

**Statutory Basis Financial Statements and Report of  
Independent Certified Public Accountants**

**Massachusetts Catholic Self-Insurance Group,  
Inc.**

**March 31, 2012 and 2011**

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## **Report of Independent Certified Public Accountants**

Board of Directors  
Massachusetts Catholic Self-Insurance Group, Inc.

Grant Thornton LLP  
124 Hebron Ave.  
Glastonbury, CT 06033  
T 860.781.6700  
F 860.633.0480  
[www.GrantThornton.com](http://www.GrantThornton.com)

We have audited the accompanying statutory basis statements of admitted assets, liabilities and policyholders' surplus of the Massachusetts Catholic Self-Insurance Group, Inc. (the "Group") as of March 31, 2012 and 2011, and the related statutory basis statements of operations, changes in policyholders' surplus, and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note B, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of the Massachusetts Catholic Self-Insurance Group, Inc. as of March 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note B.

As discussed in Note B, in accordance with permitted practice, the Group discounts its reserves for losses and loss adjustment expenses. If the reserves for losses and loss adjustment expenses were recorded on an undiscounted basis in accordance with the National Association of Insurance Commissioners Statutory Accounting Principles, reserves for losses and loss adjustment expenses would increase and statutory surplus would decrease by approximately \$477,000 and \$603,000 as of March 31, 2012 and 2011, respectively. Additionally, net loss would decrease by approximately \$126,000 and \$54,000 for the years ended March 31, 2012 and 2011, respectively.

This report is intended solely for the information and use of the Board of Directors and the management of the Massachusetts Catholic Self-Insurance Group, Inc. and the Commonwealth of Massachusetts Division of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

*Grant Thornton LLP*

July 23, 2012  
Boston, Massachusetts

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
 Statements of Admitted Assets, Liabilities and Policyholders' Surplus - Statutory Basis  
 March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ADMITTED ASSETS</b>		
Cash and short-term investments	\$ 4,080,355	\$ 4,410,938
Restricted cash	277,452	601,132
Investment, at cost (fair value of \$10,591,279 in 2012 and \$10,027,631 in 2011)	9,701,768	9,525,205
Note receivable (note E)	114,706	-
Other assets	<u>133,142</u>	<u>230,324</u>
Total admitted assets	<u>\$ 14,307,423</u>	<u>\$ 14,767,599</u>
<b>LIABILITIES AND POLICYHOLDERS' SURPLUS</b>		
<b>LIABILITIES:</b>		
Reserves for losses and loss adjustment expenses (note F)	\$ 7,064,168	\$ 7,641,799
Accounts payable and accrued expenses	114,056	82,178
Due to policyholders - dividend distributions	752,352	750,000
Due to policyholders - other	<u>1,017,547</u>	<u>1,007,367</u>
Total liabilities	<b>8,948,123</b>	9,481,344
<b>POLICYHOLDERS' SURPLUS</b>	<u><b>5,359,300</b></u>	<u>5,286,255</u>
Total liabilities and policyholders' surplus	<u><b>\$ 14,307,423</b></u>	<u><b>\$ 14,767,599</b></u>

The accompanying notes are an integral part of these statutory basis financial statements.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**

Statements of Operations - Statutory Basis

March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Premiums earned, net (note H)	\$ <b>2,656,611</b>	\$ 2,387,940
Other assessments	<b>163,592</b>	142,877
<b>Total underwriting income</b>	<b>2,820,203</b>	2,530,817
Losses and loss adjustment expenses (note F)	<b>1,777,747</b>	2,252,961
Other underwriting expenses (note J)	<b>518,864</b>	501,097
Massachusetts Department of Industrial Accidents assessments	<b>168,537</b>	173,865
<b>Total underwriting expenses</b>	<b>2,465,148</b>	2,927,923
<b>Net underwriting gain (loss)</b>	<b>355,055</b>	(397,106)
Investment income	<b>193,221</b>	215,928
<b>Net income (loss) before dividends to policyholders</b>	<b>548,276</b>	(181,178)
Dividends to policyholders (note I)	<b>(750,000)</b>	(548,663)
<b>Net loss</b>	<b>\$ (201,724)</b>	<b>\$ (729,841)</b>

The accompanying notes are an integral part of these statutory basis financial statements.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**

Statements of Changes in Policyholders' Surplus - Statutory Basis

March 31, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
Policyholders' surplus at beginning of year	\$ 5,286,255	\$ 6,013,681
Net loss	(201,724)	(729,841)
Change in nonadmitted assets	<u>274,769</u>	<u>2,415</u>
Policyholders' surplus at end of year	<u>\$ 5,359,300</u>	<u>\$ 5,286,255</u>

The accompanying notes are an integral part of these statutory basis financial statements.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**

Statements of Cash Flows - Statutory Basis

March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING ACTIVITIES:</b>		
Premiums and assessments collected, net of reinsurance	\$ 2,931,380	\$ 2,142,356
Investment income, net of expenses	193,221	216,068
Other assessments collected	163,682	142,877
Losses and loss adjustment expenses paid, net	(2,114,110)	(2,622,743)
Underwriting expenses and MDIA assessments paid	(1,028,523)	(1,162,451)
Distributions to policyholders	(747,648)	(750,000)
Net cash used in operating activities	<u>(601,998)</u>	<u>(2,033,893)</u>
<b>INVESTING ACTIVITIES:</b>		
Purchases of investment	(176,563)	(200,660)
Net cash used in investing activities	<u>(176,563)</u>	<u>(200,660)</u>
<b>FINANCING AND MISCELLANEOUS ACTIVITIES:</b>		
Other cash provided	124,298	254,844
Net cash provided by financing and miscellaneous activities	<u>124,298</u>	<u>254,844</u>
Net change in cash and short-term investments	(654,263)	(1,979,709)
Cash and short-term investments at beginning of year	<u>5,012,070</u>	<u>6,991,779</u>
Cash and short-term investments at end of year	<u>\$ 4,357,807</u>	<u>\$ 5,012,070</u>

The accompanying notes are an integral part of these statutory basis financial statements.



## **MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**

Notes to Statutory Basis Financial Statements

March 31, 2012 and 2011

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### **NOTE A - ORGANIZATION**

The Massachusetts Catholic Self-Insurance Group, Inc. (the "Group") was organized in March 1990 as a workers' compensation self-insurance group under Massachusetts General Law Chapter 152 and writes workers' compensation insurance in Massachusetts for its members, which include schools, institutions and parishes which operate under the auspices of the Archdiocese of Boston (the "Archdiocese"), and other Catholic organizations located in Massachusetts. The Group is included in the United States Conference of Catholic Bishops Group Ruling and in the official Catholic Directory and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

### **NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Financial Statement Presentation***

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance (the "Division of Insurance"). "Prescribed" statutory accounting practices ("SAP") are interspersed throughout the state insurance laws and regulations, the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual and a variety of other NAIC publications. "Permitted" SAP encompass all accounting practices that are not prescribed; such practices may differ from state to state and company to company within a state, and may change in the future.

The Group has evaluated subsequent events through July 23, 2012, which is the date these statutory basis financial statements were issued.

In accordance with permitted practice, the Group discounts its reserves for losses and loss adjustment expenses. If the losses and loss adjustment expense reserves were recorded on an undiscounted basis in accordance with NAIC SAP, reserves for losses and loss adjustment expenses would increase and statutory surplus would decrease by approximately \$477,000 and \$603,000 at March 31, 2012 and 2011, respectively. Additionally, net loss would decrease by approximately \$126,000 and \$54,000 for the years ended March 31, 2012 and 2011, respectively. Other permitted practices that are not prescribed by SAP but which are utilized by the Group did not have a material effect on surplus or results of operations.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**

Notes to Statutory Basis Financial Statements - Continued

March 31, 2012 and 2011

**NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued**

Reconciliations of the Group's Net loss and policyholders' surplus between NAIC SAP and practices permitted by the Commonwealth of Massachusetts for self-insurance groups for the years ended March 31 are as follows:

	<u>2012</u>	<u>2011</u>
Net loss, Massachusetts statutory basis	\$ (201,724)	\$ (729,841)
Effect of permitted practice - discounting reserves for losses and loss adjustment expenses	<u>126,367</u>	<u>54,418</u>
Net loss, NAIC SAP	<u>\$ (75,357)</u>	<u>\$ (675,423)</u>
Policyholders' surplus, Massachusetts statutory basis	\$ 5,359,300	\$ 5,286,255
Effect of permitted practice - discounting reserves for losses and loss adjustment expenses	<u>(476,772)</u>	<u>(603,139)</u>
Policyholders' surplus, NAIC SAP	<u>\$ 4,882,528</u>	<u>\$ 4,683,116</u>

NAIC SAP differ from accounting principles generally accepted in the United States of America (US GAAP) in several respects, which cause differences in reported assets, liabilities, stockholders' equity (policyholders' surplus), net (loss) income, and cash flow. The principal differences include the following:

- Reserves are reported net of ceded reinsurance, while under US GAAP, reserves are generally reported gross with a corresponding reinsurance receivable.
- NAIC SAP prescribe limitations to the admissibility of certain assets while, under US GAAP, such amounts are carried at cost with appropriate valuation allowances.
- Investments in bonds are carried at amortized cost for NAIC SAP, while US GAAP for not-for-profit entities generally requires that all investment securities be carried at fair value, with unrealized gains and losses included in income.
- Under statutory accounting, the statement of cash flows is presented on the direct method. Under GAAP, the statement of cash flows is presented on the indirect method or, if presented on the direct method a reconciliation to the cash flows calculated using the indirect method is required to be presented. For purposes of the statutory statement of cash flows, cash and short-term investments include investments with maturities of one year or less at the date of acquisition. Under GAAP, cash and cash equivalents include investments with original maturities three months or less.

**NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued**

The Group's significant accounting policies are as follows:

**Cash and Short-Term Investments**

Cash and short-term investments, which are accounted for at cost, consist of funds held in bank accounts and money market mutual funds. Investments with maturities of one year or less at the date of purchase are considered short-term investments. Cash and short-term investments are stated at cost, which approximates fair value.

Effective December 31, 2010 and extending through December 31, 2012, all non-interest bearing transaction accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC), regardless of the balance of the account. Generally, the Group's cash and cash equivalents in interest bearing accounts exceed FDIC depository insurance limits. However, the Group has not experienced any losses in such accounts and believes that its cash and cash equivalents are not exposed to significant credit risk.

**Investment**

The Group's investment at March 31, 2012 and 2011 consists of funds placed in the State Street Bank and Trust Company Intermediate U.S. Government Index Securities Lending Common Trust Fund (the "State Street Fund"). This investment is accounted for at the lower of cost or fair value.

**Nonadmitted Assets**

Under statutory accounting, certain assets designated as "non-admitted," are excluded from the statements of admitted assets, liabilities and policyholders' surplus and directly charged or credited to undistributed policyholders' surplus. Under statutory accounting, receivables over 90 days past due are non-admitted, whereas under GAAP, such receivables would be recorded as an asset net of specific reserves. Under statutory accounting, a prepaid asset is non-admitted whereas under GAAP, a prepaid asset would be recorded as an asset and amortized over periods during which the related benefit is realized. As of March 31, 2012 and 2011, the Group holds non-admitted premiums and other receivables over 90 days totaling approximately \$205,000 and \$480,000, respectively, and a non-admitted prepaid asset totaling approximately \$2,000 and \$2,000, respectively. The net change in non-admitted assets credited to undistributed policyholders' surplus totaled approximately \$275,000 and \$2,000 for the years ended March 31, 2012 and 2011, respectively.

**Reinsurance**

Reserves for losses and loss adjustment expenses are reported net of estimated unpaid reinsurance recoverables.

**NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued**

***Reserves for Losses and Loss Adjustment Expenses***

Reserves for losses and loss adjustment expenses represent the estimated ultimate net cost of all losses incurred, reported and unreported, but unpaid through the end of the year net of estimated losses ceded to the Group's reinsurer. The reserves for unpaid losses and loss adjustment expenses are estimated by management using individual case basis valuations and statistical analyses as determined by an independent actuary and are recorded net of anticipated salvage and subrogation recoveries. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable uncertainty is inherent in such estimates, management believes that the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as experience develops or new information becomes known and any necessary adjustments are reflected in operations in the period in which the change in estimate occurs..

Reserves for losses and loss adjustment expenses are recorded on a discounted basis using an interest rate set by the Board of Directors. The approved rate, which under State regulations cannot exceed discount rates prescribed by the IRS, was set at 4% at March 31, 2012 and 2011.

Included in losses and loss adjustment expenses are amounts paid to a third party administrator that handles claims processing activities. The Group expensed \$161,000 and \$164,000 for such services during the years ended March 31, 2012 and 2011, respectively.

***Premium Revenue***

Premiums are established annually based on rates for workers' compensation established by the Commonwealth of Massachusetts and adjusted for individual experience. Premium rates are intended to be sufficient to cover all operating costs and to maintain and continue the program in full force and effect. Premiums are recorded as earned on a pro rata basis over the terms of the policies, net of premiums ceded for reinsurance with third parties. All policies issued by the Group expire each year on March 31.

Premiums resulting from final payroll adjustments are recognized as revenue in the year in which the related payroll audits are completed.

***Dividend Distributions***

The declaration of dividend distributions to policyholders and former policyholders is at the discretion of the Group's Board of Directors. In accordance with applicable Massachusetts regulations, dividend distributions will not begin until twenty-four months after the end of the policy year in which the related surplus was earned, at which point 25% of the distribution can be made. Thereafter, up to an accumulated 33%, 50% and 100% of the declared distribution may be made in each of the successive years.

**NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued**

**Income Taxes**

No income tax provision has been recorded as the Group is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. A favorable determination letter was granted by the Internal Revenue Service on February 6, 1992.

**Use of Estimates**

The preparation of the financial statements in conformity with accounting practices prescribed or permitted by the Division of Insurance requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The determination of reserves for losses and loss adjustment expenses represents a significant estimate made by the Group's management. Actual results could vary from this estimate.

**NOTE C - STATUTORY REQUIREMENTS**

The Group is in compliance with the following minimum statutory financial requirements as of March 31, 2012 and 2011:

**Liquidity**

The Group is required to provide security to the Commissioner of Insurance of the Commonwealth of Massachusetts to the extent the undiscounted loss reserves and unearned premiums exceed liquid assets. This condition did not exist at March 31, 2012 and 2011.

**Member Net Worth**

The combined net worth of all the members of the Group is required to exceed the greater of 400% of the Group's standard premium or \$1,000,000.

**Reinsurance/Excess Insurance**

The Group is required to maintain excess reinsurance coverage of at least \$5,000,000 per occurrence and aggregate excess insurance attaching at 105% of standard premium. The retention limit for the Group's excess reinsurance coverage shall not be more than 30% of the net premium of the Group, up to a maximum of \$500,000. Reinsurers shall be licensed, admitted or otherwise authorized to transact insurance or reinsurance in the Commonwealth of Massachusetts and have acceptable ratings (noted in parentheses) from at least two of the following rating agencies: A.M. Best & Company (A), Duff & Phelps (AA), Moody's Investors Services (AA2) and Standard & Poors Corporation (A).

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**

Notes to Statutory Basis Financial Statements - Continued

March 31, 2012 and 2011

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**NOTE C - STATUTORY REQUIREMENTS - Continued**

**Security**

The Group is required to provide to the Commissioner of Insurance of the Commonwealth of Massachusetts security equal to the greater of 10% of the Group's standard premium or \$100,000. Such security is provided through the maintenance of a restricted bank account.

**NOTE D - INVESTMENT**

At March 31, 2012, the Group's investment in the State Street Fund had a cost of \$9,701,768 and an estimated fair value of \$10,591,279 resulting in cumulative unrealized gains of \$889,511. At March 31, 2011, the Group's investment in the State Street Fund had a cost of \$9,525,205 and an estimated fair value of \$10,027,631 resulting in cumulative unrealized gains of \$502,426. Such unrealized gains are not reflected in the statements of admitted assets, liabilities and policyholders' surplus or the statements of operations, in accordance with NAIC SAP. The State Street Fund invests in four separate trust funds formed by State Street Bank and Trust Company. The underlying investments of these trust funds are U.S. Treasury and agency notes and bonds with terms to maturity of 1 to 10 years.

SAP 100 establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The Group classifies assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The investment in the State Street Fund is the only asset or liability measured at fair value (for disclosure purposes only). The investment in the State Street Fund is an alternative investment, and is redeemable at or near year-end at net asset value per share. As such, it is classified within Level 3 of the fair value hierarchy.

**NOTE E - NOTE RECEIVABLE**

At March 31, 2012, the Group has a \$108,984 demand note receivable from the Sons of Divine Providence, Inc. Interest accrued and receivable totaled \$5,722 at March 31, 2012. Interest accrues at a rate of 5.25%.

Upon demand for payment on the note, interest accrues at 9.25%. The note is secured by a mortgage on real property granted by the Sons of Divine Providence, Inc. to the Group. This note is in satisfaction of outstanding receivables owed by the Sons of Divine Providence, Inc. to the Group.

**NOTE F - RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES**

The Group uses an independent actuary to assist in determining its reserves for losses and loss adjustment expenses. The Group's recorded discounted reserves for losses and loss adjustment expenses were \$7,064,000 and \$7,642,000 at March 31, 2012 and 2011, respectively.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
Notes to Statutory Basis Financial Statements - Continued  
March 31, 2012 and 2011

**NOTE F - RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES - Continued**

A summary of activity in the reserves for losses and loss adjustment expenses for the years ended March 31, 2012 and 2011 is as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Beginning undiscounted balance incurred:	\$ 8,245	\$ 9,089
Incurred:		
Current year	2,303	2,616
Prior years	(911)	(645)
Total incurred	<u>1,392</u>	<u>1,971</u>
Paid related to:		
Current year	521	700
Prior years	1,575	2,115
Total paid	<u>2,096</u>	<u>2,815</u>
Ending undiscounted balance	7,541	8,245
Less discount	<u>(477)</u>	<u>(603)</u>
Ending discounted balance	<u>\$ 7,064</u>	<u>\$ 7,642</u>

As a result of changes in estimates of insured events in prior years, incurred claims and claim adjustment expenses decreased by \$911,000 and \$645,000 in 2012 and 2011, respectively, due to favorable loss development.

**NOTE G - CONTINGENCIES**

The Group is engaged in litigation in the ordinary course of business principally related to the defense of various liability and other claims. Liabilities are recorded to cover estimated losses and related expenses associated with these matters in setting the reserves for losses and loss adjustment expenses.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**

Notes to Statutory Basis Financial Statements - Continued

March 31, 2012 and 2011

**NOTE H - REINSURANCE**

To help manage exposure to loss and comply with regulations, the Group has entered into a specific and aggregate loss reinsurance agreement. The coverage under this agreement is subject to specific retentions and limits as defined by the contract. The Group remains primarily liable for its obligations under its insurance contracts. In the event the reinsurer becomes unable to meet its obligations under the reinsurance agreement, the Group would become liable and would then be required to recognize such obligations in its financial statements.

The following table presents information relative to the Group's reinsurance agreement:

	<u>2012</u>	<u>2011</u>
Premiums earned for the years ended March 31:		
Premiums written	\$ <b>2,916,328</b>	\$ 2,615,959
Reinsurance premiums	<u>(259,717)</u>	<u>(228,019)</u>
 Premiums earned	 <u>\$ <b>2,656,611</b></u>	 <u>\$ 2,387,940</u>
 Losses and loss adjustment expenses ceded to reinsurance for the years ended March 31	  <u>\$ <b>4,000</b></u>	  <u>\$ 13,000</u>

**NOTE I - DUE TO POLICYHOLDERS - DIVIDEND DISTRIBUTIONS**

In December 2011, the Group's Board of Directors declared a dividend distribution of \$750,000 relating to previous policy years and for which payments will begin to be made in the fiscal year ending March 31, 2013 in accordance with regulations. In December 2010, the Group's Board of Directors declared a dividend distribution of \$750,000 which was paid in the fiscal year ended March 31, 2012. Such dividends payments were made in compliance with the related state regulations.

Without prior approval of the Commissioner, dividends to policyholders are limited to the greater of (i) net income excluding realized capital gains or (ii) 10% of statutory surplus as of the preceding March 31 with such amount not to exceed the Group's earned surplus. Within the limitation of the preceding and the regulation discussed in Note B, there are no restrictions placed on the portion of the Group's profits that may be paid as ordinary dividends to policyholders.

At March 31, 2010, the liability for dividends to policyholders included \$201,337 dating back to periods prior to 2003 due to former policyholders no longer in operation. During the year ended March 31, 2011, Group management determined, after consultation with legal counsel, that such dividends should be treated as forfeited by the former policyholders. Consequently, the forfeited dividends were reversed and are presented as a reduction to dividends to policyholders in the accompanying statements of operations for the year ended March 31, 2011.

Due to policyholders - other represents dividends which have been declared but remain unpaid, which eventually will be reduced by premiums due for future policy years.



**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
Notes to Statutory Basis Financial Statements - Continued  
March 31, 2012 and 2011

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**NOTE J - RELATED-PARTY TRANSACTIONS**

All insurance written and claims paid originate with organizations meeting the criteria for membership. This includes any Catholic agency or educational, charitable or religious organization operating within the Commonwealth of Massachusetts. However, substantially all premium billings originate with organizations that operate under the auspices of the Archdiocese.

The Group shares the cost of facilities and employees with the Archdiocese. Included in other underwriting expenses incurred are approximately \$325,000 and \$331,000 for service fees charged by the Archdiocese for the years ended March 31, 2012 and 2011, respectively.