

Report of Examination of  
**Ohio Graphic Arts Health Fund**  
Franklin, Ohio

As of December 31, 2009

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Columbus, Ohio  
April 15, 2010

Honorable Mary Jo Hudson  
Director  
State of Ohio  
Department of Insurance ("Department")  
50 West Town Street  
3<sup>rd</sup> 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

### **Ohio Graphic Arts Health Fund**

an Ohio domiciled, multiple employer welfare association, hereinafter referred to as the "Plan". The examination was conducted at the Company's home office, located at 6730 Roosevelt Avenue, Suite 304, Franklin, Ohio.

A report of this examination is hereby respectfully submitted.

The Plan 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:**

Members of the board of directors elected and serving on December 31, 2009, were as follows:

<b>Name</b>	<b>Principal Occupation</b>
Jim Cunningham	President Printing Industry of Northern Kentucky and Ohio
John Hassan	Retired
Robert Keeler	Retired

James Maly	Comptroller M. Rosenthal Company
Robert Phillips	President and Chief Operating Officer Paper Systems, Inc
Dennis Purcell	Executive Vice President The Hennegan Company
Ken Rellar	President RPI Color System

**Officers**

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

<b>Name</b>	<b>Title</b>
Dennis Purcell	President
James Maly	Secretary

**Insurance Holding Company System**

The Plan is not a member of a holding company system as defined in Section 3901.32 of the ORC.

**Reinsurance**

**Ceded**

The Plan has a stop-loss reinsurance agreement with United Healthcare Insurance Company that provides per participant coverage of \$850,000 above a retention of \$150,000. An aggregate excess of loss provides coverage above a retention of \$9,821,627 or 100% of the monthly aggregate attachment point for the first month of the policy times 12, whichever is greater.

Additionally, the Plan has a 100% quota share reinsurance agreement with United Healthcare Insurance Company covering life insurance product offered by the Plan.

**Assumed**

The Plan does not assume any reinsurance.

## **Territory and Plan of Operations**

The Plan was licensed to transact business in the State of Ohio.

### **Scope of Examination**

One of the purposes of the examination was to make an assessment of the financial condition of the Plan as of December 31, 2009. To substantiate the various items, tests were made either 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.

For each year during the period under examination, the Certified Public Accounting ("CPA") firms of JD Cloud, Clark, Schaefer, Hackett & Co, and Rudler & Associates have provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The Department's actuary reviewed the relevant work performed by the opening actuary, to report on the adequacy of the carried reserves, and to comment on any other statutory matters relating to reserves.

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

1. Plan history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Plan;
5. loss experience;
6. pending litigation; and,
7. Articles of Incorporation/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 Plan with the Department and audited by the Plan's external auditors, are reflected in the following:

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

## Statement of Assets, Liabilities, Surplus and Other Funds

**December 31, 2009**

### **Admitted assets**

#### Cash and invested assets:

Bonds	\$604,722
Common stocks	1,359,439
Cash and short-term investments	599,197
Total cash and invested assets	<u>2,563,358</u>

Investment income due and accrued	9,447
Uncollected premiums and agents' balances in the course of collection	46,863
Amounts recoverable from reinsurers	88,367
Funds held by or deposited with reinsured companies	103,089
Total admitted assets	<u><u>\$2,811,124</u></u>

### **Liabilities and capital and surplus**

#### Liabilities:

Claims unpaid	\$800,000
Premiums received in advance	31,702
General expenses due and accrued	21,511
Total liabilities	<u>853,213</u>

#### Capital and surplus:

Unassigned surplus	1,957,911
Total capital and surplus	<u>1,957,911</u>
Total liabilities and capital and surplus	<u><u>\$2,811,124</u></u>

## Statement of Revenue and Expenses

**For the Year Ended  
December 31, 2009**

Premium and other revenues:	
Net premium income	\$5,978,732
Aggregate write-in for other health care related revenues	129,207
Total premiums and other revenues	6,107,939
Hospital and Medical:	
Hospital and medical benefits	5,559,114
Prescription drugs	1,168,055
Total hospital and medical	6,727,169
Less:	
Net reinsurance recoveries	502,503
Total hospital and medical	6,224,666
General administrative expenses	670,562
Total underwriting deductions	6,895,228
Net underwriting loss	(787,289)
Net investment income earned	76,748
Net realized capital losses	(202,038)
Net investment loss	(125,290)
Net loss	(912,579)

## Statement of Changes in the Capital and Surplus Account (in thousands)

	2005	2006	2007	2008	2009
Capital and surplus December 31, previous year	\$4,543	\$5,145	\$5,329	\$4,585	\$2,479
Net income	603	61	(755)	(1,442)	(912)
Net change unrealized capital gains	(7)	105	18	(671)	393
Change in nonadmitted assets	6	18	(7)	7	(2)
Net change in capital and surplus	602	184	(744)	(2,106)	(521)
Capital and surplus end of period	\$5,145	\$5,329	\$4,585	\$2,479	\$1,958

## Notes to Financial Statements

### Investments

At December 31, 2009, the Plan's investments, as measured by statement valuations, were composed of:

<u>Invested Assets</u>	<u>Ratio to Total</u>	
	<u>Investments</u>	<u>Assets</u>
Bonds	23.59%	21.51%
Commons stocks	53.03%	48.36%
Cash and short-term investments	23.38%	21.32%
Totals	<u>100.00%</u>	<u>91.19%</u>

The Plan's investments were in compliance with Section 3925.08 of the ORC.

### Unpaid Claims Reserve

Timothy P. Berghoff, FSA, MAAA, certified the total reserves for the years covered by the examination. The Department's actuary, Mary Miller, FCSA, MAAA, reviewed the calculations for the reserves as of December 31, 2009.

On the basis of the above-mentioned analysis, it was determined that the loss and loss adjustment expense reserves were reasonable as of December 31, 2009.

### Conclusion

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

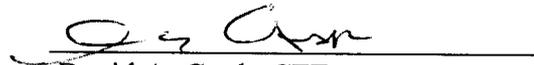
Total Admitted Assets	<u>\$2,811,124</u>
Liabilities	\$853,213
Unassigned funds	1,957,911
Total Liabilities and Surplus as Regards Policyholders	<u>\$2,811,124</u>

### **Acknowledgement**

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

In addition to the aforementioned and the undersigned, the following representative of the Department participated in the examination: Methuselah E. Nyangoro, CPA.

Respectfully,

A handwritten signature in black ink, appearing to read "David A. Cook", is written over a horizontal line.

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]*  
Assistant Chief Examiner

8/2/10  
Date

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 2 day of August, 2010.

*Elizabeth Chase*  
(Notary Public)

**ELIZABETH CHASE**  
NOTARY PUBLIC, STATE OF OHIO  
~~MY COMMISSION EXPIRES MAY 22, 2012~~  
My Commission Expires