

EXAMINATION REPORT
of
VADA GROUP
SELF-INSURANCE ASSOCIATION
RICHMOND, VIRGINIA
as of
DECEMBER 31, 2018

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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
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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 VADA Group Self-Insurance Association as of December 31, 2018, 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 12th day of May 2020

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
March 20, 2020

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:

**VADA 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, 2014. This examination covers the period from January 1, 2015 through December 31, 2018.

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 April 1, 1981. On July 1, 1990, the Bureau revised the Association's license to authorize employer's liability coverage.

According to its original indemnity agreement and power of attorney, the Association was formed for the following purpose: "To pool the respective liabilities of members under the Virginia Workers Compensation Act..."

MANAGEMENT AND CONTROL

Control of the Association is vested in a Members' Supervisory Board (the "Board") elected by the members of the Association. The bylaws provide for no less than nine nor more than twelve Board members. The Board shall elect a Chairman, a Vice-Chairman, a Secretary, a Treasurer, and any additional officers as the Board deems necessary.

The Board and officers were as follows at December 31, 2018:

<u>Representative</u>	<u>Member</u>
Harry B. Brenner, Jr.	Lindsay Automotive Group Alexandria, Virginia
Chris E. Brown	Haley Auto Group Richmond, Virginia
Stacy Cummings, Jr.	Priority Auto Group Chesapeake, Virginia
Gerald E. Duncan	Duncan Ford Chrysler Dodge Jeep Rocky Mount, Virginia
Jerry F. Halfant	Jim Price Chevrolet Kia Charlottesville, Virginia

George M. Harvey, Jr.	Harvey's Chevrolet Radford, Virginia
Donald J. Hopper	Cowles Parkway Ford Woodbridge, Virginia
Michael J. King	Southern Auto Group Chesapeake, Virginia
Ralph F. Mastantuono	American Service Center Fairfax, Virginia
Thaddeus J. Nowak	Ted Britt Ford Automotive Group Fairfax, Virginia
Chris A. Strosnider	Strosnider Chevrolet Hopewell, Virginia

Officers

Michael J. King	Chairman
Ralph F. Mastantuono	Vice Chairman
Donald J. Hopper	Secretary
Gerald E. Duncan	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 applicants 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 adopted and established by the Board. Marketing services, including new sales, renewal sales, and service calls are provided by an agreement with the Administrator. 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 June 30.

ADMINISTRATIVE AGREEMENT

Effective July 1, 2018, the Association entered into an administrative agreement with Virginia Automobile Dealers Services, Inc. ("VADS"). The initial term of this agreement is for a period of one year and shall automatically renew for one year terms thereafter unless terminated by mutual written consent of the Association and VADS.

According to the agreement, VADS is responsible for managing the financial, administrative, and marketing affairs of the Association. This includes collecting contributions and assessments, maintaining necessary records of account, managing investments, managing the underwriting of the Association, filing reports and forms, and actively marketing the Association to attract new members.

As compensation for its services, VADS shall receive 7% of annual billed audited premium, plus 10% of all income earned on investments, excluding capital gains and losses. Administrative fees for calendar year 2018 were \$731,827.

CLAIMS SERVICE AGREEMENT

Effective July 1, 2015, the Association entered into a claims service agreement with PMA Management Corporation ("PMA"). This agreement, as amended July 1, 2018, extended the term for an additional year through July 1, 2019 and shall remain in force and effect until otherwise amended or terminated.

According to the agreement, PMA shall provide all customary and appropriate workers' compensation claims handling functions. Such claims handling functions include: the investigating, adjusting, paying, settling, or litigating of each qualified claim or loss. PMA's claim services also include: determining appropriate claims reserves, providing customary reporting, and other administrative and clerical work. Further, PMA shall provide reporting to the excess insurance carrier, managed care services, risk control services, and risk management information services.

As compensation for its services, PMA shall receive 7.1% of the total annual billable premium. Until such a final amount is established, PMA shall receive monthly installments on the first of each month equaling one-twelfth of the estimated annual fee calculated on the initial estimated annual premium. Claims service agent fees for calendar year 2018 were \$660,300. Additionally, for cost containment services, PMA

receives \$7.00 per bill reviewed plus 20% of total savings resulting from the use of PMA's cost containment programs.

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>June 2, 2015</u>	<u>June 1, 2016</u>	<u>June 5, 2017</u>	<u>June 4, 2018</u>
1995	\$0	\$19,746	\$0	\$0
1997	75,000	0	0	0
1998	250,000	215,951	0	0
1999	0	113,328	0	0
2000	0	39,141	0	0
2002	100,000	75,000	0	50,000
2003	150,000	150,000	0	100,000
2004	225,000	150,000	100,000	50,000
1/1/05-6/30/05	175,000	50,000	0	0
2005/2006	300,000	350,000	350,000	15,000
2006/2007	300,000	250,000	250,000	100,000
2007/2008	200,000	325,000	300,000	200,000
2008/2009	75,000	225,000	100,000	150,000
2009/2010	100,000	150,000	200,000	200,000
2010/2011	300,000	625,000	600,000	400,000
2011/2012	0	0	200,000	100,000
Total	<u>\$2,250,000</u>	<u>\$2,738,166</u>	<u>\$2,100,000</u>	<u>\$1,365,000</u>

SPECIAL RESERVES AND DEPOSITS

At December 31, 2018, the Association had securities with a market value of \$263,441 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, 2018, with the following limits:

	<u>Association's Retention</u>	<u>Excess Insurer's Limits</u>
Specific Excess	\$600,000	Workers' Compensation Statutory Employers' Liability \$1,000,000
Aggregate Excess	110% of total standard premium, subject to a minimum retention of \$12,239,992	\$5,000,000

FINANCIAL STATEMENTS

There follows a statement reflecting the financial condition of the Association at December 31, 2018, a statement of income for the year ended December 31, 2018, 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, 2018

ASSETS

Bonds, long term	\$22,497,517
Other invested assets	3,063,251
Cash on deposit	2,799,351
Premiums receivable	501,777
Interest due and accrued	218,437
Amounts recoverable on paid losses	319,658
Prepaid expense	176,215
Income tax receivable	5,984
	<hr/>
Total assets	<u><u>\$29,582,190</u></u>

LIABILITIES AND MEMBERS' EQUITY

Losses unpaid	\$17,457,285
Loss adjustment expenses unpaid	934,926
Contingency reserve	2,731,102
Unearned premiums	2,053,365
Excess insurance premiums payable	37,239
Premium refunds payable	160,467
Administrative fees payable	12,305
Service agent's fees payable	266,692
Taxes, licenses and fees payable	358,102
Dividends payable	4,232,892
Other expenses payable	37,538
	<hr/>
Total liabilities	\$28,281,913
Restricted members' equity	\$260,751
Unrestricted members' equity	1,039,526
	<hr/>
Total liabilities and members' equity	<u><u>\$29,582,190</u></u>

STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2018

UNDERWRITING INCOME

Premiums earned	<u>\$10,225,769</u>
Deductions:	
Losses incurred	\$6,176,215
Other underwriting expenses incurred	2,294,324
Contingency reserve	<u>333,154</u>
Total underwriting deductions	<u>\$8,803,693</u>
Net underwriting gain	<u>\$1,422,076</u>

INVESTMENT INCOME

Net investment income earned	\$581,378
Net realized capital losses	<u>(67,070)</u>
Net investment gain	<u>\$514,308</u>
Net income before federal income taxes	\$1,936,384
Federal income taxes incurred	<u>218,639</u>
Net income	<u><u>\$1,717,745</u></u>

RECONCILIATION OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Members' equity, previous year before undistributed dividends	* \$8,312,557	\$6,639,361	\$6,475,177	\$5,277,399
Adjustment for previous examination changes	229,002			
Net income	917,535	1,786,603	1,228,489	1,717,745
Net unrealized capital gains (losses)	(827,264)	120,758	(441,962)	(364,685)
Dividends paid to members	<u>(1,992,469)</u>	<u>(2,071,545)</u>	<u>(1,984,305)</u>	<u>(1,097,290)</u>
Restricted and unrestricted members' equity, end of year	\$6,639,361	\$6,475,177	\$5,277,399	\$5,533,169
Less: Restricted members' equity, end of year	<u>259,830</u>	<u>259,830</u>	<u>259,830</u>	<u>260,751</u>
Unrestricted members equity, end of year before undistributed dividends	\$6,379,531	\$6,215,347	\$5,017,569	\$5,272,418
Less: Dividends declared but unpaid	<u>3,675,722</u>	<u>4,342,572</u>	<u>3,965,484</u>	<u>4,232,892</u>
Unrestricted members' equity, end of year	<u>\$2,703,809</u>	<u>\$1,872,775</u>	<u>\$1,052,085</u>	<u>\$1,039,526</u>

* Adjusted members' equity before undistributed dividends from previous examination.

Members' Account By Fiscal Year Inception to Date December 31, 2018

	All Other Fiscal Years Preceding 1981-2014	Fourth Fiscal Year Preceding 2014/2015	Third Fiscal Year Preceding 2015/2016	Second Fiscal Year Preceding 2016/2017	First Fiscal Year Preceding 2017/2018	Partial Current Fiscal Year 7/1/18-12/31/18	Total Inception to Date 1981-2018
Income Received							
Premiums written	\$177,719,553	\$8,913,952	\$9,955,799	\$11,205,288	\$10,872,989	\$7,035,748	\$225,703,329
Less: Excess insurance	14,944,667	654,905	716,657	873,236	673,968	596,313	18,459,746
Net premiums written	\$162,774,886	\$8,259,047	\$9,239,142	\$10,332,052	\$10,199,021	\$6,439,435	\$207,243,583
Investment income	24,950,336	347,387	199,534	120,038	69,483	595,393	26,282,171
Allocation between years	299,215	25,676	63,912	98,053	93,838	(580,694)	0
Other	446,307	0	0	402	0	(3,160,401)	(2,713,692)
Total income collected	\$188,470,744	\$8,632,110	\$9,502,588	\$10,550,545	\$10,362,342	\$3,293,733	\$230,812,062
Less: Expenses Paid							
Losses paid	\$101,899,748	\$4,945,380	\$3,945,598	\$3,868,152	\$2,902,340	\$493,623	\$118,054,841
Allocated loss adjustment expenses paid	8,710,213	631,361	579,250	524,485	368,608	52,455	10,866,372
Administrative fees	9,891,682	546,043	417,309	603,141	685,043	391,496	12,534,714
Service agent's fees	14,370,159	647,686	786,375	846,457	618,887	354,996	17,624,560
Taxes, licenses, and fees	4,412,801	479,994	486,242	540,473	286,574	0	6,206,084
Federal income tax	944,786	0	0	0	0	0	944,786
Other expenses	5,764,680	261,767	276,397	258,682	228,842	118,320	6,908,688
Total expenses	\$145,994,069	\$7,512,231	\$6,491,171	\$6,641,390	\$5,090,294	\$1,410,890	\$173,140,045
Net cash income	\$42,476,675	\$1,119,879	\$3,011,417	\$3,909,155	\$5,272,048	\$1,882,843	\$57,672,017
Add: Receivables							
Premiums receivable	\$0	\$0	\$0	\$0	\$0	\$501,777	\$501,777
Interest due and accrued	109,778	9,420	23,448	35,974	34,427	5,390	218,437
Amounts recoverable on paid losses	319,658	0	0	0	0	0	319,658
Other	0	0	0	0	0	182,199	182,199
Total	\$429,436	\$9,420	\$23,448	\$35,974	\$34,427	\$689,366	\$1,222,071
Deduct: Liabilities							
Losses unpaid	\$2,233,227	\$1,120,584	\$1,531,812	\$4,922,347	\$5,126,792	\$2,522,523	\$17,457,285
Loss adjustment expenses	167,844	34,854	34,908	214,038	368,008	115,274	934,926
Contingency reserve	1,320,872	267,419	297,366	336,178	330,686	178,581	2,731,102
Unearned premiums	0	0	0	0	0	2,053,365	2,053,365
Excess insurance premiums payable	0	0	0	0	37,239	0	37,239
Premium refunds payable	0	0	0	0	0	160,467	160,467
Administrative fees payable	0	0	0	0	0	12,305	12,305
Service agent's fees payable	0	0	0	0	199,027	67,665	266,692
Taxes, licenses and fees payable	0	0	0	0	0	358,102	358,102
Other expenses payable	0	0	0	0	10,900	26,638	37,538
Total	\$3,721,943	\$1,422,857	\$1,864,086	\$5,472,563	\$6,072,652	\$5,494,920	\$24,049,021

Members' Account By Fiscal Year Inception to Date December 31, 2018

	All Other Fiscal Years Preceding 1981-2014	Fourth Fiscal Year Preceding 2014/2015	Third Fiscal Year Preceding 2015/2016	Second Fiscal Year Preceding 2016/2017	First Fiscal Year Preceding 2017/2018	Partial Current Fiscal Year 7/1/18-12/31/18	Total Inception to Date 1981-2018
Restricted and Unrestricted Members' Equity to date by fiscal year before dividends	\$39,184,168	(\$293,558)	\$1,170,779	(\$1,527,434)	(\$766,177)	(\$2,922,711)	\$34,845,067
Less: Dividends paid inception to date by fiscal year	29,311,898	0	0	0	0	0	29,311,898
Less: Restricted Members' Equity by fiscal year	<u>0</u>	<u>51,966</u>	<u>51,966</u>	<u>51,966</u>	<u>51,966</u>	<u>52,887</u>	<u>260,751</u>
Unrestricted Members' Equity undistributed by fiscal year	\$9,872,270	(\$345,524)	\$1,118,813	(\$1,579,400)	(\$818,143)	(\$2,975,598)	\$5,272,418
Less: Dividends declared but unpaid	<u>4,232,892</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,232,892</u>
Unrestricted Members' Equity 12/31/18	<u>\$5,639,378</u>	<u>(\$345,524)</u>	<u>\$1,118,813</u>	<u>(\$1,579,400)</u>	<u>(\$818,143)</u>	<u>(\$2,975,598)</u>	<u>\$1,039,526</u>

*Although the cumulative unrestricted members' equity for the fiscal years preceding 2014 at December 31, 2018 was \$5,639,378, the 1995, 2012/2013, and 2013/2014 fiscal years had members' equity deficits of \$50,939, \$608,592, and \$360,289, respectively.

STATEMENT OF EXAMINERS' CHANGES IN MEMBERS' EQUITY
DECEMBER 31, 2018

	Amount Per <u>Association</u>	Amount Per <u>Examiner</u>	Increase (Decrease) <u>Members' Equity</u>
<u>Assets:</u>			
Premiums receivable	\$225,000	\$501,777	\$276,777
Prepaid expenses	124,298	176,215	51,917
<u>Liabilities:</u>			
Contingency reserve	2,712,138	2,731,102	(18,964)
Unearned premiums	2,847,699	2,053,365	794,334
Excess insurance premiums payable	26,465	37,239	(10,774)
Premium refunds payable	0	160,467	(160,467)
Administrative fees payable	103,556	12,305	91,251
Service agent's fees payable	246,584	266,692	(20,108)
Taxes, licenses, and fees payable	255,000	358,102	(103,102)
Other expenses payable	47,505	37,538	9,967
Examiners' changes in members' equity			<u>\$910,831</u>
Restricted and unrestricted members' equity per Association			\$389,446
Restricted and unrestricted members' equity per Examiners			<u>1,300,277</u>
Increase in restricted and unrestricted members' equity			<u>\$910,831</u>

RECOMMENDATIONS FOR CORRECTIVE ACTION

Management and Control

1. The results of this examination reflect an unrestricted members' equity deficit for the 1995, 2012/2013, 2013/2014, 2014/2015, 2016/2017, 2017/2018 fiscal years and the 2018/2019 partial current fiscal year of \$50,939, \$608,592, \$360,289, 345,524, \$1,579,400, \$818,143, and \$2,975,598, 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. Taxes, licenses and fees payable \$358,102

The above liability is \$103,102 more than the amount reported by the Association in its 2018 Annual Statement. The Examiners' amount is based on a review of invoices paid in 2019 for taxes pertaining to 2018.

3. Other expenses payable \$37,538

The above liability is \$9,967 less than the amount reported by the Association in its 2018 Annual Statement. The Examiners' amount is based on a review of invoices paid in 2019 for services pertaining to 2018.

Payroll Audit Changes

The adjustments in the following recommendations were determined by utilizing each member's final 2018/2019 fiscal year payrolls which were not fully completed until after the Association's 2018 Annual Statement filing to the Bureau.

4. Premiums receivable \$501,777
Premium refunds payable \$160,467

The above amounts are \$276,777 and \$160,467 more, respectively, than the amounts reported by the Association in its 2018 Annual Statement. The Examiners' amounts are based on subsequent 2018/2019 fiscal year member payroll audits and reflect differences between audited contributions and contributions paid prorated for the period July 1, 2018 through December 31, 2018.

5. Prepaid expense \$176,215

The above asset is \$51,917 more than the amount reported by the Association in its 2018 Annual Statement. The Examiners' change is a result of an increase in earned premium based on a review of subsequent 2018/2019 member payroll audits.

6. Service agent's fees payable \$266,692
Administrative fees payable \$12,305

The above amounts are \$20,108 more and \$91,251 less, respectively, than the amounts reported by the Association in its 2018 Annual Statement. The Examiners' amounts reflect fees paid at December 31, 2018, less the amount owed at December 31, 2018 based on the Examiners' analysis of the 2018/2019 member payroll audits.

7. Contingency reserve \$2,731,102

The above liability is \$18,964 more than the amount reported by the Association in its 2018 Annual Statement. The Examiners' change is a result of an increase in earned premium based on a review of member payroll audits during the period under review and subsequent 2018/2019 fiscal year member payroll audits, which is the basis for the calculation of contingency reserve.

8. Unearned premiums \$2,053,365

The above liability is \$794,334 less than the amount reported by the Association in its 2018 Annual Statement. The Examiners' amount reflects the estimated premiums received to date at December 31, 2018, less the amount earned at December 31, 2018 based on subsequent 2018/2019 fiscal year member payroll audits.

9. Excess insurance premiums payable \$37,239

The above liability is \$10,774 more than the amount reported by the Association in its 2018 Annual Statement. The Examiners' amount reflects an increase in the modified normal premium, as defined by the excess insurer, and developed from subsequent 2018/2019 member payroll audits, which is the basis for computing excess insurance premiums.

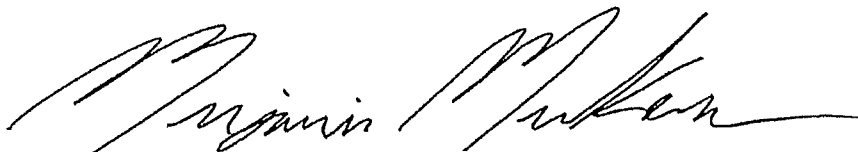
SUBSEQUENT EVENT

On June 10, 2019, the Bureau approved dividends for the Association totaling \$1,665,000.

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, Gerald Hicks and Kevin Knight, CFE, participated in the work of the examination.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Benjamin B. MacKercher". The signature is written in black ink and is positioned above the printed name.

Benjamin B. MacKercher, AFE
Insurance Examiner



May 7, 2020

**Members'
Supervisory Board**

Chairman

Mike King

Southern Automotive
Group

Vice-Chairman

Ralph Mastantuono

Mercedes Benz of
Alexandria

Secretary

Donald J. Hopper

Cowles Parkway Ford

Treasurer

Gerald E. Duncan

Duncan Ford Chrysler
Dodge Jeep

Burt Brenner

Lindsay Automotive

Chris Brown

Haley Automotive

Stacy Cummings

Priority Auto Group

Jerry Halfant

Price Automotive

George M. Harvey, Jr.

Harvey's

Thad Nowak

Ted Britt Ford

Chris A. Strosnider

Strosnider Chevrolet

Administrator

Donald L. Hall

Virginia Automobile
Dealers Services, Inc.

David H. Smith, CFE, CPCU
Chief Examiner
Financial Regulation Division
Bureau of Insurance
State Corporation Commission
Post Office Box 1157
Richmond, VA 23218

RE: VADA Group Self-Insurance Association Examination Report
as of December 31, 2018

Dear Mr. Smith:

In response to your examination report and letter dated April 27, 2020, we do not dispute your findings and have responded to each of the below.

1. We monitor the deficit years closely and have various plans to remove the deficits when the years mature.
2. We based our estimate on six months of activity and the amount accrued was a lower than anticipated. We will in the future, try to be more accurate.
3. We based our estimates on six months of activity and the amount is difficult to anticipate based on limited knowledge at the time. We will in the future, try to be more accurate.
4. We based our estimates on six months of activity and the amount is difficult to anticipate based on limited knowledge at the time. Premium income is especially difficult to estimate at six months. We will in the future, try to be more accurate.
5. We based our estimates on six months of activity and the amount is difficult to anticipate based on limited knowledge at the time. Prepaid expense based on premium income is especially difficult to estimate at six months. We will in the future, try to be more accurate.
6. We based our estimates on six months of activity and the amount is difficult to anticipate based on limited knowledge at the time. Service Agent fees payable and Administrative fees payable are based on premium income and are especially difficult to estimate at six months. We will in the future, try to be more accurate.

P.O. BOX 5407
RICHMOND, VA 23220-0407

PHONE 804.359.3578
FAX 804.358.8036

7. We based our estimates on six months of activity and the amount is difficult to anticipate based on limited knowledge at the time. Contingency reserves are based on premium income and are especially difficult to estimate at six months. We will in the future, try to be more accurate.
8. We based our estimates on six months of activity and the amount is difficult to anticipate based on limited knowledge at the time. Unearned premiums are based on premium income and are especially difficult to estimate at six months. We will in the future, try to be more accurate.
9. We based our estimates on six months of activity and the amount is difficult to anticipate based on limited knowledge at the time. Excess insurance premium payables are based on premium income and are especially difficult to estimate at six months. We will in the future, try to be more accurate.

Should you have further questions, please do not hesitate to contact me.

Kindest regards,



Donald L. Hall
Virginia Automobile Dealers Association
Administrator

Copy: Michael J. King
Southern Automotive Group
Chairman, Members' Supervisory Board