

Report of Examination of

**Ohio Funeral Directors Association Benefit Trust**  
Columbus, Ohio

As of December 31, 2011

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Columbus, Ohio

March 4, 2013

Honorable Mary Taylor  
Lt. Governor/Director  
State of Ohio  
Department of Insurance  
50 West Town Street  
Suite 300  
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

**Ohio Funeral Directors Association Benefit Trust**

an Ohio domiciled, multiple employer welfare arrangement, hereinafter referred to as the “Company.” The examination was conducted at the Company’s third-party administrator located at 4789 Rings Road, Dublin, Ohio.

**Scope of Examination**

The Department last examined the Company as of December 31, 2008. The Department’s current examination covers the period of January 1, 2009 through and including December 31, 2011.

The Department conducted the examination in accordance with 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 Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The Certified Public Accounting firm of Hirth, Norris, and Garrison, LLP provided an unqualified opinion on the Company’s financial statements for all years under

examination based on Statutory Accounting Principles. The audited financial statements and audit work papers were reviewed during the examination.

## **Management and Control**

### **Board of Trustees**

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

<b><u>Name</u></b>	<b><u>Principal Occupation</u></b>
Kenneth Cahall	Funeral Director, Cahall Funeral Homes
JoAnn Hartley	Funeral Director, Hartley Funeral Home
Gary Heller	Funeral Director, Marker & Heller Funeral Homes
Susan Jones	Funeral Director, Rutherford Funeral Homes & Crematories
Walt Lindsey	Funeral Director, Byerly-Lindsey Funeral Home
Terry Reardon	Funeral Director, Higgins – Reardon Funeral Homes
Mark Schneider	Funeral Director, Mark A. Schneider Funeral Home

### **Officers**

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

<b><u>Name</u></b>	<b><u>Title</u></b>
Susan Jones	Chairperson

## **Insurance Holding Company System**

The Company is not a member of an insurance holding company system.

## **Territory and Plan of Operations**

The Company is licensed to do business in the State of Ohio. The Company provides hospital and medical coverage to the members of the Ohio Funeral Directors Association, the sponsoring organization of the multiple employer welfare arrangement.

## **Reinsurance**

The Company has a specific stop loss reinsurance contract that provides coverage for losses up to \$2,000,000 above the Company's retention of \$200,000.

The Company also has an aggregate stop loss reinsurance contract which has a \$6,674,810 minimum aggregate deductible. There is a maximum aggregate benefit of \$1,000,000 in excess of the aggregate deductible.

The Company did not assume any reinsurance.

## **Financial Statements**

The financial condition and the results of its operations for the year ending December 31, 2011, 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 Income

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus  
As of December 31, 2011**

Assets

Cash, cash equivalents and short-term investments	\$ 1,702,037
Subtotal, cash and invested assets	1,702,037
Uncollected premiums	36,041
Amounts recoverable from reinsurers	43,905
Healthcare and other amounts receivable	<u>44,000</u>
Total assets	<u>1,825,983</u>

Liabilities

Claims unpaid	606,300
Unpaid claims adjustment expenses	82,700
Premiums received in advance	335,013
Accounts payable	<u>44,422</u>
Total liabilities	1,068,435

Unassigned funds 757,548

Total liabilities, capital and surplus \$ 1,825,983

**Statement of Revenue and Expenses  
For the Year Ending December 31, 2011**

Net premium income	<u>\$ 5,901,338</u>
Total revenue	5,901,338
Hospital/medical benefits	4,670,981
Prescription drugs	1,435,573
Change in IBNR	<u>(83,100)</u>
Subtotal	6,023,454
Less: Net reinsurance recoveries	<u>463,069</u>
Total hospital and medical	5,560,385
Claims adjustment expenses	864,216
General administrative expenses	<u>36,447</u>
Total underwriting deductions	6,461,048
Net underwriting loss	(559,710)
Net investment income earned	<u>10,776</u>
Net investment gain	10,776
Net loss	<u><u>\$ (548,934)</u></u>

## Statement of Changes in the Capital and Surplus Account

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and surplus, beginning of the year	<u>\$1,306,482</u>	<u>\$1,385,721</u>	<u>\$1,497,916</u>
Net income (loss)	<u>(548,934)</u>	<u>(79,239)</u>	<u>(112,195)</u>
Net change in capital and surplus during the year	<u>(548,934)</u>	<u>(79,239)</u>	<u>(112,195)</u>
Capital and surplus, end of the year	<u>\$ 757,548</u>	<u>\$1,306,482</u>	<u>\$1,385,721</u>

## Notes to Financial Statements

### Investments

The Company's investments in Caterpillar and General Electric floating rate notes exceeded permissible amounts as specified in ORC Section 3925.08(D)(2) by \$282,237 and \$301,431, respectively. The Company reduced its positions in these investments in January 2013 to be in compliance with ORC Section 3925.08(D)(2). As such, no adjustments were made to the financial statements.

### Conclusion

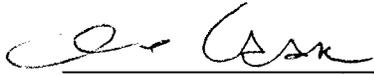
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2011, and is summarized as follows:

Total Admitted Assets	<u>\$ 1,825,983</u>
Liabilities	\$ 1,068,435
Surplus	<u>757,548</u>
Total Liabilities and Surplus	<u>\$ 1,825,983</u>

### **Acknowledgement**

In addition to the undersigned, David T. Finkler, CPA, CFE of the Department participated in this examination.

Respectfully,



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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, 2011.

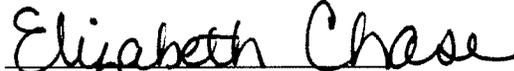
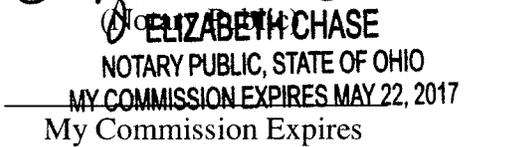
 3/6/2013  
Assistant Chief Examiner      Date

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 6 day of March, 2013.

  
  
ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017  
My Commission Expires