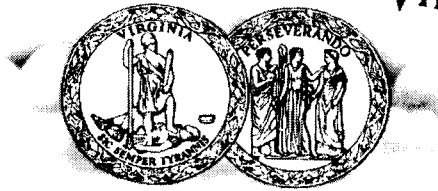


EXAMINATION REPORT
of
WCAMC CONTRACTORS
GROUP SELF-INSURANCE ASSOCIATION
RICHMOND, VIRGINIA
as of
DECEMBER 31, 2009

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 WCAMC Contractors 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 20th day of January, 2011

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
October 8, 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

**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.

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

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.

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, 2009:

Board

Representative

E. Tyree Chappell

Richard E. Collier

Patrick McAndrews

Stephen T. Murphy

Eleanor W. Newell

Charles Yonce

Member

E.S. Chappell & Son, Inc.
Mechanicsville, Virginia

R.E. Collier, Inc.
Richmond, Virginia

McAndrews Restoration
Springfield, Virginia

Add-A-Deck, Inc.
Richmond, Virginia

E. Granville Wade, Jr., Inc.
Mechanicsville, Virginia

Conquest, Moncure & Dunn, Inc.
Richmond, Virginia

Officers

E. Tyree Chappell

Richard E. Collier

Steve T. Murphy

Chairman

Vice 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 15, 1986, the Association entered into an administrative agreement with Workers Compensation Accounts Management Corporation ("WCAMC"). The original term of this agreement was for a period of twelve months and the agreement continues thereafter subject to termination by either party by 90 days advance notice of the effective date of termination.

According to the agreement, WCAMC 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, WCAMC shall receive 13% of earned premium. Total administrative fee expense for calendar year 2009 was \$256,572.

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; providing risk control services to the Association's members through job site visits and conducting an annual risk control seminar; and notifying excess insurers of all qualified claims which may exceed the Association's retention.

Effective with the agreement's 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. Total claims service agent fee expense for calendar year 2009 was \$88,814.

FIDELITY BOND COVERAGE

At December 31, 2009, the Association was listed as a named insured on a fidelity bond with a \$250,000 limit of liability, subject to a \$2,500 retention 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 U.S. Treasury Money Market Fund with a market value of \$291,547 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 at December 31, 2009, 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

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 Service Agreement
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	\$1,799,863
Other invested assets	2,530,619
Cash on deposit	207,974
Deposit with service agent	107,480
Premiums receivable	59,801
Interest due and accrued	17,917
Amounts recoverable on paid losses	220,614
Excess insurance premiums receivable	162,677
Administrative fees receivable	55,886
Service agent's fees receivable	12,667
Income tax receivable	<u>14,670</u>
 Total assets	 <u><u>\$5,190,168</u></u>

LIABILITIES AND MEMBERS' EQUITY

Losses unpaid	\$6,611,358
Loss adjustment expenses unpaid	1,028,333
Contingency reserve	2,482,127
Unearned premiums	341,884
Premium refunds payable	343,736
Administrative fees payable	73,087
Taxes, licenses and fees payable	65,864
Professional fees payable	22,000
Payroll audit fees payable	1,789
Agent commissions payable	<u>7,277</u>
 Total liabilities	 <u><u>\$10,977,455</u></u>
 Restricted members' equity	 \$291,547
Unrestricted members' equity	<u>(6,078,834)</u>
 Total liabilities and members' equity	 <u><u>\$5,190,168</u></u>

STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2009

UNDERWRITING INCOME

Premiums earned	<u>\$855,232</u>
Deductions:	
Losses incurred	\$3,578,064
Loss expenses incurred	(63,574)
Other underwriting expenses incurred	544,151
Contingency reserve	<u>56,132</u>
Total underwriting deductions	<u>\$4,114,773</u>
Net underwriting loss	<u>(\$3,259,541)</u>

INVESTMENT INCOME

Net investment income earned	\$110,596
Net realized capital losses	<u>(9,999)</u>
Net investment gain	<u>\$100,597</u>

OTHER INCOME

Assessment	\$8,711
Other income	<u>1,740</u>
Total other income	<u>\$10,451</u>
Net loss before federal income taxes	(\$3,148,493)
Federal income taxes incurred	<u>(14,670)</u>
Net loss	<u><u>(\$3,133,823)</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	* (\$4,019,112)	(\$3,887,313)	(\$2,722,323)
Adjustment for previous examination changes	404,528		
Net income or (loss)	(317,290)	1,187,932	(3,133,823)
Net unrealized capital gains or (losses)	<u>44,561</u>	<u>(22,942)</u>	<u>68,859</u>
Restricted and unrestricted members' equity, end of year	(\$3,887,313)	(\$2,722,323)	(\$5,787,287)
Less: Restricted members' equity, end of year	<u>(287,042)</u>	<u>(291,284)</u>	<u>(291,547)</u>
Unrestricted members' equity, end of year before undistributed dividends	(\$4,174,355)	(\$3,013,607)	(\$6,078,834)
Less: Dividends declared but unpaid	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted members' equity, end of year	<u><u>(\$4,174,355)</u></u>	<u><u>(\$3,013,607)</u></u>	<u><u>(\$6,078,834)</u></u>

* Adjusted members' equity from previous examination.

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

	All Other Fiscal Years Preceding 1985-2006	Third Fiscal Year Preceding 2006/2007	Second Fiscal Year Preceding 2007/2008	First Fiscal Year Preceding 2008/2009	Partial Current Fiscal Year 2/15/09-12/31/09	Total Inception to Date (1985-2009)
Income Received						
Premiums written	\$85,490,367	\$8,039,308	\$7,893,000	\$4,526,100	\$1,884,761	\$107,833,536
Less: Excess insurance	10,039,796	2,077,017	1,757,002	1,163,757	430,668	15,468,240
Net premiums written	\$75,450,571	\$5,962,291	\$6,135,998	\$3,362,343	\$1,454,093	\$92,365,296
Investment income	6,247,493	162,946	81,402	9,843	134,448	6,636,132
Allocation between years	68,740	19,610	18,310	23,738	(130,398)	0
Other	1,554,394	0	25,190	235	47,422	1,627,241
Total income collected	\$83,321,198	\$6,144,847	\$6,260,900	\$3,396,159	\$1,505,565	\$100,628,669
Less: Expenses Paid						
Losses paid	\$55,394,581	\$3,047,571	\$2,991,253	\$1,232,366	\$648,248	\$63,314,019
Allocated loss adjustment expenses paid	4,231,769	343,064	318,792	128,367	55,966	5,077,958
Administrative fees	10,991,955	900,179	1,019,903	634,768	127,607	13,674,412
Service agent's fees	4,849,191	343,000	448,500	201,801	90,000	5,932,492
Taxes, licenses, and fees	1,609,223	212,978	210,869	140,916	475	2,174,461
Federal income tax	130,805	0	21,178	0	14,670	166,653
Other expenses	1,357,541	213,440	184,430	214,303	113,331	2,083,045
Total expenses	\$78,565,065	\$5,060,232	\$5,194,925	\$2,552,521	\$1,050,297	\$92,423,040
Net cash income	\$4,756,133	\$1,084,615	\$1,065,975	\$843,638	\$455,268	\$8,205,629
Add: Receivables						
Interest due and accrued	9,164	2,613	2,440	3,163	537	17,917
Premiums receivable	0	0	0	0	59,801	59,801
Recoverable on paid losses	149,446	0	0	0	71,168	220,614
Other	0	0	0	160,460	85,440	245,900
Total	\$158,610	\$2,613	\$2,440	\$163,623	\$216,946	\$544,232
Deduct: Liabilities						
Losses unpaid	\$1,740,809	\$1,104,202	\$1,138,169	\$1,284,600	\$1,343,578	\$6,611,358
Loss adjustment expenses	669,006	45,055	82,819	95,351	136,102	1,028,333
Contingency reserve	1,815,302	249,776	237,147	133,589	46,313	2,482,127
Unearned premiums	0	0	0	0	341,884	341,884
Premium refunds payable	0	0	0	121,870	221,866	343,736
Administrative fees payable	0	0	0	0	73,087	73,087
Taxes, licenses and fees payable	0	0	0	0	65,864	65,864
Other expenses payable	0	0	0	0	31,066	31,066
Total	\$4,225,117	\$1,399,033	\$1,458,135	\$1,635,410	\$2,259,760	\$10,977,455

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

	All Other Fiscal Years Preceding 1985-2006	Third Fiscal Year Preceding 2006/2007	Second Fiscal Year Preceding 2007/2008	First Fiscal Year Preceding 2008/2009	Partial Current Fiscal Year 2/15/09-12/31/09	Total Inception to Date (1985-2009)
Restricted and Unrestricted Members' Equity to date by fiscal year before dividends	\$689,626	(\$311,805)	(\$389,720)	(\$628,149)	(\$1,587,546)	(\$2,227,594)
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>58,309</u>	<u>58,309</u>	<u>58,309</u>	<u>58,310</u>	<u>58,310</u>	<u>291,547</u>
Unrestricted Members' Equity undistributed by fiscal year	(\$2,928,376)	(\$370,114)	(\$448,029)	(\$686,459)	(\$1,645,856)	(\$6,078,834)
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 12/31/09	<u>(\$2,928,376)</u>	<u>(\$370,114)</u>	<u>(\$448,029)</u>	<u>(\$686,459)</u>	<u>(\$1,645,856)</u>	<u>(\$6,078,834)</u>

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	\$59,801	\$59,801
Amounts recoverable on paid losses	289,688	220,614	(69,074)
Administrative fees receivable	62,219	55,886	(6,333)
Service agent's fees receivable	20,103	12,667	(7,436)
<u>Liabilities:</u>			
Loss unpaid	\$6,324,607	\$6,611,358	(\$286,751)
Loss adjustment expenses unpaid	887,748	1,028,333	(140,585)
Contingency reserve	2,485,204	2,482,127	3,077
Unearned premiums	251,288	341,884	(90,596)
Premium refunds payable	121,870	343,736	(221,866)
Administrative fees payable	84,744	73,087	11,657
Taxes, licenses and fees payable	67,087	65,864	1,223
Payroll audit fees payable	15,000	1,789	13,211
Examiners changes in members' equity			<u>(\$733,672)</u>
Unrestricted and undistributed members' equity per Association			(\$5,345,162)
Unrestricted and undistributed members' equity per Examiners			<u>(6,078,834)</u>
Decrease in unrestricted and undistributed members' equity			<u>(\$733,672)</u>

RECOMMENDATIONS FOR CORRECTIVE ACTION

Management and Control

1. The results of this examination reflect a members' equity deficit for the 1991/1992, 1997/1998, 2000/2001, 2002/2003, 2003/2004, 2004/2005, 2005/2006, 2006/2007, 2007/2008, 2008/2009 and 2009/2010 fiscal years of \$12,315, \$31,622, \$558,876, \$1,339,368, \$1,113,263, \$2,336,126, \$974,606, \$370,114, \$448,029, \$686,459 and \$1,645,856, respectively as well as an overall deficit of \$6,078,834.

According to 14 VAC 5-370-20, the Board is charged with the responsibility of assuring that the Association is financially sound and able to fulfill its obligation under the Virginia Workers' Compensation Act. The Board must recognize the Association's financial condition and take the necessary steps, which may include assessments, to eliminate deficits.

2. 14 VAC 5-370-100 1 states that one of the responsibilities of the Board is to monitor the financial condition of each member of the Association to assure that the member can fulfill the obligations of membership. 14 VAC 5-370-50 requires that an Association have, in its possession and in a form acceptable to the Commission, a current financial statement for each member; and that any member who cannot demonstrate its solvency and its financial ability to meet its obligations as a member shall be removed from the membership.

The Association has established procedures to monitor member financial statements and to assure that a current financial statement is obtained from each member. The Examiner's review of member financial statements revealed that four members did not have a current financial statement on file with the Association. These four member financial statements were found to be dated as of December 31, 2007. In addition, three members did not have a financial statement on file with the Association and two member's financial statements reported negative net worth. In each case, it appears no action was taken against the member and the member remained active through the 2009/2010 fiscal year. This is the second consecutive examination that the Association has failed to properly maintain member financial statements. The Association is reminded of its responsibilities under 14VAC 5-370-10 et seq.

3. 14 VAC 5-370-70 states that the Association's investments shall be authorized or approved by the Members' Supervisory Board in the manner contemplated by the provisions of Section 38.2-1408 of the Code of Virginia. Section 38.2-1408 requires that any investment, loan or any sale or exchange of a loan or investment be authorized or approved. Such authorization or approval shall be made by the Board of Directors or other governing body. A review of the minutes of the Board meetings disclosed no

formal approval or authorization was obtained for investments. It is recommended that the Association implement procedures to ensure that its investments are approved in accordance with 14 VAC 5-370-70 and Section 38.2-1408 of the Code of Virginia.

Accounts and Records

4. 14 VAC 5-370-100 7 requires that payroll audits of all members be conducted within 180 days after the close of a fiscal year and that efforts are made to collect any amounts due within 30 days of the completion of each audit. The Examiners noted that the Association had not completed payroll audits for 81 of the 173 members or 47% of the membership for the 2009/2010 fiscal year within the timeframe required by 14 VAC 5-370-100 7. Therefore, additional premiums receivable and premium refunds payable have not been fully determined or settled. It is recommended that the Association implement procedures to ensure that payroll audits are accurately completed within the timeframe required by 14VAC 5-370-100 7 and further efforts are made to settle member premium account balances in a timely manner.

- | | |
|--------------------------------|------------------|
| 5. <u>Premiums receivable</u> | <u>\$59,801</u> |
| <u>Premium refunds payable</u> | <u>\$343,736</u> |

The above amounts have been increased \$59,801 and \$221,866, respectively. The Examiners' amounts are based on subsequent 2009/2010 fiscal year member payroll audits and reflect differences between audited contributions and contributions paid prorated for the period February 15, 2009 through December 31, 2009. The increase in Premiums receivable was netted with \$61,070 in premiums over 90 days that are non-admitted for statutory accounting purposes.

- | | |
|--|------------------|
| 6. <u>Amounts recoverable on paid losses</u> | <u>\$220,614</u> |
|--|------------------|

The above asset is \$69,074 less than the amount reported by the Association in its 2009 Annual Statement. The decrease is a result of the Examiners' review of 2002/2003 fiscal year aggregate and specific excess claims, net of recoveries from the Association's excess insurer, at December 31, 2009. From this review, it was noted that the Association and the excess insurer are in disagreement with respect to the Association's aggregate retention amount for the 2002/2003 fiscal year. As a result, it could not be determined if the aggregate recoverable reported by the Association for the 2002/2003 fiscal year will be collected.

7. Administrative fees receivable \$55,886

The above asset is \$6,333 less than the amount reported by the Association in its 2009 Annual Statement. The Examiners' amount is based on review of the 2008/2009 fiscal year member payroll audits and reflects the difference between the fees owed for the fiscal year to the amounts actually paid at December 31, 2009. See Recommendation #12 for the determination of Administrative fees payable for the 2009/2010 fiscal year. It is recommended that the Association settle all administrative fees outstanding for prior fiscal years in accordance with the administrative agreement with WCAMC.

8. Service agent's fees receivable \$12,667

The above asset is \$7,436 less than the amount reported by the Association in its 2009 Annual Statement. The Examiners' amount is based on review of the 2008/2009 fiscal year member payroll audits and reflects the difference between the fees owed for the fiscal year to the amounts actually paid at December 31, 2009. In addition, the Examiner's amount reflects the prepaid balance of the service agent's minimum annual fee, paid in 2009, for the 2009/2010 fiscal year ending February 14, 2010. It is recommended that the Association settle all service agent's fees outstanding for prior fiscal years in accordance with the claims service agreement with PMA.

9. Losses unpaid \$6,611,358

The above liability is \$286,751 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>
1996/1997	\$ 22,328	\$ 32,615	\$ 10,287
2005/2006	365,130	641,594	<u>276,464</u>
Total change			<u>\$ 286,751</u>

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

10. Loss adjustment expenses unpaid \$1,028,333

The above liability is \$140,585 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>
2003/2004	\$ 5,625	\$ 25,493	\$ 19,868
2005/2006	9,587	112,855	103,268
2008/2009	77,902	95,351	<u>17,449</u>
Total change			<u>\$140,585</u>

The Examiners' increase results from a development of loss adjustment expenses paid and reserves changes occurring during the period January 1, 2010 through August 31, 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 all future filings.

11. Contingency reserve \$2,482,127

The above liability is \$3,077 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.

12. Unearned premiums \$341,884

The above liability is \$90,596 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 fiscal year member payroll audits.

13. Administrative fees payable \$73,087

The above liability is \$11,657 less than the amount reported by the Association in its 2009 Annual Statement. The Examiners' amount is based on a review of the subsequent 2009/2010 fiscal year member payroll audits and reflects the differences between the fees owed and the amounts actually paid at December 31, 2009. The Examiners' development is prorated for the period February 15 through December 31, 2009 from the subsequent 2009/2010 fiscal year member payroll audits.

14. Taxes, licenses, and fees payable \$65,864

The above liability is \$1,223 less 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.

15. Payroll audit fees payable \$1,789

The above liability is \$13,211 less 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 member payroll audits pertaining to the 2009/2010 fiscal year.

SUBSEQUENT EVENTS

1. The Association's Board voted to terminate its underwriting activities as of February 15, 2010. The Association will continue its operations to settle all reported claims as well as any unreported claims incurred prior to February 15, 2010. Upon settlement of all claims obligations, the Association will cease business. Any excess members' equity will be returned to members upon approval of the Bureau.

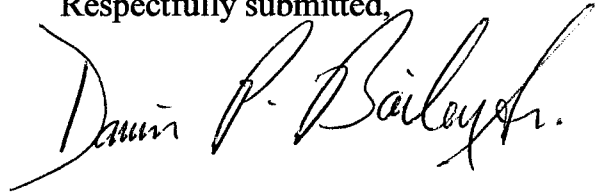
2. The Association's Board voted to terminate its administrative agreement with WCAMC to administer its financial affairs effective February 5, 2010. The Association's Board executed a new administrative agreement with Self-Insurance Services, LLC ("SIS"). The original term of the agreement is for a period of 12 months and, as compensation for its services, SIS shall receive \$7,500 monthly.

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." The signature is written in a cursive style with a large, sweeping initial "D".

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

WCAMC CONTRACTORS GROUP SELF INSURANCE ASSOCIATION

Administered By
SELF INSURANCE SERVICES, LLC
COST CONTROL THROUGH SERVICE

11 JAN -3 AM 9:28

December 29, 2010

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:

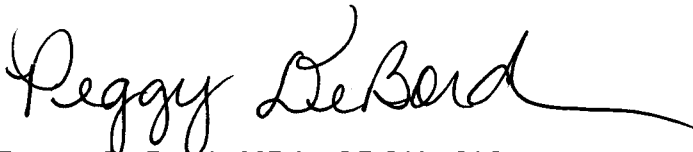
Enclosed are the responses to your recommendations for corrective action for WCAMC Contractors Group Self Insurance Association during the examination period January 1, 2007 through December 31, 2009.

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

Sincerely,



E. Tyree Chappell
Chairman
Members' Supervisory Board
WCAMC Contractors Group Self Insurance Association



Peggy DeBord, MBA, CPCU, CIC
Administrator
WCAMC Contractors Group Self Insurance Association

Enclosures

WCAMC Contractors 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.
2. The Association is aware of the requirement to maintain member financial statements and will fulfill its obligations under the Virginia Workers' Compensation Act.
3. The Association agrees with this requirement. The board members approved the authorization change by email during the examination period.

Accounts and Records

4. The Association recognizes and agrees with this requirement. The administrator had to reconstruct many manual documents as electronic information was not provided. The 2009-2010 fund year had 173 members. Fifteen members met the \$1000.00 minimum premium before and after the payroll audit. Sixty-six members had additional premium due and forty-two members have paid the additional premium due. Ninety-two members had return premium due based on the information provided to the administrator. Thirty-two members have provided the support for the return premium due and checks have been issued to the members. In total, 89 audits have been completely finalized. 84 audits are outstanding. The administrator will continue its effort to collect all additional premium due and obtain required support for return premium to members.
5. 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.
6. The Association agrees with this statement. The aggregate retention for 2002/2003 fiscal year has now been settled in the amount of \$12,415.40 as a refund to WCAMC.
7. The Association agrees with this statement. The Association will settle all administrative fees outstanding for prior fiscal years in accordance with the administrative agreement with WCAMC subject to the communication

from the previous administrator and at the direction of the Board of Directors of WCAMC.

8. The Association agrees with this statement. The Association will settle all service agent's fees outstanding for prior fiscal years in accordance with the claims service agreement with PMA and WCAMC.

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. 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.

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. 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.

11. The Association agrees with this adjustment based on the revised premium for the 2009 fund year. The 3% contingency reserve is adjusted when the premium for each year is adjusted.

12. 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.

13. 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.

14. 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.

15. 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.