

Report of Examination of
Ohio Bankers Benefits Trust
Columbus, Ohio

As of December 31, 2012

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Columbus, Ohio
October 31, 2013

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance (“Department”)
50 West Town Street
3rd 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 Bankers Benefits Trust

an Ohio domiciled, multiple employer welfare arrangement trust, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 4249 Easton Way, Columbus, Ohio.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2009, by the Department. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2012.

Scope of Examination

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners 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.

For all years under examination, the Certified Public Accounting (“CPA”) firm of Hirth, Norris & Garrison, LLP provided an unqualified opinion on the financial statements based on

statutory accounting principles. The Hirth, Norris & Garrison, LLP audit reports were reviewed during the examination.

Management and Control

Board of Directors:

Members of the board of directors elected and serving on December 31, 2012, were as follows:

Name	Principal Occupation
G. Courtney Haning	Chairman, President & Chief Executive Officer, The People National Bank of New Lexington
John R. Malanowski	President, First Federal Savings & Loan Association of Lorain
Thomas L. Moore	President and Chief Executive Officer, First Federal Bank of Ohio
Paul Reed	President and Chief Executive Officer, Farmers Bank
Judith M. Root	President, Fairfield Federal Savings & Loan
Thomas Will	Chairman, Community Bancshares

Reinsurance

The Company has a specific stop loss reinsurance contract that provides coverage for losses above the Company's retention of \$225,000.

The Company also has an aggregate stop loss reinsurance contract that provides coverage of up to \$1,000,000 above a deductible of \$16,100,891.

The Company did not assume an reinsurance.

Territory and Plan of Operations

The Company is licensed to transact business in the State of Ohio.

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 Capital and Surplus Account

Statement of Assets, Liabilities, and Surplus

	<u>December 31, 2012</u>
Admitted assets	
Cash and invested assets:	
Bonds	\$2,564,439
Common stock	248,709
Cash and short-term investments	3,908,364
Total cash and invested assets	<u>6,721,512</u>
Investment income due and accrued	15,979
Uncollected premiums and agents' balances in the course of collections	23,389
Total admitted assets	<u>\$6,760,880</u>
Liabilities and capital and surplus	
Liabilities:	
Claims unpaid	1,923,000
Accrued medical incentive pool and bonus amounts	125,000
General expenses due or accrued	14,868
Total liabilities	<u>2,062,868</u>
Capital and surplus:	
Unassigned surplus	4,698,012
Total capital and surplus	<u>4,698,012</u>
Total liabilities and capital and surplus	<u>\$6,760,880</u>

Statement of Revenue and Expenses

For the Year Ended
December 31, 2012

Premium and other revenues:

Net premium income	\$15,083,245
Total revenues	<u>15,083,245</u>

Benefits paid or provided:

Hospitalization/medical benefits	9,232,338
Prescription drugs	2,090,735
Incentives pool, withhold adjustments and bonus amounts	55,000
Less	
Net reinsurance recoveries	<u>141,823</u>
Total hospital and medical	11,236,250
Claims adjustment expenses	1,052,490
General administrative expenses	<u>98,552</u>
Total underwriting deductions	12,387,292
Net underwriting gain	<u>2,695,953</u>
Net investment income earned	<u>64,998</u>
Net investment gains	64,998
Net income	<u><u>\$2,760,951</u></u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus December 31, previous year	\$1,937	\$2,119	\$3,664
Net income	2,761	(382)	(1,745)
Capital Changes - Paid	-	200	200
Net change in capital and surplus	<u>2,761</u>	<u>(182)</u>	<u>(1,545)</u>
Surplus, December 31, current year	<u>\$4,698</u>	<u>\$1,937</u>	<u>\$2,119</u>

Notes to Financial Statements

Investments

At December 31, 2012, the Company'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	38.15%	37.93%
Common stock	3.70%	3.69%
Cash and short-term investments	<u>58.15%</u>	<u>57.81%</u>
Totals	<u>100.00%</u>	<u>99.43%</u>

The Company's investments were in compliance with Section 1739.13 of the ORC.

Claims unpaid

Jeffrey L. Smith, MAAA, FCA certified the total reserves as of December 31, 2012.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2012, and is summarized as follows:

Total Admitted Assets	<u>\$6,760,880</u>
Liabilities	\$2,062,868
Unassigned funds	<u>4,698,012</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$6,760,880</u>

Acknowledgement

In addition to the aforementioned and the undersigned, the following representative of the Department participated in the examination: Patricia Severs, CPA.

Respectfully,



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, 2012.

J. Casan
Assistant Chief Examiner

11/20/13
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 20 day of November 2013.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires

Notary Public

I hereby certify that the foregoing is a true and correct copy of the original as shown to me by the person presenting the same for recording.

Notary Public

Elizabeth Chase

My Commission Expires May 22, 2011

Elizabeth Chase

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2011