

Report of Examination of

Czech Catholic Union
Cleveland, Ohio

As of December 31, 2009

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Columbus, Ohio
August 31, 2010

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance (“Department”)
50 West Town Street
Third Floor – Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of the

Czech Catholic Union

an Ohio domiciled, fraternal benefit society, hereinafter referred to as (the “Company.”) The examination was conducted at the Company’s home office located at 5349 Dolloff Road, Cleveland, Ohio.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2004, by the Department. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2009.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name and Address	Principal Occupation
Joseph A. Kocab Cleveland, Ohio	Retired, Assistant Principal, Cleveland Public Schools
Maryann Langevin Detroit, Michigan	Retired Office Manager, Detroit Public Schools
Cynthia Kveton St. Louis, Missouri	Research Chemist, Nestles Purina Petcare
Dolores Jacklin Downers Grove, Illinois	Music Instructor

Lillian Kopecky
Cedar Rapids, Iowa

Treasurer,
Society 119

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Elsie T. Malec	President
Theresa M. Pokorny	Secretary/Treasurer
Loretta Moravecek	1 st Vice President
Edward P. Babor	2 nd Vice President

Reinsurance

The Company's life insurance business is covered by a facultative reinsurance treaty that allows cessions up to \$1,000,000 above a retention of \$35,000.

Territory and Plan of Operations

The Company is licensed to transact business in the states of Illinois, Iowa, Michigan, Ohio, and Pennsylvania.

Scope of Examination

The purpose of the examination was to make an assessment of the financial condition of the Company as of December 31, 2009. To substantiate the various items, tests were either made by complete audits of accounts or by sampling methods prescribed by the National Association of Insurance Commissioners ("NAIC") Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

During the period under examination, the Certified Public Accounting ("CPA") firm of Robert J. Sabatka, has issued an opinion that the Company's financial statements are presented fairly in all material respects based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audits of the Company, was reviewed during the examination, and incorporated into the examination workpapers where applicable.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. mortality and loss experience;
5. pending litigation; and
6. Constitution and Bylaws.

Financial Statements

The financial condition and the results of its operations for the five-year period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds
Statement of Operations
Statement of Changes in the Surplus Account

Statement of Assets

December 31, 2009

Admitted assets

Cash and invested assets:

Bonds	\$8,618,301
Common stocks	220,426
Real estate	21,128
Cash and short-term investments	2,115,808
Contract loans	112,431
Other invested assets	501,000
Total cash and invested assets	<u>11,589,094</u>
Investment income due and accrued	85,436
Uncollected premiums and agents' balances	<u>(41,413)</u>
Total admitted assets	<u>\$11,633,117</u>

Liabilities Surplus and Other Funds

December 31, 2009

Liabilities:

Aggregate reserve for life certificates and contracts	\$9,228,274
Life contract claims	35,573
Refunds apportioned for payment	100,000
Interest maintenance reserve	35,181
General expenses and commissions due or accrued	1,000
Taxes, licenses and fees due or accrued	846
Amounts withheld or retained by Company as agent or trustee	2,525
Asset valuation reserve	114,954
Aggregate write-ins for liabilities	<u>1,712</u>
Total liabilities	<u>9,520,065</u>

Surplus and Other Funds:

Aggregate write-ins for surplus funds	125,000
Unassigned funds	<u>1,988,052</u>
Total surplus	<u>2,113,052</u>
Total liabilities and unassigned funds	<u><u>\$11,633,117</u></u>

Statement of Operations

December 31, 2009

Premiums and other revenues:	
Premiums and annuity considerations for contracts	\$1,218,801
Net investment income	595,078
AIMR	2,654
Aggregate write-ins for miscellaneous income	141
Total premiums and other revenues	<u>1,816,674</u>
Benefits paid or provided:	
Death benefits	265,816
Matured endowments	8,014
Annuity benefits	124,642
Surrender benefits and withdrawals for life contracts	19,729
Increase in life, annuity, and accident and health reserves	1,082,732
Total benefits paid or provided	<u>1,500,933</u>
Commissions on premiums and deposit-type contracts	2,264
General expenses	247,588
Insurance taxes, licenses and fees	9,675
Total insurance expenses and other deductions	<u>1,760,460</u>
Gain from operations before refunds to members	56,214
Refunds to members	146,137
Gain from operations after refunds and before realized capital losses	<u>(89,923)</u>
Net realized capital losses	753
Net Income	<u>\$ (89,170)</u>

Statement of Changes in the Surplus Account
(in thousands)

	2005	2006	2007	2008	2009
Surplus December 31, previous year	\$3,082	\$3,145	\$3,146	\$3,104	\$2,906
Net income from operations	52	(8)	(34)	(110)	(89)
Net unrealized capital gains (losses)	15	25	1	(185)	106
Change in nonadmitted assets					(719)
Change in asset valuation reserve	(4)	(15)	(9)	97	(92)
Net change in surplus for the year	63	2	(42)	(198)	(793)
Surplus December 31, current year	\$3,145	\$3,146	\$3,104	\$2,906	\$2,113

Notes to the Financial Statements

Investments

The Company appears to be in compliance with the investment statute, ORC Section 3907.14.

Aggregate Reserve for Life Certificates and Claims

It has been determined that the value of the Company's aggregate reserve for life certificates and claims as of December 31, 2009 is \$9,228,274. The reserves are determined in accordance with Actuarial Standards of Practice and Actuarial Guidelines, and the actuarial opinion and supporting memorandum comply with Section 7 of the NAIC Model Actuarial Opinion and the Memorandum Regulation.

Peter Weber, the Department's life actuary, examined and evaluated the Company's reserves performed by Steimla & Associates and tested by the Company's independent accountants and determined that the reserves presented in the December 31, 2009, statutory financial statement made a reasonable provision for future guaranteed benefits and meeting statutory minimum standards. The Company appears to be adequately reserved.

Subsequent Events

Due to investments that were not in compliance with ORC 3907.14, the Company was required to re-file its 2009 annual statement and the 1st and 2nd quarterly statements.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2009, and is summarized as follows:

Total Admitted Assets	<u>\$11,633,117</u>
Liabilities	\$9,520,065
Unassigned Funds	<u>2,113,052</u>
Total Liabilities and Unassigned Funds	<u>\$11,633,117</u>

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Edward Nagorny, CFE, CPA, MBA, JD.

Respectfully,



Donnie G. Wells, CFE
Examiner-In-Charge
Ohio Department of Insurance



David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2009

[Signature]
Examiner-In-Charge

9/21/10
Date

[Signature]
Assistant Chief Examiner

9/27/10
Date

State of Ohio

County of Franklin

Personally appeared before me the above named Donnie G. Wells, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 21 day of September, 2010.

[Signature]
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 21 day of September 2010.

[Signature]
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012