

Report of Examination of

American Mutual Life Association
Cleveland, Ohio

As of December 31, 2010

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Columbus, Ohio
August 1, 2011

Honorable Mary Taylor
Lieutenant Governor/Director
State of Ohio
Department of Insurance (“Department”)
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of the

American Mutual Life Association

an Ohio domiciled, fraternal benefit society, hereinafter referred to as the (“Association”). The examination was conducted at the Association’s home office located at 19424 S. Waterloo Road, Cleveland, Ohio.

Scope of Examination

The Association was last examined as of December 31, 2005, by the Department. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2010.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook. The Handbook requires that the Department plan and perform the examination to evaluate the Association’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Association were considered in accordance with the risk-focused examination process.

For all years under examination, the certified public accounting firm of Hudak and Vrana, Certified Public Accountants (“CPA”) provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA during its annual

audit of the Association was reviewed during the examination and incorporated into the examination work papers.

Management and Control

Board of Directors

Management of the Association is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name and Address	Principal Occupation
Albert R. Amigoni	President American Mutual Life Association
Theresa Aveni	Secretary-Treasurer American Mutual Life Association
James E. Czeck	Owner Regal Productions
Alyce M. Kane	Server Outback Steakhouse
Charles Kohli	Laboratory technician Plasticolors
Jaime Loncar	Homemaker
Anna Mae Mannion	Retired Cleveland Board of Education
James Mannion	Assistant Manager Save Alot
Kenneth E. Shine	Supervisory Auditor Defense Contract Audit Agency
Rudolph M. Susel, Ph.D	Newspaper Editor – Our Voice Retired – Arizona State University
Joseph G. Zab	Mechanical Engineering Manager Guild International
Ronald J. Zab, Ph.D	Manufacturing Engineer Joy Mining Machinery

Officers

As of the examination date, the following officers were elected and serving in accordance with the Association's Bylaws:

Name	Title
Albert R. Amigoni	President
Theresa Aveni	Secretary-Treasurer
Anna Mae Mannion	1 st Vice-President
Joseph G. Zab	2 nd Vice-President

Reinsurance

The Association cedes all of its accidental death claims and 100% of life business above their retention of \$25,000. The contract included an insolvency clause, errors and omission clause and an arbitration clause, which meet the guidelines prescribed by the NAIC.

Territory and Plan of Operations

The Association is licensed to transact business in the State of Ohio.

Financial Statements

The financial condition and the results of its operations for the five year period under examination as reported and filed by the Association with the Department and audited by the Association's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds
Summary of Operations
Statement of Changes in the Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds

Admitted assets	December 31, 2010
Bonds	\$ 32,705,204
Mortgage loans on real estate: First liens	208,873
Properties occupied by the company	90,297
Cash and short-term investments	348,629
Contract loans	<u>119,901</u>
Total cash and invested assets	33,472,904
Investment income due and accrued	460,362
Uncollected premiums and agents' balances	3,308
Electronic data processing equipment and software	<u>653</u>
Total admitted assets	<u>\$ 33,937,227</u>
Liabilities, Surplus and other funds:	
Aggregate reserve for life certificates and contracts	\$ 19,801,000
Aggregate reserve for accident and health contracts	89,957
Liability for deposit-type contracts	863,715
Life contract claims	77,483
Accident and health contract claims	776
Refunds apportioned for payment	100,000
Premium and annuity considerations for life and accident and health contracts received in advance	21
Interest maintenance reserve	507,692
General expenses due or accrued	47,530
Taxes, licenses and fees due or accrued	4,400
Amounts withheld or retained by Society as agent or trustee	31,924
Asset valuation reserve	149,357
Drafts outstanding	3,781
Aggregate write-ins for liabilities:	
Accrued interest payable on deposits	<u>13,732</u>
Total liabilities	21,691,368
Unassigned funds	<u>12,245,859</u>
Total surplus	12,245,859
Total liabilities and unassigned funds	<u>\$ 33,937,227</u>

**Summary of Operations
December 31, 2010**

	December 31, 2010
Premiums and annuity considerations for life contracts	\$ 1,497,749
Net investment income	1,642,954
Amortization of interest maintenance reserve	67,294
Aggregate write-ins for miscellaneous income:	
Sundry	145
Proceeds from bond claim	<u>4,186</u>
Total premiums and other revenues	3,212,328
Death benefits	243,788
Matured endowments	3,927
Annuity benefits	740,368
Disability benefits and benefits under accident and health contracts	13,486
Surrender benefits and withdrawals for life contracts	62,382
Interest and adjustments on contract or deposit-type contracts	36,595
Increase in aggregate reserve for contracts	<u>1,009,882</u>
Total benefits paid or provided	2,110,428
Commissions on premiums and deposit-type contracts	1,647
General insurance expenses and fraternal expenses	806,263
Insurance taxes, licenses and fees	<u>26,995</u>
Total insurance expenses and other deductions	2,945,333
Net gain from operations before refunds to members	266,995
Refunds to members	<u>94,824</u>
Gain from operations after refunds and before realized capital losses	172,171
Net realized capital losses	<u>(5,187)</u>
Net Income	<u>\$ 166,984</u>

Statement of Changes in the Surplus Account
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Surplus December 31, previous year	\$ 12,068	\$ 11,865	\$ 11,919	\$ 11,779	\$ 11,546
Net income from operations	167	211	(5)	168	206
Change in net unrealized capital gains (losses)	15	19	(34)	-	-
Change in nonadmitted assets	(1)	12	(5)	(11)	4
Change in asset valuation reserve	(3)	(39)	(8)	(14)	23
Aggregate write-ins for gains and losses in surplus:					
Surplus promotion	-	-	(2)	(3)	-
Net change in surplus for the year	<u>178</u>	<u>203</u>	<u>(54)</u>	<u>140</u>	<u>233</u>
Surplus December 31, current year	<u>\$ 12,246</u>	<u>\$ 12,068</u>	<u>\$ 11,865</u>	<u>\$ 11,919</u>	<u>\$ 11,779</u>

Notes to the Financial Statements

Investments

The Association's investment portfolio consists of bonds and cash and is compliant with ORC Section 3907.14. The investments were valued in accordance with the relevant Statements of Statutory Accounting Principles.

Aggregate Reserve for Life Certificates and Claims

The Association had outside actuaries William D. Bruce, FCA, MAAA, certify the total reserves for examination years 2006 to 2008 and Edward Cowman, FSA, MAAA, certify the total reserves for examination years 2009 and 2010.

Peter Weber, Department Life Actuary, Office of Product Regulation and Actuarial Services, reviewed the actuarial studies performed and determined the aggregate reserve for life certificates and contract reserves presented in the Association's 2010 annual statement appear to make a reasonable provision for the Association's aggregate reserves.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Association as of December 31, 2010, and is summarized as follows:

Total Admitted Assets	<u>\$ 33,937,227</u>
Liabilities	\$ 21,691,368
Unassigned Funds	<u>12,245,859</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 33,937,227</u>

Acknowledgement

In addition to the undersigned, the following representatives of the Department participated in this examination: Edward Nagorny, CFE, CPA; Peter Weber, ASA, MAAA; Mohammad Arif, AES, CFE, and Larry Rice, AES, CFE.

Respectfully,



Jeffery A. Becker, CFE
Examiner-In-Charge
Office of Risk Assessment
Ohio Department of Insurance



David A. Cook, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2010.

Jeffery A Becker
Examiner-In-Charge

8/1/2011
Date

[Signature]
Assistant Chief Examiner

8/1/2011
Date

State of Ohio

County of Franklin

Personally appeared before me the above named, Jeffery A. Becker, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 1 day of August, 2011.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named, David A. Cook, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 1 day of August, 2011.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
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