

**Report of Examination of**  
**American Mutual Life Association**  
**Cleveland, Ohio**  
**As of December 31, 2015**

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Columbus, Ohio  
July 29, 2016

Honorable Mary Taylor  
Lieutenant Governor/Director  
State of Ohio  
Department of Insurance (“Department”)  
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

**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 Department last examined the Association as of December 31, 2010. The Department’s current examination covers the period from and including January 1, 2011 through December 31, 2015.

The examination was conducted 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, assess corporate governance, identify current and prospective risks of the Association and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Association were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statements of Statutory Accounting Principles (“SSAP”). The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Association’s financial statements.

This examination report includes significant findings of fact, as mentioned in the ORC Section 3901.07 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination reports but separately communicated to other regulators and/or the Association.

The Certified Public Accounting (“CPA”) firm of James G. Zupka, CPA provided an unqualified opinion based on statutory accounting principles for the year ended December 31, 2015.

### **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>
Theresa Aveni	Secretary-Treasurer, The Association
James Czeck	Owner, Regal Production
Alyce M. Kane	School Secretary, Urban Community School
Charles Kohli	Retired
Jaime Loncar	Lease Agreement Coordinator, LBP Leasing, Inc.
James Mannion	Manager, Save-A-Lot
Timothy Percic	President, The Association
Ken Shine	Auditor, Defense Contract Audit Agency
Joseph G. Zab	Mechanical Engineer, Guild International
Ronald J. Zab, Ph.D	Engineer, Joy Global

## **Officers**

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

<b>Name</b>	<b>Title</b>
Timothy Percic	President
Theresa Aveni	Secretary-Treasurer
Joseph Zab	1 <sup>st</sup> Vice-President
James Czeck	2 <sup>nd</sup> Vice-President

## **Reinsurance**

The Association retains the first \$50,000 of life insurance and cedes the excess amounts above this. All of The Association's accidental death business is ceded to an Ohio authorized reinsurer. 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 only licensed to transact business in the State of Ohio and writes flexible premium deferred annuities, single premium whole life, 3-payment whole life, 20-payment whole life, ordinary whole life, 20-year adult convertible term and single premium juvenile term.

## **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  
December 31, 2015**

**Admitted assets**

Bonds	\$ 38,908,545
Preferred stocks	501,250
Common stocks	62,100
Mortgage loans on real estate	28,274
Properties occupied by the company	124,194
Cash and short-term investments	164,113
Contract loans	115,112
Total cash and invested assets	<u>39,903,588</u>
Investment income due and accrued	597,883
Uncollected premiums and agents' balances	1,998
Electronic data processing equipment and software	151,272
Total admitted assets	<u>\$ 40,654,741</u>

**Liabilities, Surplus and other funds:**

Aggregate reserve for life certificates and contracts	\$ 26,156,000
Aggregate reserve for accident and health contracts	57,800
Liability for deposit-type contracts	894,552
Life contract claims	140,437
Refunds apportioned for payment	100,000
Interest maintenance reserve	267,031
Due and accrued life annuity contracts	313
General expenses due or accrued	53,894
Taxes, licenses and fees due or accrued	132
Amounts withheld or retained by Society as agent or trustee	45,739
Asset valuation reserve	321,339
Drafts outstanding	12,429
Aggregate write-ins for liabilities	51,393
Total liabilities	<u>28,101,059</u>
Unassigned funds	12,553,683
Total surplus	<u>12,553,683</u>
Total liabilities and unassigned funds	<u>\$ 40,654,741</u>

**Summary of Operations  
December 31, 2015**

Premiums and annuity considerations for life contracts	\$ 1,432,990
Net investment income	1,997,171
Amortization of interest maintenance reserve	77,109
Aggregate write-ins for miscellaneous income:	
Sundry	487
Total premiums and other revenues	<u>3,507,757</u>
Death benefits	326,474
Matured endowments	3,200
Annuity benefits	724,097
Disability benefits and benefits under accident and health contracts	4,601
Surrender benefits and withdrawals for life contracts	55,721
Interest and adjustments on contract or deposit-type contracts	37,552
Increase in aggregate reserve for contracts	1,053,933
Total benefits paid or provided	<u>2,205,578</u>
Commissions on premiums and deposit-type contracts	3,190
General insurance expenses and fraternal expenses	888,086
Insurance taxes, licenses and fees	28,520
Aggregate write-ins for deductions	14,000
Total insurance expenses and other deductions	<u>3,139,374</u>
Net gain from operations before refunds to members	368,383
Refunds to members	88,752
Gain from operations after refunds and before realized capital losses	<u>279,631</u>
Net realized capital losses	0
Net Income	<u><u>\$ 279,631</u></u>

**Statement of Changes in the Surplus Account**  
(In thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Surplus December 31, previous year	\$ 12,354	\$ 12,274	\$12,203	\$12,040	\$12,245
Net income from operations	280	107	155	191	108
Change in non-admitted assets	(10)	(1)	(36)	14	(3)
Change in asset valuation reserve	(69)	(8)	(48)	(33)	(15)
Aggregate write-ins for gains and losses in surplus:	(2)	(18)	-0-	(9)	(295)
Net change in surplus for the year	<u>199</u>	<u>80</u>	<u>71</u>	<u>163</u>	<u>(205)</u>
Surplus December 31, current year	<u>\$ 12,554</u>	<u>\$ 12,354</u>	<u>\$12,274</u>	<u>\$12,203</u>	<u>\$12,040</u>

**Notes to the Financial Statements**

**Investments**

The Association's investment portfolio consists of bonds and cash and is compliant with ORC Section 3921.21. The investments were valued in accordance with the relevant SSAPs.

**Aggregate Reserve for Life Certificates and Claims**

The Association's consulting actuary Grant Hemphill, FSA, MAAA, of Bruce and Bruce Company certified the total reserves for all the years covered by this examination.

Peter Weber, ASA, MAAA, 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 2015 annual statement appear to make a reasonable provision for the Association's aggregate reserves.

### Conclusion

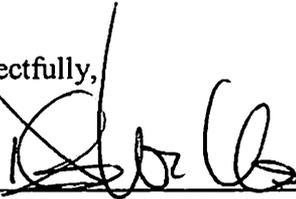
The balance sheet contained in this Report of Examination reflects the financial condition of the Association as of December 31, 2015, and is summarized as follows:

Total Admitted Assets	<u>\$ 40,654,741</u>
Liabilities	\$ 28,101,059
Unassigned Funds	<u>12,553,682</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 40,654,741</u>

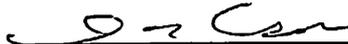
### Acknowledgement

In addition to the undersigned, the following representatives of the Department participated in this examination: Richard Morris, CPA; Mohammad Arif, AES, CFE, and Patricia Severs, CPA.

Respectfully,



Donnie G. Wells, 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, 2015.

[Signature]  
Examiner-In-Charge

8/15/16  
Date

[Signature]  
Assistant Chief Examiner

8/15/16  
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 15 day of August, 2016.

[Signature]  
(Notary Public)

3-28-2021  
My Commission Expires

State of Ohio

**KIMBERLY ANN KUCHEL**  
NOTARY PUBLIC • STATE OF OHIO  
Recorded in Franklin County  
My commission expires March 28, 2021

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 15 day of August, 2016.

[Signature]  
(Notary Public)

3-28-2021  
My Commission Expires

**KIMBERLY ANN KUCHEL**  
NOTARY PUBLIC • STATE OF OHIO  
Recorded in Franklin County  
My commission expires March 28, 2021