



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, 2016

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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COMMISSIONER OF INSURANCE

May 11, 2018

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. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Catholic Association of Foresters ("Society") was last examined as of December 31, 2013 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, 2014 through December 31, 2016, 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 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 are no significant findings of a material nature related to the current examination.

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 benefits 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.

Catholic Association of Foresters

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.

The Society's Board of Directors as of December 31, 2016 were as follows:

<u>Name of Director</u>	<u>Title</u>
James McGinty	Director
Michael Keenan	Director
Michael Powers	Director
Julia Clarke	Director
Julianne Powers	Director
Caroline Turner	Director
Jerome Ryan	Director

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Officers

Officers and management of the Society as of December 31, 2016 were as follows:

<u>Name of Officer</u>	<u>Title</u>
William Redmond	President
Mary McNeil	Secretary & Treasurer
Kathleen Niermeyer	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 \$149 thousand of premium written in 2016.

Treatment of Policyholders – Market Conduct

Due to the small size of the organization, there is no market conduct examination planned at this time. Procedures performed in conjunction with the claims test work indicated that the Society investigates and settles claims on a timely and equitable basis.

REINSURANCE

Assumed Reinsurance

The Society does not assume reinsurance as of December 31, 2016.

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

Catholic Association of Foresters

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, 2016. The financial statements are the responsibility of Society management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2016

Summary of Operations for the Year Ended December 31, 2016

Reconciliation of Capital and Surplus for Each Year in the Three-Year Period Ended December 31, 2016

Catholic Association of Foresters

Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2016

	Per Annual Statement
ASSETS	
Bonds	\$ 8,254,578
Preferred stocks	583,595
Common stocks	2,425,473
Cash, cash equivalents and short-term investments	1,322,313
Contract loans	142,664
Subtotals, cash and invested assets	<u>12,728,623</u>
Investment income due and accrued	96,537
Uncollected premiums and agents' balances	6,100
Electronic data processing equipment and software	7,457
Total Assets	<u>\$ 12,838,717</u>

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Statement of Assets, Liabilities, Surplus and Other Funds (Continued) As of December 31, 2016

	Per Annual Statement
LIABILITIES	
Aggregate reserves for life contracts	\$5,599,140
Aggregate reserves for accident and health contracts	1,200
Liability for deposit-type contracts	57,410
Contract claims:	
Life	16,824
Accident and health	3,000
Refunds due and unpaid	9,500
Provision for refunds payable in following calendar year- estimated amounts:	
Apportioned for payment	10,000
Premiums and annuity considerations for life and accident and health contracts received in advance less discount	2,900
Contract liabilities not included elsewhere:	
Interest Maintenance Reserve	15,273
Remittances and items not allocated	50,000
Liability for benefits for employees and fieldworkers	923,161
Miscellaneous liabilities:	
Asset valuation reserve	410,306
Aggregate write-ins for liabilities	35,589
Total Liabilities	<u>7,134,303</u>
SURPLUS	
Unassigned funds (surplus)	<u>5,704,409</u>
Surplus as regards policyholders	<u>5,704,409</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 12,838,712</u>

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Summary of Operations For the Year Ended December 31, 2016

	Per Annual Statement
Premiums and annuity considerations for life and accident and health contracts	\$ 134,356
Net investment income	585,476
Amortization of Interest Maintenance Reserve	23,427
Miscellaneous income:	
Aggregate write-ins	4,663
Total income	<u>747,922</u>
Death benefits	137,149
Matured endowments	3,000
Surrender benefits and withdrawals for life contracts	56,322
Interest and adjustments on contract or deposit-type contract funds	1,507
Increase in aggregate reserve for life and accident and health contracts	8,265
Total	<u>206,243</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	7,130
General insurance expenses and fraternal expenses	680,753
Insurance taxes, licenses and fees	11,516
Aggregate write-ins for deductions	10,264
Total	<u>915,906</u>
Net gain from operations after refunds to members and before realized capital gains (losses)	(167,984)
Net realized capital gains (losses)	(9,534)
Net income/(loss)	<u>\$ (177,518)</u>

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Reconciliation of Capital and Surplus For Each Year in the Three-Year Period Ended December 31, 2016

	2016	2015	2014
Surplus as regards policyholders, December 31, prior year	\$ 5,733,689	\$ 5,902,601	\$ 6,193,119
Net income/(loss)	(177,518)	(176,015)	53,195
Change in net unrealized capital gains or (losses) less capital gains tax	333,358	(69,465)	(182,920)
Change in reserve on account of change in valuation basis, (increase) or decrease			(200,000)
Change in asset valuation reserve	(183,503)	53,713	25,762
Aggregate write-ins for gains and losses in surplus	(1,609)	22,855	13,445
Change in surplus as regards policyholders for the year	(29,272)	(168,912)	(290,518)
Surplus as regards policyholders, December 31, current year	<u>\$ 5,704,417</u>	<u>\$ 5,733,689</u>	<u>\$ 5,902,601</u>

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

There are 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

During 2018, Mary McNeil resigned her position and was replaced by Christine Cunningham.

SUMMARY OF RECOMMENDATIONS

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

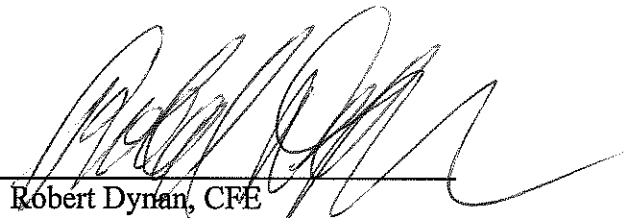
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SIGNATURE PAGE

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 examiners participating in this examination is hereby acknowledged.

Steven Tsimtsos, CFE, Financial Examiner II
Carla Mallqui, CFE, Financial Examiner II
Michael Lewandowski, Financial Examiner II


Robert Dynan, CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance