REPORT OF

FINANCIAL EXAMINATION

The Travelers Protective Association of America

FILED
MAY 19 2013
DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

As of:
DECEMBER 31, 2011

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 7, 2013
St. Louis, MO

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Huff:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

The Travelers Protective Association of America

hereinafter referred to as the "Company." The Company's main office is located at 3755 Lindell Boulevard; St. Louis, MO 63108; telephone number (314) 371-0533. Examination fieldwork began on February 4, 2013 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of The Travelers Protective Association of America. The last examination was completed as of December 31, 2007. This examination covers the period of January 1, 2008 through December 31, 2011. This examination also included material transactions or events occurring subsequent to December 31, 2011.

Procedures

This examination was conducted as a full scope comprehensive examination. We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company and evaluating systems controls and procedures used to mitigate those risks. An examination also includes 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Key activities were: Investment and Cash Management, Underwriting and Premiums, and Claims and Reserving.

SUMMARY OF SIGNIFICANT FINDINGS

The Company's membership continues to decline. However, surplus is adequate especially considering the limited amount of liabilities that exist. There are areas where the Company can make improvements. Given the relatively small size of the operations, these areas could benefit the Company if implemented. The Company maintains an accounting system with multiple funds designed for specific payment purposes. Maintaining these multiple funds takes up valuable time, which is a scarce resource for the Company. The Company currently has no management succession plan. With relatively few people performing all the functions of an insurance company, this could present a problem in the future. Finally, the Company manually prepares Quarterly and Annual Statements. This is also a time consuming task performed by a staff charged with completion of a multitude of other tasks.

SUBSEQUENT EVENTS

The Company's previous Chief Administrative Officer, Brian Schulte, resigned in January 2012. Albert Shoemaker became the new Chief Administrative Officer in the summer of 2012.

COMPANY HISTORY

General

The Company was officially incorporated on June 11, 1890 as a fraternal benefit organization under the name "Commercial Travelers Benefit Association of the United States." On June 23, 1890, the Company changed its name to the current name, The Travelers Protective Association of America. The Company is currently authorized as a fraternal benefit organization in the state of Missouri under Chapter 378 RSMo. The Company is also licensed in 28 additional states.

Capital Stock

The Company operates as a fraternal benefit organization and is not authorized to issue capital stock.

Dividends

The Company is a fraternal benefit organization and does not pay dividends to its members.

Mergers and Acquisitions

There were no mergers or acquisitions involving this company during the examination period.

CORPORATE RECORDS

Corporate Documents

The Articles of Incorporation and the Bylaws were reviewed. Several amendments were made to the Bylaws during the examination period, mostly of a technical nature. The most significant change was a reduction in the requirement for eleven board members to nine.

Meeting Minutes

The minutes from the Board of Directors meetings were reviewed for the current examination period. Those minutes adequately documented the deliberations of those meetings.

The meeting minutes also illustrated the Company's use of five different funds for various purposes. While there are no regulatory requirements for maintaining separate accounts, this does require additional time and effort by both the staff at the Company and the Board of Directors to administer and monitor these accounts.

MANAGEMENT AND CONTROL

Board of Directors

The Company's Bylaws call for nine directors. At December 31, 2011, they were:

David P. Grossklaus 1/ Electrical Designer	Arthur D. Harman Retired	Timothy W. Replogle Sales Representative
Rodney W. Wiedemann Retired	James A. Ruppe, Retired	Patricia J. Henke Home Healthcare Provider
John G. Theall Retired	Richard L. Martin Automotive Sales	Wayne L. Wentworth Engineer

1/ Chairman of the Board

Officers

The officers appointed and serving as of December 31, 2011 were:

Name	Office
John R. Lohmann, Jr.	President
Brian K. Schulte 2/	Executive Secretary, Chief Administrative Officer
Marie H. McGee	Vice-President

2/ Resigned in January 2012
Albert Shoemaker is the current Executive Secretary and Chief Administrative Officer

The Company has no management succession plan. In addition to the work performed administering the insurance functions of the Company, the staff provides administrative services to three charitable entities and supports several state associations. With only ten total employees, the Company has limited flexibility to provide continued, uninterrupted service should anyone become incapacitated.

Committees

Current committees and members are:

Finance
James Ruffner, Chair
William Fryer
David P. Grossklaus
James A. Ruppe
Jim Preas, ex-officio
Al Shoemaker, ex-officio

Membership
Wayne Wentworth, Chair
William Fryer
Harrell Jory
Susan Newlon

Communications/Promotion Development
David P. Grossklaus, Chair
William Fryer
Richard Martin
Al Shoemaker, ex-officio

Convention Review
James Ruffner, Chair
Harrell Jory
Al Shoemaker, ex-officio

Bylaws
David P. Grossklaus, Chair
James A. Ruppe
Rodney Wiedemann
Richard Martin
Jim Preas, ex-officio

T.P.A. Scholarship Trust for the Hearing Impaired
James A. Ruppe, Chair
Richard Martin
Rodney W. Wiedemann
Danny Harman
Edwin Miller
John R. Lohmann, Jr.

T.P.A. Merit Award and Fraternalist of the Year
Wayne L. Wentworth
Harrell Jory
Susan Newlon

Conflict of Interest

Conflict of Interest disclosure statements are executed annually by all Board members and officers. A review of the conflict of interest disclosure statements for the period under current examination indicated the company has procedures in place to ensure that potential conflicts are adequately disclosed and are taken into consideration when voting on and discussing issues where there may be a conflict of interest.

Holding Company, Subsidiaries and Affiliates

The Company is affiliated with three charitable entities through common membership in their respective governing bodies. The Company provides administrative services to these entities at no cost.

The T.P.A. Scholarship Trust for the Hearing Impaired is a non-taxable charitable trust fund that grants scholarships to hearing-impaired individuals.

The T.P.A. Homer T. Wilson Benevolent Fund for Indigent Members, Widows, Widowers, and Orphans is a benevolent trust which provides financial assistance to those in need.

The Safety Education Program Charitable Trust of the Travelers Protective Association of America is a non-taxable charitable trust whose purpose is to educate children and members of the general public regarding safety issues.

FIDELITY BOND AND OTHER INSURANCE

The Company is the named insured on an employee theft policy with a limit of $250,000 and a $1,000 deductible. This is in excess of the suggested minimum amount of coverage recommended by NAIC guidelines.

The Company also receives protection through additional policies providing coverages that include fiduciary liability, commercial property damage, business auto, employment practices liability, professional services liability, workers compensation, and commercial umbrella liability. These coverages appear to provide adequate protection for the Company.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offers a wide range of benefits to its employees, including paid vacation, paid sick leave, paid holidays and funeral leave. The Company also offers the following insurance coverage: hospitalization, medical (including a prescription benefit), dental and group life.

The Company has a non-contributory, defined benefit pension plan covering all eligible employees. Employees become eligible after completing one full year of employment, with vesting after five years of service. At September 30, 2011, the most recent actuarial valuation, the fair value of pension plan assets was $5,887,740 and accumulated vested benefit obligations totaled $4,663,161. The Company has not contributed to the pension plan during the current examination period.

The Company also provides an executive deferred compensation plan covering the two former Executive Secretaries. The Company has purchased period certain annuity contracts with the former Executive Secretaries named as beneficiaries.

TERRITORY AND PLAN OF OPERATION

The Company is licensed as a fraternal benefit society with the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 378 RSMo (Fraternal benefit societies). The Company is also licensed in twenty-eight other states.

The Company provides accident only coverage for its members. All insureds are members of the Travelers Protective Association of America. The Company does not employ agents or brokers to market its insurance. All prospective members are invited to join the Association by existing members. All applications must be endorsed by two members in good standing.

The Missouri Department of Insurance, Financial Institutions and Professional Registration has a market conduct staff that performs a review of issues related to policyholder treatment and generates a separate market conduct report. The Company has never undergone a market conduct examination.

GROWTH OF COMPANY

The Company experienced a significant decline in membership and as a result, a decline in the total premium income. At the end of 2007, the Company reported 64,076 members. That number had fallen to 43,287 by the end of 2011. The table below shows the impact on premiums and net income (dollar amounts shown to the nearest thousand.)

	2007	2008	2009	2010	2011
Net Earned Premiums	$1,405	$1,269	$1,300	$1,122	$1,030
Net Income	$159	$12	$(47)	$(129)	$(57)

LOSS EXPERIENCE

The Company's loss experience has been stable in recent years. Reserves and claims incurred reflect the general decline in membership seen by the Company. The table below shows those trends (dollar amounts shown to the nearest thousand.)

	2007	2008	2009	2010	2011
Total Reserves and Claims	$1,570	$1,422	$1,540	$1,450	$1,249
Claims Incurred	$713	$799	$652	$660	$592

REINSURANCE

The Company has no ceded or assumed reinsurance.

ACCOUNTS AND RECORDS

General

The Company's financial statements and policy administration are processed using the Sage 100 Fund Accounting software package. Claims are processed using an internally developed package based on an Access database.

The Company manually prepares the Annual and Quarterly Statements. This strains the limited resources of the Company especially considering the other work performed for the various charitable trusts and state associations.

Independent Auditor

The Company's 2011 financial statements were audited by the accounting firm of Huber, Ring, Helm and Company. Beginning with the 2012 Annual Statement, the firm of Kerber Eck & Braeckel, LLP will be performing the audit.

Independent Actuaries

Reserves and related actuarial items reported in the 2011 financial statements were certified by Joseph H. Steimla, FSA, MAAA, of Steimla & Associate, Inc. Beginning with the 2012 Annual Statement, the actuarial work will be performed by the firm of Lewis & Ellis, Inc.

STATUTORY DEPOSITS

The Company is not required to maintain any statutory deposits with the State of Missouri.

The Company has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2011, were as follows:

State	Security	Par Value	Statement Value	Market Value
North Carolina	Certificate of Deposit	$5,000	$5,000	$5,000
South Carolina	Certificate of Deposit	62,000	62,000	62,000
South Carolina	Certificate of Deposit	63,000	63,000	63,000
Total		$130,000	$130,000	$130,000

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2011, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

BALANCE SHEET
As of December 31, 2011

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$9,399,212	$0	$9,399,212
Properties occupied by the company	1	0	1
Cash and cash equivalents	1,146,818	0	1,146,818
Investment income due and accrued	123,580	0	123,580
Pre-paid asset - Employees' Pension Plan	4,154,731	4,110,675	44,056
Total Assets	$14,824,342	$4,110,675	$10,713,667

Liabilities and Surplus	
Aggregate reserve for accident and health contracts	$656,136
Accident and health	461,491
Premiums received in advance	60,981
General expenses due or accrued	18,778
Liability for benefits for employees	44,056
Aggregate write-ins for liabilities	7,641
Total Liabilities	1,249,083
Special permanent reserve	400,000
Unassigned funds	9,064,584
Total Surplus	9,464,584
Total Liabilities and Surplus	$10,713,667

INCOME STATEMENT
For Year Ending December 31, 2011

Premiums	$1,029,704	
Net investment income	433,238	
Aggregate write-ins for miscellaneous income	66,110	
Total Income		1,529,052
Death benefits	198,318	
Disability benefits and benefits under accident and health contracts	394,110	
Increase in aggregate reserve for life, accident and health contracts	(105,880)	
Total Benefits		486,548
General insurance expenses and fraternal expenses		1,017,390
Insurance taxes, licenses and fees		81,677
Aggregate write-ins for deductions		378
Total Benefits and Expenses		1,585,993
Net Income		($56,941)

RECONCILIATION OF SURPLUS
Changes from December 31, 2007 to December 31, 2011

	2,007	2,008	2,009	2,010	2011
Surplus December 31, prior year	$9,561,949	$9,720,759	$9,732,597	$9,685,369	$9,556,695
Net income from operations	158,810	11,838	(47,228)	(128,674)	(56,941)
Change in nonadmitted assets	0	0	0	0	(35,170)
Change in asset valuation reserve	0	0	0	0	0
Net change in surplus for the year	158,810	11,838	(47,228)	(128,674)	(92,111)
Surplus December 31, current year	$9,720,759	$9,732,597	$9,685,369	$9,556,695	$9,464,584

EXAMINATION CHANGES

There are no changes in the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

SUMMARY OF RECOMMENDATIONS

Meeting Minutes, Page 3
Review of the Company's Board Meeting minutes revealed the Company's use of fund accounting with five different funds for various purposes. While there are no regulatory requirements for maintaining separate accounts, this does require additional time and effort by both the staff at the Company and the Board of Directors to administer and monitor these accounts. Management should evaluate the continued need to maintain separate accounts.

Management and Control, Page 4
The Company has no management succession plan. With a small staff that provides administrative services to three charitable entities, support for various state associations, and performs all the functions of the insurance component, there is no room for any interruption in the work flow. Management should identify alternatives to ensure the continued operation of all aspects of the Company' operations should any of the personnel be unable to complete their duties.

Accounts and Records, Page 7
The Company's staff manually prepares the Annual and Quarterly Statements. Given that the Company has a small staff which is responsible for processing other non-insurance related work for the Company, management should consider alternative (automated) means for completing these statements. This would help ensure accurate and timely reporting in a constantly changing regulatory environment.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and staff of Travelers Protective Association of America during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

MAGDA OTTO-LYNCH
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: Oct. 18, 2014
Commission # 10031364

Sworn to and subscribed before me this 7 day of March, 2013
My commission expires:
Oct. 18, 2014

Magda Otto-Lynch
Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration

The Travelers Protective Association of America
3755 LINDELL BOULEVARD • ST. LOUIS, MISSOURI 63108-3476
Phone (314) 371-0533 FAX (314) 371-0537
www.tpahq.org • support@tpahq.org

May 6, 2013

Frederick G. Heese, Chief Financial Examiner
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, MO 65102

Re: TPA Exam Report as of December 31, 2011

Dear Mr. Heese:

Please accept this letter of response as our official response to the financial exam report as of December 31, 2011, issued by the Missouri Department of Insurance.

Meeting Minutes, Page 3
Management should evaluate the continued need to maintain separate accounts.
At the April meeting the Board of Directors asked our CPA firm to provide a feasibility study with regard to changing from our current fund accounting system to an accrual accounting system. The CPA findings are not expected to be completed until July 2013. The need to maintain separate accounts is primarily a result of the Standing Rules of The Travelers Protective Association of America (TPA). The Standing Rules, Section 1 – Dues and Assessments, Subsection B – Annual Dues, dictates that funds shall be allocated to an expense fund and a benefit fund. Additionally, the Bylaws, Article III – Members, Section 1 – Classification, make a clear distinction between Fraternal members and Benefit members. Making any change to the Bylaws would require an amendment. All proposed amendments shall be submitted on or before January 15 to the bylaws committee and has been mailed to the members no later than 45 days prior to the annual convention. Amendments with notice at an earlier meeting of the same session at the annual convention would require 90% approval on the convention floor. Since the CPA firm will not have their report completed until after the 2013 annual meeting in June it does not appear any change in accounting systems will take place in 2013. Management will continue to evaluate the need to maintain separate accounts.

Management and Control, Page 4
Management should identify alternatives to ensure the continued operation of all aspects of the Company' operations should any of the personnel be unable to complete their duties.
Current management is reviewing and addresssing staffing issues. Alternatives considered include potential reallocation of human resources to the national headquarters office and the possibility of adding an additional office worker to learn certain job duties in order to complete the knowledge transfer cycle. At this time all options are being carefully evaluated.

Accounts and Records, Page 7
Management should consider alternative (automated) means for completing Annual and Quarterly Statements.
On April 17, 2013, TPA signed an agreement with the firm of Strohm Ballweg to compile the statutory statements of assets, liabilities, surplus, and the related statutory statements of income, cash flow, and other supporting schedules for the quarters then ended, in the form prescribed by the Missouri Department of Insurance beginning the quarterly filing as of March 31, 2013, due May 15, 2013. The agreement also provides investment accounting services for the calendar year 2013 using automated investment data provided by our investment advisor. Strohm Ballweg will provide on a monthly basis general ledger assistance with respect to the entries needed to record the investment activities.

Please include this letter of response in the report as a public document.

Sincerely,

Albert M. Shoemaker, Jr.
Chief Administrative Officer