

To: The Commissioner of Insurance and the Member Insurers of the Massachusetts Insurers Insolvency Fund

From: The Board of Directors of the Massachusetts Insurers Insolvency Fund

Date: March 30, 2022

Re: 2021 Annual Report

On behalf of the board of directors of the Massachusetts Insurers Insolvency Fund (the “Fund”), the following is the report for the calendar year 2021.

Membership

The membership of the Fund is comprised of insurers licensed to transact business in the Commonwealth that write business to which the Fund’s enabling Act applies. See M.G.L. c. 175D, §1, *et seq.* In 2021, the following insurers became members of the Fund:

American Agricultural Insurance Company;
ARI Insurance Company;
Mobilitas General Insurance Company;
Obsidian Insurance Company;
Safety Northeast Insurance Company; and
Service Lloyds Insurance Company, a Stock Company.

Board of Directors

Pursuant to its Plan of Operation, the Fund’s board of directors consists of eight members elected by the membership to serve three-year terms and an insurance producer appointed by the Commissioner of Insurance. Directors fairly represent the diverse profiles of member insurers.

The three board members whose terms were due to expire in 2021 – Arbella Mutual Insurance Company; Farmers Property and Casualty Insurance Company; and The Hanover Insurance Company – were re-elected at the annual meeting of the board of directors held on October 21, 2021.

The members of the board of directors and their representatives as of that date are as follows:

Liberty Mutual Insurance Company, Donald Baldini, Chair;
Safety Insurance Company, Christopher T. Whitford, Vice Chair;
Arbella Mutual Insurance Company, Chris Hall;
Farmers Property and Casualty Insurance Company, Jaynine Warner;

MEMIC Indemnity Company, Eileen Fongemie;
Quincy Mutual Fire Insurance Company, Lisa M. Schooley;
The Hanover Insurance Company, Harris E. Berenson;
Travelers Indemnity Company, David D. Sutura; and
Insurance Producer Representative, Thomas F. Skelly, Jr.

Insolvencies

In 2021, the Fund accepted four new insolvencies:

- On March 17, 2021, the board voted via written unanimous consent to accept the insolvency of Bedivere Insurance Company, which was found to be insolvent and ordered liquidated by the Commonwealth Court of Pennsylvania on March 11, 2021.
- On August 20, 2021, the board voted via written unanimous consent to accept the insolvency of Gulfstream Property and Casualty Insurance Company, which was found to be insolvent and ordered liquidated by the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida, on July 28, 2021.
- On August 20, 2021, the board voted via written unanimous consent to accept the insolvency of Western General Insurance Company, which was found to be insolvent and ordered liquidated by the Superior Court of California, County of Los Angeles, Central District, on August 5, 2021.
- On November 22, 2021, the board voted via written unanimous consent to accept the insolvency of Highlands Insurance Company, which was found to be insolvent and ordered liquidated by the District Court of Travis County, Texas, on October 29, 2021.

Annual Board of Directors Meeting

The annual meeting of the board of directors was held on October 21, 2021, via video conference. At the annual board of directors meeting, the board, among other business:

- elected officers: Donald Baldini, Chair; Christopher Whitford, Vice Chair; Barbara Petersen Law, Manager; Jeffrey Scott, Claims Manager; and Heather Holland, Treasurer;
- reviewed and discussed proposed changes to the Plan of Operation;
- reviewed the Delegated Services Agreement with GFMS;
- approved audit and legal committee charters;
- received and considered reports on claims, investments, recoveries from receivers;
- voted to approve the 2020 audited financial statements presented by the Treasurer;¹
- reviewed the assessment capacity of the Fund, which was \$301,249,308, based on 2% of the calendar year 2020 net direct written premiums;

¹ The audited financial statements were approved by the Fund's audit committee on March 29, 2021

- reviewed the cash position of the Fund, including its operating expenses and covered claim costs; and
- determined that neither an assessment nor a refund was warranted.

Claim Activity

As of December 31, 2021, the Fund had 575 open claims – 529 workers’ compensation, 42 liability, and four automobile claims – with reserves in the amount of \$129,351,543.

The largest reserve exposures for the Fund were attributed to the liquidations of Eastern Casualty Insurance Company (\$28,570,795), Bedivere Insurance Company (\$19,267,567), and American Motorists Insurance Company (\$19,041,168). Claim loss and expense payments during the reporting period totaled \$7,688,497.

Recoveries

The Fund pursues recoveries authorized by M.G.L. c. 175D, §8(1), and §17(3). In 2021, an aggregate amount of \$329,956 was collected and allocated directly back to the claim files. This amount reflected recoveries from the following sources:

Large Deductible Reimbursements	\$ 27,005
High Net Worth Insureds	\$302,951

The Fund also files claims against the estates of insolvent insurers, such as statutory deposits and distributions of assets from receivers. In 2021, the Fund recovered \$25,288,456 from early access distributions, which are subject to clawback; NCCI settlement proceeds; and administrative expense reimbursements from various insolvencies.

Financial Statements

The statement of account of the Fund, from inception and for the calendar year 2021, and its balance sheet for the same periods, are attached and made a part of this annual report.

MASSACHUSETTS INSURERS INSOLVENCY FUND
Balance Sheet
December 31, 2021
Inception
To Date

Assets:

Checking & Short-Term Cash	\$25,246,115.87
Investments	195,421,799.73

Total Assets	\$220,667,915.60
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Fund Balance	\$220,667,915.60
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Massachusetts Insurers Insolvency Fund
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2021
Total All Insolvencies

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$80,454.55	\$877,123.52
Member Assessment	6.00	545,330,182.00
Recovery	25,288,456.83	405,138,354.92
Interest Income	2,393,921.08	107,617,896.50
Total Receipts	27,762,838.46	1,058,963,556.94
 DISBURSEMENTS:		
Claims Paid	5,526,407.43	328,368,908.57
Third-Party Administrator Claims Paid	969,347.13	129,029,788.93
Claims Expense Paid	735,101.51	99,500,008.71
Third-Party Administrator Claims Expense Paid	4,229.20	7,737,283.48
Premium Refund	-	22,156,849.05
Member Refund	-	171,610,281.00
 Operating Expenses:		
Service Fee - ISO, Etc.	-	949,562.37
G.F.M.S.	2,067,663.46	67,278,369.48
Legal & Audit	96,678.22	8,003,056.00
Travel	244.45	187,425.10
NCIGF Fee	108,183.00	2,077,465.23
Insurance	-	153,449.00
Other	38,325.70	895,073.73
Administrative Expense	-	348,120.69
Total Operating Expenses	2,311,094.83	79,892,521.60
Total Disbursements	9,546,180.10	838,295,641.34
Funds Available	18,216,658.36	220,667,915.60
 Reserves:		
Claims Liability		125,920,003.24
Claims Expense Liability		3,242,496.37
Total Reserves		\$129,162,499.61

**Massachusetts Insurers Insolvency Fund
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2021
Consolidated Statement of Closed Insolvencies
Inception
To Date**

RECEIPTS:

Member Assessment Administrative	(\$17,072,545.99)
Member Assessment Recovery	202,351,006.00
Interest Income	95,236,889.06
	<u>17,515,996.40</u>
Total Receipts	<u>298,031,345.47</u>

DISBURSEMENTS:

Claims Paid	104,374,333.37
Claims Expense Paid	46,005,991.90
Premium Refund	14,355,720.22
Member Refund	113,389,594.00
Operating Expenses:	
Service Fee - ISO, Etc.	949,562.37
G.F.M.S.	14,415,188.04
Legal & Audit	3,374,645.02
Travel	70,603.51
NCIGF Fee	386,099.72
Other	370,064.63
Administrative Expense	<u>339,542.69</u>
Total Operating Expenses	<u>19,905,705.98</u>
Total Disbursements	<u>298,031,345.47</u>
Funds Available	<u><u>-</u></u>

**Massachusetts Insurers Insolvency Fund
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2021
Administrative**

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	(\$190,714.72)	\$17,701,834.12
Interest Income	203,252.57	2,103,300.07
	12,537.85	19,805,134.19
DISBURSEMENTS:		
Operating Expenses:		
Other	-	1,000.00
Administrative Expense	-	8,578.00
	-	9,578.00
Total Operating Expenses	-	9,578.00
Total Disbursements	-	9,578.00
Funds Available	12,537.85	19,795,556.19
Reserves:		
Total Reserves		-