

Statutory Financial Statements and Report of  
Independent Certified Public Accountants

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

March 31, 2016 and 2015

# MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.

## TABLE OF CONTENTS

---

	<b>Page</b>
Report of Independent Certified Public Accountants	1 - 2
Statutory Financial Statements	
Statutory Statements of Admitted Assets, Liabilities and Policyholders' Surplus	3
Statutory Statements of Income	4
Statutory Statements of Changes in Policyholders' Surplus	5
Statutory Statements of Cash Flows	6
Notes to Statutory Financial Statements	7 - 13



**Grant Thornton LLP**  
75 State Street, 13th Floor  
Boston, MA 02109  
T 617.723.7900  
F 617.723.3640  
[www.GrantThornton.com](http://www.GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://linkd.in/GrantThorntonUS)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## **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, 2016 and 2015, and the related statutory statements of income, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the statutory 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 practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance. Management is also responsible for 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 admitted assets, liabilities and policyholders' surplus of Massachusetts Catholic Self-Insurance Group, Inc. as of March 31, 2016 and 2015, and 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.

A handwritten signature in dark ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts

August 8, 2016

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Statutory Statements of Admitted Assets, Liabilities and Policyholders' Surplus**  
**March 31, 2016 and 2015**

---

	<u>2016</u>	<u>2015</u>
<b>ADMITTED ASSETS</b>		
Cash and short-term investments	\$ 3,377,610	\$ 3,464,333
Restricted cash	307,014	307,010
Investment, at amortized cost (Note 4)	11,077,695	11,001,371
Note receivable (Note 5)	137,609	131,872
Other receivables - related parties	<u>59,767</u>	<u>-</u>
Total admitted assets	<u>\$ 14,959,695</u>	<u>\$ 14,904,586</u>
<b>LIABILITIES AND POLICYHOLDERS' SURPLUS</b>		
<b>LIABILITIES</b>		
Reserves for losses and loss adjustment expenses (Note 6)	\$ 6,333,314	\$ 6,968,581
Accounts payable and accrued expenses	65,908	102,801
Prepaid assessments	434,617	364,726
Due to policyholders - dividend distributions	430,537	322,045
Due to policyholders - other	1,857,573	1,847,794
Other liabilities - related parties	<u>-</u>	<u>110,858</u>
Total liabilities	9,121,949	9,716,805
Policyholders' surplus	<u>5,837,746</u>	<u>5,187,781</u>
Total liabilities and policyholders' surplus	<u>\$ 14,959,695</u>	<u>\$ 14,904,586</u>

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

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Statutory Statements of Income**  
For the years ended March 31, 2016 and 2015

---

	<u>2016</u>	<u>2015</u>
Premiums earned, net (Note 8)	\$ 2,877,498	\$ 2,795,803
Other assessments	<u>217,944</u>	<u>140,423</u>
Total underwriting income	<u>3,095,442</u>	<u>2,936,226</u>
Losses and loss adjustment expenses (Note 6)	1,276,672	1,557,251
Other underwriting expenses (Note 10)	521,184	488,996
Massachusetts Department of Industrial Accidents assessments	<u>238,719</u>	<u>223,677</u>
Total underwriting expenses	<u>2,036,575</u>	<u>2,269,924</u>
Net underwriting income	1,058,867	666,302
Investment income	<u>87,205</u>	<u>130,961</u>
Net income before dividends to policyholders	1,146,072	797,263
Dividends to policyholders	<u>(500,000)</u>	<u>(500,000)</u>
Net income	<u>\$ 646,072</u>	<u>\$ 297,263</u>

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

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Statutory Statements of Changes in Policyholders' Surplus**  
**For the years ended March 31, 2016 and 2015**

---

	<u>2016</u>	<u>2015</u>
<b>Policyholders' surplus at beginning of year</b>	\$ 5,187,781	\$ 4,456,355
Net income	646,072	297,263
Change in nonadmitted assets	<u>3,893</u>	<u>434,163</u>
<b>Policyholders' surplus at end of year</b>	<u>\$ 5,837,746</u>	<u>\$ 5,187,781</u>

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

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Statutory Statements of Cash Flows**  
**For the years ended March 31, 2016 and 2015**

---

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Premiums and assessments collected, net of reinsurance	\$ 2,881,391	\$ 3,229,966
Investment income, net of expenses	87,205	130,961
Other assessments collected	217,945	140,423
Losses and loss adjustment expenses paid, net	(1,911,940)	(1,746,516)
Underwriting expenses and MDIA assessments paid	(796,796)	(697,272)
Distributions to policyholders	<u>(391,508)</u>	<u>(459,409)</u>
Net cash provided by operating activities	<u>86,297</u>	<u>598,153</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	<u>(76,324)</u>	<u>(11,001,371)</u>
Net cash used in investing activities	<u>(76,324)</u>	<u>(11,001,371)</u>
<b>FINANCING ACTIVITIES</b>		
Interest on note receivable	(5,737)	(5,722)
Prepaid assessments	69,891	16,456
Due to policyholders - other	9,779	163,410
Other liabilities - related parties	<u>(170,625)</u>	<u>48,974</u>
Net cash (used in) provided by financing and miscellaneous activities	<u>(96,692)</u>	<u>223,118</u>
Net change in cash and short-term investments	(86,719)	(10,180,100)
Cash, short-term investments and restricted cash at beginning of year	<u>3,771,343</u>	<u>13,951,443</u>
Cash, short-term investments and restricted cash at end of year	<u>\$ 3,684,624</u>	<u>\$ 3,771,343</u>

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



**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Notes to Statutory Financial Statements**  
**March 31, 2016 and 2015**

---

**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.

**2. 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.

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 \$284,212 and \$349,760 at March 31, 2016 and 2015, respectively. Additionally, the net income/loss would decrease by \$65,548 and \$26,256 for the years ended March 31, 2016 and 2015, respectively.

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>2016</u>	<u>2015</u>
Net income, Massachusetts statutory basis	\$ 646,072	\$ 297,263
Effect of permitted practice - discounting reserves for losses and loss adjustment expenses	<u>(65,548)</u>	<u>(26,256)</u>
Net income, NAIC SAP	<u>580,524</u>	<u>271,007</u>
Policyholders’ surplus, Massachusetts statutory basis	5,837,746	5,187,781
Effect of permitted practice - discounting reserves for losses and loss adjustment expenses	<u>(284,212)</u>	<u>(349,760)</u>
Policyholders’ surplus, NAIC SAP	<u>\$ 5,553,534</u>	<u>\$ 4,838,021</u>

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Notes to Statutory Financial Statements**  
**March 31, 2016 and 2015**

---

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

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 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, 2016 and 2015 consists of funds invested in the Fixed Income Fund, Roman Catholic Archbishop of Boston (the "Fixed Income Fund"). The Fixed Income Fund is a related organization in which Catholic organizations may participate to maximize long term total return by investing in investment grade debt and fixed income securities. This investment is recorded at amortized cost.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Notes to Statutory Financial Statements**  
**March 31, 2016 and 2015**

---

**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, 2016 and 2015, the Group holds non-admitted premiums and other receivables over 90 days totaling \$672,818 and \$676,711, respectively, and a non-admitted prepaid asset totaling \$2,000 in both years. The net change in non-admitted assets credited/(charged) to undistributed policyholders’ surplus totaled \$3,893 and \$434,163 for the years ended March 31, 2016 and 2015, 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 IRS, was set at 3% at March 31, 2016 and 2015.

**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.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Notes to Statutory Financial Statements**  
**March 31, 2016 and 2015**

---

**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.

**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 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.

**Subsequent Events**

The Group has evaluated subsequent events through August 8, 2016, which is the date these statutory basis financial statements were issued.

**3. STATUTORY REQUIREMENTS**

The Group is in compliance with the following minimum statutory financial requirements as of March 31, 2016 and 2015:

**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, 2016 and 2015.

**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

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Notes to Statutory Financial Statements**  
**March 31, 2016 and 2015**

---

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).

**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.

**4. INVESTMENT**

At March 31, 2016, the Group's investment in the Fixed Income Fund had an amortized cost of \$11,077,695 and an estimated fair value of \$11,047,797 resulting in cumulative unrealized losses of \$29,898. At March 31, 2015, the Group's investment in the Fixed Income Fund had an amortized cost of \$11,001,371 and an estimated fair value of \$10,942,368 resulting in cumulative unrealized losses of \$59,003. Such unrealized losses are not reflected in the statements of admitted assets, liabilities and policyholders' surplus or the 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 investment in the Fixed Income Fund is the only asset or liability measured at fair value (for disclosure purposes only). The fair value of this investment is determined using the net asset value (NAV) per share. The investment, which is redeemable at year end at NAV per share, is classified within Level 2 of the fair value hierarchy.

**5. NOTE RECEIVABLE**

At March 31, 2016 and 2015, the Group has a \$108,984 demand note receivable from the Sons of Divine Providence, Inc. Interest accrued and receivable totaled \$28,625 and \$22,888 at March 31, 2016 and 2015, respectively. 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.

**6. 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 \$6,333,314 and \$6,968,581 at March 31, 2016 and 2015, respectively.

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Notes to Statutory Financial Statements**  
**March 31, 2016 and 2015**

---

A summary of activity in the reserves for losses and loss adjustment expenses for the years ended March 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Beginning discounted balance	\$ 6,968,582	\$ 7,157,847
Incurred:		
Current year	2,232,761	2,300,000
Prior years	<u>(956,089)</u>	<u>(742,749)</u>
Total incurred	<u>1,276,672</u>	<u>1,557,251</u>
Paid related to:		
Current year	510,654	559,627
Prior years	<u>1,401,286</u>	<u>1,186,889</u>
Total paid	<u>1,911,940</u>	<u>1,746,516</u>
Ending discounted balance	<u>\$ 6,333,314</u>	<u>\$ 6,968,582</u>

As a result of changes in estimates of insured events in prior years, incurred claims and claim adjustment expenses decreased by \$956,089 and \$742,749 in 2016 and 2015, respectively, due to favorable loss development for prior year claims.

**7. 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, 2016 and 2015, there are \$1,232,818 and \$1,200,722, respectively, of undistributed dividends attributable to Caritas Christi which have been withheld and are included in due to policyholders - other in the accompanying statements of admitted assets, liabilities and policyholders' surplus. Depending on the volume and severity of Caritas Christi related claims made in the future, the actual amount distributed may vary.

**8. 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

**MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.**  
**Notes to Statutory Financial Statements**  
**March 31, 2016 and 2015**

---

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>2016</u>	<u>2015</u>
Premiums earned for the years ended March 31:		
Premiums written	\$ 3,116,555	\$ 3,060,656
Write off	-	(45,088)
Reinsurance premiums	<u>(239,057)</u>	<u>(219,765)</u>
Premiums earned	<u>\$ 2,877,498</u>	<u>\$ 2,795,803</u>

**9. DUE TO POLICYHOLDERS - DIVIDEND DISTRIBUTIONS**

In December 2015, the Group's Board of Directors declared a dividend distribution of \$500,000 relating to previous policy years and for which payments began to be made in the fiscal year ended March 31, 2016. In December 2014, the Group's Board of Directors declared a dividend distribution of \$500,000 which was paid in the fiscal year ended March 31, 2016. Such dividend 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 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 7.

**10. 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 \$225,000 for service fees charged by the Archdiocese for the years ended March 31, 2016 and 2015.

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