

**EXAMINATION REPORT**  
**of**  
**PRINCE WILLIAM SELF-INSURANCE GROUP,**  
**PRINCE WILLIAM SELF-INSURANCE**  
**GROUP CASUALTY POOL**  
**PRINCE WILLIAM, VIRGINIA**  
**as of**  
**JUNE 30, 2021**

# COMMONWEALTH OF VIRGINIA



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

P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
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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 Prince William Self-Insurance Group, Prince William Self-Insurance Group Casualty Pool as of June 30, 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 11<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  
March 8, 2022

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

**PRINCE WILLIAM SELF-INSURANCE GROUP,  
PRINCE WILLIAM SELF- INSURANCE GROUP CASUALTY POOL**

Prince William, Virginia

hereinafter referred to as the Pool, has been completed. The report is hereby submitted for your consideration.

**SCOPE OF THE EXMINATION**

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 Pool was made by representatives of the State Corporation Commission's Bureau of Insurance (the Bureau) as of June 30, 2015.

The Bureau planned and performed the examination to evaluate the Pool's financial condition and operational activities. All accounts and activities of the Pool 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 Pool and its financial condition.

**HISTORY**

The Pool was licensed by the Bureau on July 1, 1989. According to its Constitution and Bylaws, the Pool was formed:

... to provide for cooperative action in providing risk management and liability insurance coverage for pool members and employees of pool members for acts or omissions arising out of the scope of their employment.

### MANAGEMENT AND CONTROL

Control of the Pool is vested in a Members' Supervisory Board (the Board) elected by the members of the Pool. The by-laws provide for no less than five nor more than eleven board members, three-fourths of whom shall be elected or appointed officials of political subdivisions that are members of the Pool. Board members serve three year terms or until their successors are elected. The terms are staggered to provide that one-third of the Board is elected each year.

The Board and officers were as follows at June 30, 2021:

<u>Representative</u>	<u>Member</u>
Michelle L. Attreed	Director of Finance Prince William County Prince William, Virginia
Lori J. Gray	Risk Management Division Chief Prince William County Prince William, Virginia
Dawn M. Harman	Assistant Police Chief Prince William County Police Department Prince William, Virginia
Tim L. Keen	Deputy Fire Chief Prince William County Prince William, Virginia
Lillie Jo Krest	Financial Analyst Manager Prince William County Prince William, Virginia
Carol A. Moye-Vienna	Finance Director Prince William Manassas Regional Adult Detention Center Prince William, Virginia

Ronda E. Wiggins

Business Operations Manager  
 Prince William Manassas Regional Adult  
 Detention Center  
 Prince William, Virginia

Officers

Lori J. Gray  
 Lillie Jo Krest

Chairman  
 Secretary

**TERRITORY AND PLAN OF OPERATION**

The operation of the Pool is confined to Virginia where it is licensed to transact the business of comprehensive general liability, automobile liability and automobile physical damage. Membership in the Pool is available to political subdivisions of the Commonwealth of Virginia or agencies thereof, upon the approval of the Board.

All members of the Pool are required to execute member agreements, which set forth the rights, privileges, and obligations of the members, and the terms, coverages, limits and deductibles of the plan.

The Pool has a contractual agreement with an administrator who shall administer and manage the affairs of the Pool 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 Pool. Additionally, the Pool utilizes the services of Prince William County personnel for certain administrative and personnel support services. As compensation for these services, the Pool paid Prince William County \$172,500 for the 2020/2021 fiscal year. The Pool's operations are conducted on a fiscal year basis ending June 30.

**ADMINISTRATIVE AGREEMENT**

Effective November 14, 2019, the Pool entered into an administrative agreement with Self Insurance Services, LLC (SIS). The initial term of the agreement is for three years and the Association has the option to extend the agreement for five additional one-year periods. Either party may terminate the agreement upon written notice.

According to the agreement, SIS shall provide administrator services to the Pool. These services include coordinating the activities of all service providers; reviewing and authorizing all regulatory filings with the Bureau and coordinating all Bureau examinations; coordinating and reviewing the compilation of all data for actuarial studies, contribution calculations, and insurance policy renewals; preparing, coordinating and

distributing all forms required for administrative activities; maintaining member records; and preparing and presenting an annual management report for the Pool.

As compensation for its services, SIS shall receive \$25,000 annually.

### **CLAIMS ADMINISTRATION AGREEMENT**

Effective May 31, 2019, the Pool entered into a claims administration agreement with PMA Management Corporation (PMA). The initial term of the agreement is for three years and the Pool has the option to extend the agreement for five additional one-year periods. Either party may terminate the agreement upon written notice.

Under the terms of the agreement, PMA shall provide full claims handling and adjusting for all claims incurred during the period of the agreement until their conclusion; provide computerized claim loss/experience reports on a quarterly basis and at other reporting intervals as requested; assist the Pool in establishing and maintaining a variety of safety and loss prevention programs; and notifying excess insurers of all qualified claims which may exceed the Pool's retention.

As compensation for its services, PMA shall receive \$58,500 annually.

### **ACTUARIAL SERVICES AGREEMENT**

Effective May 5, 2019, the Pool entered into an Actuarial Services Agreement with Aon Risk Services, Inc. (AON). The initial term of the agreement is for three years and the Pool has the option to extend the agreement for five additional one-year periods. Either party may terminate the agreement upon written notice.

According to this agreement, AON shall provide actuarial services to the Pool, including performing annual actuarial valuations to determine the appropriate level of loss reserves and conducting annual actuarial studies to determine the appropriate level of member contributions.

As compensation for its services, AON shall receive \$24,000 annually.

### **ACCOUNTING SERVICES AGREEMENT**

Effective May 6, 2019, the Pool entered into an Accounting Services Agreement with Adams, Jenkins, & Cheatham, PC (AJC). The initial term of the agreement is for three years and the Pool has the option to extend the agreement for five additional one-year periods. Either party may terminate the agreement upon written notice.

According to this agreement, AJC shall provide accounting services to the Pool, including establishing and maintaining a general ledger financial and accounting system; recording all cash receipts and cash disbursements; preparing all checks for signature; performing monthly account reconciliations; preparing annual budgets; and preparing quarterly financial statements to the Board and annual statements for statutory filing with the Bureau.

The Pool incurred \$38,100 in fees relating to the agreement in fiscal year 2020/2021.

### **INSURANCE BROKER/AGENT SERVICES AGREEMENT**

Effective May 22, 2014, the Pool entered into an agreement with AON to serve as its insurance broker. The initial term of the agreement was for three years, and the Pool had the option to extend the contract for five additional one-year periods. Either party may terminate the agreement upon written notice.

AON's responsibilities shall include, but not be limited to, the following: review of the Pool's exposures to accidental loss and recommend enhancements to existing and proposed insurance coverages; solicit bids based on insurance specifications from qualified insurance companies; prepare a working summary of each policy including key terms, conditions and endorsements; assist in the negotiation for other insurance coverages, as requested; submit an annual report to the Pool to include detailed losses for each policy, the status of major losses incurred during the year, assessment of current conditions in insurance markets and recommendations regarding risk controls.

As compensation for its services, AON shall receive \$50,000 annually.



**DIVIDEND 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 Pool has received approval from the Bureau. During the examination period, the Bureau approved the following dividends:

<u>Fiscal Year</u>	<u>May 11, 2016</u>	<u>May 3, 2018</u>	<u>December 3, 2019</u>
2002/2003	\$ 30,000	\$ 54,448	\$ 0
2003/2004	50,000	282,226	0
2004/2005	50,000	166,498	0
2005/2006	50,000	36,064	27,131
2006/2007	100,000	80,212	59,586
2007/2008	40,000	54,822	40,904
2008/2009	50,000	103,754	77,074
2009/2010	100,000	72,091	53,554
2010/2011	50,000	66,015	49,061
2011/2012	0	22,167	16,467
2012/2013	20,000	72,079	50,513
2013/2014	0	0	23,259
2014/2015	0	55,467	38,824
2015/2016	0	25,947	39,091
2016/2017	<u>0</u>	<u>0</u>	<u>45,651</u>
Totals	<u>\$ 540,000</u>	<u>\$ 1,091,790</u>	<u>\$ 521,115</u>

**REINSURANCE COVERAGE**

The Pool had one reinsurance agreement in force at June 30, 2021, as set forth in the following schedule:

<b><u>Coverage Type</u></b>	<b><u>Pool's Retention</u></b>	<b><u>Excess Insurer's Limits</u></b>
General Liability	\$1,000,000 each occurrence	\$10,000,000 each occurrence \$10,000,000 aggregate
Automotive Liability; Public Officials Liability; Police Professional Liability	\$1,000,000 each occurrence arising from fire trucks and ambulances owned by the named insured under the automobile liability hazard	\$10,000,000 each occurrence \$20,000,000 aggregate
Commercial Pollution	\$1,000,000 each occurrence	\$5,000,000 each occurrence \$10,000,000 aggregate
Legal Liability	\$1,000,000 each occurrence	\$5,000,000 each occurrence \$5,000,000 aggregate

In lieu of carrying aggregate excess insurance, the Bureau required the Pool to make an initial security deposit of \$250,000 with the Treasurer of Virginia. Additionally, annual deposits of \$100,000 were required until the total deposit equaled \$500,000. At June 30, 2021, the Pool had a U.S. Government Agency Bond with an \$800,000 par value on deposit with the State Treasurer, \$500,000 as a result of the aforementioned deposit and \$300,000 that was voluntarily contributed by the Pool.

**FINANCIAL STATEMENTS**

There follows a statement of financial condition as of June 30, 2021, a statement of revenues, expenses and changes in Pool equity for the fiscal year ended June 30, 2021, a statement of changes in Pool equity for the period under review, and a statement of cash flows for the fiscal year ended June 30, 2021.

**BALANCE SHEET**  
**JUNE 30, 2021**

**Assets**

Current assets:	
Cash and cash equivalents	\$1,215,064
Investments	1,089,432
Interest receivable	2,374
Prepaid expenses and other receivable	<u>167,399</u>
Total current assets	\$2,474,269
Noncurrent assets:	
Investments, restricted	<u>500,000</u>
Total assets	<u><u>\$2,974,269</u></u>

**Liabilities and Members' Equity**

Current liabilities:	
Unpaid losses and related expenses	\$412,000
Surplus distribution payable	375,000
Accounts payable	<u>30,725</u>
Total current liabilities	<u>\$817,725</u>
Noncurrent liabilities:	
Unpaid losses and related expenses	\$500,991
Surplus distribution payable	<u>110,344</u>
Total noncurrent liabilities	<u>\$611,335</u>
Total liabilities	<u>\$1,429,060</u>
Members' equity:	
Restricted	\$500,000
Unrestricted	<u>1,045,209</u>
Total members' equity	<u>\$1,545,209</u>
Total liabilities and members' equity	<u><u>\$2,974,269</u></u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
MEMBERS' EQUITY FOR THE YEAR ENDED JUNE 30, 2021**

Operating revenues:	
Premiums	<u>\$2,111,000</u>
Operating expenses:	
Claims losses and loss adjustment expenses, net of recoveries	\$451,877
Excess reinsurance premiums	535,238
General administration	672,368
Claims administration	<u>58,500</u>
Total operating expenses	<u>\$1,717,983</u>
Operating income	\$393,017
Nonoperating expenses:	
Interest and investment (loss)	<u>(3,178)</u>
Change in members' equity	\$389,839
Members' equity, beginning of year	<u>1,155,370</u>
Members' equity, end of year	<u><u>\$1,545,209</u></u>

**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE PERIOD UNDER REVIEW**

	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Members' equity, beginning of fiscal year	<u>\$2,370,343</u>	<u>\$2,176,127</u>	<u>\$2,488,807</u>	<u>\$1,564,291</u>	<u>\$1,571,410</u>	<u>\$1,155,370</u>
Excess of revenue over expenses	\$345,784	\$312,680	\$167,274	\$7,119	\$105,075	\$389,839
Dividends declared but unpaid	<u>(540,000)</u>	<u>0</u>	<u>(1,091,790)</u>	<u>0</u>	<u>(521,115)</u>	<u>0</u>
Change in members' equity	<u>(\$194,216)</u>	<u>\$312,680</u>	<u>(\$924,516)</u>	<u>\$7,119</u>	<u>(\$416,040)</u>	<u>\$389,839</u>
Members' equity, end of fiscal year	<u><u>\$2,176,127</u></u>	<u><u>\$2,488,807</u></u>	<u><u>\$1,564,291</u></u>	<u><u>\$1,571,410</u></u>	<u><u>\$1,155,370</u></u>	<u><u>\$1,545,209</u></u>


**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Cash flows from operating activities:	
Premiums received	\$1,461,000
Claims paid	(376,601)
Excess reinsurance premiums paid	(495,678)
Claims administration expenses paid	(58,500)
General administrative expenses paid	(743,797)
	<hr/>
<b>Net cash used in operating activities</b>	<b>(\$213,576)</b>
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Cash flows from investing activities:	
Purchase of investments	(\$1,600,000)
Proceeds from sales and maturities of investments	1,600,000
Interest and dividends	5,572
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<b>Net cash provided by investing activities</b>	<b>\$5,572</b>
	<hr/>
Cash flows used in financing activities:	
Surplus distributions paid	(\$271,061)
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<b>Net decrease in cash and cash equivalents</b>	<b>(\$479,065)</b>
	<hr/>
Cash and cash equivalents, beginning of the year	1,694,129
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Cash and cash equivalents, end of the year	<u><u>\$1,215,064</u></u>
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Reconciliation of operating income to net cash:	
Provided by (used in) operating activities	
Operating income	\$393,017
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Dividends applied to premiums	(650,000)
Change in operating assets and liabilities:	
Prepaid expenses and other receivable	(32,946)
Accounts payable	1,077
Unpaid losses and related expenses	75,276
	<hr/>
<b>Net cash used in operating activities</b>	<b>(\$213,576)</b>
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**ACKNOWLEDGEMENT**

Acknowledgment is hereby made of the courteous cooperation extended by the Pool's administrator and service agent during the course of the examination. In addition to the undersigned, Ben MacKercher, CFE, participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gerald Tyrone Hicks II". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gerald Tyrone Hicks II, AFE  
Senior Insurance Examiner



**PRINCE WILLIAM SELF INSURANCE GROUP CASUALTY POOL**

*Administered By*  
**SELF INSURANCE SERVICES, LLC**  
**COST CONTROL THROUGH SERVICE**

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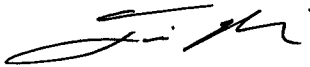
April 27, 2022

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:

This is to acknowledge that we have received the examination report for Prince William Self Insurance Group Casualty Pool during the examination period July 1, 2015 through June 30, 2021.

Sincerely,



Travis Miller  
Administrator

cc: Lori Gray