

Report of Examination of

First Catholic Slovak Union of the United States of America & Canada
Independence, Ohio

As of December 31, 2010

Table of Contents

Subject	Page
Salutation.....	1
Description of Company.....	1
Scope of Examination.....	1
Management and Control:	
Board of Directors.....	2
Officers.....	3
Territory and Plan of Operations.....	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	4-5
Summary of Operations.....	6
Statement of Changes in the Surplus Account.....	7
Notes to Financial Statements:	
Investments.....	7
Aggregate Reserve for Life Certificates and Claims.....	7
Conclusion.....	8
Acknowledgement.....	8

Columbus, Ohio
June 17, 2011

Honorable Mary Taylor
Lieutenant Governor/Director
State of Ohio
Department of Insurance
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

First Catholic Slovak Union of the United State of America & Canada

an Ohio domiciled, fraternal benefit society, hereinafter referred to as the (“Company”). The examination was conducted at the Company’s home office located at 6611 Rockside Road, Independence, Ohio.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2005, by the Ohio Department of Insurance (“Department”). Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2010.

Scope of Examination

The Department last examined the Company as of December 31, 2005. The current examination covers the period of January 1, 2006 through 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 Company’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 Company were considered in accordance with the risk-focused examination process.

For all years under examination, the certified public accounting firm of Hosack, Specht, Muetzel & Wood LLP (“CPA”) provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers.

Management and Control

Board of Directors

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

Name and Address	Principal Occupation
Kenneth A. Arendt	Company Executive Secretary
Regis Brekosky	Retired
Rudolph Glogovsky	Retired
Andrew R. Harcar, Sr.	Retired
Henry Hassay	Retired
Karen Hunka	Accountant, Adagio Health, Inc.
George F. Matta	Retired
Joseph Minarovich	Chief Building Inspector City of Bridgewater, New Jersey
Milos Mitro	Office Manager, Metro Ontario Inc.
Damian Nasta	Computer Programmer, Bucks Country Community College
Reverend Thomas Nasta	Priest
Susan Ondrejco	Nuclear Scientist, Bechtell Marine Propulsion Corp.
Andrew M. Rajec	Company President
George Sprock	Retired
Carl Ungvarsky	Retired

Officers

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

Name	Title
Andrew M. Rajec	President
Kenneth A. Arendt	Executive Secretary
George F. Matta	Treasurer
Andrew R. Harcar, Sr.	Vice President
Gary J. Matta	General Counsel

Territory and Plan of Operations

The Company is licensed to transact business in the States of Colorado, Connecticut, Florida, Illinois, Indiana, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, Ohio, Pennsylvania, West Virginia, and Wisconsin.

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 Company'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
December 31, 2010

Admitted assets	
Bonds	\$ 239,151,083
Preferred stocks	5,834,427
Common stocks	2,899,496
Mortgage loans on real estate	1,883,937
Properties occupied by the Company	1,127,831
Properties held for the production of income	813,172
Properties held for sale	633,223
Cash and short-term investments	8,982,617
Contract loans	911,063
Other invested assets	4,981,249
Receivables for securities	<u>1,885,447</u>
Total cash and invested assets	269,103,545
Investment income due and accrued	3,171,829
Uncollected premiums and agents' balances	<u>14,601</u>
Total admitted assets	<u>\$ 272,289,975</u>

**Statement of Liabilities, Surplus and Other Funds
December 31, 2010**

Liabilities, Surplus and other funds:	
Aggregate reserve for life certificates and contracts	\$ 226,806,000
Liability for deposit-type contracts	15,213,178
Life contract claims	300,000
Refunds apportioned for payment	400,000
Premium and annuity considerations for life and accident and health contracts received in advance	290,189
Interest maintenance reserve	1,578,788
Commissions to fieldworkers	12,374
General expenses due or accrued	204,528
Taxes, licenses and fees due or accrued	22,962
Amounts withheld or retained by Company as agent or trustee	6,763,991
Net adjustment in assets and liabilities due to foreign exchange rates	10,000
Asset valuation reserve	2,766,154
Aggregate write-ins for liabilities:	
Postretirement reserve	190,000
Security deposits	11,947
Special marketing and promotional reserves	<u>200,000</u>
Total liabilities	254,770,111
Unassigned funds	<u>17,519,864</u>
Total surplus	17,519,864
Total liabilities and unassigned funds	<u>\$ 272,289,975</u>

**Summary of Operations
December 31, 2010**

Premiums and annuity considerations for life contracts	\$ 33,635,663
Net investment income	14,325,256
Amortization of interest maintenance reserve	177,563
Aggregate write-ins for miscellaneous income:	
Subscription income and book sales	5,904
Rental income grounds and estates	9,000
Miscellaneous income	<u>37,655</u>
Total premiums and other revenues	48,191,041
Death benefits	2,563,521
Annuity benefits	9,367,755
Surrender benefits and withdrawals for life contracts	501,109
Interest and adjustments on contract or deposit-type contracts	291,108
Increase in aggregate reserve for contracts	<u>29,951,000</u>
Total benefits paid or provided	42,674,493
Commissions on premiums and deposit-type contracts	308,970
General insurance expenses and fraternal expenses	2,699,457
Insurance taxes, licenses and fees	77,121
Aggregate write-ins for deductions:	
Net change in settlement options without life	<u>167,156</u>
Total insurance expenses and other deductions	45,927,197
Net gain from operations before refunds to members	2,263,845
Refunds to members	<u>402,047</u>
Gain from operations after refunds and before realized capital losses	1,861,798
Net realized capital losses	<u>(855,477)</u>
Net Income	<u>\$1,006,321</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	\$ 13,169	\$ 9,060	\$ 13,112	\$ 11,556	\$ 9,867
Net income from operations	1,006	4,309	265	1,721	1,539
Change in net unrealized capital gains (losses)	3,646	2,194	(6,773)	3	552
Change in net unrealized foreign exchange capital gain (losses)	-	-	40	(45)	15
Change in nonadmitted assets	(22)	4	4	(15)	-
Change in asset valuation reserve	(252)	(2,279)	2,203	151	(432)
Aggregate write-ins for gains and losses in surplus:					
Accrual and asset adjustment	(27)	(119)	209	-	15
Adjustment to Schedule BA	-	-	-	(62)	-
Rounding and miscellaneous adjustment	-	-	-	3	-
Special marketing and promotional reserve	-	-	-	(200)	-
Net change in surplus for the year	<u>4,351</u>	<u>4,109</u>	<u>(4,053)</u>	<u>1,557</u>	<u>1,689</u>
Surplus December 31, current year	<u>\$ 17,520</u>	<u>\$ 13,169</u>	<u>\$ 9,060</u>	<u>\$ 13,112</u>	<u>\$ 11,556</u>

Notes to the Financial Statements

Investments

The Company's investment portfolio consists of bonds, stocks 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 Company had outside actuary Edward Cowman, FSA, MAAA, of Bruce and Bruce Company certify the total reserves for examination years 2006 through 2010.

Peter Weber, 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 Company's 2010 annual statement appear to make a reasonable provision for the Company's aggregate reserves.

Conclusion

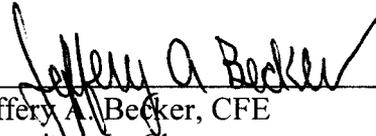
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2010, and is summarized as follows:

Total Admitted Assets	<u>\$ 272,289,975</u>
Liabilities	\$ 254,770,111
Unassigned Funds	<u>17,519,864</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 272,289,975</u>

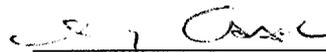
Acknowledgement

In addition to the undersigned, the following representatives of the Department participated in this examination: Kim Somogyi, CPA; Edward Nagorny, CFE, CPA; Julius Davis, CPA; Cameron Piatt, CPA; Peter Weber, ASA, MAAA; Floyd Meeks, AES, CFE; Jeffrey Ferris, AES, CFE, and Vicky Hugo, CFE, CPA.

Respectfully,



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



David 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 6/17/11 David Cook 6/17/11
Examiner-in-Charge Date Assistant Chief Examiner 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 17 day of June, 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 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 17 day of June, 2011.

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