

Report of Examination of
The Order of United Commercial Travelers of America
Columbus, 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 Governors.....	2
Officers.....	3
Territory and Plan of Operations	3
Reinsurance	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	4
Statement of Operations.....	6
Statement of Changes in the Surplus Account.....	7
Notes to Financial Statements:	
Investments.....	8
Aggregate Reserve for Life Certificates and Claims.....	8
Conclusion.....	8
Subsequent Events.....	8
Acknowledgement.....	9

Columbus, Ohio
March 5, 2012

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Ms. Taylor:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

The Order of United Commercial Travelers of America

an Ohio domiciled, fraternal benefit society, hereinafter referred to as the “Company”. The examination was conducted at the Company’s home office located at 1801 Watermark Drive, Columbus, Ohio.

Scope of Examination

The Department last examined the Company as of December 31, 2007. The Department’s current examination covers the period of January 1, 2008 through December 31, 2010.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook (“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 BKD, CPA and Advisors LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

Management and Control

Board of Governors

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

Name	Principal Occupation
George I. Bohn	Retired; former Principal; San Bernardino City Unified School District; San Bernardino, California
David L. Burt	Retired; former Customer Service Representative; Ohio Power Company, Lancaster, Ohio
Jerry G. Giff	Management Consultant-Controller; Aaron Transportation; Sudbury, Ontario
Robert J. Kellogg	Retired; former Contractor; R&R Contractors, Inc.; Gaylord, Michigan
Larry R. Pilon	Commercial Real Estate; Greater Calgary Real Estate; Calgary, Alberta
Gerald E. Thomas	Certified Public Accountant; Hahn, Garvey & Thomas, Ltd, CPAs; Columbus, Ohio
Stewart A. Wagner	Manager; Mike's Corner Shell Gas & Convenience Center; Coal City, Illinois
James V. Walsh	Sign Manufacturer; Frank's Signs; Manchester, New Hampshire
Randy C. Young	Engineering Materials Laboratory Manager; Louisiana Transportation Research Center; Baton Rouge, Louisiana

Officers

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

Name	Title
Stewart A. Wagner	President
Gerald E. Thomas	Secretary/Treasurer
Joseph H. Hoffman	Chief Executive Officer
Ronald A. Ives	Vice President
Kevin C. Hecker	Vice President and Controller
Robert E. McCollins	Vice President

Territory and Plan of Operations

The Company is licensed to transact business in forty-five states, the District of Columbia and Canada. Medicare Supplement policies are the Company's core business. Recently, the Company began strategic initiatives to diversify its portfolio of products by introducing new life and accident and health products including term life, final expense plans and dental, vision and hearing products.

Reinsurance

Effective May 31, 2010, the Company cedes 80% of the risk on its core Medicare Supplement business to General Re Life Corporation. On policies issued between 2005 and 2010, the Company ceded 90% of the risk, and 100% prior to 2005.

Financial Statements

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

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

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

Assets

Bonds	\$14,415,087
Common stocks	482,218
Mortgage loans on real estate	2,500,000
Cash and short-term investments	1,859,651
Contract loans	<u>823,342</u>
Subtotals, cash and invested assets	20,080,298
Investment income due and accrued	158,937
Uncollected premiums in the course of collection	135,129
Deferred premiums and installments booked but deferred and not yet due	107,896
Amounts recoverable from reinsurers	2,073,381
Other amounts receivable under reinsurance contracts	432,882
Electronic data processing equipment	17,138
Other assets	<u>9,312</u>
Total assets	<u>\$23,014,973</u>

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

Liabilities

Aggregate reserve for life contracts	\$ 4,321,963
Aggregate reserve for accident and health contracts	1,484,313
Liability for deposit-type contracts	26,883
Contract claims:	
Life	22,715
Accident and health	2,308,887
Premiums and annuity considerations received in advance	371,368
Interest maintenance reserve	129,492
Commissions to fieldworkers due or accrued	161,023
General expenses due or accrued	1,018,770
Taxes, licenses and fees due or accrued	88,926
Amounts withheld or retained as agent or trustee	387,604
Remittances and items not allocated	65,353
Asset valuation reserve	59,130
Other liabilities	<u>592,157</u>
Total liabilities	<u>11,038,584</u>

Surplus and Other Funds

Fraternal fund	25,000
Unassigned funds	<u>11,951,389</u>
Total surplus and other funds	<u>11,976,389</u>
Total liabilities, surplus and other funds	<u>\$23,014,973</u>

Summary of Operations
As of December 31, 2010

Premiums and annuity considerations	\$13,851,568
Net investment income	764,578
Amortization of interest maintenance reserve	31,554
Commissions and expense allowances on reinsurance ceded	34,505,512
Miscellaneous income	<u>981,472</u>
Total	<u>50,134,684</u>
Death benefits	195,034
Matured endowments	7,548
Annuity benefits	121,776
Disability benefits and benefits under accident and health contracts	10,784,107
Surrender benefits and withdrawals for life contracts	39,585
Interest and adjustments on contract or deposit-type contract funds	36
Increase in aggregate reserve for life and accident and health contracts	<u>(123,838)</u>
Total	11,024,248
Commissions on premiums and annuity considerations	25,779,068
General insurance expenses and fraternal expenses	11,859,388
Insurance taxes, licenses and fees	449,214
Increase in loading on deferred and uncollected premiums	<u>(918)</u>
Total	<u>49,111,000</u>
Net income	<u>\$ 1,023,684</u>

Statement of Changes in the Surplus Account
(in thousands)

	2010	2009	2008
Surplus, previous year end	<u>\$10,644</u>	<u>\$7,659</u>	<u>\$3,996</u>
Net income from operations	1,024	2,116	5,272
Change in net unrealized foreign exchange	230	635	(838)
Change in non-admitted assets	102	237	(796)
Change in asset valuation reserve	<u>(24)</u>	<u>(3)</u>	<u>25</u>
Net change in surplus	<u>1,332</u>	<u>2,985</u>	<u>3,663</u>
Surplus, current year end	<u>\$11,976</u>	<u>\$10,644</u>	<u>\$7,659</u>

Notes to the Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3907.14 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Aggregate Reserve for Life Certificates and Claims

The Company's Board of Governors appointed Benjamin Cohen, FSA, MAAA, of Wakely Actuarial Services, Inc., to render the Company's Statement of Actuarial Opinion in connection with the preparation of the Company's December 31, 2010 Annual Statement.

Peter Weber, FSA, MAAA, the Department's Life Actuary, performed an actuarial review of the Company. Based on his analysis, Mr. Weber determined that the reserves presented in the 2010 Annual Statement and the Opinion and supporting Memorandum prepared by the Appointed Actuary all appear to be consistent with requirements in Ohio law.

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>\$23,014,973</u>
Liabilities	\$11,038,584
Surplus and Other Funds	<u>11,976,389</u>
Total Liabilities, Surplus and Other Funds	<u>\$23,014,973</u>

Subsequent Events

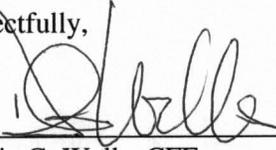
There have been no events subsequent to the examination date which would have a material effect on the financial condition of the Company.

Acknowledgement

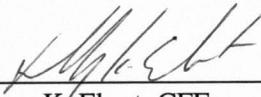
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Mohammad Arif, AES, CISA, CFE; Peter Weber, ASA, MAAA; and Jyotika Patel, CPA.

Respectfully,



Donnie G. Wells, CFE
Examiner in Charge
Office of Risk Assessment
Ohio Department of Insurance



Jeffrey K. Ebert, 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.

[Signature]
Examiner-In-Charge

3/5/12
Date

[Signature]
Assistant Chief Examiner

3/5/12
Date

State of Ohio
County of Franklin

Personally appeared before me the above named Donnie G. Wells, 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 5 day of March, 2012.

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 Jeffrey K. Ebert, 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 5 day of march, 2012.

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