



Paul R. LePage
GOVERNOR

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Eric A. Cioppa
SUPERINTENDENT

August 23, 2013

Eric A. Cioppa, Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 39-A M.R.S.A. §404 (8) and in conformity with your instructions, a financial examination has been made of

MAINE SELF-INSURANCE GUARANTEE ASSOCIATION

The following report is respectfully submitted.



PRINTED ON RECYCLED PAPER

OFFICES LOCATED AT: 76 NORTHERN AVENUE, GARDINER, MAINE 04345
WWW.MAINE.GOV/INSURANCE

PHONE: (207) 624-8475

TTY users call Maine Relay 711

Customer Complaint: 1-800-300-5000

FAX: (207) 624-8599

REPORT OF EXAMINATION
MAINE SELF-INSURANCE GUARANTEE ASSOCIATION
AS OF
DECEMBER 31, 2012

ACCEPTANCE OF REPORT OF EXAMINATION

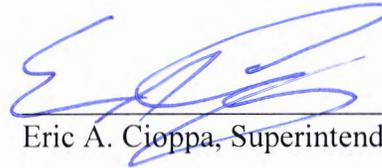
WHEREAS a verified Report of Examination of Maine Self-Insurance Guarantee Association dated August 23, 2013, was delivered to that insurer on September 17, 2013, and

WHEREAS no hearing with respect to the Report of Examination has been requested by Maine Self-Insurance Guarantee Association

NOW THEREFORE, I accept the Report of Examination as modified and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S.A. §226 (3).

Dated:

12/19/13



Eric A. Cioppa, Superintendent

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	1
PRIOR EXAMINATION	1
CURRENT EXAMINATION.....	1
SUBSEQUENT EVENTS.....	1
THE ASSOCIATION	1
HISTORY	1
CORPORATE RECORDS	2
MANAGEMENT AND CONTROL	2
FIDELITY BOND INSURANCE.....	2
REINSURANCE	2
ACCOUNTS AND RECORDS	3
LITIGATION	3
FINANCIAL STATEMENTS.....	3
STATEMENT OF FINANCIAL POSITION.....	4
STATEMENT OF ACTIVITIES	5
CONCLUSION.....	6

SCOPE OF EXAMINATION

This examination of the Maine Self-Insurance Guarantee Association (hereinafter, the “MSIGA” or “the Association”) consisted of a review of the MSIGA’s operations, administrative practices, valuation of assets, and determination of liabilities at December 31, 2012. This examination covered the period of January 1, 2010 through December 31, 2012. This examination represented the first examination of the Association. This examination considered NAIC guidelines including the 2013 Financial Condition Examiners Handbook (hereinafter “FCEH”), and the laws, rules, and regulations prescribed or permitted by the State of Maine.

Areas reviewed in this examination included governance, board of director meeting minutes, claims administration, assessments, investments, and expenses. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

Not applicable.

CURRENT EXAMINATION

None noted.

SUBSEQUENT EVENTS

At December 31, 2012, MSIGA was organizing efforts to take over claim payments on behalf of Rumford Paper Company Inc. as of January 1, 2013.

THE ASSOCIATION

HISTORY

MSIGA was formed as a guarantee association for individual self-insurers and group self-insurers, operating in the State of Maine, that are unable to pay self-insured workers’ compensation claims as they become due. MSIGA was created in 1981 and commenced operations in 1982. MSIGA is a non-profit unincorporated legal entity, created by the Maine Legislature. MSIGA is an instrumentality of the State, yet MSIGA’s debts and liabilities do not constitute debts and liabilities of the State.

The law authorizing the Self-Insurance Statistical Advisory Organization (hereinafter, “SISAO”), which had been managed by the Association, was repealed in 2011. As such, SISAO assessment activities are no longer conducted by MSIGA. The purpose of SISAO was to serve

as the statistical advisory organization for all individual and group self-insurers as authorized by 39-A M.R.S.A. §404 subsection 14.

CORPORATE RECORDS

MSIGA's plan of operations and minutes of the meetings of the board of directors held during the period under examination were reviewed.

MANAGEMENT AND CONTROL

MSIGA is governed and overseen by its board of directors and the management of MSIGA.

As of December 31, 2012, the board of directors of MSIGA consisted of the following members:

<u>Name</u>	<u>Title</u>	<u>Self-Insured Entity</u>
Dan Ferguson	Chairman	Bath Iron Works
Lee Cyr	Vice Chairman	Synernet
Brian Parke	Director	Maine Motor Transport
Dale Wibberly	Director	Sappi Fine Paper
John Norman	Director	Iberdola USA (CMP)
Gerard Deschaine	Director	Eastern Maine Group
Marc Jobin	Director	Maine Auto Dealers
Amy Webber	Director	Cianbro Corp.

As of December 31, 2012, the officers of MSIGA consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Kevin Gillis	Administrator
Brian Parke	Treasurer

The service providers to MSIGA serving as of December 31, 2012 were:

<u>Name</u>	<u>Service Provided</u>
MacPage LLC	CPA Firm
Sedgwick Claims Management Services, Inc.	Third Party Claims Administration
Willis of Northern New England, Inc.	Third Party Claims Administration
Jeanne Bartolomeo	Bookkeeping

FIDELITY BOND INSURANCE

MSIGA maintains fidelity coverage, as well as directors and officers coverage and commercial umbrella liability.

REINSURANCE

MSIGA does not enter into reinsurance agreements; however, they benefit from excess insurance policies issued to the insolvent self-insurers whose claims they are handling.

ACCOUNTS AND RECORDS

MSIGA's accounts and records were reviewed and tested in order to assess the impact on financial condition and conformity with related laws.

LITIGATION

MSIGA is not aware of potential lawsuits or legal action beyond the ordinary course of business which would be considered material in relation to the financial position of MSIGA.

FINANCIAL STATEMENTS

The accompanying financial statements fairly present, in all material respects, MSIGA's financial position as of December 31, 2012, and results of operations for the period then ended. The financial statements as of December 31, 2011 and December 31, 2010 are unexamined and are presented for comparative purposes only.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012, 2011 AND 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		(unexamined)	(unexamined)
Assets			
Cash and cash equivalents	\$ 489,707	\$ 368,174	\$ 370,796
Certificates of deposit	4,073,000	4,220,000	4,190,000
Accounts receivable	79,809	44,591	58,592
Interest receivable	7,167	8,031	11,185
Prepaid expenses	<u>3,530</u>	<u>13,280</u>	<u>400</u>
Total assets	<u><u>4,653,213</u></u>	<u><u>4,654,076</u></u>	<u><u>4,630,973</u></u>
Liabilities			
Accounts payable	\$ -	\$ 1,985	\$ -
Deferred revenue	<u>30,243</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>30,243</u></u>	<u><u>1,985</u></u>	<u><u>-</u></u>
Net assets			
Unrestricted	2,391,802	2,416,304	2,351,041
Unrestricted - Board designated	<u>2,231,168</u>	<u>2,235,787</u>	<u>2,279,932</u>
Net Assets	<u><u>4,622,970</u></u>	<u><u>4,652,091</u></u>	<u><u>4,630,973</u></u>
Liabilities and Net Assets	<u><u>\$ 4,653,213</u></u>	<u><u>\$ 4,654,076</u></u>	<u><u>\$ 4,630,973</u></u>

STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		(unexamined)	(unexamined)
Revenue			
Member assessments	\$ -	\$ 35,724	\$ 31,471
Investment income	29,902	44,085	105,943
Miscellaneous income	3,337	1,481	1,434
Claim management fees reimbursed	<u>25,640</u>	<u>-</u>	<u>-</u>
Total Revenue	58,879	81,290	138,848
Expenses			
Management fees	32,287	20,443	32,328
Claims management	26,003	12,070	3,000
Insurance	9,694	4,230	8,076
Legal and accounting	12,894	8,285	7,670
Meeting expense	2,805	2,825	2,275
Bank charges	2,582	2,667	2,070
Office supplies	713	736	1,704
Travel	705	211	40
Printing	163	50	243
Miscellaneous	154	828	-
Consultant fee	-	7,750	31,560
Telephone	-	77	1,282
Rent	-	-	480
Postage	<u>-</u>	<u>-</u>	<u>236</u>
Total Expenses	<u>88,000</u>	<u>60,172</u>	<u>90,964</u>
Net Income	<u>\$ (29,121)</u>	<u>\$ 21,118</u>	<u>\$ 47,884</u>

CONCLUSION

MSIGA's financial condition, as reported by management, is reflected in the statements and supporting exhibits contained in this report. The basis of preparation of such statements conforms to laws, rules, and regulations prescribed and/or permitted by the Bureau.

Acknowledgement of cooperation and assistance extended to the examiners by MSIGA is hereby expressed.

**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Stuart E. Turney, being duly sworn according to law deposes and says that, in accordance with authority vested in him by Eric A. Cioppa, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, he has made an examination of the condition and affairs of the

MAINE SELF-INSURANCE GUARANTEE ASSOCIATION

located in Portland, Maine as of December 31, 2012, and that the foregoing report of examination subscribed to by him is true to the best of his knowledge and belief. The following examiners from the Bureau of Insurance assisted:

Vanessa J. Leon, CFE
Arias Wan, CFE



Stuart E. Turney, CPA, CFE

Subscribed and sworn to before me
This 19th day of December, 2013



Notary Public
My Commission Expires:

KARMA Y. LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2016