



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of The Travelers Protective Association of America for the period ended December 31, 2016, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, management and control, territory and plan of operations, growth of company, loss experience, reinsurance, accounts and records, financial statements, analysis of examination changes, comments on the financial statements, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of The Travelers Protective Association of America as of December 31, 2016 be and is hereby ADOPTED as filed and for The Travelers Protective Association of America to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement and verify compliance with each item mentioned in the Comments on the Financial Statements and/or Summary of Recommendations section of such report; and (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 24th day of May, 2018.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

**The Travelers Protective Association of
America**

As of:
DECEMBER 31, 2016

FILED
JUN 04 2018
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 21, 2018
St. Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Lindley-Myers:

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 "TPA" or the "Company." The Company's home office is located at 2041 Exchange Drive, St. Charles, Missouri 63303; telephone number (636) 724-2227. Examination fieldwork began on January 8, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of The Travelers Protective Association of America. The last examination was completed as of December 31, 2011. This examination covers the period from January 1, 2012, through December 31, 2016, and also included material transactions or events occurring subsequent to December 31, 2016.

Procedures

This full-scope examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department or DIFP) or statutes of the state of Missouri prevailed. The 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 includes 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 is

documented separately following the Company's financial statements. The following key activities were identified during the examination: Capital and Surplus, Claims and Reserves, Investments and Treasury and Premiums and Underwriting.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the balance sheet or income statement identified during the examination.

SUBSEQUENT EVENTS

There were no material subsequent events.

COMPANY HISTORY

General

The Company was officially incorporated on June 11, 1890 as a fraternal benefit society 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 licensed as a fraternal benefit society in the state of Missouri under Chapter 378 RSMo (Fraternal Benefit Societies).

Corporate Records

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 required number of board members from nine to eight made in 2015.

Meeting Minutes

The minutes from the annual meetings and the Board of Directors meetings were reviewed for the examination period. The minutes appear to properly document and approve corporate events and transactions.

MANAGEMENT AND CONTROL

Board of Directors

The Company had the following directors serving as of December 31, 2016:

<u>Name and Address</u>	<u>Principal Occupation</u>
Rocco D. Astuno Denver, Colorado	Retired Real Estate Broker
John J. Chmielewski Wyoming, Michigan	Retired Program Manager Siemens Dematic
Charlene Minor-Harman Bristol, Tennessee	Vice President, Bookkeeper Bristol Ice Cream Company
Elwood L. Reed Chillicothe, Missouri	Retired Co-Owner Reed Seeds, Incorporated
L. Bailey Bledsoe Greensboro, North Carolina	Retired Food and Beverage Manager Howard Johnson Hotels
Julie A. Kupper Odessa, Texas	Adjunct Teacher University of Texas of the Permian Basin
Demetrio B. Nitafan Milpitas, California	Real Estate Broker/Mortgage Loan Officer DEM Realty and Mortgage Company
Carlyle R. Wimbish, Jr. South Boston, Virginia	Retired Director of Business Piedmont Community College

Officers

The officers of the Company as of December 31, 2016, were:

<u>Name</u>	<u>Office</u>
David P. Grossklaus	President
Albert M. Shoemaker, Jr.	Chief Administrative Officer
Wayne L. Wentworth	Vice President

Committees

Below is a list of the Board committees in place as of December 31, 2016, and the individuals serving on each committee. In addition to the Board members listed, the three officers of the Company are also ex-officio members of each committee.

Finance Committee

Elwood L. Reed, Chair
L. Bailey Bledsoe
Carlyle R. Wimbish, Jr.
Rocco D. Astuno

Membership Committee

L. Bailey Bledsoe, Chair
Demetrio B. Nitafan
Julie A. Kupper

Convention Review Committee

L. Bailey Bledsoe, Chair
Elwood L. Reed
John J. Chmielewski

Bylaws Committee

John J. Chmielewski, Chair
Demetrio B. Nitafan
Charlene S. Minor-Harman

New Product Committee

Demetrio B. Nitafan, Chair
John J. Chmielewski

TPA Merit Award Committee

Charlene S. Minor-Harman, Chair
Carlyle R. Wimbish, Jr.
Rocco D. Astuno

Fraternalist of the Year Committee

Julie A. Kupper, Chair
Demetrio B. Nitafan
Elwood L. Reed

Holding Company, Subsidiaries and Affiliates

The Company is affiliated with two charitable entities through common membership in their respective governing bodies. The TPA Scholarship Trust for the Hearing Impaired is a non-taxable charitable trust fund that grants scholarships to hearing impaired individuals. The TPA Homer T. Wilson Benevolent Fund for Indigent Members, Widows, Widowers and Orphans is a benevolent trust that provides financial assistance to TPA members in need.

The Company provides administrative services to the TPA Homer T. Wilson Benevolent Fund for Indigent Members, Widows, Widowers and Orphans at no cost. Administrative services are provided to the TPA Scholarship Trust for the Hearing Impaired at no cost, up to a maximum of \$5,000 per year.

TERRITORY AND PLAN OF OPERATIONS

TPA is licensed as a fraternal benefit society with DIFP 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. Historically, membership has been attained by invitation only, however in 2015, fraternal (non-insurance) membership became available through the Company's website. The Company does not employ agents or brokers to market its insurance.

DIFP has a market conduct staff that performs a review of issues related to policyholder treatment and generates a separate market conduct report. TPA has never undergone a market conduct examination.

GROWTH OF COMPANY

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Membership	31,958	28,588	26,304	24,292	22,400
Premiums Written	\$ 892,988	\$ 811,810	\$ 770,998	\$ 618,309	\$ 638,908
Admitted Assets	11,036,126	10,954,911	15,506,510	14,825,459	14,890,892
Capital and Surplus	9,469,657	9,113,678	13,340,340	13,019,280	13,044,286

Membership and premiums have been decreasing steadily for many years. This is primarily a result of deaths from an increasingly older membership base and an inability to attract new members. Despite the declining membership base, Surplus and Risk Based Capital have remained strong.

Management has taken a number of steps in recent years in an attempt to reverse the decline in membership. This includes hiring a marketing firm to develop a national marketing strategy, improving insurance benefits and renovating the website to allow processing of online memberships, payments and donations.

LOSS EXPERIENCE

The following exhibit illustrates the Company's underwriting results for each of the last five years.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Gain from Operations	\$ (428,440)	\$ (128,813)	\$ (3,282)	\$ (243,836)	\$ (329,133)
Net Investment Income	372,020	158,105	259,812	481,399	446,247
Net Income	(424,808)	(71,472)	540,050	(55,719)	(33,856)

Due to the declining premium base, the Company reported consistent net losses from operations during the examination period. However these losses have generally been offset by investment gains to allow Surplus to remain at acceptable levels.

REINSURANCE

The Company did not assume or cede any reinsurance during the examination period.

ACCOUNTS AND RECORDS

General

The Company's financial statements and policy administration are processed using the Abila MIP 2017 software package. Claims are processed using an internally developed package based on an Access database.

The Company's Annual and Quarterly statement filings are prepared by the firm Strohm Ballweg, LLP.

The Company utilizes fund accounting to maintain its books and records with five separate funds used for various purposes. There are no regulatory requirements for maintaining separate funds, and this requires additional time and effort by the employees and the Board of Directors to administer and monitor. Management and the Board should evaluate the continued need to maintain separate funds.

Independent Auditor

The Company's financial statements are audited annually by the accounting firm of Kerber Eck & Braeckel, LLP. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial accounts reported in the financial statements were reviewed and certified by Gary L. Rose, FSA, MAAA of the firm of Lewis & Ellis, Inc.

Information Systems

In conjunction with this examination, Andrew Balas, AES, Information Systems Financial Examiner with the DIFP, conducted a review of the Company's information systems. His evaluation did not identify any significant weaknesses.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination that 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.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	\$ 11,113,610	\$ -	\$ 11,113,610
Common stocks	2,800,752	-	2,800,752
Real Estate	252,345	-	252,345
Cash and short-term investments	591,690	-	591,690
Investment income due and accrued	132,495	-	132,495
TOTAL ASSETS	\$ 14,890,892	\$ -	\$ 14,890,892

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for accident and health contracts	\$ 287,443
Contract claims: Accident and health	145,565
Premiums received in advance	84,723
Interest maintenance reserve	654,804
General expenses due or accrued	4,156
Taxes, licenses and fees due or accrued	380
Asset valuation reserve	642,207
Division funds held in escrow	27,328
TOTAL LIABILITIES	\$ 1,846,606
Unassigned funds (surplus)	13,044,286
SURPLUS AS REGARDS POLICYHOLDERS	\$ 13,044,286
TOTAL LIABILITIES AND SURPLUS	\$ 14,890,892

STATEMENT OF INCOME

Premiums and annuity considerations	\$ 638,908
Net investment income	446,247
Amortization of Interest Maintenance Reserve	41,759
Miscellaneous income	1,322
TOTAL	\$ 1,128,237

Death benefits	\$ 72,500
Disability benefits and benefits under A&H contracts	161,492
Increase in aggregate reserve for A&H contracts	(5,730)
General insurance expenses and fraternal expenses	1,164,481
Insurance taxes, licenses and fees	64,627
TOTAL	\$ 1,457,370

Net Gain From Operations	\$ (329,133)
Refunds to members	-
Net realized capital gains (losses)	295,277
NET INCOME	\$ (33,856)

RECONCILIATION OF SURPLUS

Surplus, December 31, 2015	\$ 13,019,280
Net income from operations	(33,856)
Change in net unrealized capital gain	215,668
Change in asset valuation reserve	(156,806)
Net change in surplus	25,006
Surplus, December 31, 2016	\$ 13,044,286

ANALYSIS OF EXAMINATION CHANGES

No adjustments or reclassifications were made as a result of the examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the financial statements.

SUMMARY OF RECOMMENDATIONS

Accounts and Records

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The Company utilizes fund accounting to maintain its books and records with five separate funds used for various purposes. There are no regulatory requirements for maintaining separate funds, and this requires additional time and effort by the employees and the Board of Directors to administer and monitor. Management and the Board should evaluate the continued need to maintain separate funds.

