

Report of Examination of
North American Swiss Alliance
Columbus, Ohio
As of December 31, 2014

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Columbus, Ohio
March 21, 2016

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

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

North American Swiss Alliance

an Ohio domiciled, fraternal benefit society, hereinafter referred to as the (“Company.”) The examination was conducted at the Department and the Company’s home office located at 26777 Lorain Road, North Olmsted, Ohio.

Scope of Examination

The Department last examined the Company as of December 31, 2010. The Department’s current examination covers the period from and including January 1, 2011 through December 31, 2014.

The examination was conducted 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, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the ORC Section 3901.07 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination reports but separately communicated to other regulators and/or the Company.

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	Principal Occupation
Alois Wendelin Amstutz *	Owner, Tanks Meats
Richard Heman Hardt	Retired
Darlene Kilchenmann	Retired
Marilyn Almo Kozman	Retired
Carl Hans Kunzler	Owner, Anden Business Systems
Jan Markowski *	Retired
William George Preslock	Retired
Donald Phillips Robinson *	Certified Public Accountant
Richard Alan Rowland *	Retired

* Denotes member of the Executive Board

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
Alois Wendelin Amstutz	President
Donald Phillips Robinson	Vice-President
Lynn M. Kosin	Secretary and Treasurer

Insurance Holding Company System

The Company is not a member of an insurance holding company system as defined in ORC Section 3901.32.

Territory and Plan of Operations

The Company is licensed to write business in the States of California and Ohio. The Company writes 20 pay and single premiums life insurance policies.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Income

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2014**

Bonds	\$ 3,392,001
Preferred stocks	153,750
Cash, cash equivalents and short term investments	45,638
Contract loans	<u>5,357</u>
Subtotal, cash and invested assets	3,596,746
Investment income due and accrued	<u>47,160</u>
Total admitted assets	\$ <u>3,643,906</u>

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2014**

Aggregate reserve for life contracts	\$ 2,587,000
Contract claims - life	5,000
Provisions for refunds payable in the following year - apportioned for payment	10,000
Interest maintenance reserve	184,543
General expenses due or accrued	2,516
Taxes, licenses and fees due or accrued	114
Amounts withheld or retained by Society as agent or trustee	202,914
Asset valuation reserve	14,079
Drafts outstanding	<u>500</u>
Total liabilities	<u>3,006,666</u>
Aggregate write-ins for surplus funds	33,673
Unassigned funds (surplus)	<u>603,567</u>
Total surplus	<u>637,240</u>
Total liabilities, capital and surplus	\$ <u>3,643,906</u>

**Summary of Operations
As of December 31, 2014**

Premiums and annuity considerations	\$ 17,269
Net investment income	155,645
Amortization of Interest Maintenance Reserve	41,132
Miscellaneous	<u>456</u>
Total	<u>214,502</u>
Death benefits	82,169
Matured endowments	6,226
Surrender benefits and withdrawals for life contracts	17,874
Interest and adjustments on contract or deposit-type contract funds	1,986
Increase in aggregate reserves	<u>(37,000)</u>
Total	<u>71,255</u>
General insurance expenses and fraternal expenses	104,515
Insurance taxes, licenses and fees	<u>4,812</u>
Totals	<u>180,582</u>
Net gain from operations before refunds to members	33,920
Refunds to members	<u>8,033</u>
Net income	\$ <u>25,887</u>

Statement of Changes in the Capital and Surplus Account

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus, prior year end	\$ 813,546	\$ 479,491	\$ 684,293	\$ 822,977
Net income (loss)	25,887	37,201	(1,700)	(37,693)
Change in reserve on account of change in reserve basis			(200,000)	(100,000)
Changes in asset valuation reserve	(2,194)	(3,146)	(3,099)	(991)
Aggregate write-ins for gains and losses in surplus	<u>(200,000)</u>	<u>300,000</u>	<u>(3)</u>	<u>-</u>
Net change in capital and surplus	<u>(176,307)</u>	<u>334,055</u>	<u>(204,802)</u>	<u>(138,684)</u>
Capital and surplus, current year end	<u>\$ 637,239</u>	<u>\$ 813,546</u>	<u>\$ 479,491</u>	<u>\$ 684,293</u>

Notes to Financial Statements Investments

The Company's investments were in compliance with ORC Section 3907.14 and valued in accordance with the relevant Statements of Statutory Accounting Principles ("SSAP") and the NAIC Securities Valuation Office.

Aggregate Reserves for Life and Accident and Health Contracts

The Company appointed Grant Hemphill, FSA, MAAA, of the consulting actuarial firm of Bruce and Bruce to render the Company's Statement of Actuarial Opinion ("Opinion.") Mr. Hemphill prepared an Actuarial Memorandum supporting the Opinion in connection with the preparation of the Company's December 31, 2014 Annual Statement. Mr. Hemphill concluded that the Company's aggregate reserves for life contracts reported in the Annual Statement meet the requirements of the insurance laws and regulations of the State of Ohio.

Peter A. Weber, ASA, MAAA, the Department's Life and Annuity Actuary, reviewed the Actuarial Memorandum supporting the Actuarial Opinions provided by Mr. Hemphill. Mr. Weber determined that the reserves presented in the Company's 2014 Annual Statement are consistent with requirements of Ohio law.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

Total Assets	\$ <u>3,643,906</u>
Liabilities	3,006,666
Capital and Surplus	<u>637,240</u>
Total Liabilities, Capital and Surplus	\$ <u><u>3,643,906</u></u>

Subsequent Events

There have been no subsequent events to the examination date that would have a material effect on the financial condition of the Company.

Acknowledgement

In addition to the aforementioned and undersigned, Richard Morris, CPA of the Department participated in this examination.

Respectfully,



David A. Cook, CFE
Assistant Chief Examiner
Office of Risk Assessment
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, 2014.

David A. Cook
Assistant Chief Examiner

4/7/16
Date

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 7 day of April, 2016.

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