



**COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**  
**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF THE***  
**CATHOLIC ASSOCIATION OF FORESTERS**

**Braintree, Massachusetts**

**As of December 31, 2019**

**NAIC GROUP CODE 0000**

**NAIC COMPANY CODE 58130**

**EMPLOYER ID NUMBER 04-1589950**

# CATHOLIC ASSOCIATION OF FORESTERS

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**COMMONWEALTH OF MASSACHUSETTS**  
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**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

June 17, 2021

The Honorable Gary D. Anderson  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 176, Section 44, an examination has been made of the financial condition and affairs of

**CATHOLIC ASSOCIATION OF FORESTERS**

at its home office located at 220 Forbes Road, Suite 205, Braintree, Massachusetts, 02184-2715. Due to the COVID-19 pandemic, the examination was conducted remotely. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

The Catholic Association of Foresters (“Society”) was last examined as of December 31, 2016 by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the three-year period from January 1, 2017 through December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Society by obtaining information about the Society, including corporate governance, identifying and assessing inherent risks within the Society, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Society 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 Statutory Accounting Principles. 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 Society’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 176, Section 44, 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 report but separately communicated to other regulators and/or the Society.

The Society is not required by Massachusetts law or regulations to include an opinion of independent certified public accountants in its annual statement. Consequently, work papers of a public accounting firm were not available for this examination.

## **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

There were no significant findings identified during the examination.

## **COMPANY HISTORY**

The Society was chartered on July 30, 1879, and was incorporated on July 31, 1879, as the Massachusetts Catholic Order of Foresters, a not-for-profit fraternal benefit society duly organized

## Catholic Association of Foresters

under the laws of Massachusetts for the benefit of its members. It operates on the lodge system, with subordinate branches known as Courts, with a representative form of government and ritualistic work. The Society was established for charitable purposes in the promotion of fraternity, unity and true Christian charity among its members. On June 11, 1961, the agreement of association, articles of incorporation, constitution and bylaws of the Society were amended to change the name of the organization to "Catholic Association of Foresters".

The Health and Accident Insurance Department was established in 1957 by amendment of the Society's constitution to provide members insurance protection for the payment of hospital and medical expenses and for the services of surgeons, physicians, and nurses needed as a result of sickness, accident or injury and for the payment of benefits in the event of accidental death. Although some certificates remain in force, the Society has not issued certificates for these coverages since 1987, other than through a rarely exercised conversion option.

Membership in the Society is limited to members of the Roman Catholic Church who are duly admitted to membership as benefit members or social members in accordance with the constitution, bylaws and rules of the Society and the rules and regulation of the Executive Board duly enacted thereunder. A non-Catholic spouse of a Catholic member and children of such marriage shall also be eligible for membership.

As per the Society's bylaws, a benefit member is any member who is insured for life, endowment, annuity, hospital and medical or disability benefits. Applications for benefit membership are to be accompanied by evidence of insurability acceptable to the Society under such underwriting rules, regulations and restrictions as the Executive Board may adopt. A benefit member receives a certificate of insurance specifying the amount and nature of benefits provided therein. An adult benefit member is a member of insurance age eighteen or over who has been issued a certificate of insurance upon his/her own application.

A social member is an uninsured member eighteen years or over who has been duly admitted to social membership in the Society under the rules adopted by the Executive Board. A social member is not eligible to serve as an officer of a subordinate court or as a delegate to the Society Convention and has no voice or vote in the management of the Society.

## **MANAGEMENT AND CONTROL**

### **Board of Directors Minutes**

The minutes of meetings of the Board of Directors and its committees for the period under examination were read and they indicated that all meetings were held in accordance with the Society's bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the committees were ratified at meetings of the Board of Directors.

### Articles of Incorporation and Bylaws

The articles of incorporation and bylaws were reviewed. According to the Society's bylaws, the governing authority of the Society is reserved to the membership thereof acting through duly elected delegates in the Convention assembled. The Convention is the supreme legislative and governing body of the Society with full jurisdiction and final authority to resolve all appeals brought before it by Subordinate Courts and members. The bylaws also require the Society to hold a Convention between May 1 and June 30 of each year at a date and place selected by the Executive Board. A special Convention of the Society may also be called by the Executive Board at its discretion or by the written request of one-fourth of the number of Subordinate Courts for the transactions of such business as stated in the notice of the special Convention.

### Board of Directors

According to the bylaws, the Society's business shall be managed by a Board of Directors which may exercise all of the powers of the Society, except as otherwise provided by the articles of incorporation, by law, or the bylaws.

At December 31, 2019, the Society's Board of Directors consisted of the following:

<u>Director</u>	<u>Title</u>
James T. McGinty	Director
Stephanie Fiano	Director
John Anderson Jr.	Director
Sue Callahan	Director

### Officers

Officers and management of the Society as of December 31, 2019 were as follows:

<u>Officer</u>	<u>Title</u>
Ronald Michaud	President
Christine Cunningham	Secretary & Treasurer
William F. Redmond	Vice President

## **TERRITORY AND PLAN OF OPERATION**

The Society is licensed in seven states, with the largest numbers of insurance risks written in Massachusetts, Connecticut and Rhode Island. The Society sells whole life policies to its fraternal

benefit society members in these states. The Society reported \$101 thousand of direct premiums written in 2019.

#### Treatment of Policyholders – Market Conduct

Due to the small size of the organization, there is no market conduct examination planned at this time.

### **REINSURANCE**

#### Assumed Reinsurance

The Society does not assume reinsurance as of December 31, 2019.

#### Ceded Reinsurance

The Society has two reinsurance agreements with Swiss Re Life and Health America Inc., a New York company authorized to conduct business in Massachusetts. One agreement, which has been in effect since January 1, 1959, provides excess reinsurance on an automatic basis of all life insurance risks for life, waiver of premium, and accidental death benefits above the Society's retention. Subject to certain jumbo limits for total insurance on any one life, the reinsurer will automatically accept life reinsurance for an amount not exceeding 150% of the amount retained by the Society; the Society's maximum retention on any one risk is \$20,000. Reinsurance of life risks under the agreement is upon the yearly renewable term plan for the amount at risk under the certificate(s) reinsured. The second agreement in place is an automatic coinsurance agreement with the same reinsurer. Effective April 1, 1983, the automatic coinsurance agreement automatically provides on a coinsurance basis reinsurance of insureds under the Society's one-year and five-year term plans, including life and waiver of premium benefits. Unless the total life insurance on a life would exceed \$2.5 million or the substandard mortality rating assessed to a risk would exceed 500%, the reinsurer will automatically accept life reinsurance for an amount not exceeding 150% of the amount retained by the Society. The Society's maximum retention on any one risk is \$20,000 and the maximum amount of coinsurance on one life is \$2.0 million.

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Society with the Division and present the financial condition of the Society for the period ending December 31, 2019. The financial statements are the responsibility of Society management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2019

Summary of Operations for the Year Ended December 31, 2019

Reconciliation of Capital and Surplus for Each Year in the Three Year Period Ended December 31, 2019



# Catholic Association of Foresters

## Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2019

	Per Annual Statement
<b>Assets</b>	
Bonds	\$8,362,127
Common stocks	844,517
Cash, cash equivalents and short-term investments	801,171
Contract loans	108,961
Subtotals, cash and invested assets	10,116,776
Investment income due and accrued	85,159
Premiums and considerations:	
Uncollected premiums and agents' balances	2,900
Electronic data processing equipment and software	8,000
Total assets	\$10,212,835
<b>Liabilities</b>	
Aggregate reserves for life contracts	\$5,616,921
Aggregate reserves for accident and health contracts	0
Liability for deposit-type contracts	41,883
Contract claims:	
Life	23,546
Accident and health	0
Premiums and annuity considerations for life and accident and health contracts received in advance less discount	2070
Contract liabilities no included elsewhere:	
Interest Maintenance Reserve	20,686
Remittances and items not allocated	0
Liability for benefits for employees and agents	953,161
Miscellaneous liabilities:	
Asset valuation reserve	323,170
Aggregate write-ins for liabilities	51,549
Total liabilities	7,032,986
Unassigned funds (surplus)	3,179,849
Surplus	3,179,849
Total Liabilities, Surplus and Other Funds	\$10,212,835

# Catholic Association of Foresters

## Summary of Operations For the Year Ended December 31, 2019

	Per Annual Statement
Premiums and annuity considerations for life and accident and health contracts	\$101,285
Net investment income	518,852
Amortization of Interest Maintenance Reserve	10,006
Miscellaneous income:	
Aggregate write-ins	(134)
Total income	630,009
Death benefits	195,753
Matured endowments	3,000
Disability benefits and benefits under accidents and health contracts	(1,000)
Surrender benefits and withdrawals for life contracts	58,666
Interest and adjustments on contract or deposit-type contract funds	1,041
Increase in aggregate reserve for life and accident and health contracts	(40,690)
Total	216,770
Commissions on premiums, annuity considerations and deposit-type contract funds	5,244
General insurance expenses and fraternal expenses	553,317
Insurance taxes, licenses and fees	20,665
Aggregate write-ins for deductions	189
Total	796,185
Net gain from operations after refunds to members and before realized capital gains (losses)	(166,176)
Net realized capital gains (losses)	32,861
Net income/(loss)	(\$133,315)

# Catholic Association of Foresters

## Reconciliation of Capital and Surplus For Each Year in the Three-Year Period Ended December 31, 2019

	2019	2018	2017
Capital and surplus, December 31 prior year	\$5,473,617	\$5,579,909	\$5,704,409
Net income/(loss)	(133,315)	(18,669)	(87,815)
Change in net unrealized capital gains or (losses) less capital gains tax	402,206	(344,897)	(16,977)
Change in nonadmitted assets	(2,220,000)		
Change in reserve on account of change in valuation basis (increase) or decrease	(200,000)		
Change in asset valuation reserve	(112,670)	224,172	(24,366)
Aggregate write-ins for gains or (losses) in surplus	(30,000)	33,102	4,658
Net change in capital and surplus for the year	(2,293,779)	(106,292)	(124,500)
Capital and surplus, December 31 current year	\$3,179,838	\$5,473,617	\$5,579,909

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There have been no changes made to the financial statements as a result of the examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

As a result of the examination, no significant issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

**SUBSEQUENT EVENTS**

In March 2020 the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there was significant uncertainty on the effect that the pandemic would have on the insurance industry, economy, and society at large. Any impact to the Society will take time to assess and will be specific to the class and mix of business they underwrite. The Division will continue to monitor how the pandemic might impact the Society.

**SUMMARY OF RECOMMENDATIONS**

There are no recommendations to be included in this report of examination.

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Society during the examination.

The assistance rendered by the following Division examiner who participated in this examination hereby is acknowledged:

Guangping Wei, CFE, Examiner III

*Robert G. Dynan*

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Robert G. Dynan, CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance