

Report of Examination of

United Transportation Union Insurance Association
North Olmstead, Ohio

As of December 31, 2009

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Columbus, Ohio
July 2, 2010

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance (“Department”)
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215-1067

Dear Madam:

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

United Transportation Union Insurance Association

an Ohio domiciled, fraternal benefit society, hereinafter referred to as (the “Company.”) The examination was conducted at the Company’s home office located at 24950 Country Club Boulevard, North Olmsted, Ohio.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2006, 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
Nicholas J. Diccico, Jr.	Retired President Midwest Life Insurance Company
Malcolm B. Futhey, Jr.	President The Company
Arthur Martin, III	Assistant President The Company

Frank J. Riha	Retired
James A. Stem, Jr	National Legislative Director The Company
Joyce A. Terbovich, CPA	Treasure, City of Lake Quivira Private Practice CPA firm
Kim N. Thompson	Secretary/Treasurer The Company
William J. Thompson	Retired Ohio State Legislative Director & Conductor The Company

Officers

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

Name	Title
Malcolm B. Futhey, Jr.	President
Arthur Martin, III	Assistant President
Kim N. Thompson	Secretary/Treasurer

Reinsurance

The following reinsurance contract was in effect during the period under examination. The Company had no reinsurance assumed coverage in effect.

The Company's life insurance business is covered by an automatic facultative reinsurance treaty that allows cession up to \$1,800,000 with a retention of \$200,000.

All reinsurance agreements appear to transfer risk and have the National Association of Insurance Commissioners ("NAIC") required clauses.

Territory and Plan of Operations

The Company is licensed to transact business in the following states and districts: California, Colorado, District of Columbia, New Mexico, Ohio, Pennsylvania, and West Virginia.

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

made either by complete audits of accounts or by sampling methods prescribed by the 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 Horovitz, Rudoy & Roteman, (HRR), 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 work papers 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 three-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	\$175,844,111
Preferred stocks	4,887,604
Common stocks	14,069,765
Real estate	2,527,375
Contract loans	895,448
Cash and short-term investments	<u>6,564,827</u>
Total cash and invested assets	204,789,130
Uncollected premiums and agents' balances in course of collection	186,817
Investment income due and accrued	2,279,927
Deferred premiums, agents' balances and installments	<u>46,359</u>
Total admitted assets	<u>\$207,302,233</u>

Liabilities, Surplus and Other Funds

December 31, 2009

Liabilities:

Aggregate reserve for life certificates and contracts	\$164,143,403
Aggregate reserve for accident and health contracts	7,775,178
Liability for deposit-type contracts	4,833,132
Life contract claims	1,161,833
Accident and health contract claims	208,195
Refunds due and unpaid	124
Premiums and annuity consideration received in advance	416,490
Surrender values on canceled contracts	292,320
Interest maintenance reserve	555,497
Commissions to fieldworkers due or accrued	75,685
General expenses and commissions due or accrued	338,172
Taxes, licenses and fees due or accrued	39,012
Asset valuation reserve	2,696,513
Payable to subsidiaries and affiliates	487,726
Aggregate write-ins for liabilities	39,886
Total liabilities	<u>183,063,166</u>
Unassigned funds	<u>24,239,067</u>
Total surplus	<u>24,239,067</u>
Total liabilities and unassigned funds	<u><u>\$207,302,233</u></u>

Statement of Operations

December 31, 2009

Premiums and other revenues:	
Premiums and annuity considerations for life and accident and Health claims	\$15,582,462
Net investment income	10,223,384
Amortization of interest maintenance reserve	156,382
Aggregate write-ins for miscellaneous income	86,510
Total premiums and other revenues	<u>26,048,738</u>
Benefits paid or provided:	
Death benefits	3,947,710
Matured endowments	185,330
Annuity and old age benefits	8,239,721
Disability, accident and health benefits	1,650,563
Surrender benefits and withdrawals for life contracts	2,300,163
Interest and adjustments on deposit-type contracts	11,503
Increase in life, annuity, and accident and health reserves	740,850
Total benefits paid or provided	<u>17,075,840</u>
Commissions on premiums and deposit-type contracts	768,674
General expenses	6,745,489
Insurance taxes, licenses and fees	744,023
Total insurance expenses and other deductions	<u>25,334,026</u>
Gain from operations before refunds to members	714,712
Refunds to members	<u>(23,975)</u>
Gain from operations after refunds and before realized capital losses	738,687
Net realized capital losses	<u>(584,516)</u>
Net Income	<u>\$ 154,171</u>

Statement of Changes in the Surplus Account
(in thousands)

	2007	2008	2009
Surplus December 31, previous year	<u>\$28,381</u>	<u>\$28,548</u>	<u>\$23,963</u>
Net income from operations	2,401	(2,280)	154
Net unrealized capital gains (losses)	(1,714)	(5,522)	2,611
Change in non-admitted assets	23	(22)	12
Change in asset valuation reserve	292	3,240	(2,501)
Aggregate write-ins for gains (losses) in surplus	<u>(835)</u>	<u></u>	<u></u>
Net change in surplus for the year	<u>168</u>	<u>(4,585)</u>	<u>275</u>
Surplus December 31, current year	<u>\$28,548</u>	<u>\$23,964</u>	<u>\$24,239</u>

Notes to the Financial Statements

Investments

At December 31, 2009, the Company's investments, as measured by statement valuations, were primarily comprised of:

<u>Invested Assets</u>	<u>Ratio to Total</u>	
	<u>Investments</u>	<u>Assets</u>
Bonds	85.8%	84.8%
Stocks	9.3%	9.1%
Real Estate	1.2%	1.2%
Contract Loans	3.2%	3.2%

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

Aggregate Reserve for Life Certificates and Claims

John R. Miller, FSA, MAAA of Miller and Newburg, Inc. certified the total reserves for the years covered by the examination. The Department's actuary, Peter Weber, ASA, MAAA, reviewed the calculation for the reserves as of December 31, 2009.

On the basis of the above mentioned analysis, it was determined that the Aggregate Reserve for Life Certificates and Claims were reasonable as of December 31, 2009.

Subsequent Events

On May 15, 2010, the Company moved its headquarters to North Olmsted, Ohio.

On February 12, 2009, the Board of Directors suspended policy dividends for one year based on the financial performance of the company and the general state of the economy. On February 4, 2010, the Board approved an additional one year dividend suspension for 2010.

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>\$207,302,233</u>
Liabilities	\$183,063,166
Unassigned Funds	<u>24,239,067</u>
Total Liabilities and Unassigned Funds	<u>\$207,302,233</u>

Acknowledgement

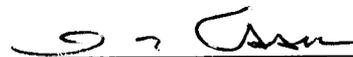
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Jyotika Patel, CPA and Patricia Severs, CPA.

Respectfully,



Donnie 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

7/30/10
Date

[Signature]
Assistant Chief Examiner

7/30/10
Date

State of Ohio

County of Franklin

Personally appeared before me the above named Donnie 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 30 day of July, 2010.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named, 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 30 day of July, 2010.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires