



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
WORKMEN'S BENEFIT FUND OF THE UNITED STATES OF AMERICA

CONDITION:

DECEMBER 31, 2018

DATE OF REPORT:

JUNE 23, 2020

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
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OF THE  
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AS OF  
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EXAMINER:

IJEOMA NDIKA

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Linda A. Lacewell  
Superintendent

June 23, 2020

The Honorable Linda A. Lacewell  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 32014, dated November 1, 2019, and annexed hereto, an examination has been made into the condition and affairs of Workmen's Benefit Fund of the United States of America, hereinafter referred to as "the Society," at its home office located at 399 Conklin Street, Farmingdale, NY 11735.

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

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

## 1. EXECUTIVE SUMMARY

The material comments contained in this report are summarized below.

- The Department is currently working with the Society to address the Society's cash flow testing assumptions and modeling issues. At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until these concerns are resolved. The prior report on examination contained a similar comment. (See item 5F of this report.)
- The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner. The extent to which COVID-19 may affect the Society's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Society's business. (See item 7 of this report.)

## 2. SCOPE OF EXAMINATION

The examination of the Society was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2016, to December 31, 2018. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2018, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Society conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 6 of this report.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

Information about the Society's organizational structure, business approach and control environment were utilized to develop the examination approach. The Society's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic

- Credit
- Market
- Liquidity
- Legal
- Reputational

The Society was audited annually, for the years 2016 through 2018, by the accounting firm of Vision Financial Group CPAs, LLP. The Society received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination.

The examiner reviewed the corrective action taken by the Company with respect to the recommendation contained in the prior report on examination. The result of the examiner's review is contained in item 7 of this report.

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

### 3. DESCRIPTION OF COMPANY

#### A. History

The Society was incorporated in 1884 and licensed to do an insurance business in February 1899. The Society was originally incorporated as Workmen's Sick and Death Benefit Fund of the United States of America; the present name was adopted in 1939.

In 2001, the Free Sons of Israel, a fraternal benefit society domiciled in New York, merged into the Society.

In 2004, the Workmen's Circle, a fraternal benefit society domiciled in New York, merged into the Society.

#### B. Management

The Society's by-laws provide that the board of directors shall be comprised of four National Officers and nine National Directors. National Officers are elected for a period of four years at the National Convention held during the period of June through September once every four years. As of December 31, 2018, the board of directors consisted of 13 members. Meetings of the board are held quarterly.

The 13 board members and their principal business affiliation, as of December 31, 2018, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Joseph Arnold Villa Park, Illinois	National Vice President Workmen's Benefit Fund of the United States of America	1980
George Boehm* Chicago, Illinois	Retired Franklin, Jackson and Jones Associates	1992
Charles Borg Wellington, Florida	National President Workmen's Benefit Fund of the United States of America	1984
Patricia Casey* Bellerose Terrace, New York	Agent Hughes Associates, Inc	2000

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Richard Cecchi West Babylon, New York	National Treasurer Workmen's Benefit Fund of the United States of America	1996
Charles Grossman Great Neck, New York	National Secretary and Chief Executive Officer Workmen's Benefit Fund of the United States of America	1979
Richard Hallex* Richmond Hill, New York	Network Infrastructure Support Manager Baruch College of the City University of New York	2014
Barbara Hendrickson* Orland Park, Illinois	School Teacher Brookfield La Grange Park School	2008
Liz Karlsmark* Wilmington, North Carolina	Salesperson Trader Joe's Food Chain	2018
Robert Kestenbaum* North Bellmore, New York	Director of Family Services Woodlawn Cemetery	2004
Martin Krupnik* Marlboro, New Jersey	President and Chief Executive Officer IEP Youth Services, Inc	2016
Arlene Kyler* Oceanside, New York	President Take My Card, Inc	2007
Philip Mark* East Meadow, New York	Retired Chairman, Chemistry Department Nassau Community College	1987

\*Not affiliated with the Society

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 Company as of December 31, 2018:

<u>Name</u>	<u>Title</u>
Charles Borg	National President
Joseph Arnold	National Vice President
Charles Grossman*	National Secretary and Chief Executive Officer
Richard Cecchi	National Treasurer

\*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

### C. Territory and Plan of Operations

The Society is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Society is licensed to transact business in 13 states. In 2018, 96% of life premiums were received from New York (67%), Florida (11%), Illinois (9%), and New Jersey (8%); and 93% of annuity considerations were received from New York (89%) and New Jersey (4%). Certificates are written on a participating basis.

The Society markets single pay life, life paid up until age 80, juvenile term life to age 18, final expense life, and guaranteed issue life insurance policies, as well as single and flexible deferred annuities.

The Society's accident and health insurance is a closed block of business that is in run-off. The number of individuals covered under the Society's accident and health certificates is declining as the covered individuals are reaching the maximum coverage age specified in the certificates.

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

#### D. Reinsurance

As of December 31, 2018, the Society had reinsurance treaties in effect with three companies, of which one was authorized or accredited. The Society's life, accident and health business is reinsured on a coinsurance and yearly renewable term bases. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$25,000. The total face amount of life insurance ceded as of December 31, 2018, was \$9,647,370, which represents 18.3% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$152,050, was supported by letters of credit.

The Society did not have any assumed insurance business as of December 31, 2018.

#### 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 (decline) during the period under review:

	December 31, <u>2015</u>	December 31, <u>2018</u>	Increase (Decrease)
Admitted assets	\$ <u>34,066,901</u>	\$ <u>33,247,807</u>	\$ <u>(819,094)</u>
Liabilities	\$ <u>33,282,636</u>	\$ <u>31,851,419</u>	\$ <u>(1,431,217)</u>
Unassigned funds (surplus)	<u>784,267</u>	<u>1,396,389</u>	<u>612,122</u>
Total capital and surplus	\$ <u>784,267</u>	\$ <u>1,396,389</u>	\$ <u>612,122</u>
Total liabilities, capital and surplus	\$ <u>34,066,903</u>	\$ <u>33,247,808</u>	\$ <u>(819,095)</u>

The Society's invested assets as of December 31, 2018, mainly comprised bonds (95.7%). The majority of the Society's bond portfolio (94.8%), as of December 31, 2018, comprised investment grade obligations.

The following is the net gain (loss) from operations by line of business after refunds to members but before realized capital gains (losses) reported for each of the years under examination in the Society's filed annual statements:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Ordinary:			
Life insurance	\$ 520,475	\$ 221,636	\$ 417,671
Individual annuities	96,095	119,741	116,152
Supplementary contracts	<u>(36,886)</u>	<u>(25,398)</u>	<u>(43,203)</u>
Total ordinary	<u>\$ 579,684</u>	<u>\$ 315,979</u>	<u>\$ 577,026</u>
Accident and health	<u>\$ (75,574)</u>	<u>\$ (80,665)</u>	<u>\$ (81,729)</u>
Fraternal operation	<u>\$(173,462)</u>	<u>\$(166,723)</u>	<u>\$(157,415)</u>
Total	<u>\$ 330,648</u>	<u>\$ 68,591</u>	<u>\$ 251,476</u>

The decrease in net gain from ordinary life insurance in 2017, compared with 2016, was primarily due to an increase in death claims during the year.

The decrease in net loss from fraternal operation throughout the examination period was due to lower operating expenses.

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2018, as contained in the Society's 2018 filed annual statement, a condensed summary of operations, and a reconciliation of the capital and 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, 2018, filed annual statement.

### A. Independent Accountants

The firm of Vision Financial Group CPAs, LLC was retained by the Society to audit the Society's combined statutory basis statements of financial position as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

Vision Financial Group CPAs, LLC concluded that the statutory-basis financial statements presented fairly, in all material respects, the financial position of the Society at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

### B. Net Admitted Assets

Bonds	\$31,276,833
Preferred stocks	33,717
Cash, cash equivalents and short-term investments	664,043
Contract loans	704,014
Investment income due and accrued	510,935
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	660
Electronic data processing equipment and software	48,000
Security deposit	9,605
 Total admitted assets	 <u>\$33,247,807</u>

C. Liabilities and Surplus

Aggregate reserve for life policies and contracts	\$29,783,442
Aggregate reserve for accident and health contracts	79,967
Liability for deposit-type contracts	932,395
Contract claims:	
Life	194,902
Accident and health	3,000
Premiums and annuity considerations for life and accident and health contracts received in advance	11,755
Contract liabilities not included elsewhere:	
Interest maintenance reserve	467,471
General expenses due or accrued	34,786
Taxes, licenses and fees due or accrued, excluding federal income taxes	70,000
Amounts withheld or retained by Society as agent or trustee	20,632
Miscellaneous liabilities:	
Asset valuation reserve	<u>253,069</u>
 Total liabilities	 <u>\$31,851,419</u>
 Unassigned funds (surplus)	 <u>1,396,389</u>
Total Surplus	<u>1,396,389</u>
 Total liabilities and surplus	 <u>\$33,247,808</u>

D. Condensed Summary of Operations

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Premiums and considerations	\$1,007,762	\$ 911,499	\$ 981,568
Investment income	1,722,322	1,692,966	1,652,932
Membership and sundry	657	246	10,261
Total income	<u>\$2,730,741</u>	<u>\$2,604,711</u>	<u>\$2,644,761</u>
Benefit payments	\$1,953,341	\$2,377,875	\$1,821,240
Increase in reserves	(246,832)	544,901	(86,730)
General expenses and taxes	786,992	770,184	707,074
Increase in loading on deferred and uncollected premium	<u>(749)</u>	<u>(293)</u>	<u>139</u>
Total deductions	<u>\$2,527,566</u>	<u>\$3,692,667</u>	<u>\$2,468,001</u>
Net gain (loss) from operations before net realized capital gains	\$ 330,648	\$68,591	\$ 251,414
Net realized capital gains (losses)	<u>0</u>	<u>0</u>	<u>(30,020)</u>
Net income	<u>\$ 330,648</u>	<u>\$ 68,591</u>	<u>\$ 221,394</u>

E. Surplus Account

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Surplus, December 31, prior year	\$ <u>784,267</u>	\$ <u>1,049,057</u>	\$ <u>1,202,752</u>
Net income	\$ 330,648	\$68,591	\$ 221,394
Change in net unrealized capital gains (losses)	0	0	(29,082)
Change in asset valuation reserve	(56,393)	89,460	7,273
Fraternal fund	<u>(4,627)</u>	<u>(4,186)</u>	<u>(4,712)</u>
Net change in surplus for the year	\$ <u>264,790</u>	\$ <u>153,695</u>	\$ <u>193,637</u>
Capital and surplus, December 31, current year	<u>\$1,049,057</u>	<u>\$1,202,752</u>	<u>\$1,396,389</u>

#### F. Reserves

The Department reviewed the Society's reserves as of December 31, 2018. The review included an examination of the asset adequacy analysis according to 11 NYCRR 95 (Insurance Regulation 126). During the review, it was noted that a number of items related to the Society's cash flow testing assumptions and modeling needed to be revised. The Society has agreed to update its assumptions and methodology; however, additional changes may still be needed. The prior report on examination contained a similar comment.

The Department is currently working with the Society to address the Society's cash flow testing assumptions and modeling issues. At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until these concerns are resolved.

## 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. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus—COVID-19—was reported in Wuhan, China. The virus has subsequently spread to other parts of the world, including the United States. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, President Donald J. Trump declared the pandemic a national emergency. The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner.

The extent to which COVID-19 may affect the Society's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Society's business.

The Department, along with all insurance regulators and the NAIC, is closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effect of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole.

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent action taken by the Society in response to the citation:

<u>Item</u>	<u>Description</u>
A	The examiner recommended that the Society continue to update its assumptions and methodology as agreed upon by the Department in order to be fully compliant with 11 NYCRR 95 (Insurance Regulation 126).

The Department is currently working with the Society to address the Society's cash flow testing assumptions and modeling issues. At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until these concerns are resolved. The prior report on examination contained a similar comment. (See item 5F of this report.)

## 9. SUMMARY AND CONCLUSIONS

Following are the comments contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Department is currently working with the Society to address the Society's cash flow testing assumptions and modeling issues. At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until these concerns are resolved. The prior report on examination contained a similar comment.	15
B	The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner. The extent to which COVID-19 may affect the Society's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Society's business.	17

Respectfully submitted,

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/s/

Ijeoma Ndika  
Senior Insurance Examiner

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

Ijeoma Ndika, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_  
/s/

Ijeoma Ndika

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_

**APPOINTMENT NO. 32014**

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, **LINDA A. LACEWELL**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

**IJEOMA NDIKA**

as a proper person to examine 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 said

**FRATERNAL BENEFIT SOCIETY**

with such other information as he shall deem requisite.

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

this 1st day of November, 2019

LINDA A. LACEWELL  
Superintendent of Financial Services

By:

*Mark McLeod*

MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU

