Statutory Financial Statements and Report of Independent Certified Public Accountants

Massachusetts Catholic Self-Insurance Group, Inc.

March 31, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statutory financial statements of Massachusetts Catholic Self-Insurance Group, Inc., which comprise the statutory statements of admitted assets, liabilities and policyholders surplus as of March 31, 2021 and 2020, and the related statutory statements of operations, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with accounting principles generally accepted by the Commonwealth of Massachusetts Division of Insurance; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Catholic Self-Insurance Group, Inc. as of March 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance as described in Note 2.

Basis of accounting
We draw attention to Note 2 of the statutory financial statements, which describes the basis of accounting to meet the requirements of the Commonwealth of Massachusetts Division of Insurance. The statutory financial statements are prepared by the Massachusetts Catholic Self-Insurance Group, Inc. in accordance with accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on use
Our report is intended solely for the information and use of the Board of Directors and 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

Boston, Massachusetts
September 14, 2021

Massachusetts Catholic Self-Insurance Group, Inc.

STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND POLICYHOLDERS' SURPLUS

As of March 31, 2021 and 2020

	2021	2020
ADMITTED ASSETS		
Cash and short-term investments	$ 1,438,354	$ 8,785,513
Restricted cash	366,701	366,701
Investments, at amortized cost (Note 4)	13,105,177	6,125,466
Other receivables - related parties	13,736	14,011
Total admitted assets	$ 14,923,968	$ 15,291,691
LIABILITIES AND POLICYHOLDERS' SURPLUS		
LIABILITIES		
Reserves for losses and loss adjustment expenses (Note 5)	$ 5,266,780	$ 4,681,976
Accounts payable and accrued expenses	118,228	82,127
Prepaid assessments	796,374	739,504
Due to policyholders - dividend distributions	561,756	558,275
Due to policyholders - other	308,613	559,683
Total liabilities	7,051,751	6,621,565
Policyholders' surplus	7,872,217	8,670,126
Total liabilities and policyholders' surplus	$ 14,923,968	$ 15,291,691

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

Massachusetts Catholic Self-Insurance Group, Inc.

STATUTORY STATEMENTS OF OPERATIONS

For the years ended March 31, 2021 and 2020

	2021	2020
Premiums earned, net (Note 7)	$ 3,586,461	$ 3,417,509
Other assessments	139,174	165,543
Total underwriting income	3,725,635	3,583,052
Losses and loss adjustment expenses (Note 5)	3,306,783	3,657,592
Other underwriting expenses (Note 9)	769,412	850,533
Massachusetts Department of Industrial Accidents Assessments	150,702	148,188
Total underwriting expenses	4,226,897	4,656,313
Net underwriting loss	(501,262)	(1,073,261)
Investment income	232,737	268,722
Realized gain on investments	-	18,992
Net loss before dividends to policyholders	(268,525)	(785,547)
Dividends to policyholders	500,000	500,000
Net loss	$ (768,525)	$ (1,285,547)

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

Massachusetts Catholic Self-Insurance Group, Inc.

STATUTORY STATEMENTS OF CHANGES IN POLICYHOLDERS' SURPLUS

For the years ended March 31, 2021 and 2020

	2021	2020
Policyholders' surplus at beginning of year, as originally reported	$ 8,670,126	$ 9,617,653
Statutory merger adjustment (Note 1)	-	310,592
Policyholders' surplus at beginning of year, as adjusted	8,670,126	9,928,245
Net loss	(768,525)	(1,285,547)
Change in non-admitted assets	(29,384)	27,428
Policyholders' surplus at end of year	$ 7,872,217	$ 8,670,126

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

Massachusetts Catholic Self-Insurance Group, Inc.

STATUTORY STATEMENTS OF CASH FLOWS

For the years ended March 31, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Premiums and assessments collected, net of reinsurance	$ 3,565,757	$ 3,462,244
Investment income, net of expenses	232,737	287,714
Other assessments collected	139,174	165,543
Losses and loss adjustment expenses paid, net	(2,721,979)	(3,234,245)
Underwriting expenses and MDIA assessments paid	(887,494)	(1,039,048)
Distributions to policyholders	(496,519)	(492,314)
Net cash used in operating activities	(168,324)	(850,106)
INVESTING ACTIVITIES		
Purchase of investments	(6,979,710)	(673,125)
Net cash used in investing activities	(6,979,710)	(673,125)
FINANCING AND MISCELLANEOUS ACTIVITIES		
Prepaid assessments	56,869	112,766
Other liabilities - related parties	(255,994)	234,611
Net cash (used in)/provided by financing and miscellaneous activities	(199,125)	347,377
Net change in cash and short-term investments	(7,347,159)	(1,175,854)
Cash, short-term investments and restricted cash at beginning of year, as originally reported	9,152,214	9,568,561
Statutory merger adjustment (Note 1)	-	759,507
Cash, short-term investments and restricted cash at beginning of year, as adjusted	9,152,214	10,328,068
Cash, short-term investments and restricted cash at end of year	$ 1,805,055	$ 9,152,214

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

NOTE 1 - ORGANIZATION

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.

In December 2017, following meetings and approvals of the Boards of Directors of the Group and the Diocesan Facilities Self-Insurance Group, Inc. (the "DFSIG") of the Diocese of Fall River, the members of the DFSIG voted to become members of the Group effective January 1, 2018 and pursue the future merger of the two corporations. In December 2017, the concept of said future merger was proposed to the Commonwealth of Massachusetts Division of Insurance, and the Deputy Commissioner verbally approved and supported the pursuit of the future merger. Accordingly, effective January 1, 2018, the eight former health care and social service agency members of the DFSIG became members of the Group, the DFSIG ceased writing workers compensation coverage and the Group and DFSIG subsequently engaged in the process of due diligence in pursuit of the eventual future merger of the two corporations.

Accounting Change

On December 31, 2019, the Massachusetts Commissioner of Insurance approved the merger. The structure of the merger included the transfer of assets and liabilities of the DFSIG to the Group. In conjunction with this transfer, the Group established a loss reserve deemed, through actuarial analysis, to be sufficient to meet the DFSIG losses incurred prior to January 1, 2018. In accordance with Statements of Standard Accounting Practice ("SSAP") 68, *Business Combinations and Goodwill*, this transaction is treated as a statutory merger. Income of the combined reporting entity is required to include income of the constituents for the entire fiscal period in which the combination occurs. The April 1, 2019 policyholders' surplus beginning statement of admitted assets, liabilities and policyholders' surplus was restated, as required by SSAP 3, *Accounting Changes and Corrections of Errors*. The statement of admitted assets, liabilities and policyholders' surplus of DFSIG included the following amounts as of April 1, 2019:

Cash and short-term investments	$	759,507
Loss reserves	$	423,665
Payables	$	25,250
Policyholders' surplus	$	310,592

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying statutory 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.

In accordance with a 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 $197,600 and $182,020 at March 31, 2021 and 2020, respectively. Additionally, the net loss would increase by $15,580 and $24,833 for the years ended March 31, 2021 and 2020, respectively.

Reconciliation 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, 2021 and 2020 is as follows:

	2021	2020
Net loss, Massachusetts statutory basis	$ (768,525)	$ (1,285,547)
Effect of permitted practice - discounting reserves for losses and loss-adjustment expenses	15,580	24,833
Net loss, NAIC SAP	$ (752,945)	$ (1,260,714)
Policyholders' surplus, Massachusetts statutory basis	$ 7,872,217	$ 8,670,126
Effect of permitted practice - discounting reserves for losses and loss-adjustment expenses	(197,600)	(182,020)
Policyholders' surplus, NAIC SAP	$ 7,674,617	$ 8,488,106

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

- Reserves are reported net of ceded reinsurance, while under U.S. GAAP, reserves are generally reported gross with a corresponding reinsurance receivable;

- NAIC SAP prescribe limitations to the admissibility of certain assets while, under U.S. GAAP, such amounts are carried at cost with appropriate valuation allowances;

- Investments in bonds are carried at amortized cost for NAIC SAP, while U.S. GAAP generally requires that all investment securities be carried at fair value, with unrealized gains and losses included in income; and

- Under statutory accounting, the statement of cash flows is presented on the direct method. Under U.S. 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 U.S. GAAP, cash and cash equivalents include investments with original maturities three months or less.

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. The Group also maintains a restricted cash balance under statutory requirements (see Note 3). Cash and short-term investments are stated at cost, which approximates fair value.

Generally, the Group's cash and cash equivalents in interest bearing accounts exceed the Federal Deposit Insurance Corporation's current depository insurance limits of $250,000. However, the largest holding is not subject to this limit. The Group has not experienced any losses in the accounts subject to the insurance limits of $250,000 and believes that its cash and cash equivalents are not exposed to significant credit risk.

Investments

The Group's investments at March 31, 2021 and 2020 consist of funds invested in the Fixed Income Fund, Roman Catholic Archbishop of Boston (the "Fixed Income Fund") and the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund"). Both are related organizations in which Catholic organizations may participate to maximize long-term total return by investing in investment grade debt and fixed income securities. These investments are recorded at amortized cost.

Non-Admitted Assets

Under statutory accounting, certain assets designated as "non-admitted" are excluded from the statement 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 U.S. GAAP, such receivables would be recorded as an asset net of specific reserves. Under statutory accounting, a prepaid asset is non-admitted whereas under U.S. 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, 2021 and 2020, the Group holds non-admitted premiums and other receivables over 90 days totaling $68,970 and $60,291, respectively, and a non-admitted prepaid assets totaling $22,705 and $2,000, respectively. The net change in non-admitted assets (charged)/credited to undistributed policyholders' surplus totaled $(29,384) and $27,428 for the years ended March 31, 2021 and 2020, respectively.

Reinsurance

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

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 Internal Revenue Service, was set at 3% at both March 31, 2021 and 2020.

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 and the related adjustment has been billed or credited to the customer's account.

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 24 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.

Income Taxes

The Group is a Massachusetts not-for-profit corporation formed for the purpose of forming self-insured workers compensation groups pursuant to Massachusetts General Law Chapter 152. The Group is included in the United States Conference of Catholic Bishops Group Ruling and in the official Catholic Directory and is generally not subject to federal or state income taxes. The Group is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Use of Estimates

The preparation of the statutory 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 statutory 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.

Liquidity and Availability

The Group's current assets are primarily what management considers to be available for its general expenditures, liabilities, and other obligations that become due. In addition, the Group invests cash in excess of daily requirements in short-term investments.

NOTE 3 - STATUTORY REQUIREMENTS

The Group is in compliance with the following minimum statutory financial requirements as of March 31, 2021 and 2020.

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 either March 31, 2021 or 2020.

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 & Poor's Corporation (A).

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 of $366,701 as of March 31, 2021 and 2020.

NOTE 4 - INVESTMENTS

At March 31, 2021 the Group's investment in the Fixed Income Fund had an amortized cost of $10,811,892 and an estimated fair value of $10,764,636 resulting in a cumulative unrealized loss of $47,256. At March 31, 2020, the Group's investment in the Fixed Income Fund had an amortized cost of $3,925,430 and an estimated fair value of $3,872,382 resulting in a cumulative unrealized loss of $53,048. Such unrealized losses are not reflected in the statutory statements of admitted assets, liabilities and policyholders' surplus or the statutory statements of income, in accordance with NAIC SAP.

At March 31, 2021 the Group's investment in the Common Investment Fund had an amortized cost of $2,293,285 and an estimated fair value of $2,769,055 resulting in a cumulative unrealized gain of $475,770. At March 31, 2020 the Group's investment in the Common Investment Fund had an amortized cost of $2,200,036 and an estimated fair value of $1,957,819 resulting in a cumulative unrealized loss of $242,216. Such unrealized gains and losses are not reflected in the statutory statements of admitted assets, liabilities and policyholders' surplus or the statutory statements of income, in accordance with NAIC SAP.

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 investments in the Fixed Income Fund and Common Investment Fund are the only assets or liabilities measured at fair value (for disclosure purposes only). The fair values of these investments are determined using the net asset value ("NAV") per share. The investments, which are redeemable at year end at NAV per share, are classified within Level 2 of the fair value hierarchy.

NOTE 5 - 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 discounted reserves for losses and loss adjustment expenses were $5,266,780 and $4,681,976 at March 31, 2021 and 2020, respectively.

A summary of activity in the reserves for losses and loss adjustment expenses for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020
Beginning discounted balance	$ 4,681,976	$ 3,834,964
Statutory merger adjustment (Note 1)	-	423,665
Beginning discounted balance, as adjusted	4,681,976	4,258,629
Incurred:		
Current year	3,692,491	3,006,700
Prior years	(385,708)	650,892
Total incurred	3,306,783	3,657,592
Paid related to:		
Current year	1,329,481	1,011,604
Prior years	1,392,498	2,222,641
Total paid	2,721,979	3,234,345
Ending discounted balance	$ 5,266,780	$ 4,681,976

As a result of changes in estimates of insured events in prior years, incurred claims and claim adjustment expenses (decreased)/increased by $(385,708) and $650,892 in 2021 and 2020, respectively due to favorable/unfavorable loss development for prior year claims.

NOTE 6 - 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.

In connection with the withdrawal of Caritas Christi and its managed healthcare entities from the Group effective March 31, 2010, certain terms of the agreement to withdraw included consideration of the distribution of dividends in future years that relate to policy years during which Caritas Christi was a policyholder. Under the terms of the agreement, dividends of policyholder surplus associated with policy years that hadn't been distributed as of the withdrawal date will be held by the Group until such time that claims associated with such policy years have been settled. As of March 31, 2020 there were $500,000 undistributed dividends attributed to Caritas Christi which have been withheld and are included in due to policyholders – other in the accompanying statement of admitted assets, liabilities, and policyholders' surplus. As of March 31, 2021, there are no longer any undistributed dividends under this agreement.

NOTE 7 - 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:

	2021	2020
Premiums earned for the year ended March 31:		
Premiums written	$ 3,859,454	$ 3,706,247
Reinsurance premiums	(269,154)	(275,589)
Loss control	(3,839)	(13,149)
Premiums earned	$ 3,586,461	$ 3,417,509

NOTE 8 - DUE TO POLICYHOLDERS - DIVIDEND DISTRIBUTIONS

In February 2021, the Group's Board of Directors declared an ordinary dividend distribution of $500,000 relating to previous policy years and for which payments or reductions of premiums due began to be made in the fiscal year ended March 31, 2021. In December 2019, the Group's Board of Directors declared an ordinary dividend distribution of $500,000 relating to previous policy years and for which payments or reductions of premiums due began to be made in the fiscal year ended March 31, 2020. Such dividend distributions 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 2, there are no restrictions placed on the portion of the Group's profits that may be paid as ordinary dividends to policyholders.

Due to policyholders - other represents dividends which have been declared but remain unpaid, which eventually will be either paid directly or used to reduce premiums due for future policy years. Refer also to Note 6.

NOTE 9 - 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, the majority of 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 $150,000 and $163,811 for service fees charged by the Archdiocese for the years ended March 31, 2021 and 2020, respectively.

In July 2017, the Fides Insurance Group, Inc. (“Fides”), a captive insurance company of the Archdiocese, established a subsidiary servicing company, Ratio Risk Services, LLC (“Ratio”). Ratio was established to provide administrative and management services as well as claims and risk management services related publishing, consulting, loss control and other services to Fides, the Group, the Archdiocese and other organizations. Ratio entered into a servicing agreement with the Group to provide the services previously provided by the Archdiocese’s Office of Risk Management. Included in other underwriting expenses incurred are $220,000 for service fees charged by Ratio for the years ended March 31, 2021 and 2020.

Other liabilities - related parties reflects amounts owed to various related entities associated with cash receipts attributable to such related entities.

All investment activity is held with related parties (see Note 2).

NOTE 10 - COVID 19

As a result of the spread of the coronavirus disease 2019 (“COVID-19”) which was declared a pandemic by the World Health Organization in March 2020, there have been unprecedented disruptions in the global economy, leading to an economic slowdown. The extent to which COVID-19 may impact the Group’s operation in periods subsequent to the start of the pandemic is difficult to fully determine due to many uncertainties. Some of the areas of concern include:

- Premiums - The Group expects negative pressure on premiums due to the impact of COVID-19 on insureds.
- Uncollectible Premiums - The Group expects an increase in uncollected balances and write offs due to state moratoriums and constraints on insureds ability to pay.
- Investments - The Group’s investment portfolio is exposed to market, interest rate and credit risks. The Group expects adverse pressure on the market value of investments which will impact surplus due to volatile market conditions.

The Group is deemed to be essential; however, out of concern for employees, the majority are telecommuting from their homes. This has allowed the Group to manage their expense ratio with declining premiums. In addition, the Group is evaluating the impact to its loss ratio given the changing economic environment.

Given the uncertainty of COVID-19, other financial impacts could occur though such potential impact is unknown at this time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events were evaluated through September 14, 2021, which is the date the statutory financial statements were available to be issued. Except for the matter described below, there were no other events that occurred through September 14, 2021 that required disclosure in the statutory financial statements.

Subsequent to year end, the Group returned a portion of the DFSIG surplus assets to the former eight health care and social service agency members of the DFSIG. The total amount remitted to former DFSIG members was $286,850.