



**REPORT ON EXAMINATION  
OF THE  
WORKMEN'S BENEFIT FUND  
OF THE  
UNITED STATES OF AMERICA  
AS OF DECEMBER 31, 2021**

**EXAMINER:**

**DENISE SAUNDERS**

**DATE OF REPORT:**

**JUNE 14, 2023**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

June 14, 2023

Honorable Adrienne A. Harris  
Superintendent of Financial Services  
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32451, dated September 22, 2022, 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". The Society's home office is located at 399 Conklin Street, Farmingdale, NY 11735. Due to the COVID-19 pandemic, the examination was conducted remotely.

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 finding and comment contained in this report is summarized below.

The Department conducted a review of reserves as of December 31, 2021. This review included an examination of the asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review, concerns were raised regarding a lack of conservatism with respect to the Society's expense assumption. The Society has agreed to refine its analysis and to strengthen reserves in a manner acceptable to the Department beginning with the 2023 Annual Statement. The amount of the additional reserves will depend on progress made by the Society in reducing expenses. (See item 4F 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, 2022 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2019, to December 31, 2021. 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, 2021, 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 5 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 2019 through 2021, by the accounting firm of Ansel & Slotopolsky, 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 actions taken by the Society with respect to the recommendation contained in the prior report on examination. The results of the examiner's review are contained in item 6 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 which require explanation or description.

### 3. DESCRIPTION OF SOCIETY

#### 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 three National Officers and nine National Directors. National Officers are elected for a period of four years at the National Convention which is convened once every four years. As of December 31, 2021, the board of directors consisted of 12 members. Meetings of the board are held quarterly.

The 12 board members and their principal business affiliation, as of December 31, 2021, were as follows:

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

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Richard Cecchi Babylon, NY	National Treasurer and National Secretary Workmen's Benefit Fund of the United States of America	1996
Richard Hallex* Richmond Hill, NY	Network Infrastructure Support Manager Baruch College of the City University of New York	2014
Barbara Hendrickson* Orland Park, IL	School Teacher Brookfield La Grange Park School	2008
Liz Karlsmark* Wilmington, NC	Salesperson Trader Joe's Food Chain	2018
Robert Kestenbaum* Elmsford, NY	Director of Family Services Woodlawn Cemetery	2004
Martin Krupnik* Marlboro, NJ	President and Chief Executive Officer IEP Youth Services, Inc.	2016
Arlene Kyler* Oceanside, NY	President Take My Card, Inc.	2007
Philip Mark* East Meadow, NY	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 Society as of December 31, 2021:

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

\*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 2021, 95.4% of life premiums were received from New York (66.9%), Florida (10.9%), Illinois (9.1%), and New Jersey (8.5%); 99.5% of annuity considerations were received from New York (85.3%), Florida (8.1%), and Illinois (6.1%). Certificates are issued on a participating basis.

The Society offers 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 also offers single premium deferred and flexible premium 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, 2021, the Society had reinsurance treaties in effect with three companies, of which one reinsurer was authorized or accredited. The Society's life, accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$25,000. The amount of life insurance ceded as of December 31, 2021, was \$7,024,876 which represents 16.9% of the total face amount in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$106,141, was supported by letters of credit totaling \$150,000.

The Society did not assume any insurance business as of December 31, 2021.

#### 4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2021, as contained in the Society's 2021 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, 2021, filed annual statement.

##### A. Independent Accountants

The firm of Ansel & Slotopolsky, LLP was retained by the Society to audit the Society's combined statutory-basis statements of financial position of the Society as of December 31<sup>st</sup> 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.

Ansel & Slotopolsky, LLP concluded that the statutory 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	\$24,425,261
Preferred stocks	33,717
Cash, cash equivalents and short-term investments	6,587,413
Contract loans	519,944
Investment income due and accrued	300,265
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	500
Electronic data processing equipment and software	9,625
Prepaid pension	348,247
Security deposit	<u>9,605</u>
Total admitted assets	<u>\$32,234,577</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$27,434,923
Aggregate reserve for accident and health contracts	38,692
Liability for deposit-type contracts	1,411,310
Contract claims:	
Life	235,799
Accident and health	3,000
Premiums and annuity considerations for life and accident and health contracts received in advance	12,763
Contract liabilities not included elsewhere:	
Interest maintenance reserve	1,633,130
General expenses due or accrued	27,846
Taxes, licenses, and fees due or accrued, excluding federal income taxes	2
Amounts withheld or retained by reporting entity as agent or trustee	29,750
Miscellaneous liabilities:	
Asset valuation reserve	<u>313,589</u>
 Total liabilities	 <u>\$31,140,804</u>
 Unassigned funds (surplus)	 <u>1,093,855</u>
Total surplus	<u>\$ 1,093,855</u>
 Total liabilities, capital and surplus	 <u>\$32,234,659</u>

D. Condensed Summary of Operations

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Premiums and considerations	\$ 726,888	\$ 621,757	\$ 638,004
Investment income	1,597,036	1,375,896	1,214,640
Membership and sundry	<u>517</u>	<u>3,337</u>	<u>0</u>
Total income	<u>\$2,324,441</u>	<u>\$2,000,990</u>	<u>\$1,852,644</u>
Benefit payments	\$2,474,285	\$2,811,186	\$1,492,262
Increase in reserves	(776,922)	(1,486,236)	(126,635)
General expenses and taxes	784,423	751,550	661,702
Increase in loading on deferred and uncollected premium	<u>226</u>	<u>0</u>	<u>62</u>
Total deductions	<u>\$2,482,012</u>	<u>\$2,076,500</u>	<u>\$2,027,391</u>
Net gain (loss) from operations before net realized capital gains	\$ (132,744)	\$ (54,409)	\$ (128,865)
Net realized capital gains (losses)	<u>(12,151)</u>	<u>(4,383)</u>	<u>73,873</u>
Net income	<u>\$ (144,895)</u>	<u>\$ (58,792)</u>	<u>\$ (54,992)</u>

E. Capital and Surplus Account

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus, December 31, prior year	\$ <u>1,396,389</u>	\$ <u>1,208,464</u>	\$ <u>1,099,537</u>
Net income	\$ (144,895)	\$ (58,792)	\$ (54,992)
Change in net unrealized capital gains (losses)	28,752	(129)	(168)
Change in asset valuation reserve	(63,638)	(48,278)	51,936
Fraternal fund	<u>(8,144)</u>	<u>(1,728)</u>	<u>(2,458)</u>
Net change in capital and surplus for the year	\$ <u>(187,925)</u>	\$ <u>(108,927)</u>	\$ <u>(5,682)</u>
Capital and surplus, December 31, current year	\$ <u>1,208,464</u>	\$ <u>1,099,537</u>	\$ <u>1,093,855</u>

#### F. Reserves

The Department conducted a review of reserves as of December 31, 2021. This review included an examination of the asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review, concerns were raised regarding a lack of conservatism with respect to the Society's expense assumption. The Society has agreed to refine its analysis and to strengthen reserves in a manner acceptable to the Department beginning with the 2023 Annual Statement. The amount of the additional reserves will depend on progress made by the Society in reducing expenses.

## 5. 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, and the solicitation 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.

## 6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following recommendation was contained in the prior report on examination and the subsequent actions taken by the Society in response to such recommendation:


<u>Item</u>	<u>Description</u>
A	<p>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).</p> <p>The Society continued to implement the improvements as previously agreed to with the Department.</p>



## 7. SUMMARY AND CONCLUSIONS


Following is the comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Department conducted a review of reserves as of December 31, 2021. This review included an examination of the asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review, concerns were raised regarding a lack of conservatism with respect to the Society's expense assumption. The Society has agreed to refine its analysis and to strengthen reserves in a manner acceptable to the Department beginning with the 2023 Annual Statement. The amount of the additional reserves will depend on progress made by the Society in reducing expenses.	12

Respectfully submitted,  
  
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Denise Saunders  
Senior Insurance Examiner

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

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

  
\_\_\_\_\_  
Denise Saunders

Subscribed and sworn to before me  
this 14<sup>th</sup> day of June, 2023  
Audrey Hall

**AUDREY HALL**  
Notary Public, State of New York  
No. 01HA6274900  
Qualified in Kings County  
Commission Expires January 28, 2025

Respectfully submitted,

/s/

\_\_\_\_\_  
Anthony Mauro  
Principal 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. 32451*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, ADRIENNE A. HARRIS, 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:*

***DENISE SAUNDERS***

*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 she 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 22nd day of September, 2022*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*

*Mark McLeod*

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*MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU*

