Statutory Basis Financial Statements and
Report of Independent Certified Public Accountants

Massachusetts Catholic Self-Insurance Group, Inc.

March 31, 2006 and 2005

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
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Grant Thornton

Accountants and Business Advisors

Report of Independent Certified Public Accountants

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

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") (formerly known as The Archdiocese of Boston Self-Insurance Group, Inc.) as of March 31, 2006 and 2005, 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 audit 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 to the financial statements, 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, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note B.

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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.

Our audit was made for the purpose of forming an opinion on the statutory basis financial statements taken as a whole. The summary schedule of investments is presented for purposes of additional analysis and is not a required part of the statutory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic statutory financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic statutory financial statements taken as a whole.

Grant Thornton LLP

Boston, Massachusetts
July 7, 2006

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Statements of Admitted Assets, Liabilities and Policyholders' Surplus - Statutory Basis
March 31, 2006 and 2005

	2006	2005
ADMITTED ASSETS		
Cash and short-term investments	**$ 5,378,197**	$ 4,866,717
Restricted cash	**407,825**	408,038
Investment (note D)	**7,975,199**	7,683,803
Other receivable	**13,579**	37,025
Accrued investment income	**8,683**	6,482
Total admitted assets	**$13,783,483**	$13,002,065
LIABILITIES AND POLICYHOLDERS' SURPLUS		
LIABILITIES:		
Reserves for losses and loss adjustment expenses (note E)	**$ 5,996,392**	$ 5,676,821
Accounts payable and accrued expenses	**100,813**	62,207
Deposits on hand	**739,056**	241,832
Due to policyholders - dividend distributions (note H)	**1,199,932**	1,698,999
Due to policyholders - other	**85,298**	627,650
Total liabilities	**8,121,491**	8,307,509
POLICYHOLDERS' SURPLUS (note H)	**5,661,992**	4,694,556
Total liabilities and policyholders' surplus	**$13,783,483**	$13,002,065

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

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Statements of Operations - Statutory Basis
Years Ended March 31, 2006 and 2005

	2006	2005
Premiums earned, net (note H)	**$5,288,287**	$4,100,848
Other assessments	**179,174**	157,775
Total underwriting income	**5,467,461**	4,258,623
Losses and loss adjustment expenses incurred (note E)	**3,357,644**	2,574,660
Other underwriting expenses incurred	**544,093**	455,221
Massachusetts Division of Industrial Accidents assessments	**231,682**	222,390
Total underwriting expenses	**4,133,419**	3,252,271
Net underwriting gain	**1,334,042**	1,006,352
Investment income	**444,265**	313,037
Net income before dividends to policyholders	**1,778,307**	1,319,389
Dividends to policyholders (note H)	**(1,000,000)**	(1,500,000)
Net gain (loss) after dividends to policyholders	**$ 778,307**	$ (180,611)

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

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Statements of Changes in Policyholders' Surplus - Statutory Basis
Years Ended March 31, 2006 and 2005

	2006	2005
Policyholders' surplus at beginning of year	**$4,694,556**	$4,612,503
Net gain (loss) after dividends to policyholders	**778,307**	(180,611)
Change in nonadmitted assets	**189,129**	262,664
Policyholders' surplus at end of year	**$5,661,992**	$4,694,556

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

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Statements of Cash Flows - Statutory Basis
Years Ended March 31, 2006 and 2005

	2006	2005
OPERATING ACTIVITIES:		
Premiums and assessments collected, net of reinsurance	**$6,153,814**	$ 4,144,223
Losses and loss adjustment expenses paid, net of reinsurance and salvage and subrogation	**(2,978,533)**	(2,521,682)
Underwriting expenses paid	**(549,665)**	(510,696)
Investment income, net of expenses	**442,064**	270,327
Massachusetts Division of Industrial Accidents assessments paid	**(223,598)**	(214,870)
(Increase) decrease in restricted cash	**213**	(3,238)
Distributions to policyholders	**(1,499,067)**	(2,504,238)
Change in amounts due to policyholders - other	**(542,352)**	25,698
Net cash provided by (used in) operating activities	**802,876**	(1,314,476)
INVESTING ACTIVITIES:		
Proceeds from maturity of bonds	**-**	2,141,000
Purchases of investment in common trust fund	**(291,396)**	(7,683,803)
Net cash used in investing activities	**(291,396)**	(5,542,803)
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	**511,480**	(6,857,279)
Cash and short-term investments at beginning of year	**4,866,717**	11,723,996
Cash and short-term investments at end of year	**$5,378,197**	$ 4,866,717

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

NOTE A - ORGANIZATION

The Massachusetts Catholic Self-Insurance Group, Inc., formerly known as The Archdiocese of Boston Self-Insurance Group, Inc., (the "Group") was organized in March 1990 as a workers' compensation self-insurance group under Massachusetts General Law Chapter 152. The Group is a separate legal entity organized under section 501(c)(3) of the Internal Revenue Code 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"), the Diocese of Springfield and Holy Family Hospital and Medical Center.

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 Division of Insurance of the Commonwealth of Massachusetts (the "Division"). "Prescribed" statutory accounting practices ("SAP") are interspersed throughout the state insurance law 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, may differ from company to company within a state and may change in the future.

In accordance with permitted practice, the Group discounts its reserves for losses and loss adjustment expenses based on an estimate of the time value of money. 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 $467,000 and $355,000 at March 31, 2006 and 2005, respectively. Additionally, the net gain would be reduced by approximately $113,000 for the year ended March 31, 2006 and the net loss would be increased by approximately $50,000 for the year ended March 31, 2005. Other permitted practices, but not prescribed SAP, utilized by the Group did not have a material effect on surplus or results of operations.

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

Reconciliations of the Group's net gain (loss) and surplus between NAIC SAP and practices permitted by the Commonwealth of Massachusetts are as follows:

	2006	2005
Net gain (loss), after dividends to policyholders, Massachusetts statutory basis	**$778,307**	$(180,611)
Effect of permitted practice - discounting reserves for losses and loss adjustment expenses	**(112,514)**	(49,774)
Net gain (loss) after dividends to policyholders, NAIC SAP	**$665,793**	$(230,385)
Statutory policyholders' surplus, Massachusetts statutory basis	**$5,661,992**	$4,694,556
Effect of permitted practice – discounting reserves for losses and loss adjustment expenses	**(467,498)**	(354,984)
Statutory policyholders' surplus, NAIC SAP	**$5,194,494**	$4,339,572

NAIC SAP differs 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 income, and cash flow. The principal SAP differences from US GAAP 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 prescribes limitations to the admissibility of certain assets while, under US GAAP, such amounts are carried at cost with appropriate valuation allowances.
- Bonds are carried at amortized cost for NAIC SAP, while US GAAP generally requires classification of bonds into held-to-maturity, available-for-sale, and trading categories. Trading securities would be carried at fair value, with unrealized gains and losses included in income; available-for-sale securities would be carried at fair value, with unrealized gains and losses excluded from income and reported, as a component of accumulated other comprehensive income in policyholders' surplus; and held-to-maturity securities would be carried at amortized cost.
- The statement of cash flow differs from US GAAP, largely related to the presentation of the changes in cash and short-term investments instead of cash and cash equivalents. In addition, under NAIC SAP, there is no reconciliation between net income and cash from operations.

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 consist of funds held in various types of bank accounts. For US GAAP purposes, only highly liquid debt instruments with original maturities of ninety days or less would be included under this caption.

The Group deposits its cash in major financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $100,000. At times, such cash and cash equivalents are in excess of FDIC-insured limits. The Company has not experienced any losses as a result of the use of uninsured deposit accounts.

Restricted Cash

In accordance with statutory requirements, restricted cash is a long-term bank deposit that is required security to the Commonwealth of Massachusetts.

Investment

Investment at June 30, 2006 and 2005 consists of funds placed in State Street Global Advisors U.S. Government Intermediate Index Securities Lending Strategy Common Trust Fund. This investment is reported at cost.

In the event a decline in market value of an investment is determined to be other than temporary, a write-down in cost would be recognized as a realized loss.

Nonadmitted Assets

Prepaids and premiums receivable are excluded from the accompanying statements of admitted assets, liabilities and policyholders' surplus. The related change in these balances is recorded directly to policyholders' surplus.

Premiums

Premiums related to final payroll adjustments are recorded in the year in which the payroll audits are completed.

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

Discount of Loss Reserves

Reserves for losses and loss adjustment expenses are recorded on a discounted basis using an interest rate of 4.0% and 3.0% at March 31, 2006 and 2005, respectively.

Reinsurance

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

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. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case basis valuations and statistical analyses as determined by an independent actuary. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability 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 necessary as experience develops or new information becomes known and any necessary adjustments are reflected in operations in the period identified.

Premium Rates

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, and, accordingly, there were no unearned premiums on March 31, 2006 or 2005 relating to the current policy year. Included in deposits on hand at March 31, 2006 and 2005, respectively, are premiums that were paid in advance by the Group's policyholders, which amounted to approximately $739,000 related to the 2007 policy year and $242,000 related to the 2006 policy year.

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

Dividend Distributions

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

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.

Financial Instruments

The carrying amounts of financial instruments, including cash and short-term investments, reserves for losses and loss adjustment expenses and amounts due to policyholders approximate fair value at March 31, 2006 and 2005 because of the relatively short maturity of these instruments.

Use of Estimates

The preparation of the financial statements in conformity with accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts 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 reserve for losses and loss adjustment expenses is a significant estimate made by the Group's management. Actual results could vary from those estimates.

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

Reclassifications

Certain reclassifications were made to the March 31, 2005 financial statements to conform to the presentations used in the March 31, 2006 financial statements.

NOTE C - STATUTORY REQUIREMENTS

At periodic intervals, the Division of Insurance routinely examines the Group's statutory financial statements as part of their legally prescribed oversight of the insurance industry in Massachusetts. Based on these examinations, the regulators can direct that the Group's statutory financial statements be adjusted in accordance with their findings. The most recent examination report dated June 11, 2003, for the five fiscal years ending March 31, 2002 contained no such adjustments or findings.

The Group is in compliance with the following minimum financial requirements of Massachusetts self-insurance groups as of March 31, 2006 and 2005:

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. This security is classified as restricted cash.

Liquidity

The Group is required to provide security to the Commissioner to the extent undiscounted loss reserves and unearned premiums exceed liquid assets. This condition did not exist at June 30, 2006 and 2005.

Member Net Worth

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

NOTE C - STATUTORY REQUIREMENTS - Continued

Reinsurance/Excess Insurance

The Group is required to obtain specific 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 be not 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).

NOTE D - INVESTMENT

At March 31, 2006, the investment in State Street Global Advisors U.S. Government Intermediate Index Securities Lending Strategy Common Trust Fund had a cost of $7,975,199, an estimated fair value of $7,646,317 and an unrealized loss of $328,882. At March 31, 2005 the cost was $7,683,803, the estimated fair value was $7,491,167 and the unrealized loss was $192,636. In the opinion of management, the unrealized loss on the investment at March 31, 2006 and 2005 was temporary in nature.

NOTE E - RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The Group uses independent consulting actuaries to determine the required level of reserves for losses and loss adjustment expenses. The consulting actuaries determine a "low reasonable estimate" and a "high reasonable estimate" for the Group's losses and loss adjustment expense reserves. These estimated discounted net reserves ranged from $5,702,000 to $6,584,000 at March 31, 2006 and from $5,295,000 to $6,156,000 at March 31, 2005. The Group's recorded discounted net reserves for losses and loss adjustment expense reserves were approximately $5,996,000 and $5,677,000 at March 31, 2006 and 2005, respectively, and were within the consulting actuaries' calculated range.

These reserves inherently have a high degree of uncertainty and variability. Ultimate claim settlements often occur at a much later date than incurrence, and are subject to the effect of external factors such as jury awards and social inflation arising from the legal environment. As a result of this uncertainty and variability, actual losses may vary, possibly substantially, from the amounts recorded in the accompanying financial statements.

NOTE E - RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES - Continued

A summary of activity affecting reserves for losses and loss adjustment expenses for the years ended March 31, 2006 and 2005 is as follows:

	2006	2005
Beginning undiscounted balance	**$6,031,805**	$6,016,599
Incurred:		
Current year	**3,849,820**	3,410,529
Prior years	**(702,387)**	(958,816)
Total incurred	**3,147,433**	2,451,713
Paid related to:		
Current year	**1,078,248**	768,335
Prior years	**1,637,100**	1,668,172
Total paid	**2,715,348**	2,436,507
Ending undiscounted balance	**6,463,890**	6,031,805
Less discount	**(467,498)**	(354,984)
Ending discounted balance	**$5,996,392**	$5,676,821

The selected discounted net loss reserve estimate of $5,996,392 represents the amount necessary to fully provide for the expected level of future losses and loss adjustment expenses (excluding any incentive fee due to the claim administrator) as of March 31, 2006. This discounted reserve estimate anticipates future investment income on invested assets being accrued to unpaid loss and loss expense liabilities. The rates used to discount unpaid losses were 4.0% and 3.0% at March 31, 2006, and 2005, respectively (as discussed in Note B).

As a result of favorable changes in loss estimates of insured events in prior years, incurred claims and claim adjustment expenses decreased by $702,387 in 2006 and by $958,816 in 2005.

NOTE F - CONTINGENCIES

The Group is routinely engaged in various matters of litigation in the ordinary course of business principally related to the defense of various liability and other claims related to its business as an insurer. Amounts are established by management to cover estimated losses and related expenses associated with these matters in setting the reserves for losses and loss adjustment expenses.

Effective January 1, 2002 the Group entered into a retroactive reinsurance agreement with Safety National Insurance Company ("SNIC") wherein all outstanding loss and loss adjustment expense liabilities for policy years prior to 1999 were ceded to SNIC. The Group has obtained permission from the Division of Insurance of the Commonwealth of Massachusetts to account for this transaction as a novation of policy year 1998 and prior insurance policies rather than reinsurance of outstanding liabilities. Accordingly, the Group has no recorded loss reserve liabilities for policy years 1998 and prior. The Group would be held responsible for these transferred losses in the event of SNIC's insolvency. SNIC is currently rated A ("Excellent") by A.M. Best & Company.

NOTE G - REINSURANCE

To manage exposure to loss and comply with regulations, the Group has entered into specific and aggregate loss reinsurance agreements for its workers' compensation coverage. The coverage under these agreements is subject to specific retentions and limits as defined by the contracts. 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 Group's reinsurance contracts are with two reinsurers, which are both rated A ("Excellent") by A.M. Best & Company.

Premiums earned for the years ended March 31, represent:

	2006	2005
Premiums written	**$5,708,275**	$4,633,928
Reinsurance premiums	**(419,988)**	(533,080)
Premiums earned	**$5,288,287**	$4,100,848
Losses and loss adjustment expenses ceded	**$ 312,466**	$ 364,865

NOTE H - DUE TO POLICYHOLDERS - DIVIDEND DISTRIBUTIONS

In November 2005, the Group's Board of Directors declared a dividend distribution of $1,000,000 relating to previous policy years and for which payments will begin to be made in the fiscal year ending March 31, 2007 in accordance with regulations. In February 2005, the Group's Board of Directors declared a $1,500,000 dividend distribution for which the majority of payments were made in the fiscal year ended March 31, 2006 in accordance with the related provisions.

Without prior approval of the Commissioner, dividends to policyholders are limited to the greater of (i) net income not including realized capital gains or (ii) 10% of statutory surplus of policyholders 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.

Policyholders' surplus is comprised of the following at March 31:

	2006	2005
Unassigned funds	**$5,658,282**	$4,501,717
Nonadmitted asset values	**3,710**	192,839
Policyholders' surplus	**$5,661,992**	$4,694,556

NOTE I - 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. Other underwriting expenses incurred includes approximately $373,000 and $287,000 for service fees charged by the Archdiocese for the years ended March 31, 2006 and 2005, respectively. All such fees are reviewed and approved by the Group's Board of Directors.

SUPPLEMENTARY SCHEDULE

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Summary Schedule of Investments
March 31, 2006

	Gross Investment Holdings	Percent	Admitted Assets as Reported	Percent
Investment categories:				
SSGA U.S. Government Intermediate Index Securities Lending Strategy Common Trust Fund	**$ 7,975,199**	**58.0%**	**$ 7,975,199**	**58.0%**
Cash and short-term investments	**5,378,197**	**39.1%**	**5,378,197**	**39.1%**
Restricted cash	**407,825**	**2.9%**	**407,825**	**2.9%**
	$13,761,221	**100.0%**	**$13,761,221**	**100.0%**