

Examination Warrant Number 19-00000-56839-R1

Report of Examination of

**Polish National Union of America
Scranton, Pennsylvania**

As of December 31, 2019

For Informational Purposes Only

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Harrisburg, Pennsylvania
May 27, 2021

Honorable Melissa L. Greiner
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 19-00000-56839-R1, dated July 15, 2019, an examination was made of

Polish National Union of America, NAIC Code: 56839

a Pennsylvania domiciled, multi-state, fraternal benefit society, hereinafter referred to as “Society” or “Company”. The examination was conducted at the Society’s home office, located at 1002 Pittston Ave, Scranton, Pennsylvania.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Society, which was last examined as of December 31, 2014. This examination covered the five-year period from January 1, 2015 through December 31, 2019.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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, in accordance with

40 P.S. § 323.5(a), 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.

For each year of the examination period, the certified public accounting firm of Kohanski & Company, PC (“CPA”) has provided an unmodified opinion based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Society, was reviewed during the examination and incorporated into the examination workpapers.

HISTORY

The Society was incorporated on December 29, 1908, licensed by the Department on May 11, 1909 and commenced business on or about that same date.

The Society is currently authorized to transact those classes of insurance described in 40 P.S. § 991.2431(a)(1) Death benefits, (a)(2) Endowment Benefits, (a)(3) Annuity Benefits, (a)(4) Temporary or permanent disability benefits, (a)(5) Hospital, medical, and nursing benefits and (a)(6) Other benefits which are authorized for insurers licensed to write life, accident and health insurance and which are not inconsistent with this sub-article.

MANAGEMENT AND CONTROL

GENERAL CONVENTION

The highest legislative body of the Society is the General Convention (“Convention”). The Convention meets once every four years in the third quarter of the calendar year, with the last convention being held September 29th – October 6th of 2019 at sea. The Convention is composed of branch delegates, Society officers, district directors, representatives of certain committees and the Prime Bishop of the Polish National Catholic Church (“PNCC”) or his representative. The purpose of the Convention is the election of officers, the board of directors and controlling committee members’ all of which serve four-year terms. In addition, the financial condition and affairs of the Society are discussed, any constitution and by-law changes are approved, and other actions are taken as deemed in the best interest of the Society.

BOARD OF DIRECTORS

Management of the Society is vested in its Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2019:

Name and Address	Principal Occupation
Martin H. Wachna, Jr. Bensenville, Illinois	CEO Polish National Union of America
John C. Andrzejewski Elmhurst Twp., Pennsylvania	CFO/Secretary Polish National Union of America

Most Rev. Anthony A. Mikovsky
Scranton, Pennsylvania

Very Rev. Robert M. Nemkovich, Jr.
Fall River, Massachusetts

Gregory N. Senkevitch
Hampton, New Jersey

Michael R. Mietlicki
Scotch Plains, New Jersey

Mari J. Stankowski
Scranton, Pennsylvania

Kathryn M. Nemkovich
Fall River, Massachusetts

Mary Ann E. Stankowski
Scranton, Pennsylvania

Prime Bishop
Polish National Catholic Church

Priest
Blessed Trinity Parish

Investor
Beneficial Holdings Inc.

Retired

Owner
South Side Floral Shop

Vice President of Marketing
Penn Foster

Receptionist
JGN Associates

The Board consists of the Chief Executive Officer, Chief Financial Officer, Prime Bishop of the PNCC and six other directors. All directors are elected at the quadrennial convention to serve the same four-year term, except for the Prime Bishop, who is a member of the Board by virtue of his office.

The Society's Constitution includes a conflict of interest policy that applies to all directors on the Board. There is also a separate policy for the employees, which is outlined in the Company's Employee Handbook. Both the directors and the employees complete annual affidavits which are reviewed by the CFO for compliance with these policies.

COMMITTEES

As of December 31, 2019, the following committees were appointed by the Board and serving in accordance with the Society's by-laws:

Internal Audit Committee

Rev. John Kowalczyk Jr. – Chair
Marian Sleczkowski – Secretary
Henrietta Kleckner – Vice Chair

Education and Youth Commission

Prime Bishop Anthony A. Mikovsky
Mary Ann E. Stankowski – Chair
Carol Mikovsky
Very Rev. Robert M. Nemkovich, Jr.
Martin H. Wachna, Jr.

Board Liaison Committee

Gregory N. Senkevitch – Chair
Rev. Robert M. Nemkovich, Jr.
Michael R. Mietlicki

Fraternal Activities Committee

Michael R. Mietlicki – Chair
Henrietta Kleckner
George Urcuioli

Investment Committee

Gregory N. Senkevitch – Chair
Martin H. Wachna, Jr. – CEO
John C. Andrzejewski – CFO/Secretary
Mary Ann E. Stankowski
Mary J. Stankowski

Development and New Membership Committee

Martin H. Wachna Jr. – CEO
John C. Andrzejewski – CFO/Secretary
Kathryn M. Nemkovich – Vice President
Melissa Cohen – Straz
All district directors

OFFICERS

As of December 31, 2019, the following officers were appointed and serving in accordance with the Society's by-laws:

Name	Title
Martin H. Wachna Jr.	Chief Executive Officer
John C. Andrzejewski	Chief Financial Officer and Secretary
Kathryn Nemkovich	Vice President

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- The Society held its quadrennial Convention as required by its constitution and by-laws.
- The directors and officers were elected at the Society's Convention in compliance with its constitution and by-laws.
- The Convention ratified the four prior year's actions of the directors.
- Quorums were present at all directors' meetings and at the Society's Convention.
- The Society's investment transactions are approved quarterly by the Board.
- All directors attend Board meetings regularly.

ARTICLES OF INCORPORATION

There were no changes to the Society's Articles of Incorporation during the examination period.

CONSTITUTION and BY-LAWS

The Society amended its constitution and by-laws twice during the examination period as a result of two General Convention Meetings held during the five-year examination period. Significant changes are as follows:

30th General Convention (held November 7 – 12, 2015)

- Added a requirement for criminal background checks within 30 days of election for elected officers and board members.
- Eliminated the maximum age restriction for officers and board members to allow for stability in the current management.
- Eliminated retired bishops of the Polish National Catholic Church “PNCC” as automatic delegates to the PNU convention to help reduce expenses.
- Eliminated the requirement that full-time executive officers obtain prior board approval before engaging in other work or business.
- Reduced the size of the Education and Youth Commission in order to reduce expenses and moved both the Education and Youth Commission and Fraternal Activities Committee back under the Society and onto the Society’s books so that the Society would get credit for these fraternal expenditures.

31st General Convention (held September 29 – October 6, 2019)

- Added to the qualifications for election to the Board of Directors that the Society’s board can determine additional qualifications for the CEO and CFO but to present these qualifications no later than 60 days prior to the convention.
- Added the duty to the Board of Directors to appoint District Directors for the Society within 60 days of the convention.
- Added that delegates shall be elected on the basis of one delegate for every fifty members and major fraction thereof (twenty-six or more) of the pooled membership.

SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements, which includes intercompany and related-party agreements. The following significant agreements were in place during the examination period:

Administrative Software Agreement

Effective January 1, 2010, the Society entered into an Administrative Software Agreement with CPS Actuaries (“CPS”), an actuarial and consulting firm. Under this agreement, CPS provides and maintains the Company’s policy administration software for a quarterly fee. This agreement remains in force until either party terminates it by giving the required advance notice as specified in the agreement. The Society also engages CPS annually to perform its regulatory filings and actuarial services through a separate engagement letter.

Master Service Agreement – Information Technology

Effective December 9, 2011, the Society entered into a Master Service Agreement with StarUSA. The terms of the agreement call for StarUSA to monitor and maintain the Society’s information technology infrastructure and outlines all services and fees including the

confidentiality of the Company's information. The agreement renews annually until terminated by either party with 30 days advance notice.

Online Cash Management Services Master Agreement

Effective July 11, 2019, the Society entered into an Online Cash Management Services Master Agreement with Peoples Security Bank & Trust. This agreement provides the Company with the ability to accept ACH transactions as a method of payment from their insureds.

Related Party Agreements

Service Agreement with Spojnia Credit Union ("SCU")

Effective January 18, 2012 the Society entered into a service agreement with SCU. The terms of the agreement call for the Society to provide payroll services, employee benefits, periodic purchases, and consulting services to SCU. The Society provides payroll services for no fee and bills SCU monthly for reimbursement related to employee benefits, periodic purchases and hourly wages for consulting fees.

Service Agreement with Spojnia, Inc.

Effective August 1, 2012, the Society entered into a service agreement with Spojnia, Inc. The terms of the agreement call for the Society to provide payroll services, employee benefits, periodic purchases, building maintenance, consulting services and other services that may arise and are agreed to by both parties. The terms of the agreement provide billing and reimbursement terms. This agreement remains in force until either party terminates it by giving the required 60 days advance notice.

Lease Agreements with PNCC and SCU

Effective March 31, 2009, the Society is party to a lease agreement with PNCC. The Society maintains monthly space for a monthly fee paid on the 1st of each calendar month.

Effective February 28, 2012, the Society is party to a sublease agreement with SCU, with the option to renew for two five-year periods. The Society receives monthly lease payments from SCU due on the 1st of each calendar month.

Building Maintenance Agreement with PNCC

Effective December 12, 2011, the Society is party to a building management agreement with PNCC. The terms of the agreement call for the Society to act as the building manager to oversee the daily operation, maintenance and occupancy of the building where its home office is located. This agreement remains in force until either party terminates it by giving the required 60 days advance notice.

The above agreements were in writing and were properly executed by Company officials.

REINSURANCE

CEDED

The Society's ceded premium for 2019 was \$13,477 which is approximately 2% of its surplus. The Society's net amount recoverable for 2019 was \$0. As of December 31, 2019, the Society had \$0 outstanding recoverables from its reinsurer.

Optimum Re Insurance Company

The Company entered into an Automatic Reinsurance Agreement with an effective date of January 1, 2006. The term of the contract is continuous until terminated by either party.

The Company's retention and the reinsurance limits are as follows:

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Type of business Covered</u>
\$30,000 per life	4 times the Company's retention to a maximum of \$120,000 in excess of the Company's retention. Facultative Reinsurance Limit per Life - \$4,000,000. Jumbo Limit – \$4,000,000 Minimum Cession – \$5,000.	Participating 7 and 10 year standard and non-standard whole life plans issued on an age nearest basis. Life paid up at 85, single premium, 5, 10 and 20 whole life plans and 20 pay whole life with endowment. Term riders.

All reinsurance contracts contain the proper insolvency and arbitration clauses. Additionally, all contracts transfer risk as outlined in SSAP No. 61R.

ASSUMED

The Company did not assume any business during the examination period.

TERRITORY AND PLAN OF OPERATIONS

The Society is licensed in the following jurisdictions: Connecticut, Florida, Illinois, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania and Rhode Island.

The major lines of business written by the Society are individual life and individual annuities with product distribution percentages listed below. Overall, the Society's ordinary life premiums have declined by \$49,570, or 17.9% since the prior exam, however, the Society's individual annuity business experienced an overall growth of \$115,598, or 93.6% since the prior exam.

The following table details the premiums written by line of business as of December 31, 2019:

Polish National Union of America

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Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
December 31, 2019				
Life Insurance	\$ 226,664	\$ 0	\$ 226,664	48.6%
Individual annuities	239,083	0	239,083	51.3%
Accident and Health	244	0	244	0.1%
Totals	<u>\$ 465,991</u>	<u>\$ 0</u>	<u>\$ 465,991</u>	<u>100.0%</u>

The Society's primary method of marketing its products is through a network of approximately 109 branches located throughout the 11 states in which it is licensed. Branch Secretaries solicit business from the membership within their branch.

SIGNIFICANT OPERATING TRENDS

The following table indicates the growth of the Society during the period covered by this examination:

	2019	2018	2017	2016	2015
Admitted Assets	\$ 26,282,208	\$ 26,116,794	\$ 26,468,576	\$ 26,722,819	\$ 26,622,266
Liabilities	\$ 25,386,406	\$ 25,184,943	\$ 25,379,153	\$ 25,820,251	\$ 25,629,374
Surplus	\$ 895,802	\$ 931,851	\$ 1,089,423	\$ 902,568	\$ 992,892
Net Premiums Written	\$ 460,801	\$ 355,712	\$ 338,163	\$ 407,525	\$ 452,718
Benefits to Members	\$ 2,769,028	\$ 2,467,022	\$ 2,504,738	\$ 2,319,852	\$ 2,412,816
Net Investment Income	\$ 1,210,953	\$ 1,260,503	\$ 1,321,764	\$ 1,312,949	\$ 1,324,902
Net Income	\$ (169,247)	\$ (124,794)	\$ 166,344	\$ (98,597)	\$ (51,020)

Since the prior examination, the Society has experienced the following changes in its total number of certificates in-force, the overall amount of insurance in-force, and the average amount of insurance in-force per policy:

	Certificates In Force	Insurance In Force	Average Policy In Force
Ordinary Life			
December 31, 2019	13,568	\$ 57,190,000	\$ 4,215
December 31, 2014	15,643	60,699,000	3,880
Net Increase/(decrease)	<u>(2,075)</u>	<u>\$ (3,509,000)</u>	<u>\$ 335</u>
Individual Annuities			
December 31, 2019	241	\$ 3,498,801	\$ 14,518
December 31, 2014	219	3,805,903	17,379
Net Increase/(decrease)	<u>22</u>	<u>\$ (307,102)</u>	<u>\$ (2,861)</u>
Supplementary Contracts			
December 31, 2019	39	\$ 611,338	\$ 15,675
December 31, 2014	49	444,884	9,079
Net Increase/(decrease)	<u>(10)</u>	<u>\$ 166,454</u>	<u>\$ 6,596</u>
Accident and Health Insurance			
December 31, 2019	9	\$ 244	\$ 27
December 31, 2014	14	0	0
Net Increase/(decrease)	<u>(5)</u>	<u>\$ 244</u>	<u>\$ 27</u>

The Society experienced a decrease of in-force premium due to members surrendering their policies for cash value.

PENDING LITIGATION

As of the date of this examination report, Management has asserted that the Company is not a party to any material litigation or arbitration and was not aware of any threatened litigation, other than as routinely encountered in claims activity, which will, in the opinion of Company management, have a material adverse effect on its financial condition.

FINANCIAL STATEMENTS

The financial condition of the Society, as of December 31, 2019, and the results of its operations for the five-year period under examination, are reflected in the following statements*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
Comparative Statement of Income;
Comparative Statement of Capital and Surplus;
Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

	2019	2018	2017	2016	2015
Bonds	\$ 20,895,055	\$ 20,942,299	\$ 21,050,768	\$ 21,396,529	\$ 21,414,933
Preferred stocks	763,768	763,768	963,768	1,062,968	770,800
Common stocks	0	1,422,684	765,963	1,049,773	968,160
Mortgage loans on real estate	1,767,897	1,931,635	1,646,788	1,700,086	1,930,042
Cash, cash equivalents and short-term investments	2,445,175	651,829	1,627,636	1,081,545	1,088,620
Contract loans	99,726	97,709	89,102	106,473	119,107
Subtotal, cash and invested assets	25,971,621	25,809,924	26,144,025	26,397,374	26,291,662
Investment income due and accrued	253,282	263,679	283,504	286,665	273,728
Premiums and considerations	3,200	4,969	5,085	6,145	5,491
Electronic data processing equipment and software	3,857	3,857	3,857	6,267	9,335
Receivable from parent, subsidiaries and affiliates	50,248	34,365	32,105	26,368	42,050
Total	\$ 26,282,208	\$ 26,116,794	\$ 26,468,576	\$ 26,722,819	\$ 26,622,266
Aggregate reserve for life contracts	\$ 24,673,656	\$ 24,348,939	\$ 24,249,877	\$ 24,570,737	\$ 24,595,702
Aggregate reserve for accident and health contracts	2,832	2,830	3,625	3,625	4,331
Liability for deposit-type contracts	62,720	77,072	148,005	188,543	218,926
Contract claims:					
Life	51,099	45,330	57,699	88,707	45,311
Premiums and annuity considerations received in advance	136,932	147,575	160,000	156,001	135,465
Contract liabilities not included elsewhere:					
Interest maintenance reserve	73,389	126,971	191,670	245,436	295,504
Commissions to fieldworkers due or accrued	3,046	4,568	1,269	3,053	3,975
General expenses due or accrued	96,111	96,277	138,850	112,596	87,579
Taxes, licenses and fees due or accrued	47,524	33,744	32,644	17,700	2,810
Amounts withheld or retained by Society as agent or trustee	6,236	11,770	6,385	3,958	3,785
Miscellaneous liabilities:					
Asset valuation reserve	232,861	200,511	295,621	336,092	235,271
Aggregate write-ins for liabilities	0	89,356	93,508	93,803	715
Total liabilities	25,386,406	25,184,943	25,379,153	25,820,251	25,629,374
Unassigned funds (surplus)	895,802	931,851	1,089,423	902,568	992,892
Surplus	895,802	931,851	1,089,423	902,568	992,892
Totals	\$ 26,282,208	\$ 26,116,794	\$ 26,468,576	\$ 26,722,819	\$ 26,622,266

Comparative Statement of Income For the Year Ended December 31,

	2019	2018	2017	2016	2015
Premiums and annuity considerations for life and A&H contracts	\$ 460,801	\$ 355,712	\$ 338,163	\$ 407,525	\$ 452,718
Considerations for supplementary contracts with life contingencies	133,661	123,414	204,119	2,125	43,350
Net investment income	1,210,953	1,260,503	1,321,764	1,312,949	1,324,902
Amortization of interest maintenance reserve (IMR)	55,181	64,049	54,567	56,941	59,023
Miscellaneous Income:					
Aggregate write-ins for miscellaneous income	34,811	23,896	23,867	17,122	4,310
Totals	1,895,407	1,827,574	1,942,480	1,796,662	1,884,303
Death benefits	522,808	524,296	564,376	469,885	481,254
Matured endowments	75,767	107,089	92,843	73,773	122,658
Annuity benefits	194,547	305,417	626,500	365,139	206,793
Disability benefits and benefits under accident and health contracts	0	615	240	510	430
Surrender benefits and withdrawals for life contracts	197,718	148,371	246,895	201,048	138,832
Interest and adjustments on contract or deposit-type funds	1,926	2,521	4,496	15,713	5,725
Payments on supplementary contracts with life contingencies	67,031	46,933	37,879	59,529	28,417
Increase in aggregate reserves for life and A&H policies and contracts	324,717	98,269	(320,860)	(25,671)	222,299
Totals	1,384,514	1,233,511	1,252,369	1,159,926	1,206,408
Commissions on premiums, annuity considerations & deposit-type funds (direct)	7,491	9,607	5,820	4,913	8,131
General insurance expenses and fraternal expenses	746,385	678,703	701,735	699,293	698,297
Insurance taxes, licenses and fees	44,927	30,547	46,233	46,644	67,480
Totals	2,183,317	1,952,368	2,006,157	1,910,776	1,980,316
Net gain from operations after refunds to members and before realized capital gains or (losses)	(287,910)	(124,794)	(63,677)	(114,114)	(96,013)
Net realized capital gains or (losses) less capital gains tax (excluding gains/losses transferred to the IMR)	118,663	0	230,021	15,517	44,993
Net income	\$ (169,247)	\$ (124,794)	\$ 166,344	\$ (98,597)	\$ (51,020)

**Comparative Statement of Capital and Surplus
For the Year Ended December 31,**

	2019	2018	2017	2016	2015
Surplus, December 31, previous year	\$ 931,851	\$ 1,089,423	\$ 902,568	\$ 992,892	\$ 642,564
Net income	(169,247)	(124,794)	166,344	(98,597)	(51,020)
Change in net unrealized capital gains or (losses)	69,150	(127,491)	(20,023)	103,327	(67,996)
Change in nonadmitted assets and related items	0	(3,613)	0	5,410	(9,522)
Change in reserve on account of changes in valuation basis (increase) or decrease	0	0	0	0	(144,000)
Change in asset valuation reserve	(32,350)	95,110	40,471	(100,821)	(20,933)
Aggregate write-ins for gains and losses in surplus	96,398	3,216	63	357	643,799
Net change in surplus for the year	(36,049)	(157,572)	186,855	(90,324)	350,328
Surplus, December 31, current year	<u>\$ 895,802</u>	<u>\$ 931,851</u>	<u>\$ 1,089,423</u>	<u>\$ 902,568</u>	<u>\$ 992,892</u>

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Comparative Statement of Cash Flow For the Year Ended December 31,

	2019	2018	2017	2016	2015
Cash from Operations					
Premiums collected net of reinsurance	\$ 585,588	\$ 466,817	\$ 547,341	\$ 429,532	\$ 500,674
Net investment income	1,145,718	1,215,353	1,250,362	1,240,880	1,286,239
Miscellaneous Income	34,811	23,895	23,867	17,122	4,311
Total	1,766,117	1,706,065	1,821,570	1,687,534	1,791,224
Benefit and Loss related Payments	1,054,028	1,147,611	1,604,237	1,142,201	988,423
Commissions, expenses paid and aggregate write-ins for deductions	783,495	764,796	714,669	613,367	824,410
Total deductions	1,837,523	1,912,407	2,318,906	1,755,668	1,812,833
Net Cash from Operations	(71,406)	(206,342)	(497,336)	(68,034)	(21,609)
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	1,716,445	2,151,017	1,099,023	2,369,400	2,258,038
Stocks	1,610,476	223,021	1,698,683	416,346	567,906
Mortgage loans	163,737	151,099	213,298	229,956	333,184
Total investment proceeds	3,490,658	2,525,137	3,011,004	3,015,702	3,159,128
Cost of investments acquired (long-term only):					
Bonds	1,598,777	1,978,015	651,697	2,284,118	2,169,989
Stocks	0	807,445	1,131,876	672,159	900,404
Mortgage loans	0	435,946	160,000	0	145,500
Total investments acquired	1,598,777	3,221,406	1,943,573	2,956,277	3,215,893
Net increase (decrease) in policy loans and premium notes	2,017	8,607	(17,371)	(12,634)	(15,087)
Net cash from investments	1,889,864	(704,876)	1,084,802	72,059	(41,678)
Cash from Financing and Miscellaneous Sources					
Cash provided (applied):					
Net deposits on deposit-type contracts and other insurance liabilities	(16,278)	(73,719)	(40,806)	(30,383)	(38,509)
Other cash provided or (applied)	(8,834)	9,130	(569)	19,283	608,998
Net cash from financing and miscellaneous sources	(25,112)	(64,589)	(41,375)	(11,100)	570,489
Reconciliation of cash, cash equivalents, and short-term investments:					
Net change in cash, cash equivalents, and short-term investments	1,793,346	(975,807)	546,091	(7,075)	507,202
Cash, cash equivalents, and short-term investments:					
Beginning of the year	651,829	1,627,636	1,081,545	1,088,620	581,418
End of the year	\$ 2,445,175	\$ 651,829	\$ 1,627,636	\$ 1,081,545	\$ 1,088,620

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL ITEMS

ASSETS

INVESTMENTS

As of December 31, 2019, the Society's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 20,895,055	80.5 %
Preferred stocks	763,768	2.9 %
Mortgage loans on real estate	1,767,897	6.8 %
Cash	2,445,175	9.4 %
Contract loans	99,726	0.4 %
Totals	<u>\$ 25,971,621</u>	<u>100.0 %</u>

The Society's bond portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 13,503,770	64.5 %
2 - high quality	5,822,866	27.9 %
3 - medium quality	1,120,506	5.4 %
4 - low quality	181,020	0.9 %
5 - lower quality	266,986	1.3 %
Totals	<u>\$ 20,895,148</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 443,042	2.1 %
2 to 5 years	5,691,465	27.2 %
6 to 10 years	4,578,294	21.9 %
11 to 20 years	7,458,591	35.8 %
over 20 years	2,723,756	13.0 %
Totals	<u>\$ 20,895,148</u>	<u>100.0 %</u>

The Society's investment portfolio consists of bonds, preferred stocks, mortgage loans on real estate, cash and contract loans. Bonds account for 80.5% of the Society's invested assets with 92.4% being investment grade (designations NAIC 1 and 2).

The Society has a written investment policy as required by 40 P.S. § 504.1(c). The investment policy is reviewed and approved on an annual basis by the Board of Directors. The

Society was following its investment policy at December 31, 2019. The Society has a custodial agreement with Penn Security Bank & Trust, that is in compliance with 31 PA Code § 148a.3.

LIABILITIES

POLICYHOLDER AND CLAIM RESERVES

The Society reported aggregate reserves for life contracts in the amount of \$24,673,656, \$2,832 for accident and health contracts, \$62,720 for accident and health contracts and \$51,099 for contract claims – life.

For each year in the examination period, the Company's appointed actuary ("AA") was Allan P. Ferrone, FSA, MAAA of CPS Actuaries. For all years of the examination period, the AA determined additional reserves in the amount of \$450,000 were required per the asset adequacy tests performed. The Society established this additional reserve for all years of the examination period. Given the establishment of this additional reserve, the AA issued a Statement of Actuarial Opinion concluding that the reported reserves make an adequate provision for the anticipated cash flows required by the contractual obligations and related expenses of the Society.

In conjunction with the onsite examination, the Life Actuarial Bureau of the Department conducted a review of the actuarial assumptions and methods used in determining reserves and related actuarial items. Compliance with statutory requirements was also evaluated. The Department's review concluded that there were no material recommendations or adjustments concerning the Society's reported reserves. The Department accepts the Society's appointed actuary's conclusion that the Company's reserves as of December 31, 2019 make an adequate provision for all actuarial reserves and related actuarial values that ought to be established.

SUBSEQUENT EVENTS

Effective April 15, 2020, the Society was party to a PPP loan agreement with Peoples Security Bank and Trust Company. The Society filed a Forgiveness Application per the terms of the loan and the loan was forgiven in November 2020.

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

RECOMMENDATIONS

PRIOR EXAMINATION

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

CURRENT EXAMINATION

There are no recommendations as a result of the current examination.

CONCLUSION

As a result of this examination, the financial condition of Polish National Union of America, as of December 31, 2019, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 26,282,208	100.0 %
Liabilities	\$ 25,386,406	96.6 %
Capital and Surplus	895,802	3.4 %
Total liabilities, capital and surplus	\$ 26,282,208	100.0 %

Since the previous examination, made as of December 31, 2014, the Society's assets decreased by \$1,417,481, its liabilities decreased by \$1,670,719, and its surplus increased by \$253,238.

This examination was conducted by Jordan Fulton, Stephen Boston, ASA, MAAA, David Smith, CISA, CPDSE, AES, CDPP, CFE and Ryan Monahan, CFE, with the latter in charge.

Respectfully submitted,



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William M. Fedak

William Fedak, CFE
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Examiner-in-Charge