



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of Workers' Compensation Trust (the "Company") as of December 31, 2023, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

**TO WIT:**

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S.").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On September 26, 2024, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On November 5, 2024, the Company notified the Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

**NOW, THEREFORE,** it is ordered as follows:

1. That the Report of the Company is hereby adopted as filed with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director."

Please address the certification to the Commissioner but send said certification to the care/attention of Michael Shanahan, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 8<sup>th</sup> day of November, 2024.



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Andrew N. Mais  
Insurance Commissioner



EXHIBIT A

EXAMINATION REPORT OF

WORKERS' COMPENSATION TRUST

AS OF

DECEMBER 31, 2023

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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WORKERS' COMPENSATION TRUST

September 26, 2024

The Honorable Andrew M. Mais  
Commissioner of Insurance  
State of Connecticut Insurance Department  
153 Market Street  
Hartford, Connecticut 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has made a financial examination of the condition and affairs of

**WORKERS' COMPENSATION TRUST**

(hereinafter referred to as the Company or the Trust), organized under the laws of the State of Connecticut and having its statutory home office and administrative office located at 47 Barnes Industrial Road South, Wallingford, Connecticut. The report on such examination is submitted herewith.

SCOPE OF THE EXAMINATION

The previous examination of the Trust was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2018. The current examination which covers the period from January 1, 2019, to December 31, 2023, was conducted virtually and at the main administrative office of the Trust.

As part of the examination planning procedures, the Department reviewed the following materials from 2019 through 2023:

- Board of Trustees (Board) and committee minutes (through the latest 2024 minutes);
- statutory audit reports completed by the Company's independent certified public accountants, Crowe LLP (Crowe) (formerly Saslow Lufkin & Buggy, LLP);
- Generally Accepted Accounting Principles (GAAP) audited financial statements with GAAP to statutory reconciliations completed by Crowe;
- Statements of Actuarial Opinion; and
- Annual Reports.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department and reports from the National Association of Insurance Commissioners (NAIC) database, all of which indicated no material concerns with respect to financial condition or regulatory compliance.

Workpapers prepared by Crowe in connection with its annual audit of the Trust, were reviewed and relied upon to the extent deemed appropriate.



## WORKERS' COMPENSATION TRUST

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Trust, and evaluating system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated currently and prospectively.

All accounts and activities of the Trust were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Trust's financial statements.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Trust.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

### HISTORY

The Trust (formerly known as Connecticut Hospital Association Workers' Compensation Trust and Connecticut Healthcare Workers' Compensation Trust) was established in 1981 to provide workers' compensation coverage to healthcare employers, as an alternative to the traditional insurance marketplace. The Trust was formed as an Employers' Mutual Insurance Association under CGS. § 31-328 of the Workers' Compensation Act and is subject to authorization by the Department and the Workers' Compensation Commission. The Trust writes only workers' compensation insurance within the State of Connecticut.

In 2002, the Trust formed Workers' Compensation Trust Services, LLC (WCTS). WCTS provides claims and other insurance services to the Trust and third-party administrative services to other entities on a fee for service basis.

In 2003, the Trust formed Connecticut Healthcare Insurance Services, LLC (CHIS), to operate as an insurance agency. WCTS and CHIS are wholly owned subsidiaries of the Trust with their financial statements consolidated into the Trust's financial statements.

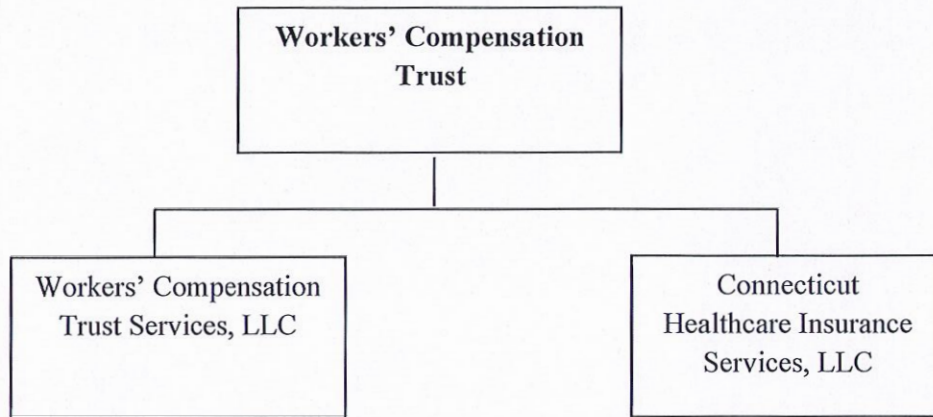
In 2006, the Trust successfully sought a legislative change which resulted in the passage of Public Act No. 07-27, "An Act Requiring the Use of GAAP for Certain Audits". The Act repealed Section 1 of Section 31-331 of the general statutes to allow the use of GAAP accounting for financial reporting. The reporting requirement became effective with the December 31, 2007, Annual Statement filing. Annually, the Trust prepares a GAAP audited financial statement with a GAAP to statutory accounting reconciliation for the Department.



# WORKERS' COMPENSATION TRUST

## ORGANIZATIONAL CHART

The following is an organizational chart as of December 31, 2023, of the Trust and its affiliated companies:



## MANAGEMENT AND CONTROL

The Declaration of Trust (Declaration) provides for a Board to govern the Trust with full authority on behalf of the members with respect to all affairs and business of the Trust. The Board may appoint standing or special committees of the Trust and delegate its duties to such committees. The Declaration states the following:

1. The Board shall consist of up to twelve (12) directors.
2. At the last or annual meeting of each fiscal year, the directors shall elect a Chairman, Vice-Chairman, Treasurer and Secretary from among their number to serve as officers for the next year.
3. At any meetings of the members, the presence of representatives of one-fourth (1/4) of the members shall constitute a quorum for the transaction of business.
4. At any meetings of the directors, the presence of the majority of the directors shall constitute a quorum for the transaction of business.

The Declaration allows for an Executive Committee which is comprised of the immediate past Chairman and the officers of the Board, which consists of a Chair, Vice-Chair, Secretary, and Treasurer. The Declaration does not require the existence of any other committees. During the period under examination, the Trust did have the following additional committees:

Audit and Finance Committee – oversees the general financial status of the Trust, including oversight of all financial operations of the Trust, including premium collection, financial transactions, financial statements, budget, reserves, and the investment portfolio.



## WORKERS' COMPENSATION TRUST

Nominating Committee – recommends to the Board, all director and officer nominations, appointments and re-appointments.

Retreat Program Committee – develops the annual retreat program and determines the venue of such meeting.

Safety & Health Committee – meets quarterly in compliance with the workers' compensation statutes for employers with over 25 employees. The Committee consists of various staff members representing different areas of the building.

401K Committee – Meets twice a year in compliance with statutory requirements. Reviews program, investment platforms, investment results, educational offerings, etc.

The purpose of the Trust is to provide workers' compensation benefits to members' injured employees. The liability of the Trust to members' employees is specifically limited to such obligations as imposed by Connecticut law or regulation against the member for workers' compensation and/or employers' liability. Payments of these obligations provided through an arrangement whereby the members shall pay appropriate premiums to the Trust, as determined by the directors, shall be sufficient to pay such obligations and expenses of administration and other expenses incurred by the Trust.

The Trust members participate in the Company's operational results. If the operation of the Trust produces income, premium returns are paid to the policyholders. If the operation of the Trust produces a deficit, policyholders may be assessed a retroactive premium.

The Trust consists of members who are each defined as a healthcare employer which agrees to or adopts and subscribes to the Declaration, provided such employer satisfies the requirements for enrollment and abides by the Declaration.

The members shall be individually and jointly responsible and liable for all benefits and related expenses that are to be paid by the Trust for the year(s) that the member participates. Should the member's collective aggregate losses during any policy year exceed the member's premium and investment income, the additional payments shall be made first from the retained earnings funds and then from the Premium Return Reserves and finally, from the members in accordance with the recommendation of the Board. This responsibility continues until the policy year is closed in accordance with procedures, regardless of the status of the membership at that time.

### Directors

The following Directors served on the Board as of December 31, 2023:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
William R. Horrigan	Retired, Ambulance Professional
Heather LaTorra, Chair	President and Chief Executive Officer Marrakech, Inc.



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Keith E. Lavalette	Vice President, Programs Goodwill Industries of Southern Connecticut
Joseph M. Milke	Retired Chief Financial Officer Family Services
Christine Murray, Treasurer	Chief Financial Officer New Horizons, Inc.
Diane M. Ritucci Secretary	President and Chief Executive Officer Workers' Compensation Trust
Russell C. Schwartz	Vice President and Director of Operations Brookview Corporation
Charles F. Shelton, Jr.	President Branford Hills Healthcare Center
David H. Tompkins	Retired Program Director, Children Services
Derrick Gibbs Vice Chair	Chief Executive Officer Change, Inc/Nurses at Home
Nancy Scheetz	Executive Director Farmington Valley Visiting Nurse Association
Robin Sharp	President & Chief Executive Officer Easter Seals Capital Region

### RELATED PARTIES

Effective October 2013, the Trust declared that it would operate CHIS as a limited liability company organized to engage in any lawful act or activity as decided by the Trust. Services include but are not limited to agency and marketing services.

Effective October 2013, the Trust declared that it would operate WCTS as a limited liability company organized to engage in any lawful act or activity as decided by the Trust. Services include but are not limited to administration, claims administration, loss control, underwriting and managed care services.

## WORKERS' COMPENSATION TRUST

### TERRITORY AND PLAN OF OPERATION

The Trust transacts business in the state of Connecticut only. Business is primarily written by external agents although some of the older policies were written on a direct basis.

### REINSURANCE

The Trust entered into an excess of loss reinsurance contract to control its exposure to large losses. As of December 31, 2023, the excess of loss insurance contract provided coverage for workers' compensation losses and employers' liability losses in excess of the Trust's retention of \$750,000. The accident year determines which carrier and the amount of the retention before the claim is reimbursed by the excess carrier. The limits for workers' compensation losses are limited to the benefits which would be available under the workers' compensation laws of the state where the injured employee is normally employed. The limits for employers' liability are \$2.5 million per occurrence.

### INFORMATION TECHNOLOGY CONTROLS

Due to the small size of the Company's IT department and the corresponding lack of segregation of duties and formalized controls, a comprehensive review was not performed. Instead, a limited review of key risks and controls pertaining primarily to the safeguarding of data and business continuity was performed. Due to the limited scope of this review, no reliance was placed on IT controls.

### ACCOUNTS AND RECORDS

The Company utilizes the Microsoft Dynamics SL system (formerly known as Solomon) to produce its monthly trial balance and general ledger. The 2023 year-end trial balance was reconciled to the 2023 Annual Statement without exception. Further detail analyses were performed on individual general ledger accounts, as well as on the GAAP to statutory reconciliation and adjustments throughout the examination.



WORKERS' COMPENSATION TRUST

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company, as of December 31, 2023. No adjustments were made to fund balance as a result of the examination.

ASSETS

	Ledger Assets	Non admitted Assets	Net Admitted Assets
Investments, available for sale, at fair value	\$205,116,903		\$205,116,903
Cash and cash equivalents	5,515,782		5,515,782
Premiums due from members, net	17,543,568	\$72,700	17,470,868
Paid loss recoverable	490,266		490,266
Property, equipment, and leasehold improvements, net	3,025,713	119,985	2,905,728
Deferred tax asset	5,109,982	2,503,294	2,606,688
Federal income taxes receivable	1,112,410		1,112,410
Prepaid reinsurance premiums	613,993		613,993
Other assets	796,735	200,860	595,875
Total assets	<u>\$239,325,352</u>	<u>\$2,896,839</u>	<u>\$236,428,514</u>

LIABILITIES AND FUND BALANCE

Unpaid losses and loss adjustment expenses	\$122,181,035
Unearned premiums	17,410,644
Premium returns, net	25,875,191
Advanced premiums and deferred income	694,792
Accounts payable and accrued liabilities	8,196,873
Total liabilities	<u>174,358,535</u>
Fund balance:	
Retained earnings	
Total fund balance	<u>62,069,979</u>
Total liabilities and fund balance	<u>\$236,428,514</u>

WORKERS' COMPENSATION TRUST

STATEMENT OF INCOME

<b>Revenues:</b>	
Net earned premium	\$49,168,549
Premium returns	(8,500,000)
Net Investment income	6,380,388
Realized gain/(loss) on sale of investments	1,456,236
Other income	931,830
	<hr/>
Total revenues	49,437,003
<b>Losses and expenses:</b>	
Losses and loss adjustment expenses incurred	26,740,228
Second injury fund assessments	2,083,018
Salaries and benefit expenses	6,901,531
Commission to brokers and agents	3,518,146
Professional fees	566,224
General and administrative expense	3,045,736
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Total losses and expenses	42,854,881
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Net income before provision for federal income taxes	6,582,122
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Provision for federal income taxes	1,690,944
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Net income	<u>\$4,891,178</u>

UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE)

\$122,181,035

The following items were included in the captioned account (statutory accounting basis, net of excess insurance,):

Case Loss and DCCE Reserve	\$31,431,802
IBNR Loss and DCCE Reserve	83,209,057
State Assessment Reserve	3,863,989
Unallocated Loss Reserve	9,742,862
Excess Ins Reclaim	<u>(6,066,795)</u>
	<hr/>
Total	<u>\$122,181,035</u>

The Department's actuaries performed a risk-based examination of reserving, pricing, and underwriting risk. Based upon the review, no material findings were noted which affected the Company's reserving or pricing / underwriting risks.



## WORKERS' COMPENSATION TRUST

### RETAINED EARNINGS

\$62,069,979

During the period under examination, the Trust's retained earnings increased by \$30 million. The majority of the increase was attributed to the Trust's investment return and the reduction in paid loss and LAE over the examination period.

### SUMMARY OF RECOMMENDATIONS

None noted.

### SUBSEQUENT EVENTS

No significant subsequent events were identified through the date of the examination report.

### CONCLUSION

The results of this examination disclosed that as of December 31, 2023, the Trust had admitted assets of \$236,428,514 liabilities of \$174,358,535, and a fund balance of \$62,069,979. During the period under examination, admitted assets increased \$31,590,264, liabilities increased \$1,181,064, and the fund balance increased \$30,409,199.

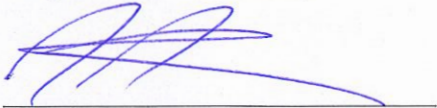
WORKERS' COMPENSATION TRUST

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Wayne Shepherd, CFE; Grace Jiang, CFE; Aishah Abdullah, Laurencia Laurent, Amy Waldhauer, FCAS, MAAA; Qing He, FCAS, MAAA, Wanchin Chou, FCAS, MAAA, CPCU, CSPA; and Kenneth Roulier, AFE, AES, CISA.

I, Keith Kleindienst, CFE, do solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2023, to the best of my information, knowledge and belief.

Respectfully submitted,



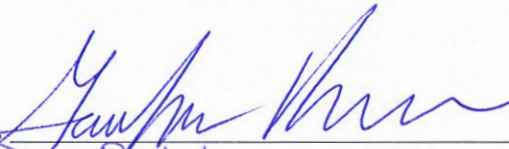
Keith Kleindienst, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

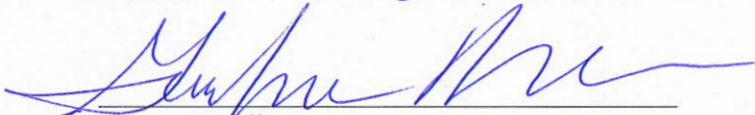
ss.

County of Hartford

Subscribed and sworn to before me,



Notary Public on this 10 day of October, 2024.



Notary Public

My commission expires June 30, 2026

