

**REPORT ON EXAMINATION**  
**OF THE**  
**MUTUAL BENEFICIAL ASSOCIATION, Inc.**  
**AS OF**  
**DECEMBER 31, 2020**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
MUTUAL BENEFICIAL ASSOCIATION, INC.  
AS OF  
DECEMBER 31, 2020

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro  
Insurance Commissioner

Dated this 30<sup>th</sup> day of November, 2021

## TABLE OF CONTENTS

SCOPE OF EXAMINATION .....	1
SUMMARY OF SIGNIFICANT FINDINGS.....	3
COMPANY HISTORY .....	3
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers .....	5
Corporate Records .....	5
Insurance Holding Company System .....	5
TERRITORY AND PLAN OF OPERATION.....	5
REINSURANCE .....	6
FINANCIAL STATEMENTS.....	7
Statement of Assets.....	8
Liabilities, Surplus and Other Funds .....	9
Summary of Operations .....	10
Reconciliation of Capital and Surplus .....	11
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION.....	12
COMMENTS ON FINANCIAL STATEMENT ITEMS .....	12
SUBSEQUENT EVENTS.....	13
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS.....	13
SUMMARY OF RECOMMENDATIONS.....	13
CONCLUSION .....	13

October 20, 2021

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 W North Street, Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 21.033, dated July 19, 2021, an examination has been made of the affairs, financial condition and management of

**MUTUAL BENEFICIAL ASSOCIATION, INC.**

hereinafter referred to as the Company or MBA and incorporated under the laws of the State of Delaware as a Fraternal Benefit Society. The statutory home offices of the Company, located at 1301 Lancaster Avenue Suite 102, Berwyn, Pennsylvania, 19312. Due to the COVID-19 Pandemic, the examination was conducted offsite. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the period from January 1, 2011 through December 31, 2015. This examination covers the five-year period from January 1, 2016 through December 31, 2020 and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as

management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2020. Transactions subsequent to the examination date were reviewed where deemed necessary. The examination of the Company was performed as a single state examination.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware as required by 18 *Del. C.* §321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Ansel & Slotopolsky, LLP (Ansel). Certain auditor work papers of their 2020 audit have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

### **COMPANY HISTORY**

MBA was incorporated on December 20, 1913, under the Delaware Insurance Laws as a Fraternal Benefit Society and commenced business on February 1, 1914. The original name of the Company was The Mutual Beneficial Association of Pennsylvania Railroad Employees Incorporated. The name of the Company was subsequently changed three times, in 1970 and 1976 to reflect mergers and consolidations in the railroad industry, with the current name of The Mutual Beneficial Association, Inc. being adopted in 1996. Since its inception, the Company has maintained a close working relationship with several railroads including Amtrak, Long Island RR/MTA, CSX and Norfolk Southern. During recent examination periods, the Company has sought to widen its customer base by appealing to anyone involved in the transportation industry as opposed to just the railroad industry. The Company has no subsidiaries or affiliates.

As a fraternal organization, the Company has a unique mission as detailed by its bylaws.

## MANAGEMENT AND CONTROL

### Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board of Directors (Board). The bylaws of the Company specify that there shall be no less than five, and no more than nine, directors including the General President, General Secretary, General Treasurer and General Vice President. The Directors are elected every four years in the month of October according to guidelines established in the bylaws. The last election occurred in October 2020 and two Directors were elected. The persons elected and serving as Directors of the Company on December 31, 2020 were:

<u>Directors</u>	<u>Primary Business Affiliate</u>
John Curry Carini	Local 7
Richard Otto Dietrich	Mutual Beneficial Association, Inc.
Thomas Anthony Catanach	Mutual Beneficial Association, Inc.
Donald Frances Teague	Local 82
Stephen Michael Santarlaschi	Mutual Beneficial Association, Inc.
Mary Louise Gibney	Mutual Beneficial Association, Inc.

The Board has three committees:

- 1) Investment Committee:  
Thomas Anthony Catanach, Chairman  
Stephen Michael Santarlaschi  
Richard Otto Dietrich
  
- 2) Membership & Sales Committee:  
Mary Louise Gibney, Chairperson  
Donald F. Teague  
John Curry Carini
  
- 3) Wage & Finance/Audit Committee:  
Richard O. Dietrich, Chairman  
Stephen Michael Santarlaschi

### Officers

The officers of MBA are elected by the Board as need. There are no term limits. Those persons serving as of December 31, 2020 were:

<u>Officers</u>	<u>Title</u>
Stephen Michael Santarlasci	General President- CEO
Mary Louise Gibney	General Secretary-COO
Richard Otto Dietrich	General Vice President
Thomas Anthony Catanach	General Treasurer-CFO

### Corporate Records

The recorded minutes of the shareholders and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events for the approval of investment transactions in accordance with 18 *Del. C.* §1304.

Inspection of Company files indicated that an Ethics Statement/Conflict of Interest Statement was completed by all directors and employees for the examination period.

### Insurance Holding Company System

The Company is not a member of an insurance holding company system as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code

## **TERRITORY AND PLAN OF OPERATION**

### Territory

The Company is licensed in six states and the District of Columbia.

### Plan of Operation

#### Life

The Company writes traditional life products, consisting of various whole life and endowment plans, limited pay whole life plans, level premium term, insurance fully paid-up under



the terms of the contract, insurance continued under non-forfeiture options as reduced paid-up and extended term and insurance purchased under the paid-up addition dividend option. Whole life consists of, limited-pay whole life and 20-pay whole life.

### Annuities

MBA offers tax-deferred annuities, Traditional IRAs and Roth IRAs. Individual fixed deferred annuities represent the largest line of business, in excess of \$107 million of reserves as of December 31, 2020. The Company does not market or have in force indexed variable annuities. Interest rate guarantees were set at issue for all contracts, with no redetermination.

As of December 31, 2020, the Company reported direct written premiums in the amount of \$9,590,368. Distribution by line of business were as follows:

Ordinary Life Insurance Premium	\$	692,155
Ordinary Individual Annuities		8,898,213
Total	\$	<u>9,590,368</u>

### REINSURANCE

The Company has no assumed business and cedes reinsurance on life business. The Company reported the following distribution of net premiums written for 2020:

	<u>Total Premiums and Annuity Considerations</u>		
	<u>Life</u>	<u>Annuity</u>	<u>Total</u>
Direct	\$ 692,155	\$ 8,898,213	\$ 9,590,368
Ceded:			
Reinsurance ceded to US non-affiliates	74,100	0	74,100
Reinsurance ceded to non-affiliates	<u>13,621</u>	<u>0</u>	<u>13,621</u>
Total Ceded	\$ 87,721	\$ -	\$ 87,721
Net Premiums Written			<u>\$ 9,502,647</u>

MBA maintains a reinsurance agreement containing two sections with Optimum Reinsurance Company. The first section covers policies issued after August 10, 2001 (effective date) and is referred to as the Conditional Automatic Coinsurance Agreement. This is the Company's primary coverage and provides that MBA retain 40% per life risk up to a maximum retention of \$20,000. Once MBA has paid \$20,000 on a life risk, the Company cedes 100% up to the Facultative Reinsurance Limit per life in the amount of \$1,000,000 and the Jumbo Limit of \$4,000,000 (per contract period).

The second part of the agreement is a Yearly Renewable Term applicable to the policies issued prior to December 10, 2001. This section provides 100% coverage and \$0 retention by the Company. Premiums ceded under this agreement was \$74,100 during 2020.

Effective January 1, 2015, the Company entered into an accidental death benefit 100% quota share. The maximum limit is \$200,000 per life. Premiums ceded under this agreement was \$13,621.

### **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2020
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2020
- Statement of Operations for the year ended December 31, 2020
- Statement of Capital and Surplus Account for the year ended December 31, 2020
- Reconciliation of Capital and Surplus for the Period January 1, 2016 to December 31, 2020

**Statement of Assets  
As of December 31, 2020**

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 120,004,496	\$ -	\$ 120,004,496
Cash and short-term investments	1,196,479		1,196,479
Contract Loans	471,251		471,251
Investment income due and accrued	1,485,850		1,485,850
Uncollectible premiums and agents' balances in course of collection	19,314		19,314
Aggregate write-ins:	4,350		4,350
Total Assets	<u>\$ 123,181,740</u>	<u>\$ -</u>	<u>\$ 123,181,740</u>

**Liabilities, Surplus and Other Funds  
As of December 31, 2020**

	<u>Current Year</u>	<u>Notes</u>
Aggregate Reserves for Life Insurance Contracts	\$118,213,747	1
Liability for deposit type contracts	6,307	1
Contract Claims: Life	147,289	1
Refunds due and unpaid	2,500	
Provisions for refunds payable in following calendar year-estimated amounts:	14,500	2
Apportioned for payment		
Premiums and annuity considerations for life and accident and health contracts received in advance	11,612	
Surrender values on canceled contracts	993,689	
Interest maintenance reserve (IMR)	418,876	
General Expense Due and accrued	25,783	
Taxes licences and fees	30,000	
Asset valuation reserve (AVR)	819,301	
Aggregate writ-ins for liabilities	99,301	
Total Liabilities	<u>\$120,782,905</u>	
 Unassigned Funds	 <u>\$2,398,835</u>	
Total Liabilities and Unassigned Funds	<u><u>\$123,181,740</u></u>	

**Summary of Operations  
For the Year Ended December 31, 2020**

Premiums and annuity considerations	\$ 9,502,647
Net investment income	5,267,458
Amortization of IMR	197,441
Commissions and expense allowances on reinsurance ceded	18,088
Aggregate write-ins for miscellaneous income	92,422
Totals	<u>\$ 15,078,056</u>
Death benefits	473,474
Matured endowments	30,321
Surrender benefits and withdrawals for life contracts	8,293,770
Interest and adjustments on contract or deposit type contract funds	287
Increase in aggregate reserves for life and A&H contracts	4,652,063
Totals	<u>\$ 13,449,915</u>
Commissions on premiums, annuity considerations	56,578
General insurance expenses	1,018,547
Insurance taxes, Licenses and fees excluding income taxes	51,532
Interest in loading on deferred and uncollected premiums	(1,945)
Totals	<u>\$ 14,574,627</u>
Net gains before refund to members	503,429
Refunds to members	22,762
Net gains from operations after refunds to members and before realized capital gains (losses)	<u>\$ 480,667</u>
Net realized capital gains (losses)	76,042
Net Income	<u><u>\$ 556,709</u></u>

**Reconciliation of Capital and Surplus  
For the period January 1, 2016 to December 31, 2020**

		Unassigned Funds	<u>Net Income</u>	<u>Other Changes</u>
Beginning Balance		\$ 1,655,194		
2016	1	237,445	\$ 237,445	
2016	2	(49,700)		\$ (49,700)
2017	1	209,187	209,187	
2017	2	(66,638)		(66,638)
2018	1	109,678	109,678	
2018	2	(77,375)		(77,375)
2019	3	(89,381)		(89,381)
2019	2	(24,443)		(24,443)
2019	1	121,062	121,062	
2020	3	89,381		89,381
2020	2	(272,282)		(272,282)
2020	1	556,709	556,709	
Ending Balance		<u>\$ 2,398,837</u>	<u>\$ 1,234,081</u>	<u>\$ (490,438)</u>

1- Net Income

2 - Change in Asset Valuation Reserves

3- Change in Unrealized Capital Gains (Losses)

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

<u>Aggregate Reserves for Life Contracts</u>	<u>\$118,213,747</u>
<u>Liability for Deposit Type Contracts</u>	<u>6,307</u>
<u>Contract Claims Life</u>	<u>147,289</u>

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2020. The examination analysis of Aggregate Reserves for Life Contracts, Liabilities for Deposit Type Contracts and Contract Claims: Life reserves was conducted in accordance with Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No's. 51R and 52.

Note 2:

<u>Provisions for refunds payable in following calendar year-estimated amounts</u>	<u>\$14,500</u>
--	-----------------

The examination liability for the aforementioned captioned item is the same as those balances reported by the Company as of December 31, 2020. MBA's bylaws contain a provision for certain eligible certificates to participate in distributable surplus to the extent and manner determined by the Board, and upon actuarial certification. The following is a summary of refunds distributed during the period under examination:

<u>Year</u>	<u>Amount</u>
2016	28,548
2017	27,340
2018	25,781
2019	24,151
2020	22,762

**SUBSEQUENT EVENTS**

During March of 2020, the World experienced a pandemic related to the COVID-19 virus. As of the date of this report, the Company has not been adversely affected by the pandemic and was fully operational and providing services to its policyholders. There were no material subsequent events.

**COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were no recommendations as a result of the prior examination.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

**CONCLUSION**

The assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the Company's outside audit firm, Ansel, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Albert M. Piccoli, Sr., ACI, CFE  
Examiner In-Charge  
State of Delaware



Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware



Mutual Beneficial Association, Inc.

I, Albert M. Piccoli, Sr., hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 21.033.

A handwritten signature in cursive script, reading "Albert M. Piccoli, Sr.", is written over a solid horizontal line.

Albert M. Piccoli, Sr., ACI, CFE