taxes	\$57,487
Federal income taxes incurred	<u>0</u>
Net income	<u><u>\$57,487</u></u>

RECONCILIATION OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Members' equity, previous year before undistributed dividends	* \$2,758,421	\$2,730,053	\$2,814,217
Adjustment for previous examination changes	105,349		
Net income or (loss)	340,969	556,565	57,487
Net unrealized capital gains or (losses)	310,825	(37,842)	249,629
Dividends paid to members	<u>(785,511)</u>	<u>(434,559)</u>	<u>(451,130)</u>
Restricted and unrestricted members' equity, end of year	\$2,730,053	\$2,814,217	\$2,670,203
Less: Restricted members' equity, end of year	<u>277,834</u>	<u>279,276</u>	<u>256,035</u>
Unrestricted members' equity, end of year before undistributed dividends	\$2,452,219	\$2,534,941	\$2,414,168
Less: Dividends declared but unpaid	<u>2,041,293</u>	<u>2,343,919</u>	<u>2,727,449</u>
Unrestricted members' equity, end of year	<u><u>\$410,926</u></u>	<u><u>\$191,022</u></u>	<u><u>(\$313,281)</u></u>

* Adjusted members' equity from previous examination.

Members' Account By Fiscal Year Inception to Date December 31, 2009

	All Other Fiscal Years Preceding 1982-2006	Third Fiscal Year Preceding 2006/2007	Second Fiscal Year Preceding 2007/2008	First Fiscal Year Preceding 2008/2009	Partial Current Fiscal Year 7/1/09-12/31/09	Total Inception to Date (1982-2009)
Income Received						
Premiums written	\$50,371,878	\$5,590,615	\$5,992,214	\$6,150,847	\$5,576,599	\$73,682,153
Less: Excess insurance	4,620,260	543,759	571,479	532,049	585,700	6,853,247
Net premiums written	\$45,751,618	\$5,046,856	\$5,420,735	\$5,618,798	\$4,990,899	\$66,828,906
Investment income	6,564,338	226,426	168,499	70,373	373,829	7,403,465
(Allocation between years)	141,480	34,625	49,967	86,138	(312,210)	0
Other	417,952	0	0	0	298,252	716,204
Total income collected	\$52,875,388	\$5,307,907	\$5,639,201	\$5,775,309	\$5,350,770	\$74,948,575
Less: Expenses Paid						
Losses paid	\$29,359,127	\$2,941,114	\$2,989,931	\$2,123,283	\$396,261	\$37,809,716
Allocated loss adjustment expenses paid	1,203,118	100,386	201,419	209,151	30,814	1,744,888
Administrative fees	4,275,038	512,647	484,610	491,189	366,439	6,129,923
Service agent's fees	3,046,765	341,765	323,073	327,459	244,293	4,283,355
Taxes, licenses, and fees	911,420	113,428	133,912	173,660	0	1,332,420
Other expenses	721,648	38,269	33,640	35,326	5,485	834,368
Total expenses	\$39,517,116	\$4,047,609	\$4,166,585	\$3,360,068	\$1,043,292	\$52,134,670
Net cash income	\$13,358,272	\$1,260,298	\$1,472,616	\$2,415,241	\$4,307,478	\$22,813,905
Add: Receivables						
Premiums receivable	\$0	\$0	\$0	\$0	\$55,102	\$55,102
Interest due and accrued	53,307	13,068	18,859	32,511	23,257	141,002
Amounts recoverable on paid losses	110,351	0	0	0	0	110,351
Other	0	0	0	0	496,394	496,394
Total receivables	\$163,658	\$13,068	\$18,859	\$32,511	\$574,753	\$802,849
Deduct: Liabilities						
Losses unpaid	\$1,331,000	\$569,998	\$1,494,570	\$2,098,125	\$2,786,618	\$8,280,311
Loss adjustment expenses unpaid	164,505	28,764	63,324	127,582	171,858	556,033
Contingency reserve	690,267	167,718	179,766	184,526	100,371	1,322,648
Unearned premiums	0	0	0	0	2,224,634	2,224,634
Premium refunds payable	0	0	0	0	94,970	94,970
Taxes, licenses and fees payable	0	0	0	0	214,107	214,107
Other expenses payable	0	0	0	0	21,820	21,820
Total liabilities	\$2,185,772	\$766,480	\$1,737,660	\$2,410,233	\$5,614,378	\$12,714,523

Members' Account By Fiscal Year Inception to Date December 31, 2009

	All Other Fiscal Years Preceding 1982-2006	Third Fiscal Year Preceding 2006/2007	Second Fiscal Year Preceding 2007/2008	First Fiscal Year Preceding 2008/2009	Partial Current Fiscal Year 7/1/09-12/31/09	Total Inception to Date (1982-2009)
Restricted and Unrestricted Members' Equity to date by fiscal year before dividends	\$11,336,158	\$506,886	(\$246,185)	\$37,519	(\$732,147)	\$10,902,231
Less: Dividends paid inception to date by fiscal year	8,226,259	5,769	0	0	0	8,232,028
Less: Restricted Members' Equity by fiscal year	<u>51,207</u>	<u>51,207</u>	<u>51,207</u>	<u>51,207</u>	<u>51,207</u>	<u>256,035</u>
Unrestricted Members' Equity undistributed by fiscal year	\$3,058,692	\$449,910	(\$297,392)	(\$13,688)	(\$783,354)	\$2,414,168
Less: Dividends declared but unpaid	<u>2,709,625</u>	<u>17,824</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,727,449</u>
Unrestricted Members' Equity 12/31/09	<u>\$349,067</u> *	<u>\$432,086</u>	<u>(\$297,392)</u>	<u>(\$13,688)</u>	<u>(\$783,354)</u>	<u>(\$313,281)</u>

*Although the cumulative unrestricted members' equity for the fiscal years 1982-2006 at December 31, 2009 was \$349,067 the Association's 1993/1994 and 2005/2006 fiscal years had members' equity deficits of \$6,499 and \$658,527, respectively.

STATEMENT OF EXAMINERS' CHANGES IN MEMBERS' EQUITY
DECEMBER 31, 2009

	Amount Per <u>Association</u>	Amount Per <u>Examiner</u>	Increase (Decrease) <u>Members' Equity</u>
<u>Assets:</u>			
Premiums receivable	\$0	\$55,102	\$55,102
Prepaid administrative fees	119,458	122,320	2,862
Prepaid service agent's fees	79,639	81,224	1,585
<u>Liabilities:</u>			
Losses unpaid	\$8,233,659	\$8,280,311	(\$46,652)
Loss adjustment expenses unpaid	518,380	556,033	(37,653)
Contingency reserve	1,323,843	1,322,648	1,195
Unearned premiums	2,191,049	2,224,634	(33,585)
Premium refunds payable	0	94,970	(94,970)
Taxes, licenses and fees payable	87,000	214,107	(127,107)
Professional fees payable	7,500	13,500	(6,000)
Payroll audit fees payable	0	4,320	<u>(4,320)</u>
Examiners changes in members' equity			<u>(\$289,543)</u>
Restricted and unrestricted members' equity per Association			\$232,297
Restricted and unrestricted members' equity per Examiners			<u>(57,246)</u>
Decrease in unrestricted and undistributed members' equity			<u>(\$289,543)</u>

RECOMMENDATIONS FOR CORRECTIVE ACTION

Management and Control

1. The results of this examination reflected members' equity deficits for the 1993/1994, 2005/2006, 2007/2008, 2008/2009 fiscal years and the 2009/2010 partial current fiscal year of \$6,499, \$658,527, \$297,392, \$13,688 and \$783,354, 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. <u>Premiums receivable</u> | <u>\$55,102</u> |
| <u>Premium refunds payable</u> | <u>\$94,970</u> |

The above amounts have been established by the Examiners. The Examiners' amounts are based on subsequent 2009/2010 member payroll audits and reflect differences between audited contributions and contributions paid prorated for the period July 1, 2009 through December 31, 2009.

- | | |
|---------------------------------------|------------------|
| 3. <u>Prepaid administrative fees</u> | <u>\$122,320</u> |
|---------------------------------------|------------------|

The above asset is \$2,862 more than the amount reported by the Association in its 2009 Annual Statement. The Examiners' amount reflects administrative fees paid at December 31, 2009, less the amount owed at December 31, 2009 based on the Examiners' analysis of subsequent 2009/2010 member payroll audits

- | | |
|--|-----------------|
| 4. <u>Prepaid service agent's fees</u> | <u>\$81,224</u> |
|--|-----------------|

The above asset is \$1,585 more than the amount reported by the Association in its 2009 Annual Statement. The Examiners' amount reflects service agent's fees paid at December 31, 2009, less the amount owed at December 31, 2009 based on the Examiners' analysis of subsequent 2009/2010 member payroll audits.

5. Losses unpaid \$8,280,311

The above liability is \$46,652 more than the amount reported by the Association in its 2009 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>
1993/1994	\$0	\$3,002	\$3,002
1996/1997	0	7,380	7,380
1998/1999	37,959	48,136	10,177
2004/2005	128,311	154,404	<u>26,093</u>
Total Change			<u>\$46,652</u>

The Examiners' increase results from a development of losses paid and reserve changes occurring during the period January 1, 2010 through September 30, 2010 on claims incurred December 31, 2009 and prior. The Association should review its methodologies to ensure sufficient loss reserves are established in future filings with the Bureau.

6. Loss adjustment expenses unpaid \$556,033

The above liability is \$37,653 more than the amount reported by the Association in its 2009 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>
1993/1994	\$0	\$5,241	\$5,241
1996/1997	0	3,489	3,489
1998/1999	719	20,623	19,904
2004/2005	11,784	20,803	<u>9,019</u>
Total Change			<u>\$37,653</u>

The Examiners' increase results from a development of loss adjustment expenses paid and reserve changes occurring during the period January 1, 2010 through September 30, 2010 on claims incurred December 31, 2009 and prior. The Association should review its methodologies to ensure sufficient loss adjustment expense reserves are established in future filings with the Bureau.

7. Contingency reserve \$1,322,648

The above liability is \$1,195 less than the amount reported by the Association in its 2009 Annual Statement. The Examiners' change is a result of a decrease in earned premium based on a review of subsequent 2009/2010 member payroll audits, which is the basis for the calculation of the contingency reserve.

8. Unearned premiums \$2,224,634

The above liability is \$33,585 more than the amount reported by the Association in its 2009 Annual Statement. The Examiners' amount reflects the estimated premiums received to date at December 31, 2009, less the amount earned at December 31, 2009 based on subsequent 2009/2010 member payroll audits.

9. Taxes, licenses and fees payable \$214,107

The above liability is \$127,107 more than the amount reported by the Association in its 2009 Annual Statement. The Examiners' amount was based on a review of invoices paid in 2010 for taxes pertaining to 2009.

10. Professional fees payable \$13,500

The above liability is \$6,000 more than the amount reported by the Association in its 2009 Annual Statement. The Examiner's amount was based on a review of invoices paid in 2010 for professional fees pertaining to 2009.

11. Payroll audit fees payable \$4,320

The above liability has been established by the Examiners. The Examiner's amount was based on a review of invoices paid in 2010 for member payroll audits pertaining to the 2009/2010 fiscal year.

SUBSEQUENT EVENTS

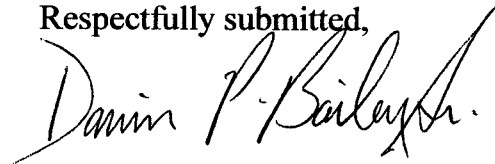
- 1) On May 27, 2010, the Bureau approved dividends for the Association totaling \$547,525.
- 2) Effective July 1, 2010, the Association lost 3 of its 36 members. While the Association had maintained stable membership and premiums during the period under review, the subsequent loss of these Association members accounted for the 18.3% decline in total normal premium for the 2010/2011 fiscal year as compared to the 2009/2010 fiscal year.

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, George E. Morgan, CFE and Milton Parker, Jr. participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink that reads "Darrin P. Bailey, Sr." with a stylized flourish at the end.

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

SCHOOL SYSTEMS OF VIRGINIA GROUP SELF INSURANCE ASSOCIATION

Administered By
SELF INSURANCE SERVICES, LLC
COST CONTROL THROUGH SERVICE

STATE CORPORATION COMMISSION
BUREAU OF INSURANCE
11 FEB -1 AM 9:25

January 31, 2011

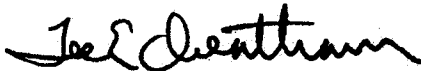
Mr. David H. Smith, CFE, CPA, CPCU
Chief Examiner
State Corporation Commission
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

Dear Mr. Smith:

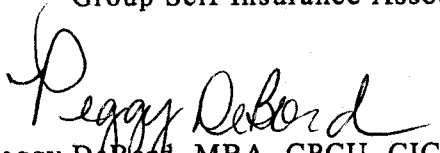
Enclosed are the responses to your recommendations for corrective action for School Systems of Virginia Group Self Insurance Association during the examination period of January 1, 2007 to December 31, 2009.

Please let me know if you have any questions concerning our responses.

Sincerely,



Lee Cheatham
Chairman
Members' Supervisory Board
School Systems of Virginia
Group Self Insurance Association



Peggy DeBord, MBA, CPCU, CIC
Administrator
School Systems of Virginia
Group Self Insurance Association

Enclosures

School Systems of Virginia Group Self Insurance Association

Responses to Recommendations for Corrective Action

Management and Control

1. The Association is aware of and will make every effort to assure that the Association is financially sound and able to fulfill its obligations under the Virginia Workers' Compensation Act.

Accounts and Records

2. The Association agrees with these adjustments since they were prepared with the benefit of subsequent payroll audits. This information was not available until audits were completed for the year ending June 30, 2010.
3. The Association agrees with this adjustment. The adjustment was made with the benefit of subsequent payroll audit information not available at the time the financial statement was filed.
4. The Association agrees with this adjustment. The adjustment was made with the benefit of subsequent payroll audit information not available at the time the financial statement was filed.
5. The Association agrees with this adjustment. The adjustment was made with the benefit of subsequent audit information not available at the time the financial statement was filed. The IBNR number is unpredictable based on claims that change. The Association makes every effort to set reserves sufficiently, and again has reminded our service company to do so.
6. The Association agrees with this adjustment. The adjustment was made with the benefit of subsequent audit information not available at the time the financial statement was filed. The IBNR number is unpredictable based on claims that change. The Association makes every effort to set reserves sufficiently, and again has reminded our service company to do so.
7. The Association establishes a 3% contingency reserve fund each year. We agree with the adjustment since it was prepared with the advantage of subsequent information.

8. The Association agrees with this adjustment. The adjustment was made with the benefit of subsequent payroll audit information not available at the time the financial statement was filed.
9. The Association agrees with this adjustment. The adjustment was made with the benefit of subsequent audit information not available at the time the financial statement was filed.
10. The Association agrees with this adjustment. The adjustment was made with the benefit of subsequent audit information not available at the time the financial statement was filed.
11. The Association agrees with this adjustment. The amounts reported by the Association on the 2009 Annual Statement were estimates and subsequent information was not available at that time.