



**THE COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CONSUMER AFFAIRS AND BUSINESS  
REGULATION**

**DIVISION OF INSURANCE**

**REPORT OF EXAMINATION**

**OF THE**

**CATHOLIC ASSOCIATION OF FORESTERS**

**32 Forbes Road**

**Needhamtree, Massachusetts 02184-2693**

**AS OF**

**DECEMBER 31, 2010**

**NAIC GROUP CODE 0000**

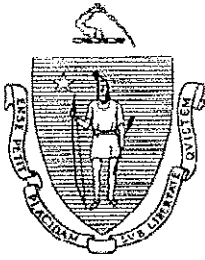
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**EMPLOYER ID NUMBER 04-1589950**

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## TABLE OF CONTENTS

|   | PAGE |
|---|------|
| Salutation                                    | 1    |
| Scope of Examination                          | 2    |
| Status of Prior Examination Findings          | 2    |
| History                                       | 3    |
| General                                       | 3    |
| Growth of Society                             | 3    |
| Management                                    | 4    |
| Annual Meeting                                | 4    |
| Board of Directors                            | 4    |
| Committees                                    | 5    |
| Executive Board                               | 5    |
| Investment Board                              | 6    |
| Finance Board                                 | 6    |
| Officers                                      | 7    |
| Conflict of Interest Procedures               | 8    |
| Corporate Records                             | 8    |
| Constitution By-Laws and Rules                | 8    |
| Disaster Recovery and Business Continuity     | 8    |
| Executive Board Minutes                       | 9    |
| Fidelity Bond and Other Insurance             | 9    |
| Pension and Insurance Plans                   | 9    |
| Territory and Plan of Operation               | 9    |
| Claims Settlement Practices                   | 10   |
| Reinsurance                                   | 10   |
| Ceded Reinsurance                             | 10   |
| Accounts and Records                          | 11   |
| Long-Term Business Plan                       | 11   |
| Financial Statements                          | 12   |
| Statement of Assets, Liabilities, and Surplus | 13   |
| Summary of Operations                         | 14   |
| Statement of Capital and Surplus              | 15   |
| Reconciliation of Capital and Surplus         | 15   |
| Comments and Recommendations                  | 16   |
| Acknowledgement                               | 17   |



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

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COMMISSIONER OF INSURANCE

May 4, 2012

The Honorable Joseph G. Murphy  
Commissioner  
Office of Consumer Affairs and  
Business Regulation  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, Massachusetts 02118-6200

Honorable Commissioner

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

**CATHOLIC ASSOCIATION OF FORESTERS**

at its statutory home office at 182 Forbes Road, Suite 119, Braintree, Massachusetts 02184-2693  
The following report thereon is respectfully submitted.

### SCOPE OF EXAMINATION

The Catholic Association of Foresters, (hereinafter referred to as the "Society") was last examined as of December 31, 2007, by the Massachusetts Division of Insurance (the "Division"). The current examination was also conducted by the Division and covers the period from January 1, 2008, through December 31, 2010, including any material transactions and/or events subsequent to the examination date and noted during the course of this examination through the report date.

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.

In addition to a review of the financial condition of the Society, the examination included a review of the Society's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bonds and other insurance, employees' pension and benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Society was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

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.

For a summary of findings contained within this report, refer to the "Comments and Recommendations" section.

#### Status of Prior Examination Findings – Escheat issue

The examination included a review to verify the current status of any exception conditions commented upon in the previous Report of Examination dated December 31, 2007.

The society, through its Counsel, is of the opinion that they are not subject to the requirements of MGL Chapter 200A. The Division does not agree with that opinion. The matter has been submitted to the Treasurer of the Commonwealth for resolution.

The society has been instructed to maintain any funds that could possibly be escheated in a liability account until the issue is resolved. No adjustment has been made in these financial statements as the amount is below tolerable error.

## 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 By-Laws 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 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 accident or 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, By-Laws and Rules of the Society and the rules and regulation of the Executive Board duly enacted there under. A non-Catholic spouse of a Catholic member and children of such marriage shall also be eligible for membership.

As per the Society's By-Laws, a benefit member is any member who is insured for life, endowment, annuity, hospital and medical and 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.

### Growth of the Society

The growth of the Society for the years 2008 through 2010 is shown in the following schedule which was prepared from the Society's Annual Statements, including any changes as a result of the examination.

## Catholic Association of Foresters

| <u>Year</u> | <u>Admitted Assets</u> | <u>Net Premiums Written</u> | <u>Capital and Surplus</u> |
|-------------|------------------------|-----------------------------|----------------------------|
| 2008        | \$ 13,040,289          | \$ 237,917                  | \$ 6,406,637               |
| 2009        | 13,098,778             | 216,556                     | 6,331,019                  |
| 2010        | 13,168,125             | 209,366                     | 6,378,899                  |

### MANAGEMENT

According to the Society's By-Laws, 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.

#### Annual Meeting

The By-Laws 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.

The Society's Convention is composed of the present members of the Executive Board and past members in good standing, the members of the Investment Board, the Finance Board, the Corporation Counsel, the Clerks, Rangers of Subordinate Courts during their term of office, the duly elected delegates of the Subordinate Courts, and delegates-at-large representing 4% of the membership. Each Subordinate Court is entitled to elect one adult benefit member in good standing in the Court as a delegate to the Convention for every twenty-five members of the Court; the Court also elects a alternate for each delegate who may act only in the absence of the delegate. In addition to the delegates elected by the Subordinate Courts, delegates-at-large equal in number to 4% of membership are elected by mail. The delegates of the Subordinate Court and delegates-at-large are eligible to serve as delegates for a term of one year from the date of their election and constitute at least two-thirds of the voting membership of the Convention. A quorum for the transaction of business at any session of the Convention consists of one-third of the duly accredited delegates who have registered as delegates for that session.

#### Board of Directors

In the interim between Conventions, the responsibility for managing the affairs of the Society is vested in a subcommittee of the Board of Directors known as the Executive Board, except for the powers specifically delegated in the By-Laws to the Investment and Finance Board. The Officers of the Society are directors by virtue of office and constitute the Executive Board.

## Catholic Association of Foresters

Members of the Executive Board of the Society at December 31, 2010, were as follows:

| <u>Name of Director</u>  | <u>Business Affiliation</u>                                   |
|--------------------------|---|
| Stephanie M. Fiano       | High Chief Ranger<br>School Teacher                           |
| Kathleen Niermeyer       | High Vice Chief Ranger<br>School Teacher                      |
| John F. Anderson, Jr.    | High Secretary-Treasurer<br>Catholic Association of Foresters |
| William F. Callahan III  | High Inside Sentinel<br>Self-Employed                         |
| Susan Callahan           | High Outside Sentinel<br>Registered Nurse                     |
| Kathleen M. Hourihan     | High Conductor<br>Administrative Assistant                    |
| Rev. Leonard M. Mullaney | High Chaplain<br>Retired Pastor                               |
| Peter H. Maher, MD       | High Medical Examiner<br>Physician                            |
| Ronald R. Michaud        | Junior Past High Chief Ranger<br>Accountant, Bank of America  |

### Committees

The Constitution, By-Laws and Rules of the Society define the establishment and empowerment of the three standing boards and seven Convention Committees. The Executive Board, the Investment Board and the Finance Board perform necessary duties of the Society between Conventions. The seven Convention Committees are: the Committees on Constitution, Credentials, Resolution, Appeals, Nomination, State of the Order and the Committee on Ritualistic Work.

### Executive Board

The responsibility for managing the affairs of the Society in the interim between Conventions is vested in the Executive Board, except for powers specifically delegated to the Investment Board and the Finance Board. The Officers of the Society constitute the Executive Board and are elected for one year at the annual Convention. Any benefit member in good standing, over 21 years of age, who has been a member of the Society for at least one year, is eligible for election to this Board. The Executive Board may elect any benefit member in good standing over 21 years of age who has been a member of the Society for at least one year to fill a vacancy on the Board occurring between annual conventions.

The Executive Board meets at least once a month with four members constituting a quorum. The Executive Board engages the services of one or more competent actuaries to perform such services as the Executive Board may require. The actuary(s) must report at least annually to the Board on the



## Catholic Association of Foresters

mortality and morbidity experience of the Society.

The Executive Board supervises and controls all funds and property of the Society except funds and property transferred to the custody of the Investment Board. The Executive Board transfers to the custody of the Investment Board from time to time the portion of the insurance funds that the High Secretary-Treasurer estimates are not needed currently for the payment of claims, dividends, surrender values and other benefits payable to members.

The Executive Board and the Finance Board review the annual budget of the Society as developed by the High Secretary-Treasurer, revise, amend, or modify it as desired and make their recommendations to the annual Convention. In the interim between Conventions, expenditures in excess of the total budget appropriation require a three-fourths vote of the Executive Board.

### Investment Board

The Investment Board consists of the High Chief Ranger, High Secretary-Treasurer and three elected members, each of whom, is elected on successive years to serve a term of three years and whose terms of service expire alternately on successive years.

The Investment Board submits to the Executive Board in January and July of each year a full and detailed statement of investment information ending on the last day of June and December preceding, and such other investment information as the Executive Board may require. The Investment Board makes a full and complete report of all investments to the annual Convention. The Executive Board fills a vacancy in the Investment Board between the annual Conventions.

At December 31, 2010, the Investment Board consisted of the following members:

Mary C. McNeil, Chairperson  
Charles C. Wills  
Julia L. Clarke  
John F. Anderson, Jr.  
Stephanie M. Fiano

### Finance Board

The Finance Board consists of four members, one of whom shall be the High Chief Ranger, with the same authority as the other three members. The other three are elected on successive years, to serve a term of three years and whose terms of service expire alternately on successive years. At the Annual Convention each year, one member is elected for a three-year term to fill a vacancy by any member. The Board usually elects a Chairperson from its membership who is to preside at all meetings of the Board.



## Catholic Association of Foresters

At December 31, 2010, members serving on the Finance Board were as follows:

Mary C. Cahalane, Chairperson  
Janet King  
Kurt W. Shoemaker  
Stephanie M. Fiano

### Officers

As per the By-Laws, the Officers of the Society are the High Chief Ranger, High Vice Chief Ranger, High Secretary-Treasurer, High Conductor, High Inside Sentinel, and High Outside Sentinel, all of whom are directors by virtue of office. Officers are elected by ballot at the annual Convention and serve for a term of one year or until their successors are duly elected. A majority of votes cast are necessary for election. The Junior Past High Chief Ranger remains a voting member of the Executive Board for an additional year or until his/her successor is duly qualified.

The High Secretary-Treasurer is the full time administrative officer of the Society charged with the duty of managing the business affairs of the Society subject to the supervision of the Executive Board. He receives compensation for his services as determined by the annual Convention. He is to prepare and file with the Insurance Departments of States in which the Society conducts business the Annual Statements of the financial condition of the Society as required by Law.

Officers elected as of December 31, 2010 are as follows:

| <u>Name of Officer</u>   | <u>Title</u>                  |
|--------------------------|-------------------------------|
| Stephanie M. Fiano       | High Chief Ranger             |
| Kathleen T. Niernmeyer   | High Vice Chief Ranger        |
| John F. Anderson, Jr.    | High Secretary-Treasurer      |
| Kathleen M. Hourihan     | High Conductor                |
| William F. Callahan III  | High Inside Sentinel          |
| Susan Callahan           | High Outside Sentinel         |
| Rev. Leonard M. Mullaney | High Chaplain                 |
| Peter H. Maher, MD       | High Medical Examiner         |
| Ronald R. Michaud        | Junior Past High Chief Ranger |
| Robert P. Turner, Esq.   | Corporation Counsel *         |

\*Nonvoting member of Executive Board

### Conflict of Interest Procedures

The Society has adopted a policy statement pertaining to conflict of interest and code of ethics in accordance with Question 16 of the General Interrogatories of the Annual Statement. The Society has an established procedure for the disclosure to the Board of Directors of any material interest or affiliation on the part of any Officer or Director which is in or is likely to conflict with his/her official duties.

Annually, each officer, director and responsible employee completes a questionnaire disclosing any material conflicts of interest. The completed questionnaires were reviewed and no discrepancies were noted.

### CORPORATE RECORDS

#### Constitution By-Laws and Rules

The Constitution, By-Laws and Rules amendments that were read. There were three (3) amendments to the Constitution adopted at the 128<sup>th</sup> Annual Convention held on June 21 & 22, 2008. Amendment #1 changes Article X, Society Convention, Sections 3 & 8 by increasing the number of elected at-large delegates to 4% of the total membership. Amendment # 2 changes Article XXIII, Subordinate Courts, Section 4 and thereafter by renaming the elected Court officers and their respective duties. Amendment # 3 changes Article XIII, Powers and Duties of Officers Section 12 & 13 by redefining the duties of the High Outside Sentinel and High Inside Sentinel.

There were four (4) amendments to the Constitution adopted at the 129<sup>th</sup> Annual Convention held on June 27 & 28, 2009. Amendment # 1 changes the language of Article IX – Beneficiaries to coincide and be in sync with the new insurance certificate language concerning payment of benefits when the beneficiary pre-deceases the insured member. Amendment # 2 adds the language “Policy Loan Options” and “Policy Loan Value” to Section 5, Article XVII-Insurance Funds. Amendment # 3 changes the minimum member age references to 18 from age 16, to coincide with Massachusetts statutes. Article VII, VIII and XIX of the Constitution apply. Amendment # 4 adds a new Section 5 to Article VII – Benefit Members which defines “owner” of the insurance certificate to coincide and be in sync with the new insurance certificate language.

There were no other changes during the period of examination.

#### Disaster Recovery and Business Continuity

The Society does provide for the continuity of management and operations in the event of a catastrophe or national emergency.

## Catholic Association of Foresters

### Executive Board Minutes

The minutes of the Executive Board for the period under statutory examination were read and indicated that all meetings were held in accordance with the Society's By-Laws and the laws of the Commonwealth of Massachusetts.

### FIDELITY BOND AND OTHER INSURANCE

The Society maintains fidelity coverage with an authorized Massachusetts insurer, consistent with M.G.L. c.175 s.60. The aggregate limit of liability meets the NAIC suggested minimum.

The Society has further protected its interests and property by securing policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts and was in force as of December 31, 2010.

### PENSION AND INSURANCE PLANS

To fulfill the By-Laws, a retirement plan for employees was established by the Society effective January 1, 1958. Under the plan, retirement benefits shall be paid to eligible employees upon retirement at age sixty-five or upon actual retirement if any employee continues in services after attaining such age. It is a non-contributory pension plan that covers substantially all of the Society's employees. The plan has been amended from time to time as necessary to remain qualified under Internal Revenue Service standards. All earned benefits, vested and non-vested, are fully funded and, other than benefit payment, no expenses are charged to the plan that is managed by the Society.

The Society has no deferred compensation plans and no post-retirement benefit plans. The Society offers life insurance to its employees effective September 1, 2002. On a non-contributory basis, the Society offers its employees health protection through a choice of plans with Blue Cross/Blue Shield of Massachusetts.

### TERRITORY AND PLAN OF OPERATION

The Society is licensed to write business in the following States:

Connecticut  
Florida  
Maine  
Massachusetts  
New Hampshire  
Rhode Island  
Vermont

The Society's principal lines of business are Life and Accident and Health insurance.

## Catholic Association of Foresters

### Claims Settlement Practices

Procedures performed in conjunction with the claims test work indicated that the Society investigates and settles claims on a timely and equitable basis.

### REINSURANCE

#### 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 Society also has in place 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.

The Society, after retaining its maximum retention for a risk, may bind the reinsurer automatically up to the limit specified under each of the agreements. Business must originate with the Society. The reinsurer agrees to accept such reinsurance automatically. Risks not automatically ceded (such as amounts in excess of maximums for automatic reinsurance) may be offered to the reinsurer for consideration on a facultative basis with acceptance optional by the reinsurer.

According to the agreements, the liability of the reinsurer on risks reinsured commences and terminates simultaneously with that of the Society. If a claim is made upon the Society under reinsured certificate(s), whether the claim is made under strict certificate conditions or is compromised for a lesser amount, the settlement made by the Society is to be unconditionally binding on the reinsurer. If the reinsurer carries the entire risk and the claim is contestable the

## Catholic Association of Foresters

reinsurer is to be consulted before admission or acknowledgement of the claim is made by the Society. Effective March 31, 1999, reinsurance will terminate when the risk amount falls to \$10,000 or less.

The Society does not assume any reinsurance. All of the agreements satisfy the requirement for an insolvency clause in reinsurance agreements as set forth in Section 28, Chapter 176 of Massachusetts General Law.

### ACCOUNTS AND RECORDS

The internal controls structure was discussed with management through questionnaires. No material deficiencies were noted.

The NAIC provides a questionnaire covering the evaluation of the controls in the IT systems environment. The questionnaire was completed by the Society and reviewed. No material deficiencies were noted.

The Society uses a manual general ledger system and an automated trial balance system. Account balances were traced from the general ledger and supporting documents to the 2010 Annual Statement. No material exceptions were noted.

### LONG-TERM BUSINESS PLAN

The society has no immediate plans to merge or sell its book of business. However, similar to other fraternal benefit societies, the society has seen a substantial decrease in new business over the years. In any given year, new policies are substantially less in number than death claims and surrenders. The net result is a smaller member base and a cost structure that becomes increasingly difficult to maintain. Due to the fixed costs of operating a regulated insurance business, the necessary economies of scale will eventually cease to exist.

The society has considered merging with other fraternal benefit societies in recent years, but has never actually consummated a merger. Given the current low interest rate environment, the society's investment income will decrease and make it significantly more difficult to cover the fixed costs of the insurance business. The society should once again review the possibility of a merger in the near future.

Catholic Association of Foresters

**FINANCIAL STATEMENTS**

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts and by the National Association of Insurance Commissioners as of December 31, 2010.

Statement of Assets, Liabilities, Surplus and Other Funds, December 31, 2010

Statement of Operations For the Year Ended December 31, 2010

Capital and Surplus, For the Year Ended December 31, 2010

Reconciliation of Capital and Surplus, For the Three Year Period ended  
December 31, 2010

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# Catholic Association of Foresters

## Catholic Association of Foresters Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2010

| Assets  | As Reported by<br>the Company | Examination<br>Changes | Per Statutory<br>Examination | Notes |
|---|-------------------------------|------------------------|------------------------------|-------|
| Bonds   | \$ 9,216,468                  | \$ -                   | \$ 9,216,468                 |       |
| Preferred Stocks  | 1,815,965                     |                        | 1,815,965                    |       |
| Common Stocks   | 1,426,189                     |                        | 1,426,189                    |       |
| Cash and Short-Term Investments   | 450,414                       |                        | 450,414                      |       |
| Contract Loans  | 130,535                       |                        | 130,535                      |       |
| Sub-totals, cash and invested assets  | 13,039,571                    | -                      | 13,039,571                   |       |
| Investment income due and accrued   | 127,054                       |                        | 127,054                      |       |
| Premiums and considerations:  |                               |                        |                              |       |
| Uncollected premiums and agents' balances<br>in the course of collection                              | 1,500                         |                        | 1,500                        |       |
| Total   | \$ 13,168,125                 | \$ -                   | \$ 13,168,125                |       |
| Liabilities   |                               |                        |                              |       |
| Aggregate reserve for life contracts  | \$ 5,334,324                  | \$ -                   | \$ 5,334,324                 |       |
| Aggregate reserve for accident and health contracts   | 3,000                         |                        | 3,000                        |       |
| Liability for deposit-type contracts  | 53,251                        |                        | 53,251                       |       |
| Contract claims:  |                               |                        |                              |       |
| Life  | 19,541                        |                        | 19,541                       |       |
| Accident and health   | 9,430                         |                        | 9,430                        |       |
| Refunds due and unpaid  | 14,315                        |                        | 14,315                       |       |
| Provisions for refunds payable-apportioned for payment  | 15,000                        |                        | 15,000                       |       |
| Premiums and annuity considerations for life and accident<br>and health contracts received in advance | 1,100                         |                        | 1,100                        |       |
| Interest Maintenance Reserve  | 35,833                        |                        | 35,833                       |       |
| General expenses due and accrued  | 8,800                         |                        | 8,800                        |       |
| Taxes, licenses and fees due or accrued   | 1,000                         |                        | 1,000                        |       |
| Liability for benefits for employees or fieldworkers if not included above                            | 1,022,945                     |                        | 1,022,945                    |       |
| Miscellaneous liabilities:  |                               |                        |                              |       |
| Asset valuation reserve   | 218,641                       |                        | 218,641                      |       |
| Aggregate write-ins for liabilities   | 52,046                        |                        | 52,046                       |       |
| Total Liabilities   | 6,789,226                     | -                      | 6,789,226                    |       |
| Unassigned funds (surplus)  | 6,378,899                     |                        | 6,378,899                    |       |
| Total Liabilities, Capital and Surplus  | \$ 13,168,125                 | \$ -                   | \$ 13,168,125                |       |



# Catholic Association of Foresters

## Catholic Association of Foresters Summary of Operations For the year ended December 31, 2010

|   | As Reported by<br>the Company | Examination<br>Changes | Per Statutory<br>Examination | Notes |
|---|-------------------------------|------------------------|------------------------------|-------|
| Premiums and annuity considerations for life and accident and health contracts            | \$ 209,366                    | \$ -                   | \$ 209,366                   |       |
| Net investment income   | 731,094                       |                        | 731,094                      |       |
| Amortization of Interest Maintenance Reserve  | 5,892                         |                        | 5,892                        |       |
| Aggregate write-ins for miscellaneous income  | 18                            |                        | 18                           |       |
| Totals  | 946,370                       | -                      | 946,370                      |       |
| Death benefits  | 175,241                       |                        | 175,241                      |       |
| Matured Endowments  | 31,910                        |                        | 31,910                       |       |
| Disability benefits and benefits under accident and health contracts                      | 8,133                         |                        | 8,133                        |       |
| Surrender benefits and withdrawals for life contracts                                     | 101,523                       |                        | 101,523                      |       |
| Interest and adjustments on contracts or deposit-type contract funds                      | 1,530                         |                        | 1,530                        |       |
| Increase in aggregate reserve for life and accident and health contracts                  | (37,777)                      |                        | (37,777)                     |       |
| Sub-totals  | 280,560                       | -                      | 280,560                      |       |
| Commissions on premiums, annuity considerations and deposit-type contract funds           | 13,073                        |                        | 13,073                       |       |
| General insurance expenses  | 626,950                       |                        | 626,950                      |       |
| Insurance taxes, licenses and fees  | 21,164                        |                        | 21,164                       |       |
| Aggregate write-ins for deductions  | 7,780                         |                        | 7,780                        |       |
| Totals  | 949,527                       | -                      | 949,527                      |       |
| Net gain from operations before dividends to policyholders and federal income taxes       | (3,157)                       |                        | (3,157)                      |       |
| Refunds to members  | 12,090                        |                        | 12,090                       |       |
| Net gain from operations after dividends to policyholders and before federal income taxes | (15,247)                      | -                      | (15,247)                     |       |
| Federal and foreign income taxes incurred   | -                             |                        | -                            |       |
| Net gain from operations after dividends to policyholders and federal income taxes        | (15,247)                      | -                      | (15,247)                     |       |
| Net realized capital gains (losses)   | 41,644                        |                        | 41,644                       |       |
| Net Income  | \$ 26,397                     | \$ -                   | \$ 26,397                    |       |

# Catholic Association of Foresters

## Catholic Association of Foresters Capital and Surplus For the year ended December 31, 2010

|   | As Reported by<br>the Company | Examination<br>Changes | Per Statutory<br>Examination |
|---|-------------------------------|------------------------|------------------------------|
| Capital and surplus, December 31, prior year        | \$ 6,331,019                  | \$ -                   | \$ 6,331,019                 |
| Net income  | 26,397                        |                        | 26,397                       |
| Change in net unrealized capital gains (losses)     | 65,368                        |                        | 65,368                       |
| Change in asset valuation reserve                   | (43,890)                      |                        | (43,890)                     |
| Aggregate write-ins for gains and losses in surplus | 5                             |                        | 5                            |
| Net change in capital and surplus for the year      | 47,880                        | -                      | 47,880                       |
| Capital and surplus, December 31, current year      | \$ 6,378,899                  | \$ -                   | \$ 6,378,899                 |

## Catholic Association of Foresters Reconciliation of Capital and Surplus For the Three Year Period Ended December 31, 2010

|   | 2010         | 2009         | 2008         |
|---|--------------|--------------|--------------|
| Capital and surplus, December 31, prior year        | \$ 6,331,019 | \$ 6,406,636 | \$ 6,831,564 |
| Net income  | 26,397       | (41,510)     | (142,234)    |
| Change in net unrealized capital gains (losses)     | 65,368       | 139,599      | (522,198)    |
| Change in asset valuation reserve                   | -            | 1,051        | 2,000        |
| Change in asset valuation reserve                   | (43,890)     | (174,751)    | 237,504      |
| Aggregate write-ins for gains and losses in surplus | 5            | (6)          | -            |
| Net change in capital and surplus for the year      | 47,880       | (75,617)     | (424,928)    |
| Capital and surplus, December 31, current year      | \$ 6,378,899 | \$ 6,331,019 | \$ 6,406,636 |

COMMENTS AND RECOMMENDATIONS

NOTE 1

PREFERRED AND COMMON STOCK

In accordance with Massachusetts General Laws, the Catholic Association of Foresters is limited in the amount of preferred and common stocks that they may own in their portfolio. As of the balance sheet date, the society was well in excess of this threshold. The society is required to present a credible plan to come into compliance with the statute.

**For Informational Purposes Only**

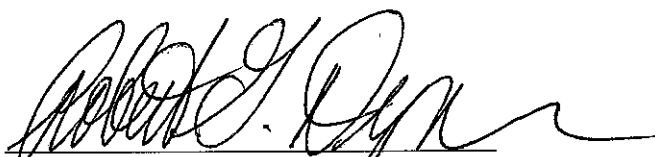
**ACKNOWLEDGMENT**

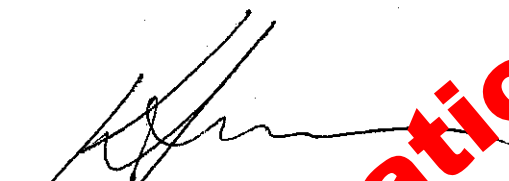
Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Society to all the examiners during the course of the examination.

The following member of the Massachusetts Division of Insurance is hereby acknowledged for his participation in this examination:

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