



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

CONDITION:

DECEMBER 31, 2006

DATE OF REPORT:

FEBRUARY 1, 2008

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, 2006

DATE OF REPORT:

FEBRUARY 1, 2008

EXAMINER:

S'ELREY N. DAVID

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Society	4
A. History	4
B. Management	4
C. Territory and plan of operation	6
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	13
6. Market conduct activities	14
A. Advertising and sales activities	14
B. Underwriting and policy forms	17
C. Treatment of policyholders	17
7. Prior report summary and conclusions	18
8. Summary and conclusions	21



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

Eliot Spitzer
Governor

Eric R. Dinallo
Superintendent

February 1, 2008

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22674, dated July 31, 2007 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," at its home office located at 399 Conklin Street, Farmingdale, NY 11735.

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 2004, the Workmen's Circle, a fraternal benefit society domiciled in New York, merged into the Society. (See item 3A of this report)

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, 2006 filed annual statement. (See item 5 of this report)

The Society violated Section 53-3.6(a)(1) of Department Regulation No. 74 by not including the notice required on the annual report when a policy's net cash surrender value is such that it would not maintain the insurance in-force until the end of the next reporting period. (See item 6A of this report)

The Society violated Section 53-3.6(b) of Department Regulation No. 74 by not including the notice required on the annual report when the annual report does not include an in-force illustration. (See item 6A of this report)

The Society violated Section 53-1.4(b) of Department Regulation No. 74 by failing to file with its annual statement to this Department a certificate of compliance executed by an authorized officer of the insurer. (See item 6A of this report)

The Society violated Section 53-3.7(d) of Department Regulation No. 74 by failing to have its illustration actuary file an annual certification with the board and with the Superintendent for all policy forms for which illustrations are used. (See item 6A of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2003. This examination covers the period from January 1, 2004 through December 31, 2006. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2006 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, 2006 to determine whether the Society's 2006 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
- Corporate records
- Fidelity bond and other insurance
- Officers' and employees' welfare and pension plans
- Territory and plan of operation
- Market conduct activities
- Growth of Society
- Business in force by states
- Mortality and loss experience
- Reinsurance
- Accounts and records
- Financial statements

The examiner reviewed the corrective actions taken by the Society with respect to the recommendations and comments contained in the prior report on examination. The results of the examiner's review are 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 which require explanation or description.

3. DESCRIPTION OF SOCIETY

A. History

The Workmen's Benefit Fund of the United States of America was 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.

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. The merger generated 5,140 life insurance certificates with a face amount of \$27,428,000 and 182 accident and health certificates. The Society assumed liabilities of approximately \$5,745,000 and received assets of approximately \$5,920,000.

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 in June or July once every four years. National Directors are elected for a period of four years at general membership meetings of the branches in October of the year of the National Convention. As of December 31, 2006, 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, 2006, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Joseph F. Arnold Villa Park, IL	Vending Route-person Marriott Corp.	1980
George Boehm Chicago, IL	National Vice President Workmen's Benefit Fund of the USA	1992
Charles J. Borg Wellington, FL	National President Workmen's Benefit Fund of the USA	1984
Patricia H. Cassey Bellerose Terrace, NY	Agent Hughes Associates, Inc.	2000
Richard Cecchi West Babylon, NY	National Treasurer Workmen's Benefit Fund of the USA	1996
Charles L. Grossman Great Neck, NY	National Secretary and Chief Executive Officer Workmen's Benefit Fund of the USA	1979
William Groth Upper Montclair, NJ	Retired	1996
Robert Kestenbaum New York, NY	Executive Director The Workmen's Circle/Arbeter Ring, Inc.	2004
Michelle Liskovec Park Ridge, IL	Agent Phoenix Health, Inc.	1998
Philip H. Mark East Meadow, NY	Chairman, Chemistry Department Nassau Community College	2000
Albert Mlodynia Commack, NY	Operations Manager Workmen's Benefit Fund of the USA	1980
Dieter Polednik Union, NJ	President Biertuempfel-Ostertag Agency	1987
Heinz Richter Waldwick, NJ	Retired	1984

In January of 2008, William Groth retired from the board and was replaced by Arlene Kyler.

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, 2006:

<u>Name</u>	<u>Title</u>
Charles J. Borg	National President
George Boehm	National Vice President
Charles L. Grossman*	National Secretary and Chief Executive Officer
Richard Cecchi	National Treasurer

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

In October of 2007, Joseph F. Arnold replaced George Boehm as National Vice President.

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 to transact business in 15 states. In 2006, 75% of life premiums were received from New York and 95% of annuity considerations were received from New York (74%) and Florida (21%). Certificates are written on a participating basis.

The Society currently writes juvenile term life, universal life, whole life, deferred annuities and immediate annuities. The Society's accident and health insurance is a closed block of business that is in runoff. 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.

In 2006, the society derived 75% of its premium income from life insurance and 22% from annuities.

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

D. Reinsurance

As of December 31, 2006, the Society had eight reinsurance treaties in effect with six companies, of which five were authorized or accredited. The Society's life, accident and health business is reinsured on a coinsurance or yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life certificates is \$50,000 with the exception of 69 certificates that are reinsured with General and Cologne Re with a retention limit of \$100,000. The total face amount of life insurance ceded as of December 31, 2006, was \$35,480,374, which represents 32% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$91,281, was supported by a letter of credit.

During 2007, the Society's reinsurer, Lincoln National Life Insurance Company ("LNLIC"), discontinued its New York accreditation; LNLIC will continue to provide a clean, irrevocable and unconditional letter of credit in an amount equal to the aggregate statutory reserves they hold for reinsured policies covered under agreements executed in the State of New York.

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>2003</u>	December 31, <u>2006</u>	Increase (Decrease)
Admitted assets	<u>\$33,734,102</u>	<u>\$38,137,781</u>	<u>\$4,403,679</u>
Liabilities	<u>\$32,067,643</u>	<u>\$36,587,505</u>	<u>\$4,519,862</u>
Unassigned funds (surplus)	<u>1,666,459</u>	<u>1,550,276</u>	<u>(116,183)</u>
Total surplus	<u>\$ 1,666,459</u>	<u>\$ 1,550,276</u>	<u>\$ (116,183)</u>
Total liabilities and surplus	<u>\$33,734,102</u>	<u>\$38,137,781</u>	<u>\$4,403,679</u>

The large increase in assets and liabilities during the examination period was due to the Society's merger with The Workmen's Circle fraternal benefit society in 2004. (See item 3A of this report)

The Society's invested assets as of December 31, 2006, were mainly comprised of bonds (87.6%). The majority (96.9%) of the Society's bond portfolio, as of December 31, 2006, was comprised of investment grade obligations.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Ordinary:			
Life insurance	\$ 668,970	\$ 221,657	\$ 207,170
Individual annuities	(37,622)	21,694	108,255
Supplementary contracts	<u>(62,594)</u>	<u>3,953</u>	<u>(2,744)</u>
Total ordinary	\$ 568,754	\$ 247,304	\$ 312,681
Accident and health:	\$ <u>(93,382)</u>	\$ <u>(51,671)</u>	\$ <u>(80,526)</u>
Total Insurance	\$ 475,372	\$ 195,633	\$ 232,155
Fraternal operations	\$ <u>(326,632)</u>	\$ <u>(333,373)</u>	\$ <u>(292,584)</u>
Total	\$ <u>148,740</u>	\$ <u>(137,740)</u>	\$ <u>(60,429)</u>

The large increase in life insurance income in 2004 was due primarily to the merger with The Workmen's Circle which resulted in an increase in life insurance premiums and net investment income allocated to life insurance of \$227,592 (10.7%). The Society also had a decrease in death benefits paid of \$192,234 (20.8%), and a decrease in the aggregate reserve of \$309,785 (234.8%).

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2006, as contained in the Society's 2006 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, 2006 filed annual statement.

A. ASSETS, LIABILITIES AND SURPLUS AS OF DECEMBER 31, 2006

Admitted Assets

Bonds	\$32,748,549
Stocks:	
Preferred stocks	155,548
Common stocks	1,155,116
Mortgage loans on real estate:	
First liens	877,987
Cash, cash equivalents and short term investments	739,299
Contract loans	1,677,214
Property tax refund	10,000
Investment income due and accrued	529,009
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	6,057
Electronic data processing equipment and software	222,797
Furniture and equipment, including health care delivery assets	6,600
Security deposit	<u>9,605</u>
 Total admitted assets	 <u>\$38,137,781</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$33,918,239
Aggregate reserve for accident and health contracts	206,449
Liability for deposit-type contracts	1,554,158
Contract claims:	
Life	238,910
Accident and health	5,010
Premiums and annuity considerations for life and accident and health contracts received in advance	20,510
General expenses due or accrued	127,843
Taxes, licenses and fees due or accrued, excluding federal income taxes	27,958
Amounts withheld or retained by society as agent or trustee	69,133
Liability for benefits for employees and fieldworkers if not included above	154,527
Borrowed money and interest thereon	166
Asset valuation reserve	<u>264,602</u>
Total liabilities	<u>\$36,587,505</u>
Unassigned funds (surplus)	<u>1,550,276</u>
Total surplus	<u>\$ 1,550,276</u>
Total liabilities and surplus	<u>\$38,137,781</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Premiums and considerations	\$1,855,187	\$1,667,562	\$1,480,170
Investment income	2,077,141	2,154,957	2,035,131
Miscellaneous income	<u>50,861</u>	<u>613</u>	<u>400</u>
 Total income	 <u>\$3,983,189</u>	 <u>\$3,823,132</u>	 <u>\$3,515,701</u>
 Benefit payments	 \$2,442,405	 \$2,764,380	 \$3,411,469
Increase in reserves	(46,335)	(274,800)	(1,219,426)
Commissions	94,857	79,016	70,813
General expenses and taxes	1,345,396	1,392,593	1,313,310
Increase in loading on deferred and uncollected premium	<u>(1,874)</u>	<u>(317)</u>	<u>(37)</u>
 Total deductions	 <u>\$3,834,449</u>	 <u>\$3,960,872</u>	 <u>\$3,576,129</u>
 Net gain (loss) from operations before net realized capital gains	 \$ 148,740	 \$ (137,740)	 \$ (60,428)
Net realized capital gains (losses)	<u>4,878</u>	<u>33,463</u>	<u>(18,936)</u>
 Net income	 <u>\$ 153,618</u>	 <u>\$ (104,277)</u>	 <u>\$ (79,364)</u>

C. SURPLUS ACCOUNT

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Capital and surplus, December 31, prior year	\$ <u>1,666,459</u>	\$ <u>1,744,839</u>	\$ <u>1,520,504</u>
Net income	\$ 153,618	\$ (104,277)	\$ (79,364)
Change in net unrealized capital gains (losses)	165,579	(166,857)	55,965
Change in non-admitted assets and related items	(42,438)	(44,683)	(44,571)
Change in reserve on account of change in valuation basis	(6,215,495)	0	0
Change in asset valuation reserve	(147,265)	125,221	130,169
Change in surplus as a result of reinsurance Fraternal fund	(50,000)	(33,739)	(32,427)
Merger with Workmen's Circle	<u>6,271,818</u>	<u>0</u>	<u>0</u>
 Net change in capital and surplus for the year	 \$ <u>78,379</u>	 \$ <u>(224,335)</u>	 \$ <u>29,772</u>
 Capital and surplus, December 31, current year	 \$ <u>1,744,838</u>	 \$ <u>1,520,504</u>	 \$ <u>1,550,276</u>

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.

Section 51.6 of Department Regulation No. 60 states, in part:

“ . . .(b) Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall . . .

(4) Within ten days of receipt of the application furnish to the insurer whose coverage is being replaced a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed "Disclosure Statement" . . .

(c) Where a replacement has occurred or is likely to occur, the insurer whose life insurance policy or annuity contract is to be replaced shall . . .

(2) Within twenty days of receipt of a request from a licensee of the Department, for information necessary for completion of the "Disclosure Statement" with respect to the life insurance policy or annuity contract proposed to be replaced, together with proper authorization from the applicant, furnish the required information simultaneously to the agent or broker of record of the existing life insurance policy or annuity contract being replaced and the agent or broker and insurer replacing the life insurance policy or annuity contract. This information shall include the insurer's customer service telephone number, the current status of the existing life insurance policy or annuity contract and the currently illustrated dividends/interest and other non-guaranteed costs and benefits. . . .”

The Society received three external life replacements during the examination period. The examiner reviewed all three life replacements. The review revealed that in all three cases the disclosure statements were signed by the applicant before the insurer whose policy was being replaced had provided the information or, when the insurer whose policy was being replaced did not respond, before the 20 day waiting period required by Section 51.6(c)(2) of Department Regulation No. 60 had elapsed. However, in all three cases it was determined by the examiner that the information provided to the certificate holders was accurate and that no harm was caused

to the certificate holders. In addition, in all three cases the Society failed to furnish to the insurer whose coverage was being replaced a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed "Disclosure Statement", as required by Section 51.6(b)(4) of Department Regulation No. 60.

The examiner recommends that the Society put appropriate procedures in place in order to ensure compliance with Department Regulation No. 60 in the future.

Section 53-3.6 of Department Regulation No. 74 states, in part:

“(a) In the case of a policy designated as one for which illustrations will be used, the insurer shall provide each policyowner with an annual report on the status of the policy that shall contain at least the following information:

(1) For policies subject to Section 4232(b) of the Insurance Law, the report shall include the following . . .

(vii) a notice in the report for fixed premium policies, when applicable, that the policy's net cash surrender value is such that it would not maintain insurance in-force until the end of the next reporting period assuming guaranteed issue, mortality, and expense loads; or

(viii) a notice, in the report for flexible premium policies, when applicable, that the policy's net cash surrender value will not maintain insurance in-force until the end of the next reporting period unless further premium payments are made assuming guaranteed interest, mortality and expense loads. . . .

(b) If the annual report does not include an in-force illustration, it shall contain the following notice displayed prominently: "IMPORTANT POLICY OWNER NOTICE: You should consider requesting more detailed information about your policy to understand how it may perform in the future. You should not consider replacement of your policy or make changes in your coverage without requesting a current illustration. You may annually request, without charge, such an illustration by calling [insurer's phone number], writing to [insurer's name] at [insurer's address] or contacting your agent or broker. If you do not receive a current illustration of your policy within 30 days from the date of your request, you should contact your state insurance department." The insurer may vary the sequential order of the methods for obtaining an in-force illustration. . . .”

The examiner reviewed a computer generated annual report that was sent to a policyholder whose policy had been sold with an illustration and whose net cash surrender value was such that it would not maintain the insurance in-force until the end of the next reporting period. The annual report did not contain the notice required by Section 53-3.6 (a)(1)(vii) or Section 53-3.6 (a)(1)(viii) of Department Regulation No. 74. The examiner discussed the annual report with management and determined that the computer template for annual reports was not programmed to produce the notice required when this situation occurs.

In addition, the annual report did not include an in-force illustration and did not include the notice required by Section 53-3.6(b) of Department Regulation No. 74, when an annual report does not include an in-force illustration. The examiner determined that the computer template for annual reports was also not programmed to include the notice required in this situation.

The Society violated Section 53-3.6(a)(1) of Department Regulation No. 74 by not including the notice required on the annual report when a policy's net cash surrender value is such that it would not maintain the insurance in-force until the end of the next reporting period.

The Society violated Section 53-3.6(b) of Department Regulation No. 74 by not including the notice required on the annual report when the annual report does not include an in-force illustration.

Section 53-1.4(b) of Department Regulation No. 74 states:

“Each insurer shall file with its annual statement to this Department a certificate of compliance executed by an authorized officer of the insurer wherein it is stated that to the best of such officer's knowledge, the preliminary information forms, policy benefit summaries, and sales illustrations disseminated by the insurer during the preceding statement year complied or were made to comply in all respects with the provisions of this Part.”

The examiner requested copies of the certificates of compliance required by Section 53-1.4(b) of Department Regulation No. 74 and executed by an authorized officer. The Society stated that it did not file the certifications for the years under examination.

The Society violated Section 53-1.4(b) of Department Regulation No. 74 by failing to file with its annual statement to this Department a certificate of compliance executed by an authorized officer of the insurer.

Section 53-3.7(d) of Department Regulation No. 74 states:

“The illustration actuary shall file a certification with the board and with the Superintendent annually for all policy forms for which illustrations are used and before a new policy form is illustrated. If an error in a previous certification is discovered, the illustration actuary shall notify the board of directors of the insurer and the Superintendent promptly.”

The examiner requested copies of the illustration actuary's annual certifications for all policy forms for which illustrations are used that were filed with the board and with the

Superintendent. The Society stated that its illustration actuary did not file the certifications for the years under examination.

The Society violated Section 53-3.7(d) of Department Regulation No. 74 by failing to have its illustration actuary file an annual certification with the board and with the Superintendent for all policy forms for which illustrations are used.

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. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations and comments contained in the prior report on examination and the subsequent actions taken by the Society in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>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.</p> <p>The Society took the following steps: it sold the national office building in Hicksville, NY; it eliminated the position of National Marketing Director; it reduced the number of meetings of the National Executive and Promotion Committee from monthly to quarterly; it reduced the National Presidents annual compensation by \$26,203; and it eliminated one position from its office staff.</p>
B	<p>The examiner recommends that the Society develop a comprehensive written disaster recovery plan and have such plan approved by the board of directors.</p> <p>The Society developed a written disaster recovery plan. The plan was filed with the New York Insurance Department's Disaster Recovery Bureau on May 21, 2007.</p>
C	<p>The examiner recommends that the Society develop a written business continuity plan and have the plan approved by the board of directors.</p> <p>The Society developed a written business continuity plan. The plan was filed with the New York Insurance Department on May 21, 2007.</p>
D	<p>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.</p> <p>The former National President, John Z. Sebastian, resigned and the Midwest Chicago Central Office was shut down.</p>
E	<p>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.</p> <p>No additional action was required by the Society for this comment.</p>

<u>Item</u>	<u>Description</u>
F	<p>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.</p> <p>The former National President, John Z. Sebastian, resigned and the Midwest Chicago Central Office was shut down.</p>
G	<p>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.</p> <p>The former National President, John Z. Sebastian, resigned and the Midwest Chicago Central Office was shut down.</p>
H	<p>The examiner recommends that the board establish adequate controls to review, monitor and audit expenses of board members and principal officers in the future.</p> <p>The Society implemented controls requiring approval of expenses for all officers of the Society and members of the Board of Directors.</p>
I	<p>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.</p> <p>The former National President, John Z. Sebastian, resigned and the Midwest Chicago Central Office was shut down.</p>
J	<p>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.</p> <p>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.</p>

<u>Item</u>	<u>Description</u>
K	<p>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.</p> <p>At its special board meeting held on March 18, 2006, the Society appointed Charles J. Borg to the position of National President.</p>

8. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Society put appropriate procedures in place in order to ensure compliance with Department Regulation No. 60 in the future.	15
B	The Society violated Section 53-3.6(a)(1) of Department Regulation No. 74 by not including the notice required on the annual report when a policy's net cash surrender value is such that it would not maintain the insurance in-force until the end of the next reporting period.	16
C	The Society violated Section 53-3.6(b) of Department Regulation No. 74 by not including the notice required on the annual report when the annual report does not include an in-force illustration.	16
D	The Society violated Section 53-1.4(b) of Department Regulation No. 74 by failing to file with its annual statement to this Department a certificate of compliance executed by an authorized officer of the insurer.	16
E	The Society violated Section 53-3.7(d) of Department Regulation No. 74 by failing to have its illustration actuary file an annual certification with the board and with the Superintendent for all policy forms for which illustrations are used.	17

APPOINTMENT NO. 22674

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, ERIC R. DINALLO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

S'ELREY DAVID

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 31st day of July, 2007

ERIC R. DINALLO
Superintendent of Insurance


Superintendent

