

**THE NEW YORK STATE  
MOTOR TRUCK ASSOCIATION  
COMPENSATION TRUST**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

RECEIVED  
WORKERS' COMPENSATION  
NEW YORK  
SELF INSURANCE OFFICE

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
<u>Financial Statements</u>	
Balance sheets	2
Statements of operations	3
Statements of members' equity	4
Statements of cash flows	5
Notes to financial statements	6 - 12



**Stulmaker  
Kohn  
& Richardson, LLP**  
CERTIFIED  
PUBLIC ACCOUNTANTS

*partners* Ronald P. Kohn Timothy F. Pierce Edward S. Knapp

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of  
The New York State Motor Truck Association  
Compensation Trust  
Buffalo, New York

We have audited the accompanying balance sheets of The New York State Motor Truck Association Compensation Trust as of June 30, 2009 and 2008, and the related statements of operations, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York State Motor Truck Association Compensation Trust as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Stulmaker, Kohn & Richardson, LLP*

October 29, 2009  
Albany, New York

1 of 12

296 Washington Avenue Extension Albany, NY 12203 ■ 518.436.1040 Fax 518.436.5644 ■ [www.skrcpa.com](http://www.skrcpa.com)

*Member: American Institute of Certified Public Accountants Private Companies Practice Section*

*Member: New York State Society of Certified Public Accountants*

*Member: CPACConnect - A Leading Network of Local CPA Firms*

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

BALANCE SHEETS

	June 30,	
	2009	2008
<u>-ASSETS-</u>		
ASSETS:		
Investments	\$ 2,603,483	\$ 8,220,843
Cash and cash equivalents	6,922,536	2,525,329
Cash - escrow	458,771	415,194
Assessments receivable	135,015	217,957
Reinsurance receivable	191,694	126,782
Other receivables and prepaid expenses	462,408	369,577
Income taxes receivable	479,140	246,360
Deferred income tax benefits	51,069	25,389
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 11,304,116</u>	<u>\$ 12,147,431</u>
<u>-LIABILITIES AND MEMBERS' EQUITY-</u>		
LIABILITIES:		
Reserves for losses and loss adjustment expenses	\$ 8,661,889	\$ 7,791,252
Assessment deposits and refunds payable	745,780	342,123
Accounts payable and accrued expenses	155,165	181,112
Income taxes payable	86,085	---
Escrow payable	458,771	415,194
Member dividends payable	---	1,900,000
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>10,107,690</u>	<u>10,629,681</u>
MEMBERS' EQUITY:		
Members' equity	1,273,029	1,555,834
Unrealized holding losses on available for sale securities, net of income tax benefits	(76,603)	(38,084)
	<u>                    </u>	<u>                    </u>
TOTAL MEMBERS' EQUITY	<u>1,196,426</u>	<u>1,517,750</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 11,304,116</u>	<u>\$ 12,147,431</u>

See notes to financial statements.

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

STATEMENTS OF OPERATIONS

	Year Ended June 30,	
	2009	2008
REVENUES:		
Assessments earned	\$ 3,381,927	\$ 4,744,275
Reinsurance assessments ceded	(390,485)	(491,206)
Net assessments earned	2,991,442	4,253,069
Investment income - Net	179,112	531,192
Other income	7,380	27,451
<b>TOTAL REVENUES</b>	<b>3,177,934</b>	<b>4,811,712</b>
OPERATING EXPENSES:		
Losses and loss adjustment expenses	4,565,259	3,871,582
Member dividends	(1,600,000)	1,300,000
Management fees	452,179	420,858
General and administrative expenses	129,386	106,731
<b>TOTAL OPERATING EXPENSES</b>	<b>3,546,824</b>	<b>5,699,171</b>
NET LOSS BEFORE INCOME TAXES (BENEFITS)	(368,890)	(887,459)
INCOME TAXES (BENEFITS)	(86,085)	(357,725)
NET LOSS	(282,805)	(529,734)
OTHER COMPREHENSIVE INCOME (LOSS):		
Holding losses arising during the year, net of income tax benefits of \$25,680 and \$7,006, respectively	(38,519)	(48,594)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>\$ (321,324)</b>	<b>\$ (578,328)</b>

See notes to financial statements.

3 of 12

THE NEW YORK MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

STATEMENTS OF MEMBERS' EQUITY

	Members' Equity	Unrealized Holding Gains (Losses)	Total Members' Equity
MEMBERS' EQUITY AT JULY 1, 2007	\$ 2,085,568	\$ 10,510	\$ 2,096,078
NET LOSS	(529,734)	---	(529,734)
CHANGE IN UNREALIZED HOLDING GAINS NET OF INCOME TAX BENEFITS	---	(48,594)	(48,594)
MEMBERS' EQUITY AT JUNE 30, 2008	1,555,834	(38,084)	1,517,750
NET LOSS	(282,805)	---	(282,805)
CHANGE IN UNREALIZED HOLDING LOSSES NET OF INCOME TAX BENEFITS	---	(38,519)	(38,519)
MEMBERS' EQUITY AT JUNE 30, 2009	<u>\$ 1,273,029</u>	<u>\$ (76,603)</u>	<u>\$ 1,196,426</u>

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATIONS:</b>		
Net loss	\$ (282,805)	\$ (529,734)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Net gain on sale of securities	(10,475)	(7,682)
Impairment of investments	177,014	---
Bad debt	---	260
Changes in operating assets and liabilities:		
Assessments receivable	82,942	104,071
Reinsurance receivable	(64,912)	734
Other receivables and prepaid expenses	(92,831)	56,876
Income taxes receivable	(232,780)	(246,360)
Reserves for losses and loss adjustment expenses	870,637	1,296,796
Assessment deposits and refunds payable	403,657	(77,323)
Accounts payable and accrued expenses	(25,947)	12,692
Income taxes payable	86,085	(231,923)
Member dividends payable	(1,900,000)	500,000
Total adjustments	(706,610)	1,408,141
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(989,415)</b>	<b>878,407</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments purchased	(2,052,371)	(2,598,583)
Proceeds from investments redeemed	7,438,993	2,478,703
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>5,386,622</b>	<b>(119,880)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,397,207</b>	<b>758,527</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,525,329</b>	<b>1,766,802</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 6,922,536</b>	<b>\$ 2,525,329</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for income taxes	\$ 60,610	\$ 120,516

See notes to financial statements.

5 of 12

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

**NOTE 1 - NATURE OF OPERATIONS**

The New York State Motor Truck Association Compensation Trust (the "Trust") was organized to create an unincorporated association of motor truck operators within the State of New York to constitute a workers' compensation self-insurance group, with its initial fiscal year beginning on July 1, 1994. The Trust operates pursuant to and in accordance with Subdivision 3-a of Section 50 of the New York Workers' Compensation Law. The Trust was created to make available a self-insured workers' compensation program for motor truck operators in the State of New York, to establish, maintain, promote and enforce sound safety programs, and to provide a cost-effective market in which truck operators may obtain workers' compensation coverage. The Trust is currently managed by an elected board of trustees and administered by third-party administrators.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**CASH**

Cash includes deposits in a financial institution located in Western New York. Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 (through December 31, 2009). Bank deposits, at times, may exceed federally insured limits. The Trust has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

**CASH AND CASH EQUIVALENTS**

The Trust considers cash and cash equivalents to be cash in bank, savings accounts and money market funds.

**INVESTMENTS**

The Trust classifies its marketable debt securities as "held to maturity" if it has the positive intent and ability to hold securities to maturity. All other marketable securities are classified as "available for sale". Securities classified as "available for sale" are carried in the financial statements at fair value. Realized gains and losses, determined using the first-in, first-out method, are included in earnings; unrealized holding gains and losses are reported in other comprehensive income. Investments which are classified as held to maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods of approximating the interest method over the period to maturity.

Securities classified as "available for sale" are stated at fair value in accordance with SFAS No. 157, *Fair Value Measurement*, which the Trust adopted on July 1, 2008. SFAS No. 157 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and Level 3 inputs, which are unobservable input where there is little, if any, market activity for the asset or liability at the measurement date and have the lowest priority.

**ASSESSMENTS**

Assessments earned are generally recognized as revenue on a pro rata basis over the coverage term. All coverages issued by the Trust expire on June 30. The Trust provides for assessment adjustments to its members based upon actual payroll information and accrues such assessments in the year covered by the associated coverages.



THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES**

The liability for losses and loss adjustment expenses includes an amount determined from loss reports and individual cases, an amount for losses incurred but not reported and an amount for certain New York State assessments. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may vary significantly from the estimated amounts and could have a material effect on Member's equity in future periods. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently. The reserves for losses and loss adjustment expense is reported net of receivables for salvage, subrogation and New York State Special Disability Fund recoveries of \$614,684 and \$571,269 as of June 30, 2009 and 2008, respectively. Loss reserves were discounted to present value using a 4.0% and 4.1% discount rate for the years ended June 30, 2009 and 2008, respectively, and a payment pattern derived from New York State industry data.

The reserve for loss and loss adjustment expenses includes an estimate for certain New York State assessments. Recent changes in New York State legislation during both 2009 and 2008 have had a material impact on these estimates (Note 9).

**INCOME TAXES**

The Trust is a taxable entity, and is required to file federal Form 1120 PC and its New York State return on a calendar year basis. Income taxes are based on financial statement income. Deferred income taxes are based on the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Temporary differences in these financial statements relate primarily to: differences in discounting loss reserves for financial and tax purposes and differences between the tax and book basis of certain investments.

Deferred tax assets are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets of a change in tax rates is recognized in income in the period that includes the enactment date.

The Trust's effective tax rate may be higher or lower than would be expected if the statutory federal rate (35%) were applied to income from operations primarily because of the effect of the New York State tax provision and the effect of surtax exemptions.

The Trust subsequently collected \$476,010 of income taxes receivable prior to September 30, 2009.

**MANAGEMENT ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

**EVENTS OCCURRING AFTER REPORTING DATE**

The Trust has evaluated events and transactions that occurred between June 30, 2009 and October 29, 2009, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

**NOTE 3 - INVESTMENTS**

	<u>Cost or Amortized cost</u>	<u>Gross Unrealized Holding Gains (Losses)</u>	<u>Fair value</u>	<u>Carrying value</u>
<u>June 30, 2009</u>				
Available-for-sale:				
Obligations of U.S. Government corporations	\$ 100,000	\$ 2,903	\$ 102,903	\$ 102,903
Corporate bonds	1,777,416	3,231	1,780,647	1,780,647
Equity securities	218,924	(19,154)	199,770	199,770
Mutual Funds	634,819	(114,656)	520,163	520,163
Total available for sale	<u>\$2,731,159</u>	<u>\$ (127,676)</u>	<u>\$2,603,483</u>	<u>\$2,603,483</u>

Proceeds from the sale and maturity of investments were \$7,438,993 resulting in gross realized gains of \$10,475. The Trust also wrote down investments that have been considered impaired by \$177,014.

June 30, 2008

Available-for-sale:				
Obligations of U.S. Government corporations	\$1,873,799	\$ (9,340)	\$1,864,459	\$1,864,459
Equity securities	174,576	(10,110)	164,466	164,466
Mutual Funds	609,541	(44,022)	565,519	565,519
Total available for sale	2,657,916	(63,472)	2,594,444	2,594,444
Held to maturity:				
Obligations of U.S. Government corporations	5,626,399	16,635	5,643,034	5,626,399
Total	<u>\$8,284,315</u>	<u>\$ (46,837)</u>	<u>\$8,237,478</u>	<u>\$8,220,843</u>

Proceeds from the sale and maturity of investments were \$2,478,703 resulting in gross realized losses of \$11,960 and gross realized gains of \$4,278.

The scheduled maturities of investments at June 30, 2009 are as follows:

	<u>Amortized cost</u>	<u>Fair Value</u>
Due years one to five	<u>\$1,877,416</u>	<u>\$1,883,550</u>

Members' equity at June 30, 2009 and 2008, includes unrealized holding losses on available for sale securities of \$127,676 and \$63,472, less related deferred income tax benefits of \$51,073 and \$25,388, respectively.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009 and 2008.

- Equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded (level 1 measurements).
- Mutual funds:* Valued at the net asset value (NAV) of shares held by the Trust at year end (level 1 measurements).
- Corporate bonds:* Certain corporate bonds are valued at the closing price of similar assets reported in the active market in which the bond is traded (level 2 measurements).
- Obligations of U.S. Government corporations:* Valued at the closing price of similar assets reported in the active market in which the obligation is traded (level 2 measurements).

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

**NOTE 4 - RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES**

Activity in the liability reserves for losses and loss adjustment expenses is summarized as follows:

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Balance, July 1	\$7,791,252	\$6,494,456
Less: Reinsurance receivable at beginning of year	<u>126,782</u>	<u>127,516</u>
Net balance, July 1	<u>7,664,470</u>	<u>6,366,940</u>
Plus: Incurred related to:		
Current year	3,043,118	2,771,713
Prior years	<u>1,522,141</u>	<u>1,099,869</u>
Total incurred	<u>4,565,259</u>	<u>3,871,582</u>
Less: Paid related to:		
Current year	766,962	424,660
Prior years	<u>2,992,572</u>	<u>2,149,392</u>
Total paid	<u>3,759,534</u>	<u>2,574,052</u>
Plus: Reinsurance receivable at year end	<u>191,694</u>	<u>126,782</u>
Balance, June 30	<u>\$8,661,889</u>	<u>\$7,791,252</u>

During 2008 legislative changes affected the way New York State assessments for self-insured groups are calculated. The legislation stipulates that, effective January 1, 2009, certain assessments would be billed to self-insurance groups based on paid indemnity. The overall effect of the legislation did not significantly affect the cash being paid annually by the Trust for these assessments, but does affect when the assessments are susceptible to accrual. The assessments will be susceptible to accrual when premiums are paid on an annual basis versus being accrued based on actual and estimated indemnity payments. This change increased incurred loss and loss adjustment expense by approximately \$450,000 for the year ended June 30, 2009.

**NOTE 5 - EXCESS INSURANCE**

In the normal course of business, the Trust seeks to reduce the loss that may arise from catastrophe or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with a reinsurer. The Trust has agreed to and obtained excess reinsurance, which requires the Trust to retain \$750,000 per occurrence for the years ended June 30, 2009 and June 30, 2008. The agreement with the reinsurer provides that the limit of liability under the excess reinsurance provides statutory workers' compensation coverage and \$2,000,000 for each occurrence/aggregate for employers' liability. Amounts recoverable from reinsurers are estimated in a manner consistent with the excess policy.

The amount of recoveries pertaining to the Trust's reinsurance contract from losses incurred during the years ended June 30, 2009 and 2008 was \$191,694 and \$126,782, respectively.

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

---

**NOTE 5 - EXCESS INSURANCE (CONTINUED)**

In the event the Trust's reinsurer is unable to meet its obligations under the reinsurance agreements, the Trust would continue to have primary liability to members for losses incurred.

The Trust and its advisors evaluate the financial condition of its reinsurer on an ongoing basis. Although the Trust only utilizes a single reinsurer, it has not experienced any losses with a reinsurer and does not believe that it is exposed to any significant credit risk with reinsurers.

**NOTE 6 - MANAGEMENT FEES**

The Trust has entered into agreements with third-party administrators under which they will provide various services including claims administration, marketing, accounting and general administration. For the years ended June 30, 2009 and 2008, respectively, the Trust incurred management fees of \$452,179 and \$420,858.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The Trust has a letter of credit in favor of New York State in the amount of \$1,125,000. The Trust has pledged \$562,500 of securities in a brokerage account as security for the above letter of credit. Should New York State have to draw upon this letter of credit, the Trust could be potentially liable to the Bank up to \$1,125,000.

The Trust has entered into an indemnification agreement with each member to provide workers' compensation and employer's liability coverage. The agreement stipulates, among other things, that each member is jointly and severally liable for the workers' compensation and employers' liability obligations of the Trust and its members' which were incurred during the member's period of membership in the Trust, irrespective of the subsequent termination of the member's membership in the Trust, the insolvency or bankruptcy of another member of the Trust, or other facts and circumstances. Accordingly, the financial viability of the Trust is contingent upon the financial viability of the individual members. However, recourse for any and all payments of workers' compensation and employer's liability benefits covered by the Trust's certificate of coverage to a member shall first be made from Trust's assets. To ensure the financial viability of each member, as a requirement for entering the Trust, each member must pass a financial security test developed by the Trust to determine its financial strength. As an option, a member of the Trust may put up other collateral in lieu of taking the financial security test.

Enacted workers' compensation regulations require that "trust assets" exceed "trust liabilities", a capitalization standard. Trust assets are defined by the regulations to mean cash and investments (as allowed by the regulations). Such "trust assets" shall not include security posted by the group self-insurer. "Trust liabilities" are defined as all liabilities of the trust. The Trust believes it is in compliance with these regulations.

**NOTE 8 - CONCENTRATIONS**

The Trust has one member whose assessment accounted for approximately 20% and 17% of the Trusts' earned assessments for the years ended June 30, 2009 and 2008, respectively.

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 9 – NEW YORK STATE ASSESSMENTS

Under New York State regulatory laws, the Trust is required to pay for its share of various assessments to the Workers' Compensation Board (the "Board") for certain obligations, including but not limited to the costs of the Board's operations, for second injury funds, and for uninsured claimants. Typically, such assessments are allocated to the Trust based upon its proportion of business written in New York State. As a self-insured group Trust in New York State, the Trust may be subjected to additional assessments.

During June 2008, legislation was passed regarding the billing of certain New York State assessments for self-insured groups. The legislation stipulated that, effective January 1, 2009, assessments for certain sections, will be billed to self-insured groups based on paid indemnity. An impact of the change on the June 30, 2009 financial statements was an increase to the reserve for loss and loss adjustment expenses.

New York State regulatory law was passed in the July 2008 which stipulated that all trusts, both active and inactive, pay certain premium based assessments during any State fiscal years in which the trust made indemnity claim payments. The premium based assessments will be determined based on a "factor" of premium in the Trust during its last active year. The amount and extent of these future assessments cannot be determined. Therefore, no reserve for future premium based assessments has been recorded in the statements as of June 30, 2009.

In March 2007, legislation was passed regarding the billing of the New York State assessments for self-insured groups. The legislation stipulates that, effective January 1, 2008, certain assessments would be billed to self-insurance groups based on "pure premium" rather than paid indemnity or security base.

During 2007 several trusts in New York State closed, defaulted or have otherwise failed to meet their obligations. These trusts have been turned over to the New York State Workers' Compensation Board (the "Board"). As these trusts were turned over to the Board it was determined that there was a potential shortfall in funds to pay benefits to injured workers of these trusts. The Board had begun a process of billing these trusts based on the joint and several liability of the members of the trusts. As a result in the lag between billing the members of these trusts and collecting funds from those members, the Board assessed other trusts under Section 50-5 of the WCL. These assessments were significantly higher (the initial assessments were over 2,600% higher) than amounts previously billed under this section. The Board has indicated that these assessments were only for cash flow purposes and upon collection of funds from the aforementioned billing, these funds would be credited back to the trusts that were assessed. If any of these trusts that have been turned over to the Board cannot pay their liabilities, the Board will need to obtain funds which will be used to pay the obligations of these trusts.

Limited information is available related to how these changes and events affect the assessment accruals done by the Trust. Currently the Trust has accrued assessments related to "pure premium" though the 2008 year and an accrual for assessments based on future indemnity payments based on a minimum percentage expected to be paid in the future. Estimates for "pure premium" assessments beyond the current year or higher percentage estimates for indemnity are not currently estimable. Therefore, it is at least reasonably possible that changes in the accrual for "pure premium" and indemnity will change in the near term and that such changes could materially affect members' equity and the amounts reported in the statement of operations.

THE NEW YORK STATE MOTOR TRUCK ASSOCIATION

COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

---

NOTE 10 - DISTRIBUTION TO MEMBERS

During the years ended June 30, 2009 and 2008, the Trust declared (rescinded) dividends to members of (\$1,600,000) and \$1,300,000, respectively. Dividends paid were \$-0- and \$800,000 during the years ending June 30, 2009 and 2008, respectively.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to the year end, but prior to September 30, 2009, the Trust collected \$34,632 of second injury fund recoveries and \$28,177 of accrued interest. Both of these receivables were included in Other receivables and prepaid expenses on the balance sheet.

RECEIVED  
WORKERS COMPENSATION  
NOV - 2 2009  
SELF INSURANCE OFFICE

**LISCORD, WARD & ROY, INC.**  
CONSULTING CASUALTY ACTUARIES

EVERETT G. BISHOP, F.C.A.S., M.A.A.A.  
PAUL E. KINSON, A.C.A.S., M.A.A.A.  
JOHN C. HANNA JR., A.C.A.S., M.A.A.A.

1361 ELM STREET, SUITE 405  
MANCHESTER, NH 03101  
TELEPHONE: (603) 657-7055  
FAX: (603) 626-7287  
WWW.LWRINC.COM

September 23, 2009

Susan A. Koch, ARM  
First Niagara Risk Management, Inc.  
726 Exchange Street, Suite 900  
Buffalo, NY 14210

RECEIVED  
WORKERS' COMPENSATION  
NOV - 2 2009  
SELF INSURANCE OFFICE

Dear Susan:

Enclosed is the **New York State Motor Truck Association Compensation Trust Actuarial Analysis of Loss and Loss Expense Reserves as of 6/30/09.**

**Recommendations (pages 2 and 14)**

**Loss and loss expense reserves:** \$8,189,514, 0.9% more than the reserves at 12/31/08 (\$8,119,951). Case reserves increased from \$5,900,850 to \$7,102,933. The net IBNR decreased from \$3,423,140 to \$2,149,945. Reserves recoverable decreased from \$942,774 to \$806,377. The margin for discounting increased from \$853,262 to \$870,072. The unallocated loss expense reserve increased from \$591,997 to \$613,085.

**Change in Results for Prior Fund Years**

Below is a comparison of the net ultimate incurred losses (from Exhibit 2, page 1, of this and the last report):

Year	12/31/08	6/30/09	difference
94/95	\$1,384,247	\$1,433,157	\$ +48,910
95/96	1,348,233	1,310,938	-37,295
96/97	1,120,614	1,120,614	0
97/98	1,073,692	1,073,692	0
98/99	1,752,770	1,751,195	-1,575
99/00	1,562,151	1,569,175	+7,024
00/01	2,254,737	2,259,738	+5,001
01/02	1,352,389	1,391,557	+39,168
02/03	1,983,603	1,976,158	-7,445
03/04	3,030,934	2,980,923	-50,011
04/05	2,373,458	2,552,564	+179,106
05/06	2,178,168	2,190,185	+12,017
06/07	3,608,649	3,405,025	-203,624
<u>07/08</u>	<u>2,678,250</u>	<u>2,928,616</u>	<u>+250,366</u>
Total	\$27,701,895	\$27,943,537	\$+241,642

The prior years' adverse development is 2.9% of loss reserves.

**Result for Current Fund Year 08/09**

The net losses for fund year 08/09 total \$2,950,075, 0.7% more than fund year 07/08 (page 16).

I have sent a copy of this report directly to Stulmaker, Kohn & Richardson. Please forward a copy of the financial statement when it is completed.

If you have any questions, please call. I am available to meet with you and the Trust to present this report or to answer any questions that may arise.

Sincerely,



Everett G. Bishop  
Consulting Actuary

cc: Ed Knapp, Stulmaker, Kohn & Richardson, LLP

enclosure

RECEIVED  
WORKERS' COMPENSATION  
NOV - 2 2009  
SELF INSURANCE OFFICE