

**EXAMINATION REPORT**  
**OF**  
**DELEA FOUNDERS INSURANCE TRUST**  
**AS OF**  
**AUGUST 31, 2023**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
DELEA FOUNDERS INSURANCE TRUST  
AS OF  
AUGUST 31, 2023

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

  
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Trinidad Navarro  
Insurance Commissioner

Dated this 31st day of March, 2025

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February 5, 2025

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 24.037, dated May 9, 2024, an examination has been made of the affairs, financial condition and management of

**DELEA FOUNDERS INSURANCE TRUST**

hereinafter referred to as the Company or DFIT and incorporated under the laws of the State of Delaware as a workers' compensation self-insured group of public employers under 18 *Del. C.* ch. 4 of the Delaware Insurance Code. The administrative offices of the Company are located at 492 Franklin Ave Nutley, New Jersey 07110. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

We have performed our risk-focused surveillance examination of the Company. The last examination was conducted as of August 31, 2018 and covered the five-year period from September 1, 2014 through August 31, 2018. This examination covers the five-year period from September 1, 2018 through August 31, 2023 and encompasses a general review of transactions

during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2022. Transactions subsequent to the examination date were reviewed where deemed necessary.

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

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

This examination report includes significant findings of facts pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm Horty & Horty (Horty). Certain auditor work papers of the

2023 Harty audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

### **COMPANY HISTORY**

DFIT received Department approval to do business as a workers' compensation self-insurance group on August 28, 2014. DFIT is comprised of municipalities and related agencies throughout the State of Delaware, including cities, towns, counties, and public authorities. Effective September 1, 2014, and amended December 11, 2014, the DFIT established a Trust to establish and maintain a self-insured program providing workers' compensation insurance coverage for members of DFIT. Each member shall be responsible, jointly and severally, for all liabilities of DFIT and in accordance with the provisions of the Delaware Code provisions of the Workers' Compensation Self-Insurance Group contained in 18 *Del. C.* § 401, et seq. Specifically, but not limited to, the provisions of section 419 which required that:

If the assets of the trust are at any time insufficient to enable the Members to discharge their legal liabilities and other obligations and to maintain the reserves, the trust shall make up the deficiency or assess upon its members an amount needed to make up the deficiency. In the event of a deficiency in any fund year, the deficiency shall be made up immediately.

**MANAGEMENT AND CONTROL**

Trustees

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company’s Certificate of Authority and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its Trustees.

The members of the Trustees, serving as of August 31, 2023, each elected or appointed in accordance with the Company bylaws were as follows:

<u>Name</u>	<u>Member</u>
Ted Becker	Lewes, Chairperson
Allan Kujala	Kent County Levy Court, Vice Chairperson
Gene Dvornick	Georgetown, Secretary
Tom Coleman	Newark, Finance Secretary
Sam Callender	Cheswold
Maureen Hartman	South Bethany
Bill Barthel	New Castle
Tyler Reynolds	Middletown
Lauren Christian	Rehoboth Beach
Carol Houck	Ocean View

Safety Committee

There is a safety committee of the Board of Trustees as of the examination date. The current Officers of the Safety Committee as of August 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
Rick Melendez	Chairperson
Colby Harrington	Vice Chairperson
Jamesha Williams	Secretary

Finance Committee

There is a Finance Committee of the Board of Trustees as of the examination date. The current Officers of the Finance Committee as of August 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
Ted Becker	Chairperson
Tom Coleman	Vice Chairperson
Archie Campbell	Secretary
Jim Frazier	
Jill Hollander	Finance Director
Allan Kujala	
Tyler Reynolds	
Kristy Rogers	

#### Claims Committee

There is a Claims Committee of the Board of Trustees as of the examination date. The current Officers of the Claims Committee as of August 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
David Baylor	Chairperson
Tom Coleman	Vice Chairperson
Allan Kujala	
Jeff Martindale	
Tyler Reynolds	
Shelby Shockley	
Jamie Smith	

#### Corporate Records

The recorded minutes of the Stewardship meetings were reviewed for the period under examination. The recorded minutes of the Stewardship meetings documented the Company transactions and events.

#### Insurance Holding Company System

The Company is not a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code.



## **AGREEMENTS WITH NON-AFFILIATES**

### **Program Administrator**

Effective July 1, 2014, the Group has engaged Strategic Insurance Partners (SIP) of Nutley, New Jersey, as the Program Administrator. SIP has many years of experience in developing and managing programs in other states similar to the proposed program for Delaware. SIP has the following duties and responsibilities:

- (1) Acts as the Executive Director to carry out the policies established by the Board of Trustees to otherwise administer and provide for the day-to-day management of DFIT.
- (2) Advises the Board of Trustees on Risk Management matters and prepares a Risk Management Plan.
- (3) Maintains underwriting data and assists DFIT in the purchase of insurance.
- (4) Monitors the performance of the Insurance Carriers.
- (5) Performs due diligence on a continuing basis to monitor the insurance carrier markets, and develop any carrier relationships necessary to insure the best possible placements of insurance for DFIT Members.
- (6) Evaluation of the members' exposures.
- (7) Preparation of reports, applications, statements of values, etc., required by the carriers.

During 2023, the program administrator fees were \$243,018.

SIP has a contractual agreement with PMA Management Corporation (PMA) to provide certain claims management and managed care services in connection with DFIT's workers' compensation program through August 31, 2023. All workers' compensation claims are processed and managed in-house by PMA. As of August 31, 2023, DFIT has deposited \$18,000 into an escrow account with PMA to pay workers' compensation claims on behalf of DFIT.

SIP also has a contractual agreement with PMA to provide loss prevention support to DFIT. For the year ended August 31, 2023, administrative and service fees expense related to this agreement is \$107,028. For the year ended August 31, 2022, administrative and service fees expense related to this agreement were \$135,667.

Claims Management, Claim Payments and Reserves

DFIT pays for covered losses experienced by its members as well as related claims expenses. DFIT has no employees. DFIT has a contractual agreement with SIP who functions as its Plan Administrator. SIP has a contractual agreement with PMA to provide certain claims management and managed care services in connection with DFIT's workers' compensation program. All workers' compensation claims are processed and managed in-house by PMA. Outside service providers, attorneys, medical experts, and other professionals are contracted on an as-needed basis. Between the time a claim is reported and the time it is resolved, reserves are established for the estimated amount that will have to be paid at some future date to settle the loss. Reserves are also established for claims that have occurred but are not yet known to DFIT. This recognizes losses in the current year for claims that will be paid in future periods. This process allows a matching of current year premiums with estimated total losses that will be incurred as the result of current fiscal year coverages. Fees during 2023 were \$2,222,488.

Administrative Expenses and Contract Service Fees

In providing coverage and other member services, DFIT incurs administrative expenses and contract service fees with SIP, PMA, and other outside vendors. All of these expenses are budgeted and monitored for compliance with budgetary limits. SIP assesses their fees based on member premiums, PMA based on the number of claims handled, and other outside vendors based

on the actual hours incurred to perform their respective professional services. Fees during 2023 were \$562,078.

#### Risk Control Services Agreement

Annual, the program administrator engaged PMA to provide Risk Management Assessments for each of DFIT trust members. PMA participates in safety committee meetings, presents training topics, and provides guidance and support in the development/improvement of written policies/procedures in an effort to prevent injuries and accidents of DFIT member operations. Additionally, PMA provides loss trending analyses for the Company.

#### Actuarial Consulting Services

Annually, the DFIT engages Sound Actuarial Consulting, LLC (Sound) to drive DFIT liabilities based upon the data, as of August 31, 2023. The fee for these services is \$18,000.

#### Trust Agreement

Effective December 11, 2014, the Company established a Trust to establish and maintain a self-insured program providing workers' compensation insurance coverage for members of DFIT. The Trust shall consist of: (1) all Members' payments (including payments made directly to Trust under the administrative direction of the Trustees), dividends, refunds of unexpended portions of premiums, and any restricted reserve funds created by the Trust for specific insurance coverage (collectively the Principal Fund); and (2) all funds received from the investment of the Principal Fund and from prior investments, all funds received from prior insurance companies, and all other receipts in connection with the administration of the insurance programs and the Trust (collectively the Income Fund). Within the Principal Fund separate segregated accounts shall be maintained for each separate insurance plan and the monies of each separate account may only be applied to or be used in connection with that specific insurance plan.

Within the Income Fund any specifically designated monies shall be used only in accordance with the designation thereon. Expenses for the operation of the Trust and administration of the insurance and the Trust shall be charged against the Income Fund, and if insufficient, a pro rata amount based upon percentage premium paid shall be charged against each account within the Principal Fund. Participation in the Trust shall be open to any county or municipal authority or other public entity of the State of Delaware. Each member shall be responsible, jointly and severally, for all liabilities of the Plan and in accordance with the provisions of the Delaware Code provisions of the Workers' Compensation Self-Insurance Group contained in 18 *Del. C.* § 401, et seq. Specifically, but not limited to, the provisions of section 419 which required that:

If the assets of the Trust are at any time insufficient to enable the Members to discharge their legal liabilities and other obligations and to maintain the reserves, the Trust shall make up the deficiency or assess upon its members an amount needed to make up the deficiency. In the event of a deficiency in any fund year, the deficiency shall be made up immediately.

The Trust shall pay all workers' compensation benefits for which each member incurs liability during its period of membership. A member is not relieved of its workers' compensation liabilities incurred during its period of membership except through payment by the group of the member of required workers' compensation benefits.

### **TERRITORY AND PLAN OF OPERATION**

#### Territory

As of December 31, 2018, the Company is licensed and authorized to provide workers compensation insurance in Delaware.

## Plan of Operation

The DFIT acts as a self-insured plan for public municipalities in Delaware. The self-insured retention is \$750,000 per occurrence, with a no statutory limit. The actual policy for excess coverage is issued by Safety National, an authorized Company in Delaware.

## **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities and Net Position as of August 31, 2023
- Statement of Income for the year ended August 31, 2023
- Reconciliation of Net Position for the Period from the organization to August 31, 2023

DELEA FOUNDERS INSURANCE TRUST  
STATEMENT OF ASSETS AND LIABILITIES  
AS OF AUGUST 31, 2023

	Assets
Cash	\$ 5,940,771
Premium Receivable	163,875
Prepaid Insurance	9,781
Total Current Assets	\$ 6,114,427
Other Assets	18,000
Total Assets	\$ 6,132,427

DELEA FOUNDERS INSURANCE TRUST  
STATEMENT OF LIABILITIES AND UNRESTRICTED FUNDS  
AS OF AUGUST 31, 2023

		Note
Losses and Loss adjustment expenses	\$ 3,353,318	1
Premiums collected in advance	66,778	
Accrued Expenses	44,335	
Self-insured worker compensation tax payable	19,937	
Total liabilities	\$ 3,484,368	
Unrestricted funds	2,648,059	
Totals of liabilities & surplus	\$ 6,132,427	

DELEA FOUNDERS INSURANCE TRUST  
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION  
AS OF AUGUST 31, 2023

<b>Operating Revenues</b>	
Premiums income	\$ 2,553,860
Interest Income	132,271
Total Revenues	<u>\$ 2,686,131</u>
 <b>Operating Expenses</b>	
Claims and Claim expenses	\$ 2,222,488
Administrative and Service Fees	562,078
Excess insurance	697,203
Surety Bond	22,500
Other Insurance	10,833
Total operating expenses	<u>\$ 3,515,102</u>
 <b>Change in Net Position</b>	
Net position - Beginning of year	<u>\$ (828,971)</u>
Net position - End of year	<u>3,477,030</u>
	<u>\$ 2,648,059</u>

**RECONCILIATION OF NET POSITION**  
 For the Period from Organization  
 As of August 31, 2019 to August 31, 2023

	2019	2020	2021	2022	2023
Beginning	\$ 2,139,206	\$ 2,620,070	\$ 4,230,099	\$ 4,331,270	\$ 3,477,030
Change in Net Position	480,864	1,610,029	101,171	(854,240)	(828,971)
Ending	\$ 2,620,070	\$ 4,230,099	\$ 4,331,270	\$ 3,477,030	\$ 2,648,059

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

Loss and Loss adjustment expenses \$ 3,353,318

The examination liability for the aforementioned captioned item of \$3,353,318 is the same as reported by the Company as of August 31, 2023. The liability is a result of the workers' compensation policy covering the members of the DFIT.

**SUBSEQUENT EVENTS**

There were no material subsequent events.

**COMPLIANCE WITH EXAMINATION RECOMMENDATIONS**

The Company has complied with all recommendations and conditions contained in the examination report issued by the Department as of August 31, 2018.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.



**CONCLUSION**

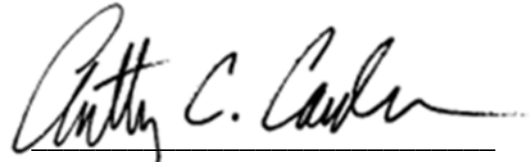
The assistance and cooperation of the Company's outside audit firm, Harty, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



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Albert M. Piccoli, Sr. CFE  
Examiner In-Charge  
State of Delaware



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Anthony Cardone, CFE  
Supervising Examiner  
State of Delaware

I, Albert M. Piccoli, Sr., hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 24.037.



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Albert M. Piccoli, Sr., CFE