

Report of Examination of
North American Swiss Alliance
North Olmsted, Ohio
As of December 31, 2010

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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

North American Swiss Alliance

an Ohio domiciled, fraternal benefit society, hereinafter referred to as (the “Alliance”). The examination was conducted at the Alliance’s home office located at 26777 Lorain Road, North Olmsted, Ohio.

A report of this examination is hereby respectfully submitted.

The Alliance 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.

Management and Control

Board of Directors

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

Name	Principal Occupation
Alois W. Amstutz	Owner, Tank’s Meats
Richard A. Rowland	Retired
William G. Preslock	Retired
Richard C. Hubler	Retired
Donald P. Robinson	Certified Public Accountant
Richard H. Hardt	Retired
Marilyn A. Kozma	Retired
Carl H. Kunzler	Owner, Anden Business Systems
Suzanne L. Sarasin	Retired

Officers

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

Name	Title
Alois W. Amstutz	President
Richard C. Hubler	Vice President
William G. Preslock	Secretary/Treasurer
Donald P. Robinson	Advisory Officer
Richard A. Rowland	Advisory Officer

Territory and Plan of Operations

The Alliance is licensed to transact business in the states of California and Ohio.

Scope of Examination

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 Alliance'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.

Financial Statements

For the year ending December 31, 2010, the Association filed a balance sheet only audit. The financial condition and the results of its operations for the five year period under examination as reported and filed by the Alliance with the Department, 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
December 31, 2010**

Admitted assets

Bonds	\$ 3,159,254
Cash and short-term investments	236,802
Contract loans	<u>5,453</u>
Total cash and invested assets	3,401,509
Investment income due and accrued	<u>35,797</u>
 Total admitted assets	 <u>\$ 3,437,306</u>

Liabilities and unassigned funds

Aggregate reserve for life certificates and contracts	\$ 2,406,000
Life contract claims	5,000
Refunds apportioned for payment	35,000
Interest maintenance reserve	153,482
General expenses due or accrued	9,000
Taxes, licenses and fees due or accrued	114
Amounts withheld or retained by Company as agent or trustee	586
Asset valuation reserve	4,649
Drafts outstanding	<u>500</u>
Total liabilities	2,614,331
Aggregate write-ins for surplus funds	
Relief and benevolent funds	33,673
Unassigned funds	<u>789,302</u>
Total surplus	<u>822,975</u>
Total liabilities, surplus and other funds	<u>\$3,437,306</u>

Summary of Operations
December 31, 2010

Premiums and annuity considerations for contracts	\$ 47,464
Net investment income	110,342
Amortization of Interest Maintenance Reserve	<u>36,799</u>
Total premiums and other revenues	194,605
Death benefits	25,055
Matured endowments	2,216
Surrender benefits and withdrawals for life contracts	19,287
Increase in aggregate reserve for life and accident and health contracts	<u>59,000</u>
Total benefits paid or provided	105,558
Commissions on premiums and deposit-type contracts	3,241
General insurance expenses and fraternal expenses	109,795
Insurance taxes, licenses and fees	<u>3,984</u>
Total insurance expenses and other deductions	222,578
Net gain from operations before refunds to members	(27,973)
Refunds to members	32,736
Net gain from operations after refunds	<u>(60,709)</u>
Net Income	\$ (60,709)

Statement of Changes in the Surplus Account
(in thousands)

	2010	2009	2008	2007	2006
Surplus December 31, previous year	<u>\$984</u>	<u>\$1,190</u>	<u>\$1,290</u>	<u>\$1,334</u>	<u>\$1,379</u>
Net income from operations	(61)	(5)	(60)	(40)	(45)
Change in reserve on account of change in valuation basis	(100)	(200)	(40)	(10)	-
Change in asset valuation reserve	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>6</u>	<u>1</u>
Net change in surplus for the year	<u>(161)</u>	<u>(206)</u>	<u>(100)</u>	<u>(44)</u>	<u>(45)</u>
Surplus December 31, current year	<u>\$823</u>	<u>\$984</u>	<u>\$1,190</u>	<u>\$1,290</u>	<u>\$1,334</u>

Notes to the Financial Statements

Investments

The Alliance'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 Alliance 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:

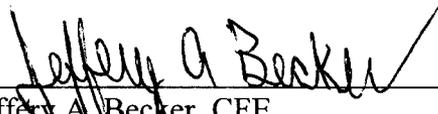
Total Admitted Assets	<u>\$ 3,437,306</u>
Liabilities	\$ 2,614,331
Unassigned and surplus funds	<u>822,975</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 3,437,306</u>

Acknowledgement

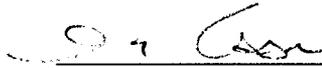
Appreciation is expressed for the assistance extended by the officers and employees of the Alliance during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Peter Weber, ASA, MAAA; Floyd Meeks, AES, CFE, and Larry Rice, AES, CFE.

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
Examiner-In-Charge

6/17/11
Date

Case
Assistant Chief Examiner

6/17/11
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**

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**