

REPORT ON EXAMINATION
AS TO CONDITION OF
THE SLOVAK CATHOLIC SOKOL
PASSAIC, NEW JERSEY 07055
AS OF DECEMBER 31, 2017
NAIC COMPANY CODE 57193
NAIC GROUP CODE 0000

FILED

February 27, 2019

Commissioner
Department of Banking & Insurance

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State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

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November 30, 2018

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the revised statutes of New Jersey **N.J.S.A. 17:44B-27** an examination has been made of the assets, liabilities, methods of conducting business and other affairs of the:

**SLOVAK CATHOLIC SOKOL
PASSAIC, NEW JERSEY 07055-5224
NAIC COMPANY CODE 57193**

Hereinafter referred to as the "Sokol", "Fraternal" or "Society".

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "Department") pursuant to the authority granted by Section 17:44B-27 of the New Jersey Annotated Revised Statutes.

The New Jersey Department of Banking and Insurance conducted a financial condition examination of the Slovak Catholic Sokol for the five-year period ending December 31, 2017, which included a review of material transactions and/or events occurring subsequent to the examination date. The examination addressed the five-year period from December 31, 2012 the date of the last examination to December 31, 2017. During the five-year period under examination the Society's assets increased from \$59,671,908 to \$84,108,248, liabilities increased from \$50,972,922 to \$75,834,649 and total surplus decreased from \$8,698,986 to \$8,273,599. The examination was conducted at the Company's home office located at 205 Madison Street, Passaic New Jersey 07055-5224.

The New Jersey Department of Banking and Insurance ("NJDOBI") conducted the examination in accordance with the 2017 edition of the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). The NAIC Handbook requires NJDOBI to plan and perform a risk focused examination in order to evaluate the financial condition and identify prospective risks of the Society. To meet these objectives NJDOBI obtained information regarding the Society's corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated the Society's system of internal controls and procedures used to mitigate identified risks. The examination also included assessing the principles used and significant estimates made by management, as well as, evaluating the overall Financial Statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

According to the NAIC Handbook, "One of the increased benefits of the enhanced risk focused approach is to include consideration of other than financial risks that could impact the insurer's future solvency. By utilizing the risk focused approach, the examiner reviewed the "financial" and "enterprise" risks that existed at the examination "as of" date and will be positioned to assess "financial" and "enterprise" risks that extend or commence during the time the examination was conducted and "prospective" risks which are anticipated to arise or extend past the point of examination completion. Using this approach, examiners will be better positioned to make recommendations for appropriate future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for financial analysts to monitor, etc.) for each insurer."

All accounts and activities of the Society were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

The Certified Public Accounting (CPA) firm of Vision Financial Group CPAs, LLP provided an unqualified audit opinion on the fair presentation of the Fraternal's year-end financial statements based on statutory accounting principles for the reporting year period

ending December 31, 2017. Relevant work performed by the CPA firm during its annual audit of the Society was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

There were no examination recommendations in the prior examination report.

HISTORY

General

The Slovak Catholic Sokol was organized on July 4, 1905, in Passaic, New Jersey and incorporated on December 1, 1905, under the name "Slavonian Roman and Greek Catholic Gymnastic Union Sokol of Passaic, New Jersey," under the provisions of an Act of the Legislature of the State of New Jersey titled, "An Act to Incorporate Associations not for Pecuniary Profit," approved April 21, 1898, along with the several supplements thereto and amending thereof.

The Society is currently authorized to transact the business of insurance as specified in **N.J.S.A. 17:44B** et seq. The Society's principal office is located at 205 Madison Street, Passaic, New Jersey 07055. The registered agent in charge, upon whom process may be served, is Scott T. Pogorelec, Supreme Secretary of the Sokol.

Ownership

The Slovak Catholic Sokol is an athletic and gymnastic fraternal benefit society incorporated under the laws of the State of New Jersey as a non-pecuniary society with a ritualistic and representative form of government.

MANAGEMENT AND CONTROL

According to the most recent amended By-Laws, the management of Slovak Catholic Sokol shall consist of four (4) branches, namely:

- a) The Convention
- b) The Supreme Assembly
- c) The Supreme Board of Directors
- d) The Supreme Physical Fitness Board

The Convention shall be the supreme law-making body and final judicial authority, composed of Supreme Officers, Honorary Supreme Officers and Delegates of the Assemblies and Wreaths. The Convention shall be held every four years. The Convention governing the years covered by this examination was last held August 2, 2015, through August 5, 2015, at Pittsburgh, Pennsylvania.

Members of the Supreme Assembly, elected from the delegates at the Convention, shall consist of the following officers: Supreme Chaplain, Supreme President, Supreme Vice President, Supreme Secretary, Supreme Treasurer, General Counsel, Chairperson of

Supreme Auditors, two Auditors, Supreme Director of Sports and Athletics, Supreme Assistant Director of Sports and Athletics, Supreme Physical Director, Supreme Assistant Physical Director, Supreme Physical Directress, Supreme Assistant Physical Directress, two (2) male and two (2) female members of the Supreme Physical Fitness Board.

Each Supreme Officer must conscientiously fulfill his/her official duties as prescribed by the Bylaws. No Supreme Officer shall seek the third consecutive term in the same office, except the full-time officer Supreme Secretary, and General Counsel

The following is a listing of the members of the Supreme Assembly serving at December 31, 2017:

<u>Office</u>	<u>Name</u>
Supreme Board of Directors Members	See next table below
Auditor	James F. Knis
Auditor	Brian M. Suchy
Assistant Director of Sports and Athletics	Frank P. Laury, III
Assistant Physical Director	Dusan Dorich
Assistant Physical Directress	Katie Swift
Physical Fitness Board Member	Nancy Kropolinsky
Physical Fitness Board Member	Julie Laury
Physical Fitness Board Member	Philip J. Walsh
Physical Fitness Board Member	Martin Degnan

The Board of Directors shall consist of the following members of the Supreme Assembly: Supreme Chaplain, Supreme President, Supreme Vice President, Supreme Secretary, Supreme Treasurer, General Counsel, Chairperson of Supreme Auditors, Supreme Director of Sports and Athletics, Supreme Physical Director, and Supreme Physical Directress.

The Board of Directors shall have the power and authority to manage, govern, and administer the business of the Society. They shall enforce the Bylaws and all matters and recommendations of the Convention, but shall have no authority to change, alter, amend, or rescind them. They shall supervise the activities of all Groups, Assemblies, Wreaths, and their officers.

The Board of Directors shall meet at least once every quarter, or as needed as requested by the Supreme President. A majority of the Board of Directors shall constitute a quorum.

The following is a listing of the Supreme Board of Directors and Supreme Officers serving at December 31, 2017:

<u>Office</u>	<u>Name and Address</u>	<u>Principal Occupation</u>
Supreme Chaplain	Rev. Andrew S. Hvozdovic Sayre, PA 18840	Priest
Supreme President	Michael J. Horvath Wilkes-Barre, PA 18702	International Business Development Manager

		NEPA Alliance
Supreme Vice President	Edward D. Moeller Pittsburgh, PA 15227	A/R Administrator Allegheny County Airport Authority
Supreme Secretary	Scott T. Pogorelec Passaic, NJ 07055	Financial Secretary Slovak Catholic Sokol
Supreme Treasurer	Dennis J. Zifcak Uxbridge, MA 01569	Supreme Treasurer – Slovak Catholic Sokol
General Counsel	John D. Pogorelec Clifton, NJ 07013	Attorney Self-Employed
Supreme Chairperson of the Auditors	James G. Jerek Boardman, OH 44512	Business Manager Mahoning County SWMD
Supreme Sports Director	James C. Matlon Whippany, NJ 07981	Senior Financial Consultant Metropolitan Life Insurance Company
Supreme Physical Director	John M. Underation Bay Village, OH 44140	Financial Analyst Morgan Stanley
Supreme Physical Directress	Kathleen S. Watkins Bridgeville, PA 15017	Teacher Montour School District

The Supreme Physical Fitness Board consist of the following: Supreme Director of Sports and Athletics, Supreme Assistant Director of Sports and Athletics, Supreme Physical Director, Supreme Assistant Physical Director, Supreme Physical Directress, Supreme Assistant Physical Directress, two (2) male and two (2) female members of the Supreme Physical Fitness Board. The Supreme President and Supreme Secretary shall act as advisors.

This organization is formed to ensure that all calisthenics, gymnastic, sports, and athletic activities are arranged and staged efficiently and satisfactorily. Each member shall submit a written report to the Chairperson annually, which will be presented to the Annual Meetings of the Board of Directors and the Convention, to be printed in the official publication.

CORPORATE RECORDS

The minutes of meetings of directors and committees adequately approved and supported the Society's transactions and events. The previous examination report was reviewed by the Society's directors and the Convention delegates.

POLICY ON CONFLICTS OF INTEREST

The Society has a policy statement in effect with respect to conflicts of interest, which are signed annually by directors, officers and employees of the Sokol and then submitted to the Supreme Board of Directors at one of its quarterly meetings. Disclosures are made through Biographical Affidavits, which are executed every four years subsequent to the election of officers and directors during the Society's quadrennial meeting. The affidavits contain sections where members are required to fill out details concerning employment, directorates, officerships or other positions with outside parties. The latest affidavits were completed and reviewed at the 32nd Quadrennial Convention held on August 2 to August 5, 2015, and are on file in the home office along with the signed policy statements.

According to the Sokol procedures, signed conflict of interest questionnaires and any changes should be discussed at the annual Board of Directors' meeting. For the period under examination, the approval of the Statement on Conflict of Interest was made part of the minutes of the Board of Directors' meeting.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

At December 31, 2017, the Society maintained a financial institution bond in the amount of \$1,000,000 that includes coverage for forgery or alteration. Based on the NAIC exposure index guidelines for minimum amounts of fidelity insurance, the amount of coverage for the Sokol appears to be adequate.

In addition, the Society also maintains the following insurance coverages:

<u>COVERAGE</u>	<u>LIMITATIONS</u>	
Commercial Umbrella	\$ 5,000,000	Each Occurrence
	\$ 5,000,000	General Aggregate
	\$ 5,000,000	Products Completed Operations
		Aggregate
	\$ 10,000	Retained Limit
Commercial Property	\$ 5,698,549	Home Office Building
	\$ 697,653	Business Personal Property
Equipment Breakdown	\$ 100,000	Refrigeration Contamination
	\$ 100,000	Hazardous Substances
	\$ 100,000	Spoilage
Commercial Computer	\$ 50,000	Replacement Cost
Commercial General Liability	\$ 1,000,000	Each Occurrence

	\$ 2,000,000	General Aggregate
	\$ 2,000,000	Products Completed Aggregate
	\$ 1,000,000	Personal and Advertising Injury (any one person)
	\$ 1,000,000	Hired and Non-Owned Auto
Liability	\$ 300,000	Damage to Premises Rented (any one person)
	\$ 15,000	Medical Expense (any one person)
Blanket Accident Insurance	\$ 25,000	Accidental Death
	\$ 50,000	Accidental Dismemberment
	\$ 50,000	Accidental Paralysis
	\$ 500,000	Accident Medical Expense Benefits
Workers' Compensation	\$ 500,000	Injury (each accident)
	\$ 500,000	Disease (each employee)
	\$ 500,000	Disease (policy limit)

EMPLOYEE WELFARE AND PENSION PLANS

The Society has a non-contributory pension plan known as the "Supreme Officers' and Employees' Retirement Plan of the Slovak Catholic Sokol," covering all full-time employees and their beneficiaries. The Plan was established in 1961 and was re-approved by the Internal Revenue Service on March 31, 2010. It was amended in 2002 and again in 2012, offering new options for employees effective as of April 15, 2012. There have been no amendments or changes to the retirement plan since the last examination. At December 31, 2017, the Society accrued \$4,814,676 for this benefit, which was actuarially determined.

In addition, the Society also provides group life insurance, medical and dental care benefits to all regular full-time employees and their dependents. These coverages, funded in full by the Society, are written through the US Life Insurance Company and Horizon Blue Cross/Blue Shield.

POLICY FORMS AND UNDERWRITING PRACTICES

The Society is approved to write the following types of insurance and annuity products:

<u>Life Plans</u>	<u>Applicable Age</u>	<u>Limits</u>
Whole Life (Legacy Life)	0 to 80	5,000 to 100,000
Single Premium Life (SPL)	0 to 90	5,000 to 100,000
3 Year Payment Life (Legacy 3)	0 to 85	5,000 to 100,000
10 Year Payment Life (Legacy 10)	0 to 80	5,000 to 100,000
20 Year Payment Life (Legacy 20)	0 to 80	5,000 to 100,000

The Society also offers Traditional Individual Retirement Account (IRA) and Roth IRA as qualified plans.

Face amounts over \$100,000 are offered on a case by case basis. The Society uses the *LA-10 Application for Life Insurance* form for Legacy plans \$60,000 and under. Form *LAL-10* is used for amounts exceeding this amount.

<u>Riders</u>	<u>Applicable Age</u>
Accidental Death Benefit	0 to 55
Disability Waiver of Premium	16 to 55
Payor Waiver of Premium	16 to 55

Riders are only applicable to Legacy Life, Legacy 10, and Legacy 20.

<u>Term Plans</u>	<u>Applicable Age</u>	<u>Limits</u>
Term to Age 25	0 to 24	10,000 to 50,000
5 Year Renewable Term	16 to 65	5,000 to 100,000

The 5 Year-Term could be renewed without proof or declaration of insurability up to age 70 at a higher premium rate applicable to the attained age at the renewal date. It can also be converted at any time, prior to age 65, to a permanent life plan without proof or declaration of insurability. Upon the expiry date, the Term to Age 25 policy offers the insured a guaranteed right to obtain new insurance on a permanent life plan without proof or declaration of insurability.

<u>Annuity Plans</u>	<u>Applicable Age</u>	<u>Deposits</u>
Vantage 1	0 to 90	5,000 to 50,000
Vantage 2	0 to 90	5,000 to 50,000
Vantage 3	0 to 90	5,000 to 50,000
Vantage 5	0 to 90	1,000 to 200,000
Vantage 7	0 to 90	1,000 to 200,000
Single Premium Annuity (SPIA)	0 to 90	10,000 to 200,000

The Vantage products have a minimum guarantee of one to three percent (1-3%) interest rate (APY). The One, Two and Three-year products are guaranteed for the duration of the contract period. The Five and Seven-year products are guaranteed for the initial first year and two years, respectively. For the SPIA, the interest rate is fixed at time of purchase and guaranteed throughout the term of the annuity. The Society uses policy form *AA-10 Application for Annuity* as the official contract for establishing the annuity.

Interest rates on all annuity contracts are set by the Supreme Board of Directors on a quarterly basis after review of market conditions and discussions with other consultants. However, interest rates can be changed at any time.

The Society's Supreme Secretary examines the applications for membership and determines the eligibility of the applicants in accordance with the by-laws (ethnic origin, religion, age, etc.). The Supreme Secretary and another staff member evaluate the answers to specific questions in the application and determine whether a medical examination is to be requested with the advice of a Medical Examiner. However, a medical examination may be required regardless of age, if deemed necessary.

The following limits represent the total amount of insurance under all Sokol insurance plans which may be issued to any individual without a medical examination from the date an individual becomes a member of Sokol:

Age Nearest <u>Birthday</u>	No Medical Exam <u>Needed Up To</u>
0 to 40	\$100,000
41 to 55	50,000
56 to 65	15,000
66 to 80*	5,000

*SPL is up to 90 years of age

*Legacy 3 is up to 85 years of age

TERRITORY AND PLAN OF OPERATION

As of December 31, 2017, the Society was authorized to transact business in the following ten states:

New Jersey	Ohio
New York	Illinois
Connecticut	Indiana
Pennsylvania	Michigan
Massachusetts	Wisconsin

Current certificates of authority for the transactions of business in the jurisdictions in which the Sokol is licensed are on file in its home office.

The following are some of the purposes and objectives of the organization:

- Provide such legal reserve insurance benefits for its members as the organization shall determine from time to time;
- Promulgate the Catholic Faith in complete harmony with Church leaders;
- Encourage education;
- Instill patriotic zeal to the end that the members will become good citizens of the United States and Canada and loyal sons and daughters of the Slovak nation;
- Provide an athletic and gymnastic program;
- Organize Assemblies, each having a ritualistic and representative form of government under the authority and supervision of the Supreme Assembly;
- Encourage the Assemblies to aid the sick and disabled among their members, and to ease the burdens of widows and orphans of deceased members;
- Charter, own, purchase, sell, exchange and mortgage real estate and personality; and
- Have such other powers as are expressly delegated by the laws of the respective States of the United States or Canada.

Traditionally, membership in the Society was initiated through recommendations made by established members of assemblies and wreaths. During the examination period, however, the Society began to employ the services of independent agents to complement this mode of membership enrollment. The agency force consisted of authorized agents, which topped out at 263 in 2017, whose Fraternal sales are monitored by Mr. Albert Suess, Director of Sales and Marketing, with an office operating out of Pittsburgh, Pennsylvania. This new directorate position was created in 2010 to attract, recruit and supervise outside agents as part of the Society's short-term strategy aimed at increasing its market presence.

The Society's goal is to continue to promote the growth of its agency base for the long-term as it succeeds in gaining market share.

The Society conducts the business of a fraternal benefit society from its home office located at 205 Madison Street, Passaic, New Jersey 07055, where all administrative, accounting, underwriting and claim functions are performed. The Director of Sales and Marketing maintains an office at 2403 Sidney Street, Suite 200, Pittsburgh, Pennsylvania 15203. This office, in addition to providing sales and marketing services, is also responsible for agents licensing and commissions.

Effective April 1, 1996, all membership dues and assessments (billing statements) are sent directly to paying members.

At December 31, 2017, there were 93 subordinate assemblies (lodges) in the United States and Canada.

ADVERTISING

The Society had limited advertising during the examination period. The Sokol's official newspaper, "The Falcon," is published biweekly for the purpose of informing members of the activities of the Society. All advertising was reviewed and deemed to be in compliance with **N.J.S.A.17:18-10**.

TREATMENT OF POLICYHOLDERS

The Society is to maintain records of all written complaints of enrollees and maintain procedures for the resolution of those complaints. The Society was unable to provide records of all written complaints of enrollees occurring during the examination period. Consequently, it is recommended the Company maintain a record of all written complaints of enrollees and ensure these records are available for review in accordance with **N.J.S.A. 17B:30-13.2**.

CONTINUITY OF OPERATIONS

During the examination a review was conducted and determined that the Society maintains an adequate disaster recovery and business continuity program. The plan maintains procedures and processes required to restore critical systems and functions in the event of a disaster to continue its business operations.

ACCOUNTS AND RECORDS

In 2013, the Slovak Catholic Sokol purchased from Pin Point Computer Systems Inc., an integrated Policy, Claims, Financial Reporting Investment and Fund, Reserve and Producer Management System. These applications run on a Windows Server with Microsoft Visual FoxPro Software. The system and applications are administered by Pin Point Systems Inc. with back-up procedures provided by Pin Point.

General Ledger System

The Financial Reporting Module (general ledger and accounting) captures all financial data from the Premium, Claims, Accounts Payable and Investment transactions. These transactions are compiled into the respective Financial Reports (Income Statement, Balance Sheet, and Trial Balance). The reports are processed on a monthly basis for review by Management

Premium System

The Policy Management Module includes Premium Processing and Policy Issuance functions. The premium information is processed manually through Automated Clearing House (ACH). Policy issuance is recorded from applications received through the mail and on-line. All transactions: i.e. premium billings late notices etc. flow into the Financial Reporting (general ledger and accounting) modules.

All membership dues and assessments (billing statements) are sent directly to the paying members. Billing notices are mailed directly to the members for their dues in advance. The timing of payments is at the option of the members and can be monthly, semi-annually or annually. Follow up notices are sent after 30, 60 and 90 days if dues are not paid.

Loss System

The claims Management Module processes all claims transactions and record management of the claims received and integrates with the reserve processing. All claims processed for payment flow through the general ledger when the claim checks are processed. The claim payments are verified and approved by Management before issuance.

All death claims go through the office of the Supreme Secretary and are time-stamped when received. Death claims and cash surrender values are calculated by computer and then test-checked manually to actuarial tables. An original policy and death claim certificate must be submitted before death claims are paid. All check payments must be authorized by the Supreme Secretary.

Investments

Mr. Thomas Calimano, of PNC Institutional Investments, is the Society's Investment Manager. The Supreme Board of Directors meets periodically with the Investment Manager and reviews the recommendations made by him. The Board then votes upon the recommendations and advises the Investment Manager on the specific securities to be bought or sold.

At December 31, 2017 the Society's securities were held at PNC Bank NA, Two Tower Center Boulevard, 22nd Floor, East Brunswick, New Jersey 08816.

Audited Financial Statements

Pursuant to the provisions of N.J.A.C. 11:2-26.4 an annual independent audit was performed by the CPA firm of Vision Financial Group CPAs, LLP. and a year-end

Audited Financial CPA Report was filed with the New Jersey Commissioner of Banking and Insurance.

Escheatment of Funds

In accordance with **N.J.S.A. 46:30B-22** the Society is to file a report with the New Jersey State Treasurer on Funds held and owed to insureds three years past due and payable and presumed abandoned. It is recommended such a report be filed with the New Jersey State Treasurer in accordance with **N.J.S.A. 46:30B-22**.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

<u>Exhibit - A</u>	Statement of Assets, Liabilities and Unassigned Funds as of December 31, 2017
<u>Exhibit - B</u>	Summary of Operations for the Five-Year Period Ended December 31, 2017
<u>Exhibit - C</u>	Surplus Account for the Five-Year Period Ended December 31, 2017

STATEMENT OF ASSETS, LIABILITIES AND
UNASSIGNED FUNDS AS OF DECEMBER 31, 2017

<u>Assets</u>	Balance Per Examination 12/31/2017	Balance Per Company 12/31/2017	Examination Change	<u>Notes</u>
Bonds	\$66,893,496	\$66,893,496	\$0	
Common Stocks	12,677,644	12,677,644	0	
Mortgage Loans on Real Estate: First Liens	693,587	693,587	0	
Real Estate : Properties Occupied by the Society	276,416	276,416	0	
Cash	2,555,663	2,555,663	0	
Contract Loans	201,163	201,163	0	
Investment Income Due and Accrued	785,292	785,292	0	
Uncollected Premiums or Agents' Balances	19,200	19,200	0	
Aggregate Write-ins for Other Than Invested Assets	<u>5,787</u>	<u>5,787</u>	0	
Total Admitted Assets	<u>\$84,108,248</u>	<u>\$84,108,248</u>	<u>\$0</u>	
<u>Liabilities</u>				
Aggregate Reserve for Life Certificate and Contracts	\$64,764,648	\$64,764,648	\$0	1
Liability for Deposit-type Contracts	2,433,651	2,433,651	0	
Contract Claims: Life	453,332	453,332	0	
Provision for Refunds Payable: Not Yet Apportioned	50,000	50,000	0	
Premiums & Annuity Considerations received in Advance	71,749	71,749	0	
Interest Maintenance Reserve	143,942	143,942	0	
General Expenses Due or Accrued	122,137	122,137	0	
Amount Withheld or retained by Society as Agent or Trustee	(955)	(955)	0	
Remittances and Items not Allocated	9,467	9,467	0	
Net Adjustment in Assets & Liabilities Due	2,867	2,867	0	
Liability for Benefits for Employees & Fieldworkers	4,814,676	4,814,676	0	
Miscellaneous Liabilities: Asset Valuation Reserve	1,601,136	1,601,136	0	
Aggregate Write-ins for Liabilities	<u>1,367,999</u>	<u>1,367,999</u>	0	
Total Liabilities	<u>\$75,834,649</u>	<u>\$75,834,649</u>	<u>\$0</u>	
Unassigned Funds	<u>\$8,273,599</u>	<u>\$8,273,599</u>	<u>\$0</u>	2
Total Liabilities and Unassigned Funds	<u>\$84,108,248</u>	<u>\$84,108,248</u>	<u>\$0</u>	

SUMMARY OF OPERATIONS
FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Premiums and Annuity Considerations	\$4,522,752	\$7,975,047	\$7,630,819	\$6,985,691	\$7,036,913
Considerations for Supplementary contracts	0	0	0	21,235	360,534
Net Investment Income	2,537,672	2,660,668	2,802,699	2,771,521	3,067,496
Amortization of Interest Maintenance Reserve	12,242	22,307	34,421	54,152	52,362
Aggregate Write-ins for Miscellaneous Income	<u>1,780</u>	<u>66,739</u>	<u>135,007</u>	<u>47,728</u>	<u>25,155</u>
Totals	<u>\$7,074,446</u>	<u>\$10,724,761</u>	<u>\$10,602,946</u>	<u>\$9,880,327</u>	<u>\$10,542,460</u>
Deductions:					
Death Benefits	\$813,871	\$776,449	\$836,008	\$828,241	\$1,250,205
Matured Endowments	14,321	21,669	15,619	13,533	3,082
Annuity Benefits	2,687,040	2,902,194	2,280,778	2,444,314	3,988,121
Surrender Benefits and Withdrawals for Life contracts	184,018	269,011	232,679	260,767	324,334
Interest & Adjustments on Contract Funds	38,514	75,660	71,508	71,827	75,708
Payments on Supplementary Contracts	0	0	0	4,528	<u>22,870</u>
Increase in Aggregate Reserves for Life and Accident and Health Contracts	1,747,637	4,914,117	5,222,379	4,514,225	3,427,169
Commissions on Premiums, Annuity Considerations And Deposit-type Funds (direct business only)	239,806	512,085	598,375	528,142	487,753
General Insurance & Fraternal Expenses	1,658,215	1,760,592	1,626,695	1,584,972	1,737,062
Insurance Taxes, Licenses and Fees	93,116	90,582	92,574	88,982	48,449
Increase in Loading on Deferred & Uncollected Premiums	0	0	(500)	400	600
Aggregate Write-ins for Deductions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$7,476,538</u>	<u>\$11,322,359</u>	<u>\$10,976,115</u>	<u>\$10,339,931</u>	<u>\$11,365,353</u>
Other Income					
Net Gain From Operations Before Refunds To Members	(\$402,092)	(\$597,598)	(\$373,169)	(\$459,604)	(\$822,893)
Refunds to Members	50,000	50,000	50,000	50,000	49,077
Net Gain From Operations After Refunds To Members	(452,092)	(647,598)	(423,169)	(509,604)	(871,970)
Net Realized Capital Gains or (Losses)	<u>767,461</u>	<u>925,444</u>	<u>90,146</u>	<u>249,722</u>	<u>1,006,016</u>
Net Income	<u>\$315,369</u>	<u>\$277,846</u>	<u>(\$333,023)</u>	<u>(\$259,882)</u>	<u>\$134,046</u>

SURPLUS ACCOUNT
FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Surplus, December 31, Previous Year	\$8,698,985	\$10,093,786	\$8,055,383	\$7,580,728	\$7,601,874
Net Income from Operations	315,369	277,846	(333,023)	(259,882)	134,046
Change in Net Unrealized Capital Gains or (Losses)	1,538,626	(166,667)	(362,832)	405,333	673,463
Change in Net Unrealized Foreign Exchange Capital Gains or (Losses)	(1,309)	853	3,334	504	481
Change in Non-Admitted Assets	(53,861)	(39,033)	8,412	31,085	27,899
Change in Reserve on Account of Change in Valuation Basis, (Increase) or Decrease	(300,000)	(2,078,935)	0	0	0
Change in Asset Valuation Reserve	(117,615)	(40,099)	193,506	(155,894)	(225,829)
Aggregate Write-ins for Gains And Losses in Surplus	<u>13,591</u>	<u>7,632</u>	<u>15,948</u>	<u>0</u>	<u>61,665</u>
Net Change in Surplus for the Year	<u>\$1,394,801</u>	<u>(\$2,038,403)</u>	<u>(\$474,655)</u>	<u>\$21,146</u>	<u>\$671,725</u>
Surplus, December 31, Current Year	<u>\$10,093,786</u>	<u>\$8,055,383</u>	<u>\$7,580,728</u>	<u>\$7,601,874</u>	<u>\$8,273,599</u>

NOTES TO FINANCIAL STATEMENTS

Note: 1

AGGREGATE RESERVE FOR LIFE CERTIFICATES AND CONTRACTS

The Society reported a liability for Aggregate Reserve for Life Certificates and Contracts of \$64,764,648 as of December 31, 2017. It is the opinion of the Society's appointed actuary, Allan P. Ferrone, FSA, MAAA, of CPS Actuaries, 45 Church St. Stamford, Connecticut, who signs off on the actuarial opinion on behalf of the Sokol, that the reserves established by the Society are adequately stated.

The valuation record within the Actuaries computer system was utilized by the Examiners for all reserve calculation. The reserves as of December 31, 2017 were sampled and tested utilizing a random selection process from the Actuaries detail report and verifying the record to the Society's membership application and certificate files.

The summary valuation was referred to the Life and Health Actuarial Unit of the New Jersey Department of Banking and Insurance for further review and analysis with regard to the accuracy of the reserve factors used and adequacy of the established reserves. The year-end established reserve valuations were reviewed by the NJDOBI Life Actuarial Unit who indicated that the reported actuarial reserves are acceptable for examination report purposes. A Summary of the Aggregate Life Insurance Reserves is listed below:

<u>Life Insurance Reserve Basis</u>	<u>Ordinary Reserve</u>
AE 3% Pd Up CRF ANB 38-51	\$1,263,642
41SI 3% NLP CRF ANB 47-60	3,632
41 SI 3% Pd UP CRF ANB 47-60	1,766,272
AM 2.5% NLP CRF ANB 51-74	70,270
AM 2.5% Pd UP CRF ANB 51-74	528
AM 2.5% Pd UP CRF ANB 51-74	3,606,586
58 CSO 2.5% NLP CRF ANB 75-88	106,706
58 CSO 2.5% Pd UP CRF ANB 75-88	2,232,967
58 CET 2.5% Pd UP CRF ANB 75-88	84,551
58 CSO 3.5% Pd UP CRF ANB 84-86	106,374
58 CSO 2.5% Pd UP CRF ANB 75-88	2,175,441
80 CSO 6% Pd UP CNF ANB 86	263,435
80 CSO 5.5% Pd UP CNF ANB 87-92	4,735,752
80 CSO 5% NLP CNF ANB 88-94	61,892
80 CET 5% Pd UP CNF ANB 93-94	66,034
80 CET 5% Pd UP CNF ANB 93-94	2,668,700
80 CET 5% Pd UP CNF ANB 93-94	270,605
80 CSO 4.5% NLP CNF ANB 95-05	941,467
80 CSO 4.5% Pd UP CNF ANB 95-05	8,746,607
80 CET 4.5% Pd UP CNF ANB 95-05	141,882
80 CSO 4% NLP CNF ANB 06-08	141,912
80 CSO 4% Pd UP CNF ANB 06-08	923,154
01 CSO 4% CRVM CNF ALB 09-12	373,139
01 CSO 4% CRVM CNF ALB 09-12	1,280,137
80 CET 4% Pd UP CNF ANB 06-08	12,643
01 CSO 3.5% CRVM CNF ALB 13-NB	2,096,024

01 CSO 3.5% Pd UP CNF ALB 13-NB	<u>1,949,395</u>
Total	<u>\$36,098,747</u>
<u>Annuities</u>	<u>\$25,192,268</u>
Total	<u>\$25,192,268</u>
<u>Supplementary Contracts with Life Contingencies:</u>	
	:
1983 Table a 4.25% pre – 2007	\$4,806
1983 Table a 3% 2007 – 2014	34,203
2015 IAR 3% 2015 – 2017	84,726
2015 IAR 3.5% 2017 – NB	<u>305,993</u>
Total	<u>\$429, 728</u>
<u>Accidental Death Benefits</u>	<u>\$1,560</u>
Total	<u>\$1,560</u>
<u>Miscellaneous Reserves:</u>	
Unearned Premium Reserve	\$172,614
Immediate Payment of Claims	149,390
Deficiency Reserve	1,814,300
Non-Deduction of Deferred Premiums	1,768
Additional Actuarial Reserves	900,000
Substandard Extra Reserve	<u>4,273</u>
Total	<u>\$3,042,345</u>
Grand Total	<u>\$64,764,648</u>

Note: 2

SURPLUS AS REGARDS POLICYHOLDERS

Unassigned Funds

The unassigned funds reported by the Society as at December 31, 2017 amounted to \$8,273,599.

SUMMARY OF SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to the examination date the Society had to comply with Chapter 236 of Title 17B of the New Jersey Statutes. This Act states that insurer's will be required to cross check policies to a death master file ("death index") maintained by the United States Social Security Administration. Insurers are required to use the death index to properly search for beneficiaries of policies written by the Company. This law went into effect the first

day of the sixth month after September 13, 2017. The Society has subsequently complied with this statute.

SUMMARY OF EXAMINATION RECOMMENDATIONS

Treatment of Policyholders - Page 10:

The Society is to maintain records of all written complaints of enrollees and maintain procedures for the resolution of those complaints. The Society was unable to provide records of all written complaints of enrollees occurring during the examination period. Consequently, it is recommended the Company maintain a record of all written complaints of enrollees and ensure these records are available for review in accordance with **N.J.S.A. 17B:30-13.2**.

Escheatment of Funds – Page 12:

In accordance with **N.J.S.A. 46:30B-22** the Society is to file a report with the New Jersey State Treasurer on Funds held and owed to insureds three years past due and payable and presumed abandoned. It is recommended such a report be filed with the New Jersey State Treasurer in accordance with **N.J.S.A. 46:30B-22**.

CONCLUSION

The examination of Slovak Catholic Sokol was conducted by the undersigned with the assistance of field examiners and other members of the New Jersey Department of Banking and Insurance, Office of Solvency Regulation staff.

The courteous assistance and cooperation extended to the examination staff by the officers and employees of the Society is acknowledged.

Respectfully Submitted,



Daniel J. Fialkowski, CFE, AIE, FLMI, CPM
Supervising Insurance Examiner
New Jersey Department of Banking and Insurance

SLOVAK CATHOLIC SOKOL

I, Daniel J. Fialkowski, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2017, to the best of my information, knowledge, and belief.

Respectfully Submitted,

Daniel J. Fialkowski

Daniel J. Fialkowski, CFE, AIE, FLMI, CPM
Supervising Insurance Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, ___Daniel J. Fialkowski___, on
this 28th day of January, 2019.

Sheila M. Klaus

Notary Public of New Jersey

My commission expires: July 2020