

Examination Warrant Number 17-00000-56677-R1

**Report of Examination of**  
**Grand Lodge of Pennsylvania, Sons and Daughters of Italy**  
**Benefit Insurance Fund**  
**Philadelphia, Pennsylvania**  
**As of December 31, 2017**

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Harrisburg, Pennsylvania  
December 18, 2018

Honorable Joseph DiMemmo, CPA  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 17-00000-56677-R1, dated July 11, 2017, an examination was made of

**Grand Lodge of Pennsylvania, Sons and Daughters of Italy Benefit  
Insurance Fund, NAIC Code: 56677**

a Pennsylvania domiciled Fraternal Benefit Society, hereinafter referred to as the "Society." The examination was conducted at the Society's home office, located at 1518 Walnut Street, Suite 1410, Philadelphia, Pennsylvania 19102.

A report of this examination is hereby respectfully submitted.

**SCOPE OF EXAMINATION**

The Pennsylvania Insurance Department ("Department") has performed an examination of the Society, which was last examined as of December 31, 2012. This examination covered the five-year period from January 1, 2013 through December 31, 2017.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Pennsylvania Insurance Department and 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 financial condition, assess corporate governance, identify current and prospective risks of the Society, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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 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. Statements were prepared by management, and are therefore, the responsibility of management. 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, in accordance with 40 P.S. § 323.5(a), and general information about the Society 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.

For each year during the period under examination, the Society was exempt from filing an audited financial statement prepared by a certified public accountant by meeting the criteria outlined in 31 Pa. Code § 147.13(e).

## **HISTORY**

The Grand Lodge of Pennsylvania Order Sons of Italy in America, a fraternal organization ("Fraternal Organization"), was founded in 1905. It was first organized to promote civic, cultural, patriotic duties, and other activities for Americans of Italian descent.

The Fraternal Organization actively operated a Mortuary Fund until 1964. The Mortuary Fund was the Fraternal Organization's unofficial insurance fund providing supplemental benefits upon the death of a member. The Mortuary Fund was the predecessor of the present insurance operation.

The Society was incorporated on April 13, 1965. It was licensed by the Department as a fraternal benefit society on March 30, 1965 and commenced business on April 13, 1965. It is the current insurance operation of the Fraternal Organization.

The Fraternal Organization's Mortuary Fund has admitted no new members since the formation of the Society. Most members transferred over to the Society while some remained in the Mortuary Fund, which is now in run-off.

The Society is currently authorized to transact those classes of insurance described in 40 P.S. § 991.2431, Life and Annuities and Accident and Health.

## **MANAGEMENT AND CONTROL**

### **GRAND CONVENTION**

The Society operates within the lodge system of the Fraternal Organization with the lodges functioning and operating within the Commonwealth of Pennsylvania. The Society is organized within the following hierarchy:

1. The Local Lodge
2. The Grand Convention
3. The Grand Council

The local lodge consists of individual members and is chartered by the Society. Each local lodge has representation at the Grand Convention based on insured members.

The Grand Convention is the supreme legislative governing body of the Society. The Grand Convention meets in regular session biennially in the odd numbered years not later than the month of June, at which time, the State President, three State Vice Presidents, and other State Officers of the Grand Council whose terms are expiring are elected. The last Convention was held June 15 and June 16, 2017 in Harrisburg, Pennsylvania.

The Grand Council is the highest executive and administrative body of the Society between conventions and is composed of the elected officers of the Society, all state trustees, and all past state presidents. They are responsible for carrying out of the policies of the Society until the next biennial convention.

## **GRAND COUNCIL**

Management of the Society is vested in its Grand Council, which was comprised of the following members, listed below, as of the examination date, December 31, 2017:

All members of the Grand Council are elected at the Grand Convention, which is held biennially in the odd numbered years and serve the same term, as required in the Society's by-laws. The elected members of the Grand Council hold office from the date of their installation to the date of the election and installation of their successors.

In addition to the above members, all State Trustees and Past State Presidents are considered members of the Grand Council.

<b>Name and Address</b>	<b>Principal Occupation</b>
Richard Barber Brockway, PA	Retired
Michael Cerruti Philadelphia, PA	Sergeant Philadelphia Police Department
Joseph Finio Broomall, PA	Owner Finio Printing
Edward F. Carabin Harrisburg, PA	President Carabin Associates
Melody Yeardie Brownsville, PA	Retired
MaryAnn Nativio Connellsville, PA	Retired
Gregorio Santiago Philadelphia, PA	Sergeant Philadelphia Police Department
Rita Ruhl Lock Haven, PA	Retired
Gina Mastrine Sowers Ebensburg, PA	Assistant Director of Human Resources Cambria County
Robert Potash Brockway, PA	Supervisor Phoenix Sintered Metals
Vaughn Piper Scottdale, PA	Retired

# Grand Lodge of Pennsylvania, Sons and Daughters of Italy Benefit Insurance Fund

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Anthony M. Lizza Scottsdale, PA	Retired
Victor Nardilli Monaca, PA	Retired
Robert S. Blasi Lake Harmony, PA	Retired
Amato Sanita Philadelphia, PA	Attorney SKA Law Group, LLC
John Foradora Brockway, PA	President Judge Jefferson County
Rose Mumbauer Montoursville, PA	Sales/Purchasing Air Parts of Lock Haven
Joseph L. Sanders, III Lock Haven, PA	Magisterial District Judge Commonwealth of Pennsylvania
Angelo Mancini Newtown Square, PA	Retired
Joseph Bologna Philadelphia, PA	Inspector Philadelphia Police Department
Frank Palumbo Philadelphia, PA	Captain Philadelphia Police Department
Steve DeFrank Harrisburg, PA	Retired
Joseph Galati Harrisburg, PA	Retired
Joyce Ruisi-Chmel Greensburg, PA	Retired

The Society has a formal written conflict of interest policy. Though the Society has a written policy in place, there is no formal requirement in the policy for periodic declarations or system in place that monitors for member's compliance.

***It is recommended that the Society implement provisions into their Conflict of Interest policy that require periodic declarations from all the directors and officers of the Society.***

## OFFICERS

As of the examination date, December 31, 2017, the following officers were appointed and serving in accordance with the Society's by-laws:

Name	Title
Richard Barber	State President
Michael Cerruti	1 <sup>st</sup> State Vice-President
Joseph Finio	2 <sup>nd</sup> State Vice-President
Edward Carabin	3 <sup>rd</sup> State Vice-President
Gregorio Santiago	State Financial Secretary
MaryAnn Nativio	State Recording Secretary
Melody Yeardie	State Treasurer

The by-laws of the Society provide that the President shall not serve more than one two-year term, and all other State Officers shall not serve more than two consecutive two-year terms.

## CORPORATE RECORDS

### MINUTES

A compliance review of Society's minutes revealed the following:

- The biennial meetings were held in accordance with the Society's by-laws.
- The Grand Council was nominated and elected at the Grand Convention in accordance with the Society's by-laws.
- Quorums were present at all Society meetings.
- The Society's investment transactions are approved quarterly by the Grand Council.

### ARTICLES OF AGREEMENT

The Society amended its Articles of Agreement during the examination period to change the name of the Society to The Grand Lodge of Pennsylvania, Sons and Daughters of Italy, Benefit Insurance Fund. This amendment was filed in response to a prior examination recommendation. This change was received by the Department on April 2, 2015.

### BY-LAWS

The Society filed for a change to its by-laws to change the name of the Society to The Grand Lodge of Pennsylvania, Sons and Daughters of Italy, Benefit Insurance Fund. The by-laws amendment was filed in response to a prior examination recommendation. This change was received by the Department.

## SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements. The following significant agreements were in place during the examination period:

### Investment Management Agreement

The Fraternal Organization entered into an investment management agreement on behalf of the Society with Adare Asset Management, LLC, Wayne, Pennsylvania on December 11, 2009 to advise and manage its investment portfolio. The Society is responsible for 100% of the fees for its two investment accounts under this agreement. This agreement is unchanged since the prior exam.

### Computer Software Maintenance Agreement

The Fraternal Organization entered into a software maintenance agreement on behalf of the Society with Pin Point Computer Systems on November 26, 2008. This agreement provides for monthly maintenance of the Society's software program that administers its annuities and funds on deposit. The Society is responsible for 100% of the fees under this agreement. The agreement was renewed in 2017 when the Society moved from its previous office.

### Computer Hardware Maintenance Agreement

The Fraternal Organization entered into a service agreement with CTB Systems, LLC on November 15, 2009. This agreement provides for computer sales, service and support maintenance. The Society is responsible for 100% of the fees as they apply to the insurance operations under this agreement. This agreement is unchanged since the prior exam.

## REINSURANCE

### CEDED

The Society did not cede any reinsurance for the period under examination. However, the contract it entered during the prior exam is still in effect. The Society did so in anticipation of increasing its policy limits at some point in the future.

Reinsurer:	Optimum Re Insurance Company
Type of contract:	Automatic & Facultative - Yearly Renewable Term Basis
Intermediary:	None
Effective date:	January 1, 2012
Term:	Unlimited in duration
Business covered:	Life
Society's retention:	\$5,000
Reinsurance limits:	\$4,000,000/life maximum

The contract contains both an arbitration clause and an insolvency clause.



**ASSUMED**

The Society did not assume any reinsurance for the period under examination.

**TERRITORY AND PLAN OF OPERATIONS**

The Society is licensed only in the Commonwealth of Pennsylvania.

The Society has a system of approximately one-hundred (100) lodges through which business is generated and fraternal activities are conducted. The Society has no Managing General Agents or Third-Party Administrators. The Society currently sells the following products to its members: Whole Life, Single Premium Whole Life, 20 Pay Life, and Education Fund Life.

The following chart summarizes the Society's direct and assumed, ceded and net written premiums for the year 2017:

<b>December 31, 2017</b>				
Life Insurance	\$ 42,795	\$ 0	\$ 42,795	100.0%
Totals	\$ 42,795	\$ 0	\$ 42,795	100.0%

Total direct written premiums decreased by \$51,345 or decreased by 54.5% from 2013 through 2017. Part of the decrease results from the Society's decision to stop writing annuity business.

**SIGNIFICANT OPERATING TRENDS**

The following table indicates the performance of the Society during the period covered by this examination:

	2017	2016	2015	2014	2013
Admitted Assets	\$ 3,818,904	\$ 3,845,778	\$ 3,917,020	\$ 3,960,613	\$ 4,425,956
Liabilities	\$ 3,465,332	\$ 3,502,551	\$ 3,538,895	\$ 3,508,544	\$ 3,888,122
Surplus	\$ 353,572	\$ 343,225	\$ 378,125	\$ 452,069	\$ 537,834
Net Premiums Written	\$ 42,795	\$ 48,737	\$ 50,916	\$ 43,916	\$ 69,991
Benefits to Members	\$ 121,522	\$ 158,810	\$ 204,598	\$ 132,410	\$ 314,120
Net Investment Income	\$ 160,955	\$ 165,743	\$ 180,831	\$ 197,544	\$ 213,505
Net Income	\$ 17,545	\$ (17,884)	\$ (50,382)	\$ (123,451)	\$ (97,642)

Since the prior examination, the Society has experienced the following changes in its total number of certificates in-force, the overall amount of insurance in-force, and the average amount of insurance in-force per policy:

**Ordinary Life**

December 31, 2017	11,664	\$ 4,899,000	\$ 420
December 31, 2012	12,452	6,529,626	310
Net Increase/(decrease)	(788)	\$ (1,630,626)	\$ 110

**Individual Annuities**

December 31, 2017	76	\$ 965,348	\$ 12,702
December 31, 2012	116	1,267,201	10,924
Net Increase/(decrease)	(40)	\$ (301,853)	\$ 1,778

The Society's certificates in force have shown a slow, gradual decrease during the period from 2012 through 2017 of approximately 7%. Most of the Society's members are concentrated in older age brackets, and the insureds tend to hold smaller denomination policies. The Society has been holding membership drives and promoting cultural activities within the local lodges with the intent to increase membership.

### **PENDING LITIGATION**

The Society is not currently involved in any lawsuits whose outcome could have a material effect on its financial condition.

### **FINANCIAL STATEMENTS**

The financial condition of the Society, as of December 31, 2017, and the results of its operations for the five-year period under examination, are reflected in the following statements\*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;  
Comparative Statement of Income;  
Comparative Statement of Capital and Surplus;  
Comparative Statement of Cash Flow

\*Note: Some financials shown in this report may contain immaterial differences to those reported in the Society's filed Annual Statements due to rounding errors.

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

	2017	2016	2015	2014	2013
Bonds	\$3,552,834	\$3,552,556	\$ 3,599,771	\$3,766,208	\$3,971,049
Preferred stocks	25,025	51,010	51,010	51,010	51,010
Cash, cash equivalents and short-term investments	189,452	188,632	211,950	87,120	337,500
Contract loans	0	0	0	0	1,060
Subtotal, cash and invested assets	3,767,311	3,792,198	3,862,731	3,904,338	4,360,619
Investment income due and accrued	49,493	51,478	52,189	54,675	53,892
Premiums and considerations	2,100	2,100	2,100	1,600	11,445
Total	<u>\$3,818,904</u>	<u>\$3,845,776</u>	<u>\$ 3,917,020</u>	<u>\$3,960,613</u>	<u>\$4,425,956</u>
Aggregate reserve for life contracts	\$3,363,198	\$3,391,573	\$ 3,445,573	\$3,449,312	\$3,780,485
Contract claims:					
Life	34,000	56,000	58,000	48,000	43,000
General expenses due or accrued	0	0	0	0	15,000
Miscellaneous liabilities:					
Asset valuation reserve	68,134	54,978	35,322	11,232	49,637
Total liabilities	<u>3,465,332</u>	<u>3,502,551</u>	<u>3,538,895</u>	<u>3,508,544</u>	<u>3,888,122</u>
Unassigned funds (surplus)	<u>353,572</u>	<u>343,225</u>	<u>378,125</u>	<u>452,069</u>	<u>537,834</u>
Surplus	<u>353,572</u>	<u>343,225</u>	<u>378,125</u>	<u>452,069</u>	<u>537,834</u>
Totals	<u>\$3,818,904</u>	<u>\$3,845,776</u>	<u>\$ 3,917,020</u>	<u>\$3,960,613</u>	<u>\$4,425,956</u>

# Grand Lodge of Pennsylvania, Sons and Daughters of Italy Benefit Insurance Fund

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## Comparative Statement of Income For the Year Ended December 31,

	2017	2016	2015	2014	2013
Premiums and annuity considerations for life and A&H contracts	\$42,795	\$ 48,737	\$ 50,916	\$ 43,916	\$ 69,991
Net investment income	160,955	165,743	180,831	197,544	213,505
Amortization of interest maintenance reserve (IMR)	(2,692)	(2,640)	(1,269)	(2,594)	(5,796)
Miscellaneous Income					
Aggregate write-ins for miscellaneous income	0	0	0	9,845	6,043
Totals	201,058	211,840	230,478	248,711	283,743
Death benefits	22,514	45,436	56,234	61,352	60,257
Matured endowments	0	0	32,000	3,000	33,000
Annuity benefits	56,787	76,397	2,457	256,534	87,452
Surrender benefits and withdrawals for life contracts	9,835	11,572	15,347	76,491	32,590
Increase in aggregate reserves for life and A&H policies and contracts	(28,375)	(54,000)	(3,739)	(331,172)	(56,239)
Totals	60,761	79,405	102,299	66,205	157,060
Commissions on premiums, annuity considerations & deposit-type funds (direct)	4,718	4,837	4,671	5,347	6,454
General insurance expenses and fraternal expenses	116,969	144,417	172,825	192,893	202,499
Insurance taxes, licenses and fees	1,065	1,065	1,065	52,430	15,372
Totals	183,513	229,724	280,860	316,875	381,385
Net gain from operations after refunds to members and before realized					
capital gains or (losses)	17,545	(17,884)	(50,382)	(68,164)	(97,642)
Net realized capital gains or (losses) less capital gains tax					
(excluding gains/losses transferred to the IMR)	0	0	0	(55,287)	0
Net income	\$ 17,545	\$ (17,884)	\$ (50,382)	\$ (123,451)	\$ (97,642)

**Grand Lodge of Pennsylvania, Sons and Daughters of Italy Benefit Insurance Fund**

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**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Surplus, December 31, previous year	<u>\$343,225</u>	<u>\$378,125</u>	<u>\$452,069</u>	<u>\$537,834</u>	<u>\$610,588</u>
Net income	17,545	(17,884)	(50,382)	(123,451)	(97,642)
Change in nonadmitted assets and related items	5,959	2,640	529	10,185	18,798
Change in reserve on account of changes in valuation basis (increase) or decrease	0	0	0	0	0
Change in asset valuation reserve	(13,156)	(19,656)	(24,090)	38,405	2,902
Aggregate write-ins for gains and losses in surplus	(1)	0	(1)	(10,904)	3,188
Net change in surplus for the year	<u>10,347</u>	<u>(34,900)</u>	<u>(73,944)</u>	<u>(85,765)</u>	<u>(72,754)</u>
Surplus, December 31, current year	<u>\$353,572</u>	<u>\$343,225</u>	<u>\$378,125</u>	<u>\$452,069</u>	<u>\$537,834</u>

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# Grand Lodge of Pennsylvania, Sons and Daughters of Italy Benefit Insurance Fund

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## Comparative Statement of Cash Flow For the Year Ended December 31,

	2017	2016	2015	2014	2013
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 42,795	\$ 48,737	\$ 50,416	\$ 53,761	\$ 69,991
Net investment income	167,497	170,314	186,453	196,000	212,053
Miscellaneous Income	0	0	0	9,845	6,043
Total	<u>210,292</u>	<u>219,051</u>	<u>236,869</u>	<u>259,606</u>	<u>288,087</u>
Benefit and Loss related Payments	111,136	135,405	96,038	392,377	210,299
Commissions, expenses paid and aggregate write-ins for deductions	122,752	150,319	178,561	265,670	234,325
Total deductions	<u>233,888</u>	<u>285,724</u>	<u>274,599</u>	<u>658,047</u>	<u>444,624</u>
Net Cash from Operations	<u>(23,596)</u>	<u>(66,673)</u>	<u>(37,730)</u>	<u>(398,441)</u>	<u>(156,537)</u>
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	221,436	395,000	222,000	585,356	753,850
Stocks	27,816	0	0	0	0
Total investment proceeds	<u>249,252</u>	<u>395,000</u>	<u>222,000</u>	<u>585,356</u>	<u>753,850</u>
Cost of investments acquired (long-term only):					
Bonds	224,835	351,547	59,440	427,451	584,649
Total investments acquired	<u>224,835</u>	<u>351,547</u>	<u>59,440</u>	<u>427,451</u>	<u>584,649</u>
Net increase (decrease) in policy loans and premium notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,060)</u>	<u>0</u>
Net cash from investments	<u>24,417</u>	<u>43,453</u>	<u>162,560</u>	<u>158,965</u>	<u>169,201</u>
<b>Cash from Financing and Miscellaneous Sources</b>					
Cash provided (applied):					
Other cash provided or (applied)	(1)	(98)	0	(10,904)	3,223
Net cash from financing and miscellaneous sources	<u>(1)</u>	<u>(98)</u>	<u>0</u>	<u>(10,904)</u>	<u>3,223</u>
<b>Reconciliation of cash, cash equivalents, and short-term investments:</b>					
Net change in cash, cash equivalents, and short-term investments	820	(23,318)	124,830	(250,380)	15,887
Cash, cash equivalents, and short-term investments					
Beginning of the year	<u>188,632</u>	<u>211,950</u>	<u>87,120</u>	<u>337,500</u>	<u>321,613</u>
End of the year	<u>\$ 189,452</u>	<u>\$ 188,632</u>	<u>\$ 211,950</u>	<u>\$ 87,120</u>	<u>\$ 337,500</u>

**SUMMARY OF EXAMINATION CHANGES**

No changes have been made to the Society's financial statements as a result of this examination.

**NOTES TO FINANCIAL ITEMS****ASSETS****INVESTMENTS**

As of December 31, 2017, the Society's invested assets were distributed as follows:

	<b>Amount</b>	<b>Percentage</b>
Bonds	\$ 3,552,834	94.3 %
Preferred stocks	25,025	0.7 %
Cash	189,452	5.0 %
<b>Totals</b>	<b>\$ 3,767,311</b>	<b>100.0 %</b>

The Society's bond and short-term investment portfolio had the following quality and maturity profiles:

<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 1,051,104	29.6 %
2 - high quality	1,524,045	42.9 %
3 - medium quality	502,775	14.2 %
4 - low quality	474,910	13.3 %
<b>Totals</b>	<b>\$ 3,552,834</b>	<b>100.0 %</b>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 369,998	10.4 %
2 to 5 years	1,420,859	40.0 %
6 to 10 years	888,631	25.0 %
11 to 20 years	873,346	24.6 %
<b>Totals</b>	<b>\$ 3,552,834</b>	<b>100.0 %</b>

The Society has maintained a conservative portfolio consisting of bonds, preferred stocks and cash. The Society balances the return and risk dynamics by investing most of its portfolio in investment grade securities, primarily in NAIC grade 1, 2 and 3, based on quality, maturity and yield.

The Society has a written investment plan as required by 40 P.S. § 504.1(c). However, the meeting minutes of the Grand Council did not indicate that the investment plan is being reviewed or updated on an annual basis as required by 40 P.S. § 504.1(c).

*It is recommended that the Grand Council annually review and approve their investment policy, and make changes pursuant to the requirements of 40 P.S. §*

***504.1(c). This annual review and approval should be noted in the Grand Council Minutes.***

At December 31, 2017, the Society held its investment portfolio under a custodial agreement with Security National Trust Company. The custodial agreement was reviewed in the prior exam and was found to be in compliance with the standards for custodial agreements as required by 31 Pa. Code § 148a.3. There have been no changes to the agreement since the prior exam.

## **LIABILITIES**

### **POLICYHOLDER AND CLAIM RESERVES**

The Society reported \$3,363,198 in its December 31, 2017 Annual Statement under the Aggregate Reserve for Life Contracts caption. This liability made up 97% of the Society's total liabilities. There have been no changes in the Society's reserving methodology during the examination period.

Allan Ferrone, FSA, MAAA of the firm CPS Actuaries, Stamford, Connecticut, provided independent actuarial services to the Society, under appointment from its Grand Council. His Statement of Actuarial Opinion as of December 31, 2017 stated that the Life reserves of \$1,681,217, the Annuity reserves of \$1,416,392, and Miscellaneous reserves of \$265,591:

- a.) are computed in accordance with presently accepted actuarial standards and practice and actuarial compliance guidelines that specifically relate to an asset adequacy opinion (to the extent that the guidelines are not inconsistent with that section), consistently applied, and are fairly stated in accordance with sound actuarial principles,
- b.) are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provisions as to reserve basis and method, and are in accordance with all other contract provisions,
- c.) meet the requirements of the insurance laws and regulations of the State of Pennsylvania, and are at least as great as the minimum aggregate amounts required by the state in which this Society is licensed.
- d.) are computed on the basis of assumptions consistent with those used in computing the corresponding items in the Society's Annual Statement of the preceding year-end, and
- e.) include provision for all actuarial reserves and related Annual Statement items which ought to be established.

In conjunction with the onsite examination, the Life Actuarial Bureau of the Department conducted a review of the actuarial assumptions and methods used in determining reserves and



related actuarial items. Compliance with statutory requirements was also evaluated. No issues were identified as a result of the internal evaluation.

During the examination, the examiner identified several currently due and unpaid claims which met the definition of abandoned or unclaimed property as stated in 72 P.S. § 1301 et. seq. ("PA Escheat Law"). The PA Escheat Law in 1301.4(a) states:

In the case of life insurance, the following property held or owing by an insurer is presumed abandoned and unclaimed:

Any moneys held or owing by an insurer as established by its records under any contract of annuity or policy of life insurance including premiums returnable or dividends payable, unclaimed and unpaid for more than three (3) years after the moneys have or shall become due and payable under the provisions of such contract of annuity or policy of insurance...

The PA Escheat Law in § 1301.11 requires that persons holding abandoned or unclaimed property are required to report the property to the State Treasurer annually on or before April 15.

*It is recommended that the Society develop and document a written procedure to review and determine which policies must be escheated to the Pennsylvania State Treasury to comply with Pennsylvania's Disposition of Abandoned and Unclaimed Property (72 P.S. § 1301 et. seq.).*

*It is recommended that the Society comply with Pennsylvania's Disposition of Abandoned and Unclaimed Property (72 P.S. § 1301 et. seq.) and submit all escheatable policies to the Pennsylvania Treasury Department by April 15th of each year.*

## **SUBSEQUENT EVENTS**

The Society entered into no significant transactions after the exam period until the last day of fieldwork, December 18, 2018.

## **RECOMMENDATIONS**

### **PRIOR EXAMINATION**

The prior examination report contained the following recommendations:

1. It is recommended that the members of the Society's Grand Council and its employees review and sign its Conflict of Interest Policy annually and that the Society develops a system to monitor and maintain these documents.

*The Society has not complied with this recommendation.*

2. It is recommended that the Society's Grand Council approve all its investment transactions as required by 40 P.S. § 504.1(b).

*The Society has complied with this recommendation.*

3. It is recommended that the Society's Grand Council update and approve its investment plan on at least an annual basis as required by 40 P.S. § 504.1(c).

*The Society has not complied with this recommendation.*

4. It is recommended that when changing appointed actuaries, the Society comply with 31 Pa. Code § 118.a4(c)(2) and provide the no disagreements letter from its prior appointed actuary to the Department.

*The Society has complied with this recommendation.*

## CURRENT EXAMINATION

As a result of the current examination, the following recommendations are being made:

1. *It is recommended that the Society implement provisions into their Conflict of Interest policy that require periodic declarations from all the directors and officers of the Society.* (See "Grand Council," Page 4)
2. *It is recommended that the Grand Council annually review and approve their investment policy, and make changes pursuant to the requirements of 40 P.S. § 504.1(c). This annual review and approval should be noted in the Grand Council meeting minutes.* (See "Investments," Page 13)
3. *It is recommended that the Society develop and document a written procedure to review and determine which policies must be escheated to the Pennsylvania State Treasury to comply with Pennsylvania's Disposition of Abandoned and Unclaimed Property (72 P.S. § 1301 et. seq.).* (See "Policyholder and Claim Reserves," Page 15)
4. *It is recommended that the Society comply with Pennsylvania's Disposition of Abandoned and Unclaimed Property (72 P.S. § 1301 et. seq.) and submit all escheatable policies to the Pennsylvania Treasury Department by April 15th of each year.* (See "Policyholder and Claim Reserves," Page 15)

## CONCLUSION

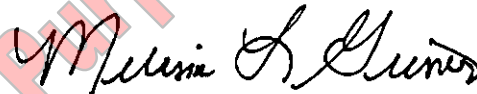
As a result of this examination, the financial condition of Grand Lodge of Pennsylvania, Sons and Daughters of Italy Benefit Insurance Fund, as of December 31, 2017, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 3,818,904	100 0 %
Liabilities	\$ 3,465,332	90 7 %
Capital and Surplus	353,572	9 3 %
Total liabilities, capital and surplus	\$ 3,818,904	100 0 %


Since the previous examination, made as of December 31, 2012, the Society's assets decreased by \$745,946, its liabilities decreased by \$542,094, and its surplus decreased by \$203,852.

This examination was conducted by James Carpino, CFE.

Respectfully,



Melissa L. Greiner  
Director  
Bureau of Financial Examinations



Robert A. Woronko, CFE, CPA  
Examination Manager



James Carpino, CFE  
Examiner-in-Charge