STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

WORKMEN'S BENEFIT FUND OF THE UNITED STATES OF AMERICA

AS OF

DECEMBER 31, 2003

DATE OF REPORT:	MARCH 8, 2006
EXAMINER:	ANTHONY MAURO

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Executive summary	2
2.	Scope of examination	4
3.	Description of Society	5
	A. History	5
	B. Management	5
	C. Territory and plan of operation	7
	D. Reinsurance	7
4.	Significant operating results	8
5.	Financial statements	10
	A. Assets, liabilities and surplus	10
	B. Condensed summary of operations	12
	C. Surplus account	12
6.	Market conduct activities	13
	A. Advertising and sales activities	13
	B. Underwriting and policy forms	13
	C. Treatment of policyholders	13
7.	Disaster recovery and business continuity	14
8.	The WBF Midwest Branch Office, the National President and the National Sales and Marketing Director	15
9.	Summary and conclusions	19

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

MARCH 8, 2006

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22223, dated May 3, 2004 and annexed hereto, an examination has been made into the condition and affairs of the Workmen's Benefit Fund of the United States of America, hereinafter referred to as "the Society" or "WBF" at its home office located at 99 North Broadway, Hicksville, New York 11801.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

During 2001, the Free Sons of Israel, a fraternal benefit society domiciled in New York, merged into the Society. The merger generated 600 new members to the Society. (See item 3A of this report)

Subsequent to the examination period, the Workmen's Circle, another fraternal benefit society domiciled in New York with approximately 6,000 members, merged into the Society effective September 1, 2004. WBF absorbed the liabilities and received approximately $6 million in assets as a result of the merger. It is expected that the Society will sustain losses in the first year after the merger as a result of increased legal and EDP expenses which were incurred. (See item 3A of this report)

As a result of the deterioration in the Society's surplus position during the examination period and recent losses from operations, the examiner recommends that the Society take whatever steps are necessary to maintain, at a minimum, its current surplus position, eliminate unnecessary expenses and explore more efficient means to deliver and service its products to members. (See item 4 of this report)

The Society and the National President (John Z. Sebastian) were unable to adequately document the expense allocation factors used to allocate expenses to the Society for the WBF Midwest Branch Office ("Branch"). Subsequent to the examination period, the board decided to discontinue operation of the Branch office effective December 31, 2005; as a result, the Branch office servicing agreement with John Z. Sebastian was not renewed. All membership servicing will be centralized in the Society's home office in Hicksville, NY. A national toll-free number has also been established and will be widely circulated through the Society's official publications. Notification will be sent to members residing in the Midwest area of the country to inform them of the change in procedure effective January 1, 2006. (See item 8 of this report)

The examiner's review of the documentation supporting a sample of expenses of the National President and his Agency identified a number of questionable expenses. The results of an independent audit also revealed a number of questionable expenses, similar to the examiner's findings. The independent audit also suggests that the Branch office expense reimbursements ($30,000 per year), which have been terminated as of December 31, 2005, were excessive. (See item 8 of this report)

Subsequent to the examination period, the board decided not to renew the agreement with Mr. Sebastian to continue in the capacity as the Society's National Sales and Marketing Director effective December 31, 2005. The Society will explore various other initiatives to increase sales with new programs that will be overseen by the Society's National Executive and Promotion Committee, which is comprised of six board members. On a day-to-day basis the National Secretary and National Treasurer will perform the necessary work in conjunction with the Sales Department's operations. (See item 8 of this report)

At a special board meeting held on February 25, 2006, Mr. Sebastian retired as National President of the Society effective March 1, 2006 and the board accepted his retirement. The board will take up the issue of appointing a replacement for the position of National President at a special board meeting to be held on March 18, 2006. (See item 8 of this report)

It is apparent from this examination that there was a lack of adequate controls in place over the expenses incurred by the National President and his Agency on the Society's behalf, including the Branch office expenses allocated to the Society. In addition, there were not adequate controls in place to review, monitor or audit such expenses. The examiner recommends that the board establish adequate controls to review, monitor and audit expenses of board members and principal officers in the future. (See item 8 of this report)

The examiner's review of the Society's market conduct activities did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Society. (See item 6 of this report)

The examiner recommends that the Society develop a disaster recovery plan and a business continuity plan. (See item 7 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2000. This examination covers the period from January 1, 2001 through December 31, 2003. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2003, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2003 to determine whether the Society's 2003 filed annual statement fairly presents its financial condition. The examiner reviewed the Society's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Society history
Management and control
Fidelity bond and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Market conduct activities
Growth of the Society
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF THE SOCIETY

A. History

The Workmen's Benefit Fund of the United States of America is a fraternal benefit society organized on October 19, 1884 as the Workmen's Sick and Death Benefit Fund of the United States of America. The Society adopted its present name in 1939.

During 2001, the Free Sons of Israel, a fraternal benefit society domiciled in New York, merged into the Society. The merger generated 600 new members to the Society.

Subsequent to the examination period, the Workmen's Circle, another fraternal benefit society domiciled in New York with approximately 6,000 members, merged into the Society effective September 1, 2004. WBF absorbed the liabilities and received approximately $6 million in assets as a result of the merger. It is expected that the Society will sustain losses in the first year after the merger as a result of increased legal and EDP expenses which were incurred.

B. Management

The National Executive Board is comprised of 15 members. The board met four times in each year of the examination period.

The 15 board members and their principal business affiliation, as of December 31, 2003, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Joseph F. Arnold Vila Park, IL	Vending route-person Marriott Corp.	1980
George Boehm Chicago, IL	President Boehm Enterprises	1992
Charles J. Borg Wellington, FL	President Borg Intergroup, Ltd.	1984
Patricia Hughes Casey Bellerose Terrace, NY	Agent Hughes Associates, Inc.	2000

Name and Residence	Principal Business Affiliation	Year First Elected
Richard Cecchi West Babylon, NY	National Treasurer and Deputy Executive Officer Workmen's Benefit Fund	1996
Charles L. Grossman Great Neck, NY	National Secretary and Chief Executive Officer Workmen's Benefit Fund	1979
William Groth Upper Montclair, NJ	Retired	1996
Maura J. Hughes New York, NY	Bank Officer Sweden National Bank	2003
Philip H. Mark East Meadow, NY	Chairman, Chemistry Department Nassau Community College	2000
Albert J. Mlodynia Commack, NY	EDP Manager Workmen's Benefit Fund	1980
Dieter Polednik Park Slope, NJ	President (Insurance) Biertuempfel-Osterag Agency	1987
Heinz F. Richter Montvale, NJ	Retired	1984
Michele M. Rickter Park Ridge, IL	Agent (Insurance) John Z. Sebastian Insurance	1998
Anni Rott Flushing, NY	Retired	1996
John Z. Sebastian Park Ridge, IL	National President Workmen's Benefit Fund	1972

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Society as of December 31, 2003:

Name	Title
John Z. Sebastian	National President
Charles L. Grosssman*	National Secretary and Chief Executive Officer
Richard Cecchi	National Treasurer and Deputy Executive Officer
Charles F. Hughes	National Vice President

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

At a special board meeting held on February 25, 2006, Mr. Sebastian retired as National President of the Society effective March 1, 2006 and the board accepted his retirement.

C. Territory and Plan of Operation

The Society is authorized to write life insurance, annuities and accident and health insurance in accordance with Sections 4501 and 4505 of the New York Insurance Law. The Society is licensed in 15 states.

In 2003, 80.7% of total premiums were received from New York. Policies are written on a participating basis.

The Society's agency operations are conducted on a general agency basis.

D. Reinsurance

As of December 31, 2003, the Society had reinsurance treaties in effect with three companies, all of which were authorized in New York. The Society's life and health policies are reinsured on a coinsurance and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $50,000. The total face amount of life insurance ceded as of December 31, 2003, was $31,288,827 which represents 34% of the total face amount of life insurance in force.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Society during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Society's financial growth during the period under review:

	December 31, 2000	December 31, 2003	Increase (Decrease)
Admitted assets	$33,132,591	$33,734,102	$ 601,511
Liabilities	$30,285,177	$32,067,643	$ 1,782,466
Unassigned funds (surplus)	2,847,414	1,666,459	(1,180,955)
Total liabilities, and unassigned funds	$33,132,591	$33,734,102	$ 601,511

The Society's admitted assets increased slightly over the examination period by $601,511 or 1.8%. During the same period, surplus declined precipitously by $1,180,955 or 41.5% as liabilities increased by $1,782,466 due to an increase in aggregate life and annuity reserves. As a result of the deterioration in the Society's surplus position during the examination period and recent losses from operations, the examiner recommends that the Society take whatever steps are necessary to maintain, at a minimum, its current surplus position, eliminate unnecessary expenses and explore more efficient means to deliver and service its products to members.

The following is the net gain (loss) from operations by line of business reported for each of the years under examination in the Society's filed annual statements:

	2001	2002	2003
Ordinary:			
Life insurance	$ 404,429	$ 367,904	$ (38,720)
Individual annuities	24,748	80,330	15,697
Supplementary contracts	24,276	(62,011)	(89,321)
Total ordinary	$ 453,453	$ 386,223	$(112,344)
Accident and health	(100,244)	(116,793)	(75,877)
Total insurance	$ 353,209	$ 269,430	$(188,221)
Fraternal operations	(344,694)	(325,770)	(319,051)
Total	$ 8,515	$ (56,340)	$(507,272)

The loss on the life insurance line in 2003 is due to a decrease in premium and net investment income, coupled with an increase in death benefits in the amount of $304,435 (49%) from the prior year. During 2003, the Society had six large death claims wherein there was little or no reinsurance and very little reserve build-up.

The increase in the gain reported on the annuity line in 2002 is the result of increased annuity considerations from $269,955 during 2001 to $986,301 during 2002. Despite another increase in annuity considerations in 2003 to $1,636,546, there was a decrease in net income from 2002 to 2003 as a result of an increase in annuity reserves due to a change in valuation basis. The change in valuation basis was made in connection with an asset and liability analysis conducted by the Society's actuary.

Supplementary contracts have sustained losses in 2002 and 2003 partly because no new contracts were issued resulting in no new premium income.

The Society's accident and health insurance is a closed block and is in runoff. The number of individuals covered under the Society's accident and health policies is declining as the covered individuals are reaching the maximum coverage age specified in the policies.

Also contributing to the total loss of $507,272 reported in 2003 was an overall decrease in net investment income.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities and surplus as of December 31, 2003 as contained in the Society's 2003 filed annual statement, a condensed summary of operations and a reconciliation of the surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Society's financial condition as presented in its financial statements contained in the December 31, 2003 filed annual statement.

A. ASSETS, LIABILITIES AND SURPLUS AS OF DECEMBER 31, 2003

Admitted Assets

Bonds	$26,848,697
Stocks:	
Preferred stocks	454,475
Common stocks	68,505
Mortgage loans – first liens	1,256,657
Real estate – properties occupied by the Society	2,209,140
Cash and short term investments	702,340
Contract loans	1,304,586
Fraternal fund	10,000
Investment income due and accrued	462,980
Uncollected premiums and agent's balances in the course of collection	4,695
Reinsurance – amounts recoverable from reinsurers	50,000
Electronic data processing equipment and software	325,059
Goodwill	36,968
Total admitted assets	$33,734,102

Liabilities and Surplus

Aggregate reserve for life certificates and contracts	$29,378,905
Aggregate reserve for accident and health certificates	70,850
Liability for deposit type contracts	1,512,370
Policy and contract claims:	
Life	264,983
Accident and health	2,010
Premiums and annuity considerations received in advance	20,229
Interest maintenance reserve	26,509
General expenses due or accrued	120,864
Taxes, licenses and fees due or accrued	38,035
Amounts withheld or retained by Society as agent or trustee	85,813
Amounts held for fieldworkers account	107
Liability for benefits for employees and fieldworkers	173,223
Asset valuation reserve	373,745
Total liabilities	$32,067,643
Unassigned funds (surplus)	$ 1,666,459
Total liabilities and surplus	$33,734,102

B. CONDENSED SUMMARY OF OPERATIONS

	2001	2002	2003
Premiums and considerations	$1,437,234	$2,081,747	$2,543,896
Investment income	2,189,042	2,072,931	1,990,217
Miscellaneous income	587	88,529	15,169
Total income	$3,626,863	$4,243,207	$4,549,282
Benefit payments	$2,504,643	$2,289,856	$2,452,262
Increase in reserves	(435,869)	513,229	1,065,174
Commissions	117,870	114,743	134,995
General expenses, taxes, and fraternal expenses	1,433,149	1,382,146	1,404,216
Increase in loading on deferred and uncollected premium	(1,443)	(455)	(92)
Total deductions	$3,618,350	$4,299,519	$5,056,555
Net gain (loss) from operations before net realized capital gains	$ 8,513	$ (56,312)	$ (507,273)
Net realized capital (losses)	(147)	(64)	(117)
Net income (loss)	$ 8,366	$ (56,376)	$ (507,390)

C. SURPLUS ACCOUNT

	2001	2002	2003
Surplus, December 31, prior year	$2,847,414	$2,662,031	$2,310,943
Net income (loss)	$ 8,366	$ (56,376)	$ (507,390)
Change in net unrealized capital (losses)	(99,752)	(34,621)	(33,190)
Change in nonadmitted assets and related items	(180)	180	0
Change in reserve on account of change in valuation basis	(425,342)	(100,000)	(50,000)
Change in asset valuation reserve	(38,837)	(114,791)	(13,703)
Fraternal fund	(54,980)	(45,480)	(40,201)
Merger with Free Sons of Israel	425,342	0	0
Net change in surplus	$ (185,383)	$ (351,088)	$ (644,484)
Surplus, December 31, current year	$2,662,031	$2,310,943	$1,666,459

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Society's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Society.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Society's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. DISASTER RECOVERY AND BUSINESS CONTINUTY

The objective of a disaster recovery plan is to provide reasonable assurance that data, systems and operations can be successfully recovered and be available to users in the event of a disaster. The objective of a business continuity plan is to reasonably ensure that the recovery of critical business processes could take place in the event of a disaster.

The examiner's review revealed that the Society does not have a comprehensive written disaster recovery plan to provide reasonable assurance that data, systems and operations can be successfully recovered and be available to users in the event of a disaster.

The examiner recommends that the Society develop a comprehensive written disaster recovery plan and have such plan approved by the board of directors. The plan should address hardware and system recovery, data retrieval procedures, emergency contact information, hardware/software vendor information, telecommunications recovery procedures, disaster declaration approval procedures, and physical recovery location. The plan should contain provisions to ensure periodical testing. The disaster recovery plan should be aligned with the Society's business continuity plan and be approved and periodically reviewed by management to ensure that they meet the needs of the business. Documentation of the disaster recovery test plans and results (indicating problems found or successful completions) and documentation of management approval of the plan should be maintained.

The examiner's review revealed that the Society does not have a written business continuity plan in place to reasonably ensure that the recovery of critical business processes could take place in the event of a disaster.

The examiner recommends that the Society develop a written business continuity plan and have such plan approved by the board of directors. The plan should identify the recovery of critical business processes. The plan should also identify supporting systems applications, vendors that would assist with locating alternate processing and office site locations, forms and documentation arrangements, network and application restoration procedures, and procedures to be followed by Society personnel during the disaster and recovery period. The plan should contain provisions to ensure periodical testing. The business continuity plan should be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the business continuity test plan and results and documentation of management approval of the plan should be maintained.

8. THE WBF MIDWEST BRANCH OFFICE, THE NATIONAL PRESIDENT AND THE NATIONAL SALES AND MARKETING DIRECTOR

The Branch office located in Chicago, Illinois was founded in 1973, as a result of a merger between WBF and the Mutual Benefit Aid Society (“MBAS”). MBAS was a fraternal benefit society organized and doing business in the State of Illinois and was also authorized to do business in the State of New York. On the effective date of the merger agreement, MBAS merged into WBF, which was the surviving Society, and the corporate existence of MBAS ceased to exist. Pursuant to the merger agreement, WBF maintained the existing headquarters of MBAS in Chicago, Illinois in order to provide service and facilities for the further development and promotion of the united membership.

The Department’s report on examination dated, July 17, 1975, reported that just prior to the merger MBAS had 2,415 members with an average attained age of 56. As of the date of this report, there are approximately 16,000 total members in the WBF. The membership of the Branch as of this examination date is approximately 1,600 or 10% of the total WBF membership; included in the Branch membership are 376 original members of MBAS.

The Branch shares work space in the Chicago, Illinois office with the John Z. Sebastian Agency (“Agency”), which is headed by John Z. Sebastian. Mr. Sebastian is also National President and National Sales and Marketing Director for the Society. The examiner notes that the Agency writes business for a number of companies in addition to the Society. The examiner also notes that Mr. Sebastian owns the building in which the Agency is located. When the examiner questioned how Branch expenses were allocated to the Society by the Agency, it was initially explained to the examiners by Mr. Sebastian that approximately 25% of the Agency’s total office expenses were allocated to the Society, which includes rent and office salaries among other expenses. The Society was paying $2,500 per month, or $30,000 per year, to the Agency for its allocated share of Branch office expenses.

The Society maintains that the membership services provided at the Branch include distributing and collecting: claim forms; certificate change forms; beneficiary change forms; and address change forms and forwarding these forms to the home office for processing. The Society also maintains that the Branch provides responses to general membership inquiries; the Society indicated that the number of inquiries range from 15 to 25 telephone inquiries per week and two to five face-to-face visits per week.

The examiner attempted to review documentation supporting the expense allocation for Branch office operations. However the Society and the National President were unable to adequately document the expense allocation factors used to allocate expenses to the Society for the Branch office.

Based on the deterioration of the Society's surplus position, the relatively small number of members the Branch services in relation to the total membership, the significant expenses involved in maintaining the Branch office and the alternative methods available to service members (e.g., 800 toll-free number, internet), the examiner questioned whether there were less costly alternatives to service the affected members.

Subsequent to the examination period, the board decided to discontinue operation of the Branch office effective December 31, 2005; as a result, the Branch office servicing agreement with Mr. Sebastian was not renewed. All membership servicing will be centralized in the Society's home office in Hicksville, NY. A national toll-free number has also been established and will be widely circulated through the Society's official publications. Notification will be sent to members residing in the Midwest area of the country to inform them of the change in procedure effective January 1, 2006.

Besides the Branch office expense reimbursements made to the Agency as described above, the Agency and the National President were reimbursed during the examination period for expenses that were reportedly incurred on the Society's behalf. This includes cash reimbursements for expense reports filed, reimbursement for specific items purchased for the Society for which reimbursement was requested and made, payments for American Express charges made by Mr. Sebastian on the Society's corporate account (airfare, hotel, food and other items), and reimbursement for expenses that were paid directly to vendors by the Society for services provided to, and purchases made on behalf of, the Society (e.g., ATT, SBC long distance, printing expenses). The examiner's review of the documentation supporting a sample of these expenses identified a number of questionable payments.

It was also noted by the examiner that certain Agency expenses (e.g., office equipment) were billed directly to the Society above and beyond the Branch office expense allocation previously discussed. It is unclear why such expenses were being directly billed to the Society and why they are not covered by the Branch office expense allocation.

It is apparent from this examination that there was a lack of adequate controls in place over the expenses incurred by the Agency and the National President on the Society's behalf, including the Branch office expenses allocated to the Society. In addition, there were not adequate controls in place to review, monitor or audit such expenses. Where a board member is also the National President and the National Sales and Marketing Director, as well as a service provider (Branch office services) for the Society, it is the board's responsibility to establish appropriate controls to review, monitor and audit such expenses. There is no other officer, employee or body, other than the board, that has the necessary authority to do so.

The examiner recommends that the board establish adequate controls to review, monitor and audit expenses of board members and principal officers in the future.

The examiner had also recommended that the board authorize an independent audit (the "Audit") of such expenses by a qualified unaffiliated third party for the year 2004, including the allocation of the Branch office expenses. The Society authorized the Audit subsequent to the examination period and the results of the Audit revealed a number of questionable expenses of the National President and his Agency, similar to the findings of this examination. The Audit also suggests that the Branch office expense reimbursements ($30,000 per year), which have been terminated as of December 31, 2005, were excessive.

As National Sales and Marketing Director, Mr. Sebastian was also compensated $3,827 per month, or $45,924 per year, by the Society. This was in addition to Mr. Sebastian's salary as National President, which amounted to $3,000 per month or $36,000 per year.

During the period under examination, first year life insurance premiums, life insurance issued, life insurance in force, life certificates issued and life certificates in force all steadily declined.

The Society has not been successful in attracting new members or selling new life insurance. Although the Society maintained a position for National Sales and Marketing Director, it did not appear to be having a significant effect on life insurance sales. The examiner notes that the salary paid to the National Sales and Marketing Director actually exceeded first year life insurance premiums in 2003. In addition, the Society's life and annuity business is produced by only about two dozen agents.

Based on the deterioration of the Society's surplus position, the eroding certificate holder base, the very limited sales force and the significant expenses involved in maintaining the position of National Sales and Marketing Director, the examiner questioned whether there were less costly alternatives to maintaining such a position.

Subsequent to the examination period, the board decided not to renew the agreement with Mr. Sebastian to continue in the capacity as the Society's National Sales and Marketing Director effective December 31, 2005. The Society will explore various other initiatives to increase sales with new programs that will be overseen by the Society's National Executive and Promotion Committee, which is comprised of six board members. On a day-to-day basis the National Secretary and National Treasurer will perform the necessary work in conjunction with the Sales Department's operations.

In addition, at a special board meeting held on February 25, 2006, Mr. Sebastian retired as National President of the Society effective March 1, 2006 and the board accepted his retirement. The board will take up the issue of appointing a replacement for the position of National President at a special board meeting to be held on March 18, 2006.

9. SUMMARY AND CONCLUSIONS

Following are the recommendations and the comment contained in this report:

Item	Description	Page No(s).
A	As a result of the deterioration in the Society's surplus position during the examination period and recent losses from operations, the examiner recommends that the Society take whatever steps are necessary to maintain, at a minimum, its current surplus position, eliminate unnecessary expenses and explore more efficient means to deliver and service its products to members.	8
B	The examiner recommends that the Society develop a comprehensive written disaster recovery plan and have such plan approved by the board of directors.	14
C	The examiner recommends that the Society develop a written business continuity plan and have the plan approved by the board of directors.	14
D	Comment that the Society and the National President were unable to adequately document the expense allocation factors used to allocate expenses to the Society for the Branch office.	16
E	Comment that subsequent to the examination period, the board decided to discontinue operation of the Branch office effective December 31, 2005; as a result, the Branch office servicing agreement with Mr. Sebastian was not renewed.	16
F	Comment that the examiner's review of the documentation supporting a sample of the expenses of the National President and his Agency identified a number of questionable payments.	16
G	Comment that it was apparent that there was a lack of adequate controls in place over the expenses incurred by the Agency and the National President on the Society's behalf, including the Branch office expenses allocated to the Society. In addition, there were not adequate controls in place to review, monitor or audit such expenses.	17
H	The examiner recommends that the board establish adequate controls to review, monitor and audit expenses of board members and principal officers in the future.	17

Item	Description	Page No(s).
I	Comment that the results of an independent audit revealed a number of questionable expenses, similar to the examiner's findings, and that the independent audit also suggests that the Branch office expense reimbursements ($30,000 per year), which have been terminated as of December 31, 2005, were excessive.	17
J	Comment that subsequent to the examination period, the board decided not to renew the agreement with Mr. Sebastian to continue in the capacity as the Society's National Sales and Marketing Director effective December 31, 2005.	18
K	Comment that at a special board meeting held on February 25, 2006, Mr. Sebastian retired as National President of the Society effective March 1, 2006 and the board accepted his retirement. The board will take up the issue of appointing a replacement for the position of National President at a special board meeting to be held on March 18, 2006.	18

Respectfully submitted,

/s/
Anthony Mauro
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

ANTHONY MAURO, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Anthony Mauro

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. *22223*

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, __GREGORY V. SERIO__, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

ANTHONY MAURO

as a proper person to examine into the affairs of the

WORKMEN'S BENEFIT FUND OF THE
UNITED STATES OF AMERICA

and to make a report to me in writing of the condition of the said

SOCIETY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this __3rd__ day of __May__, 2004

GREGORY V. SERIO
Superintendent of Insurance

Superintendent