



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, 2022

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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DIVISION OF INSURANCE

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MAURA HEALY
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RACHEL M. DAVISON
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May 23, 2024

The Honorable Rachel M. Davison
Acting Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Acting 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 the

CATHOLIC ASSOCIATION OF FORESTERS

The Society's home office is located at PO Box 850888, Braintree, Massachusetts, 02185. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Catholic Association of Foresters (“CAOF” or “Society”) was last examined as of December 31, 2019, 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, 2020, through December 31, 2022, 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* (“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, workpapers of a public accounting firm were not available for this examination.

Representatives from the firm Lewis & Ellis, LLC were retained by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division’s examination staff. The assistance included a review of actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no findings identified in the prior examination report and none identified during this examination for inclusion in this report.

COMPANY HISTORY

General

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 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. 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. In 2020 CAOOF began writing final expense policies for benefit members.

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

Executive Board Minutes

The minutes of meetings of the Executive Board 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 Executive Board.

Constitution, By-Laws and Rules

The Constitution, By-Laws and Rules ("Constitution") were reviewed. 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 Constitution also requires the Society to hold a Convention annually 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.

Executive Board

According to the Constitution, the Society's business shall be managed by an Executive Board which may exercise all of the powers of the Society, except as otherwise provided by the articles of incorporation, by law, or the Constitution. As of December 31, 2022, the Society's Board consisted of the following individuals:

<u>Name of Director</u>	<u>Title</u>
James McGinty*	Director
John Anderson, Jr.	Director
Caroline Turner	Director
Charles Ryan	Director
Donna Mirabilio	Director
Stephanie Fiano	Director

* Passed away in March 2023. There was no replacement Director appointed until the 2023 Convention.

Officers

Officers of the Society as of December 31, 2022, were as follows:

<u>Name of Officers</u>	<u>Title</u>
James McGinty*	President

Catholic Association of Foresters

Christine Cunningham
John Anderson Jr.*

Treasurer and Secretary
Vice President

* John Anderson, Jr. replaced James McGinty as President in 2023.

TERRITORY AND PLAN OF OPERATION

The Society is licensed in six states, with the largest number of insurance risks written in Massachusetts, Connecticut and Florida. CAOF has traditionally sold whole life and term life policies to its fraternal benefit members and began selling final expense policies in 2020. New policies sales are mainly for final expense policies, with some whole life written. The Society reported \$91.4 thousand of 2022 direct written premiums in Massachusetts.

Treatment of Policyholders – Market Conduct

During the course of the examination, a general review was made of the manner in which the Society conducts its business practices and fulfills its contractual obligations to members and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination.

REINSURANCE

Assumed Reinsurance

The Society does not assume reinsurance.

Ceded Reinsurance

CAOF 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 up to \$100,00 and above the Society's retention. CAOF's maximum retention on any one risk is \$20,000, with retention corridor up to \$5,000 to avoid reinsuring modest amounts. 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, with a retention corridor up to \$5,000, and the maximum amount of coinsurance on one life is \$2.0 million.

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CAOF no longer cedes new risks under its reinsurance agreements. However, coverage for risks previously ceded remains in force. The Society does not write new policies for coverage for any one risk in excess of its retention under the reinsurance agreements.

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, 2022. The financial statements are the responsibility of Society management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2022

Summary of Operations for the Year Ended December 31, 2022

Reconciliation of Capital and Surplus for the Three-Year Period Ended December 31, 2022

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Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2022

	Per Annual Statement
ASSETS	
Bonds	\$ 7,221,625
Common stocks	778,424
Cash, cash equivalents and short-term investments	1,842,868
Contract loans	123,671
Subtotals, cash and invested assets	9,966,588
Investment income due and accrued	64,681
Premiums and considerations:	
Uncollected premiums and agents' balances	1,900
Total Assets	\$ 10,033,170
LIABILITIES	
Aggregate reserve for life contracts	\$ 5,596,994
Liability for deposit-type contracts	41,210
Contract claims:	
Life	31,262
Premiums and annuity consideration for life and accident and health contracts received in advance less discount	3,210
Contract liabilities not included elsewhere:	
Interest Maintenance Reserve	37,006
Liability for benefits for employees and agents	926,858
Miscellaneous liabilities:	
Asset valuation reserve	228,055
Aggregate write-ins for liabilities	51,185
Total Liabilities	6,915,780
SURPLUS	
Unassigned funds	3,117,390
Surplus	3,117,390
Total Liabilities, Surplus and Other Funds	\$ 10,033,170

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Summary of Operations For the Year Ended December 31, 2022

	Per Annual Statement
Premiums and annuity considerations for life and accident and health contracts	\$ 91,239
Net investment income	415,331
Amortization of Interest Maintenance Reserve	19,400
Miscellaneous income:	
Aggregate write-ins for miscellaneous income	(106)
Totals	<u>525,864</u>
Death Benefits	204,143
Matured endowments	1,000
Surrender benefits and withdrawals for life contracts	29,767
Interest and adjustments on contract of deposit-type contract funds	1,137
Increase in aggregate reserves for life and accident and health contracts	(42,509)
Totals	<u>193,538</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	19,293
General insurance expenses and fraternal expenses	461,730
Insurance, taxes licenses and fees, excluding federal income taxes	14,911
Aggregate write-ins for deductions	(21,400)
Totals	<u>668,072</u>
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before capital gains or (losses)	(142,208)
Net realized capital gains or (losses)	471,946
Net income	<u>\$ 329,738</u>

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Reconciliation of Capital and Surplus For Each Year in the Three-Year Period Ended December 31, 2022

	2022	2021	2020
Capital and surplus, December 31, prior year	\$ 1,560,349	\$ 3,225,470	\$ 3,179,846
Net income	329,738	(315,050)	65,365
Change in net unrealized capital gains (losses)			
less capital gains tax	(449,455)	633,437	(674,179)
Change in nonadmitted assets	1,709,000	(1,972,000)	583,000
Change in reserve on account of change in valuation basis, (increase) or decrease	-	-	(50,000)
Change in asset valuation reserve	(28,574)	(14,063)	137,753
Aggregate write-ins for gains and losses in surplus	(3,667)	2,555	(16,314)
Change in capital and surplus	1,557,042	(1,665,121)	45,625
Surplus as regards policyholders, current year	\$ 3,117,391	\$ 1,560,349	\$ 3,225,470

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

There were no changes to the financial statements resulting from 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

There are no significant subsequent events to include in this report.

SUMMARY OF RECOMMENDATIONS

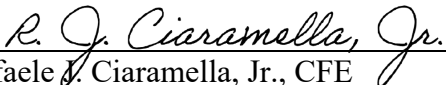
No significant recommendations were identified during the examination that should be noted in this report.

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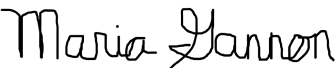
Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Society during the examination.

The assistance rendered by the following examiner participating in this examination is acknowledged.

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