

STATE OF WASHINGTON

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

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OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G07-30
)	
)	AMENDED
The Financial Examination of)	FINDINGS, CONCLUSIONS,
FRATERNAL BENEFICIAL ASSOCIATION)	AND ORDER ADOPTING REPORT
)	OF EXAMINATION

A Licensed Fraternal Benefit Society.

On April 5, 2007, an order was entered that was numbered G07-30 and styled: In the Matter of the Financial Examination of Fraternal Beneficial Association, A Licensed Fraternal Benefit Society. That order mistakenly stated that Fraternal Beneficial Association did not respond to a draft of the examination report when in fact Fraternal Beneficial Association did respond to the draft examination report. This order is entered only for the purpose of correcting the statement concerning Fraternal Beneficial Association's response to the draft examination report.

BACKGROUND

An examination of the financial condition of **FRATERNAL BENEFICIAL ASSOCIATION** (the Company) as of December 31, 2005, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington license as a fraternal benefit society. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on February 26, 2007. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 8 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **FRATERNAL BENEFICIAL ASSOCIATION** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

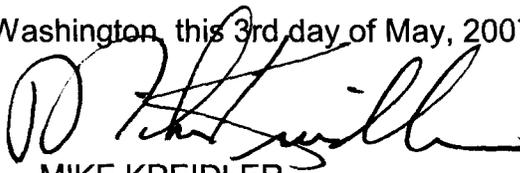
The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-2.

1. Pursuant to RCW 48.13.030(1), the Company is ordered to draw down the cash value of an annuity or non-admit any amount over 4% of the total assets to ensure its investment concentration in any one entity is in compliance with the Washington Insurance Code. In addition, the Company is ordered to record the annuity investment in the Company's name pursuant to RCW 48.12.010. Instruction 1, Examination Report, page 1.
2. It is ordered that the Company consider instituting a formal written consulting agreement with the Board of Directors' (BOD) approval for the additional consulting services rendered in the preparation of the statutory statements. Additionally, it is ordered that the Company consider all consulting work performed by BOD members or officers of the Company be disclosed in the annual conflict of interest statements for BOD review. Comments and Recommendations 1, Examination Report, page 2.

OFFICE OF INSURANCE COMMISSIONER

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 3rd day of May, 2007.



MIKE KREIDLER
Insurance Commissioner



FRATERNAL BENEFICIAL ASSOCIATION
12414 E. 26TH AVE.
SPOKANE, WASH. 99216
PHONE: (509) 928-3877 FAX: (509) 928-0393

*Audit of 05
file in 06*

March 19, 2007

Insurance Commissioner's Office
P.O. Box 40255
Olympia, Wa. 98504-0255

Re: Financial Examination Report as of 12/31/05

Attention: James T. Ordiorne, CPA,JD

Dear Mr. Ordiorne;

We have reviewed the results of the audit exam done in 2006. Under Investments in #1. As our annuities earn interest they do go over the 4% of assets. As stated in RCW48.13.030, we draw them down when we can and for sure during that year. Usually we draw at the anniversary date. They are all under the 4% amount. Our assets as of 12/31/06 totaled \$2,463,892. 4% of this is \$98,555.68. We were told we did not have to take penalties and if we drew them down at the anniversary date that would sufficient. It did come to our attention that one annuity listed Linda D. Cupp as the owner. This was in error as we immediately checked into it. We found that Guaranty Income Life had not listed Fraternal Beneficial Association as owner when they processed application. Someone crossed it out and used the individual name in error. It has been addressed with Guaranty Income Life, corrected, and now corrected with IRS. We have a written statement and we have attached a copy with this letter.

On consulting services in regards to having paid one of our board members, who is a CPA, to help with reporting structures in reporting annual statements and quarterly statements. He was paid a small amount to reimburse him for mileage, and phone expense etc. We are trying very hard to streamline the time it takes to prepare these reports and make them more accurate. Our board members know about this, but we will discuss it again at our next board of directors meeting in June and obtain a written contract with Mr. Buob. Also we will do an update on conflict of interest statements for the board members to review.

I believe this addresses the two issues in the audit comments and recommendations. We do not have any other comments in regards to the audit except I did enjoy the patients and kindness of Mr. Orlando Gabriel who did the audit.

Sincerely,

Linda D. Cupp, Sec-Treas

Linda D. Cupp, Sec.-Treas for
FRATERNAL BENEFICIAL ASSOCIATION

Attachment: Letter from Guaranty Income Life