

Report of Examination of

**First Catholic Slovak Ladies Association of the United States of America**  
Beachwood, Ohio

As of December 31, 2013

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Columbus, Ohio  
March 13, 2015

Honorable Mary Taylor  
Lieutenant Governor and Director  
State of Ohio  
Department of Insurance  
50 West Town Street  
3<sup>rd</sup> 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 Ladies Association of the United States of America**

an Ohio domiciled, fraternal benefit society, hereinafter referred to as the “Association.” A report of this examination is hereby respectfully submitted.

**Scope of Examination**

The Department last examined the Association as of December 31, 2008. The Department’s current examination covers the intervening period through December 31, 2013.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Association’s financial condition and corporate governance, identify and assess current and prospective risks and evaluate the Association’s system of 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 Statements of Statutory Accounting Principles (“SSAPs”) 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.

The Certified Public Accounting firm of Horovitz, Rudoy and Roteman, LLP provided an unqualified opinion on the Association’s financial statements based on Statutory Accounting Principles for all years covered by this examination. The Department

reviewed the December 31, 2013, independent auditors' report and supporting documentation during the examination.

## **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:

<b>Name and Address</b>	<b>Principal Occupation</b>
Carolyn M. Bazik Reading, Pennsylvania	National Editor, The Association
Irene J. Drotleff Cleveland, Ohio	Retired
Katie A. Esterle New Berlin, Wisconsin	Associate Director, Archdiocese of Milwaukee
Virginia A. Holmes White Oaks, Pennsylvania.	Retired
Stephen C. Hudak Beachwood, Ohio	National Treasurer, The Association
John M. Janovec Barberton, Ohio	Retired
Cynthia M. Maleski Beachwood, Ohio	National President, The Association
Peter M. Polando Youngstown, Ohio	Parish Priest, Rector of. St. Columbia Cathedral
Sue Ann M. Seich Beachwood, Ohio	National Secretary, The Association
Barbara A. Sekerak Brook Park, Ohio	Partner and Vice President, ePayment Network LLC
Dorothy Urbanowicz Monessen, Pennsylvania	Retired

Barbara N. Waller                      Deputy Director,  
Reading, Pennsylvania              Co-County Wellness Services

Larry M. Golofski                      Retired  
Vandergrift, Pennsylvania

**Officers**

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

<b>Name</b>	<b>Title</b>
Cynthia M. Maleski	National President
Sue Ann M. Seich	National Secretary
Stephen C. Hudak	National Treasurer

**Reinsurance**

The Association has reinsurance contracts whereby it cedes the excess of ordinary life benefits in excess of retention amounts on various criteria such as the insurance amount, insurance type, and issue age.

**Territory and Plan of Operations**

The Association is licensed to transact business in the District of Columbia and all states except Mississippi and New Hampshire.

**Significant Operating Results**

The following tables show a summary of key financial data for the Association:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Balance Sheet</b>					
Total admitted assets	\$590,101,887	\$635,734,091	\$676,100,757	\$727,699,668	\$756,406,769
Total liabilities	503,575,181	546,216,178	590,271,287	643,630,015	665,346,029
Total surplus	86,526,708	89,517,916	85,829,470	84,069,649	91,060,737
<b>Premium Income</b>					
Life Ins- first year	\$ 105,942	\$ 153,254	\$ 173,160	\$ 180,269	\$ 153,576
Life Ins-single & renewal	8,742,513	14,189,354	24,477,963	34,607,812	4,806,290
Annuity	34,525,911	32,773,087	18,195,109	19,621,284	22,257,278

## **Financial Statements**

The financial condition of the Association, and the results of its operations for the five year period under examination, is 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, 2013**

<b>Admitted assets</b>	
Cash and invested assets:	
Bonds	\$698,468,825
Preferred stocks	3,630,553
Common stocks	5,094,068
Mortgage loans	4,536
Real estate	5,839,745
Other invested assets	11,323,077
Contract loans	2,712,117
Cash and short-term investments	17,981,064
Total cash and invested assets	745,053,984
Investment income due and accrued uncollected premiums	11,279,270
Deferred premiums, agents' balances and installments	16,325
Electronic data processing equipment and software	35,171
Aggregate write-ins for other than invested assets	22,019
Total admitted assets	\$756,406,766
 <b>Liabilities and unassigned funds</b>	
Liabilities:	
Aggregate reserve for life certificates and contracts	\$640,372,000
Liability for deposit-type contracts	9,969,420
Life contract claims	1,708,621
Refunds not yet apportioned for payment	1,374,000
Premiums and annuity consideration received in advance	565,264
Interest maintenance reserve	1,139,865
Commissions to fieldworkers due or accrued	56,339
General expenses and commissions due or accrued	2,101,715
Taxes, licenses and fees due or accrued	112,278
Liability for benefits for employees and fieldworker	32,000
Asset valuation reserve Payable to subsidiaries and affiliates	7,741,662
Aggregate write-ins for liabilities	172,865
Total liabilities	\$665,346,029
Aggregate write-ins for surplus funds	
Unassigned funds	91,060,737
Total surplus	\$ 91,060,737
Total liabilities and unassigned funds	\$756,406,766

## Statement of Operations

**December 31, 2013**

Premiums and other revenues:	
Premiums and annuity considerations for life and A&H claims	\$27,217,144
Net investment income	38,551,860
Amortization of interest maintenance reserve	89,793
Aggregate write-ins for miscellaneous income	15,306
Total premiums and other revenues	<u>65,874,103</u>
Benefits paid or provided:	
Death benefits	5,701,499
Matured endowments	1,765
Annuity and old age benefits	17,091,651
Disability, accident and health benefits	
Surrender benefits and withdrawals for life contracts	7,563,808
Interest and adjustments on deposit-type contracts	602,578
Increase in life, annuity, and accident and health reserves	20,065,171
Total benefits paid or provided	<u>51,026,472</u>
Commissions on premiums and deposit-type contracts	791,925
General expenses	8,268,508
Insurance taxes, licenses and fees	247,332
Aggregate write-ins for deductions	
Total insurance expenses and other deductions	<u>60,334,237</u>
Gain from operations before refunds to members	5,539,866
Refunds to members	<u>(1,338,822)</u>
Gain from operations after refunds and before realized capital losses	4,201,044
Net realized capital losses	1,639,831
Net Income	<u>\$ 5,840,875</u>

## Statement of Changes in the Surplus Account

	2009	2010	2011	2012	2013
Surplus December 31, previous year	\$84,502,187	\$86,526,762	89,517,729	\$85,829,286	\$84,069,463
Net income	1,618,176	3,587,257	(2,041,983)	(1,218,543)	5,840,875
Net unrealized capital gains (losses)	1,400,525	441,192	(420,892)	867,638	1,543,414
Change in non-admitted assets	254,034	(23,467)	80,540	44,995	17,685
Change in asset valuation reserve	(1,248,160)	(1,014,015)	773,516	(1,196,913)	(410,701)
Aggregate write-ins for gains (losses) in surplus			(2,079,623)	(257,000)	
Net change in surplus for the year	2,024,575	2,990,967	(3,688,442)	(1,759,823)	6,991,273
Surplus December 31, current year	<u>\$86,526,762</u>	<u>\$89,517,729</u>	<u>\$85,829,286</u>	<u>\$84,069,463</u>	<u>\$91,060,736</u>

## Notes to the Financial Statements

### Investments

The Company's investments were in compliance with Section 3921.21 of the ORC.

### Aggregate Reserve for Life Certificates and Claims

The Association's aggregate reserve for life certificates and claims as of December 31, 2013 is \$652,050,041. The reserves are determined in accordance with Actuarial Standards of Practice and Actuarial Guidelines that specifically relate to the opinion required under Section 7 of the NAIC Model Actuarial Opinion and the Memorandum.

Jason B. Wade ASA, MAAA, the Department's life actuary examined and evaluated the Association's reserves performed by Grant Hemphill, FSA, MAAA, appointed Actuary, with the consulting firm of Bruce & Bruce and tested by the Association's independent accountants.

On the basis of the above-mentioned analysis, it was determined that the reserves presented in the December 31, 2013, statutory financial statement made a reasonable provision for future guaranteed benefits and meeting statutory minimum standards.

### Subsequent Events

On October 6, 2014, the Association passed a resolution to accept "Christian" as members. The Christian (Fraternal) members have access to all the benefits provide by the Association, but, have no voting privileges' and are not eligible to hold office at any level.

### Conclusion

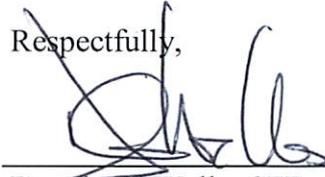
The balance sheet contained in this Report of Examination reflects the financial condition of the Association as of December 31, 2013, and is summarized as follows:

Total Admitted Assets	<u>\$756,406,766</u>
Liabilities	\$665,346,029
Unassigned Funds	<u>91,060,737</u>
Total Liabilities and Unassigned Funds	<u>\$756,406,766</u>

### Acknowledgement

In addition to the undersigned, the following representatives of the Department participated in this examination: Patricia Severs, CPA, Edward Nagorny, CFE, CPA CISA, and Jason B. Wade ASA, MAAA.

Respectfully,



\_\_\_\_\_  
Donnie G. Wells, CFE  
Examiner-In-Charge  
Ohio Department of Insurance



\_\_\_\_\_  
David A. Cook, CFE  
Assistant Chief Examiner  
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, 2013.

[Signature]  
Examiner-In-Charge

4/7/15  
Date

[Signature]  
Assistant Chief Examiner

4/7/15  
Date

State of Oh. O

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 7 day of April, 2015.

Elizabeth  
(Notary Public)  
**ELIZABETH CHASE**  
NOTARY PUBLIC, STATE OF OHIO  
~~MY COMMISSION EXPIRES MAY 22, 2017~~  
My Commission Expires

State of Oh. O

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 7 day of April, 2015.

Elizabeth Chase  
(Notary Public)  
**ELIZABETH CHASE**  
NOTARY PUBLIC, STATE OF OHIO  
~~MY COMMISSION EXPIRES MAY 22, 2017~~  
My Commission Expires