

**EXAMINATION REPORT**  
**of**  
**MERCHANTS OF VIRGINIA**  
**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

P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
1300 E. MAIN STREET  
RICHMOND, VIRGINIA 23219  
TELEPHONE: (804) 371-9741  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Merchants of Virginia 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 28<sup>th</sup> day of February 2023

---

Scott A. White  
Commissioner of Insurance



**TABLE OF CONTENTS**

	<u>Page</u>
SCOPE OF THE EXAMINATION .....	1
DESCRIPTION .....	2
HISTORY .....	2
MANAGEMENT AND CONTROL .....	2
TERRITORY AND PLAN OF OPERATION.....	3
ADMINISTRATIVE AGREEMENT .....	3
CLAIMS CONSULTING SERVICE AGREEMENT .....	4
CLAIMS SERVICE AGREEMENT .....	4
DIVIDENDS TO MEMBERS .....	5
SPECIAL RESERVES AND DEPOSITS .....	5
EXCESS INSURANCE COVERAGE .....	6
FINANCIAL STATEMENTS .....	7
RECOMMENDATIONS FOR CORRECTIVE ACTION .....	14
ACKNOWLEDGEMENT .....	17

Richmond, Virginia  
January 19, 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

**MERCHANTS 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.

**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.

**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").

**HISTORY**

The Association was licensed by the Bureau effective May 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 with the Association. Board members serve until their successors are elected.

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

<u>Representative</u>	<u>Member</u>
William R. Brewer, Jr.	Dink, Inc. Virginia Beach, Virginia
James L. Harrell, III	Harrell & Harrell, Inc. Norfolk, Virginia
Ronald K. Harrell	Ravensworth Sunoco Springfield, Virginia
Michael W. Hughes	Holiday Barn, Ltd. Richmond, Virginia
David M. Traub	DMT, Inc. Midlothian, Virginia

Officers

James L. Harrell, III	Chairman
David M. Traub	Vice-Chairman
Ronald K. Harrell	Secretary
William R. Brewer, Jr.	Treasurer
Michael W. Hughes	Director

**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 and all members' liabilities covered 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 established and adopted by the Board. Claims are processed and paid by a service agent pursuant to a contractual agreement with the Association. The Association's operations are conducted on a fiscal year ending April 30.

**ADMINISTRATIVE AGREEMENT**

Effective May 1, 1996, 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 this 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 \$390,060 in fees relating to this agreement in calendar year 2021. In addition, SIS retains 100% of the commission received for the placement of excess insurance coverage.

### **CLAIMS CONSULTING SERVICE AGREEMENT**

Effective May 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  $\frac{1}{2}$  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 \$27,862 in fees relating to this agreement in calendar year 2021.

### **CLAIMS SERVICE AGREEMENT**

Effective May 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 5.6% 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 \$312,048 in fees relating to this agreement in calendar year 2021.

### **DIVIDENDS TO MEMBERS**

Any surplus assets accumulated within a plan year may be declared refundable by the Board. Payments 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:

Fiscal Year	<u>Approval Dates</u>				
	24-Mar-17	10-Apr-18	16-Apr-19	26-Mar-20	15-Mar-21
2005/2006	\$10,000	\$10,000	\$10,000	\$25,000	\$25,000
2006/2007	27,592	0	0	0	0
2007/2008	50,000	50,000	42,800	0	0
2008/2009	50,000	50,000	50,000	50,000	26,215
2009/2010	0	0	0	25,000	41,378
2010/2011	200,000	250,000	100,000	100,000	100,000
2011/2012	200,000	100,000	150,000	75,000	75,000
2012/2013	100,000	10,000	50,000	100,000	100,000
2013/2014	300,000	50,000	200,000	200,000	75,000
2014/2015	0	0	0	0	50,000
2015/2016	18,628	0	0	100,000	100,000
2016/2017	0	100,000	100,000	200,000	200,000
2017/2018	0	0	200,000	200,000	200,000
2018/2019	0	0	0	200,000	200,000
2019/2020	0	0	0	0	200,000
Total	<u>\$956,220</u>	<u>\$620,000</u>	<u>\$902,800</u>	<u>\$1,275,000</u>	<u>\$1,392,593</u>

### **SPECIAL RESERVES AND DEPOSITS**

At December 31, 2021, the Association had a United States Treasury Note with a par value of \$260,000 on deposit with the Treasurer of Virginia as required by 14 VAC 5-370-60 A.



**EXCESS INSURANCE COVERAGE**

The Association had both specific excess and aggregate excess insurance agreements in force at December 31, 2021, with the following limits:

	<u>Association's Retention</u>	<u>Excess Insurer's Limits</u>
Specific Excess	\$1,000,000 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 \$6,072,342	\$5,000,000

**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	\$15,857,703
Other invested assets	106,548
Cash on deposit	573,271
Premiums receivable	419,056
Interest due and accrued	47,728
Prepaid administrative fees	27,262
Prepaid service agent's fees	20,355
Other prepaid expenses	<u>27,887</u>
 Total assets	 <u><u>\$17,079,810</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

Losses unpaid	\$6,781,763
Loss adjustment expenses unpaid	380,224
Contingency reserve	1,396,790
Unearned premiums	654,534
Premium refunds payable	91,624
Taxes, licenses and fees payable	182,532
Dividends payable	2,748,462
Payroll audit fees payable	24,750
Professional fees payable	23,000
Investment fees payable	<u>6,895</u>
 Total liabilities	 <u><u>\$12,290,574</u></u>
 Restricted members' equity	 \$257,670
Unrestricted members' equity	<u>4,531,566</u>
 Total liabilities and members' equity	 <u><u>\$17,079,810</u></u>

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

**UNDERWRITING INCOME**

Premiums earned	<u>\$5,426,450</u>
Deductions:	
Losses incurred	\$309,926
Loss expenses incurred	293,987
Other underwriting expenses incurred	1,246,017
Contingency reserve	<u>11,237</u>
Total underwriting deductions	<u>\$1,861,167</u>
Net underwriting gain	<u>\$3,565,283</u>

**INVESTMENT INCOME**

Net investment income earned	\$206,783
Net realized capital gains	<u>125,345</u>
Net investment gain	<u>\$332,128</u>

**OTHER INCOME**

Other income	<u>\$0</u>
Net income before federal income taxes	\$3,897,411
Federal income taxes incurred	<u>226,708</u>
Net income	<u><u>\$3,670,703</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	* \$1,891,439	\$856,400	\$3,384,588	\$3,693,293	\$5,472,060
Adjustment for previous examination changes	(174,254)				
Net income	140,297	3,237,954	1,141,100	2,694,451	3,670,703
Net unrealized capital gains or (losses)	2,112	(119,475)	163,838	197,313	(308,071)
Dividends paid to members	<u>(1,003,189)</u>	<u>(590,291)</u>	<u>(996,233)</u>	<u>(1,112,997)</u>	<u>(1,296,994)</u>
Restricted and unrestricted members' equity, end of year	\$856,400	\$3,384,588	\$3,693,293	\$5,472,060	\$7,537,698
Less: Restricted members' equity, end of year	<u>251,540</u>	<u>254,927</u>	<u>257,001</u>	<u>261,891</u>	<u>257,670</u>
Unrestricted members' equity, end of year before undistributed dividends	\$604,860	\$3,129,661	\$3,436,292	\$5,210,169	\$7,280,028
Less: Dividends declared but unpaid	<u>2,554,584</u>	<u>2,584,293</u>	<u>2,490,860</u>	<u>2,652,860</u>	<u>2,748,462</u>
Unrestricted members' equity, end of year	<u><u>(\$1,949,724)</u></u>	<u><u>\$545,368</u></u>	<u><u>\$945,432</u></u>	<u><u>\$2,557,309</u></u>	<u><u>\$4,531,566</u></u>

\* Adjusted member's equity from previous examination

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

	All Other Fiscal Years Preceding 1982-2017	Fourth Fiscal Year Preceding 2017/2018	Third Fiscal Year Preceding 2018/2019	Second Fiscal Year Preceding 2019/2020	First Fiscal Year Preceding 2020/2021	Partial Current Fiscal Year 5/1/21-12/31/21	Total Inception to Date (1982-2021)
<b><u>Income Received</u></b>							
Premiums written	\$125,792,061	\$6,317,666	\$6,632,263	\$6,559,250	\$5,238,436	\$4,110,084	\$154,649,760
Less: Excess insurance	9,742,831	315,883	393,853	316,520	276,730	143,110	11,188,927
Net premiums written	\$116,049,230	\$6,001,783	\$6,238,410	\$6,242,730	\$4,961,706	\$3,966,974	\$143,460,833
Investment income	11,483,159	248,099	246,712	173,501	58,645	378,774	12,588,890
Allocation between years	80,587	43,289	55,637	66,395	91,486	(337,394)	0
Other	337,492	0	0	0	0	(67,551)	269,941
Total income collected	\$127,950,468	\$6,293,171	\$6,540,759	\$6,482,626	\$5,111,837	\$3,940,803	\$156,319,664
<b><u>Less: Expenses Paid</u></b>							
Losses paid	\$57,806,142	\$2,286,089	\$2,027,710	\$2,002,468	\$1,018,957	\$273,584	\$65,414,950
Allocated loss adjustment expenses paid	5,732,690	589,752	564,026	601,934	258,973	71,938	7,819,313
Administrative fees	10,361,843	571,514	596,787	593,740	476,220	338,806	12,938,910
Service agent's fees	8,044,693	421,738	445,971	443,325	355,579	252,974	9,964,280
Taxes, licenses, and fees	3,073,845	258,233	286,088	174,772	(74,506)	0	3,718,432
Federal income tax	1,856,279	0	224,156	151,724	224,120	226,708	2,682,987
Other expenses	2,192,972	103,260	130,062	80,086	111,659	4,738	2,622,777
Total expenses	\$89,068,464	\$4,230,586	\$4,274,800	\$4,048,049	\$2,371,002	\$1,168,748	\$105,161,649
Net cash income	\$38,882,004	\$2,062,585	\$2,265,959	\$2,434,577	\$2,740,835	\$2,772,055	\$51,158,015
<b><u>Add: Receivables</u></b>							
Premiums receivable	\$419,056	\$0	\$0	\$0	\$0	\$0	\$419,056
Interest due and accrued	10,102	5,455	7,011	8,366	11,528	5,266	47,728
Amounts recoverable on paid losses	0	0	0	0	0	0	0
Other	0	0	0	0	0	75,504	75,504
Total	\$429,158	\$5,455	\$7,011	\$8,366	\$11,528	\$80,770	\$542,288
<b><u>Deduct: Liabilities</u></b>							
Losses unpaid	\$593,381	\$254,649	\$655,540	\$1,127,311	\$1,413,070	\$2,737,812	\$6,781,763
Loss adjustment expenses	100,322	12,051	62,524	36,570	56,567	112,190	380,224
Contingency reserve	497,324	189,530	198,968	196,777	157,153	157,038	1,396,790
Unearned premiums	0	0	0	0	0	654,534	654,534
Premium refunds payable	0	0	0	0	0	91,624	91,624
Taxes, licenses & fees payabl	0	0	0	0	0	182,532	182,532
Other expenses payable	0	0	0	0	0	54,645	54,645
Total	\$1,191,027	\$456,230	\$917,032	\$1,360,658	\$1,626,790	\$3,990,375	\$9,542,112

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

	<u>All Other Fiscal Years Preceding 1982-2017</u>	<u>Fourth Fiscal Year Preceding 2017/2018</u>	<u>Third Fiscal Year Preceding 2018/2019</u>	<u>Second Fiscal Year Preceding 2019/2020</u>	<u>First Fiscal Year Preceding 2020/2021</u>	<u>Partial Current Fiscal Year 5/1/21-12/31/21</u>	<u>Total Inception to Date (1982-2021)</u>
Restricted and Unrestricted Members' Equity to date by fiscal year before dividends	\$38,120,135	\$1,611,810	\$1,355,938	\$1,082,285	\$1,125,573	(\$1,137,550)	\$42,158,191
Less: Dividends paid inception to date by fiscal year	33,522,424	565,089	361,739	171,241	0	0	34,620,493
Less: Restricted Members' Equity by fiscal year		51,534	51,534	51,534	51,534	51,534	257,670
Unrestricted Members' Equity undistributed by fiscal year	\$4,597,711	\$995,187	\$942,665	\$859,510	\$1,074,039	(\$1,189,084)	\$7,280,028
Less: Dividends declared but unpaid	2,646,531	34,911	38,261	28,759	0	0	2,748,462
Unrestricted Members' Equity	<u>\$1,951,180 *</u>	<u>\$960,276</u>	<u>\$904,404</u>	<u>\$830,751</u>	<u>\$1,074,039</u>	<u>(\$1,189,084)</u>	<u>\$4,531,566</u>

\*Although the cumulative unrestricted members' equity for the fiscal years 1982-2017 at December 31, 2021 was \$1,951,181, the 1994 and prior fiscal years had a members' equity deficit of \$33,974.

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

	Amount Per <u>Association</u>	Amount Per <u>Examiner</u>	Increase (Decrease) <u>Members' Equity</u>
<u>Assets:</u>			
Premiums receivable	\$0	\$419,056	\$419,056
Prepaid administrative fees	141,169	27,262	(113,907)
Prepaid service agent's fees	105,406	20,355	(85,051)
Other prepaids	94,049	27,887	(66,162)
<u>Liabilities:</u>			
Loss adjustment expenses unpaid	361,001	380,224	(19,223)
Contingency reserve	1,378,781	1,396,790	(18,009)
Unearned premiums	1,046,257	654,534	391,723
Premium refunds payable	0	91,624	(91,624)
Taxes, licenses and fees payable	150,000	182,532	(32,532)
Payroll audit fees payable	20,000	24,750	(4,750)
Investment fees payable	6,000	6,895	(895)
Examiners' changes in members' equity			<u>\$378,626</u>
Restricted and unrestricted members' equity per Association			\$4,410,610
Restricted and unrestricted members' equity per Examiners			<u>4,789,236</u>
Increase in unrestricted members' equity			<u>\$378,626</u>



## RECOMMENDATIONS FOR CORRECTIVE ACTION

### Management and Control

1. The results of this examination reflected members' equity deficits for the 1994 and prior fiscal years and the 2020/2021 partial current fiscal year of \$33,974 and \$1,189,084, 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. Other prepaids \$27,887

The above asset is \$66,162 less than the amount reported by the Association in its 2021 Annual Statement. The Examiners' decrease reflects prepaid Directors and Officers insurance prorated for the earned policy months in 2021, plus prepaid Excess insurance adjusted based on subsequent 2021/2022 fiscal year member payroll audits.

3. Loss adjustment expenses unpaid \$380,224

The above liability is \$19,223 more than the amount reported by the Association in its 2021 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>
1994 & Prior	\$31,009	\$50,232	<u>\$19,223</u>
Total Change			<u>\$19,223</u>

The Examiners' increase results from a development of loss adjustment expenses paid and reserve changes occurring during the period January 1, 2022 through September 30, 2022 on claims incurred December 31, 2021 and prior. The Association should review its methodologies to ensure sufficient loss adjustment expense reserves are established in future filings with the Bureau.

4. Taxes, licenses and fees payable \$182,532

The above liability is \$32,532 more than the amount reported by the Association in its 2021 Annual Statement. The Examiners' amount was based on a review of invoices paid in 2022 for taxes pertaining to 2021.

Payroll Audit Changes

The adjustments in the following recommendations were determined by utilizing each member's final 2020/2021 fiscal year payrolls which were not fully completed until after the Association's 2021 Annual Statement filing to the Bureau.

5. Premiums receivable \$419,056  
Premium refunds payable \$91,624

The above amounts have been increased \$419,056 and \$91,624, respectively. The Examiners' amounts are based on subsequent 2021/2022 fiscal year member payroll audits and reflect differences between audited contributions and contributions paid prorated for the period May 1, 2021 through December 31, 2021.

6. Prepaid administrative fees \$27,262

The above asset is \$113,907 less than the amount reported by the Association in its 2021 Annual Statement. The Examiners' amount reflects administrative fees paid at December 31, 2021, less the amount owed at December 31, 2021 based on the Examiners' analysis of subsequent 2021/2022 member payroll audits

7. Prepaid service agent's fees \$20,355

The above asset is \$85,051 less than the amount reported by the Association in its 2021 Annual Statement. The Examiners' amount reflects service agent's fees paid at December 31, 2021, less the amount owed at December 31, 2021 based on the Examiners' analysis of subsequent 2021/2022 member payroll audits

8. Contingency reserve \$1,396,790

The above liability is \$18,009 more than the amount reported by the Association in its 2021 Annual Statement. The Examiners' change is a result of an increase in earned premium based on a review of subsequent 2021/2022 member payroll audits, which is the basis for the calculation of the contingency reserve.

9. Unearned Premium \$654,534

The above liability is \$391,723 less than the amount reported by the Association in its 2021 Annual Statement. The Examiners' amount reflects the estimated premiums received to date at December 31, 2021, which relate to year 2022 based on the final audited payroll report for fiscal year 2021/2022.

10. Payroll audit fees payable \$24,750

The above liability is \$4,750 more than the amount reported by the Association in its 2021 Annual Statement. The Examiners' amount is based on a review of invoices paid in 2022 for conducting member payroll audits pertaining to the 2021/2022 plan year.

11. Investment fees payable \$6,895

The above liability is \$895 more than the amount reported by the Association in its 2021 Annual Statement. The Examiners' amount is based on a review of invoices paid in 2022 for investment services incurred in 2021.

**ACKNOWLEDGEMENT**

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, Ben MacKercher, CFE and Alyssa Marinoble participated in the work of the examination.

Respectfully submitted,

*Chris Collins*

Chris J. Collins, CFE  
Senior Insurance Examiner

**MERCHANTS OF VIRGINIA GROUP SELF INSURANCE ASSOCIATION**

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

---

February 21, 2023

Mr. David H. Smith, CFE, CPCU  
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 Merchants of Virginia Group Self Insurance Association during the examination period of January 1, 2017 to December 31, 2021.

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

Sincerely,



James B. Harrell  
Chairman  
Members' Supervisory Board  
Merchants of Virginia  
Group Self Insurance Association



Travis Miller  
Administrator  
Merchants of Virginia  
Group Self Insurance Association

Enclosures

# **Merchants 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 this adjustment. The adjustment was made with the benefit of subsequent audit information not available at the time the financial statement was filed.
3. 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.
4. 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.
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.
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.
7. 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.
8. The Association establishes a 3% contingency reserve fund each year. We agree with the adjustment since it was prepared with the benefit of subsequent audit information.

9. 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.
10. 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.
11. 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.