REPORT OF EXAMINATION

OF THE

LITHUANIAN ALLIANCE OF AMERICA
WILKES-BARRE, PENNSYLVANIA

AS OF

DECEMBER 31, 2000
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Dear Sir:

In accordance with instructions contained in Examination Warrant No. 01-FR-315, dated July 27, 2001, an examination was made of the

LITHUANIAN ALLIANCE OF AMERICA

a Pennsylvania domiciled fraternal beneficial society, hereinafter referred to as the “Alliance”, located at 11 West Union Street, Wilkes-Barre, Pennsylvania. The examination was conducted at the administrative office located at 307 West 30th Street, New York, New York, 10001.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Alliance was last examined as of December 31, 1995.

This examination covers the five-year period from January 1, 1996 through December 31, 2000, and consisted of a general survey of the Alliance’s business practices and management, and an evaluation of its financial condition as of the latter date. Material subsequent events were also reviewed.

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

The format of this report is consistent with current practices of the Department and examination format prescribed by the NAIC. It is limited to a description of the Alliance, a discussion of financial items that are of specific regulatory concern, and a factual disclosure of other significant regulatory information.
LITHUANIAN ALLIANCE OF AMERICA

As the Alliance is a fraternal society, particular attention was given to compliance with the provisions of NILS 40-79-301 (a) and (c) of the Pennsylvania Insurance Law, known as the Fraternal Beneficial Society Code.

HISTORY

The Alliance was incorporated on November 4, 1889, by the Court of Common Pleas of Luzerne County, Pennsylvania.

December 8, 1908: the Charter was amended to establish a Supreme Assembly and Subordinate Lodges, increase the number of trustees to seven, and locate place of business in Wilkes-Barre, Pennsylvania.

April 14, 1910: Administrative office located in New York, New York.

June 16, 1927: Changed name to Lithuanian Alliance of America.

There were no Charter amendments made during the five-years covered by this examination. However, there was a minor change made to the By-Laws in the same period.

MANAGEMENT AND CONTROL

CONVENTION

The legislative authority of the Alliance is vested in its Convention which meets triennially at a place designated by the previous convention.

The Convention is composed of delegates and members of the Supreme Executive Board. Delegates are elected by their local lodge assemblies. One-third of the number of delegates to the Convention constitutes a quorum at all sessions of the body. The 1998 Convention was held in St. Petersburg, Florida. It was the Alliance’s 66th Convention.
SUPREME EXECUTIVE BOARD

The Supreme Executive Board of the Alliance, which hold executive powers and the general management of its affairs, is elected by the Convention. The members elected to the Board at the 66th Convention held in 1998 and serving in accordance with the By-laws at December 31, 2000:

<table>
<thead>
<tr>
<th>NAME AND ADDRESS</th>
<th>PRINCIPAL OCCUPATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vytautas Kasniunas</td>
<td>Retired</td>
</tr>
<tr>
<td>Beverly Shores, IN</td>
<td></td>
</tr>
<tr>
<td>Nicholas B. Boxter</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>Whitehouse, NJ</td>
<td></td>
</tr>
<tr>
<td>Genevieve Meiliunas</td>
<td>Secretary</td>
</tr>
<tr>
<td>New York, NY</td>
<td></td>
</tr>
<tr>
<td>Loretta I. Stukas</td>
<td>Treasurer</td>
</tr>
<tr>
<td>Watchung, NJ</td>
<td></td>
</tr>
<tr>
<td>Nellie Bayoras-Romanas</td>
<td>Retired</td>
</tr>
<tr>
<td>Pittston, PA</td>
<td></td>
</tr>
<tr>
<td>Lionginas Kapeckas</td>
<td>Retired</td>
</tr>
<tr>
<td>Hartford, CT.</td>
<td></td>
</tr>
<tr>
<td>Dr. Aldona J. Skripkus</td>
<td>Medical Examiner</td>
</tr>
<tr>
<td>Montclair, NJ</td>
<td></td>
</tr>
<tr>
<td>John Joseph Lapinski</td>
<td>(Attorney) Legal Advisor</td>
</tr>
<tr>
<td>Oak Brook, IL</td>
<td></td>
</tr>
</tbody>
</table>

The Supreme Executive Board members serve a three year term from Convention date to Convention date. The current Supreme Executive Board members will serve until the 2001 Convention.

The Alliance has a conflict of interest policy covering all Officers and Directors which are signed after each election and are filed with the Secretary of the Alliance.
OFFICERS

As of the examination date, December 31, 2000, the following Officers were appointed and serving in accordance with the Alliance’s By-Laws:

<table>
<thead>
<tr>
<th>NAME</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vytautas Kasniunas</td>
<td>President</td>
</tr>
<tr>
<td>Nicholas B. Boxter</td>
<td>Vice-President</td>
</tr>
<tr>
<td>Genevieve Meiliunas</td>
<td>Secretary</td>
</tr>
<tr>
<td>Loretta I. Stukas</td>
<td>Treasurer</td>
</tr>
</tbody>
</table>

COMMITTEES

At the Convention, the Directors appointed three members to various committees. The Committees elected at the 66th Convention and serving as of December 31, 2000:

- By-Laws
- Control
- Status, complaints, and appeals
- Education
- Charity
- Cultural
- Youth

In addition, the Directors appointed an Investment Committee composed of the principal Officers; the President, Secretary, and Treasurer. The Supreme Executive Board ratifies the actions of all committees in the interim between Conventions.

CORPORATE RECORDS

MINUTES

The triennial Convention meeting of the Alliance’s members was held in compliance with its By-Laws.

The Supreme Executive Board and Officers were elected at the Convention to serve a term of three years. All the actions of the Supreme Executive Board and Officers were ratified at the triennial meeting. A quorum was present at all the Convention meetings.

All Supreme Executive Board members regularly attend the Supreme Executive Board Meetings.
LITHUANIAN ALLIANCE OF AMERICA

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CONSTITUTION (CHARTER)

There were no changes or amendments to the Alliance’s Charter that occurred during the examination period.

BY-LAWS

During the period covered by this examination, the Alliance made one change to its By-Laws as follows:

Date of Amendment

November 1998

Article III, Paragraph 1  The Supreme Assembly shall met triennially in the place designated by the last Convention during the months of September, October, and November.

SERVICE AND OPERATING AGREEMENTS

There were no Management Agreements, Third Party Administration Agreements, Managing General Agent Agreements, or other Agreements, in effect during the period under examination.

FIDELITY BOND AND OTHER INSURANCE

The Alliance has a Fidelity Bond policy with the limit of $100,000 and a $250 deductible. The minimum coverage suggested by the NAIC Financial Condition Examiners Handbook for the Alliance is $50,000. The Alliance meets this minimum coverage amount required.

The Alliance’s other insurance coverage’s were also reviewed.

REINSURANCE

The Alliance does not have any assumed/ceded reinsurance contracts.
LITHUANIAN ALLIANCE OF AMERICA

TERRITORY AND PLAN OF OPERATIONS

In addition to Pennsylvania, the Alliance was licensed in the following jurisdictions at December 31, 2000:

Connecticut    Michigan
Illinois      New Jersey
Indiana     New York
Massachusetts Ohio

As a fraternal society, the Alliance operates through the lodge system. At December 31, 2000, there were 127 lodges, operating in 9 states, with the lodge Secretaries licensed as agents where required. Business is solicited by members, lodge Secretaries and organizers, with all the business being written by licensed lodge Secretaries, as required. Commission and fees are paid as follows:

Secretaries – 11% yearly premium
Organizers – 50% regular premium
50% term
8% single premium

Membership in subordinate lodges or branches are in accordance with the provisions of the Constitution and By-Laws of the Alliance.

The following schedule represents the Alliance’s financial position for the period covered by this examination:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ASSETS</th>
<th>LIABILITIES</th>
<th>PREMIUM INCOME</th>
<th>BENEFITS TO MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$3,087,798</td>
<td>$1,773,821</td>
<td>$18,680</td>
<td>$46,592</td>
</tr>
<tr>
<td>1999</td>
<td>$3,347,034</td>
<td>$1,590,578</td>
<td>$23,220</td>
<td>$66,795</td>
</tr>
<tr>
<td>1998</td>
<td>$3,388,712</td>
<td>$1,779,131</td>
<td>$31,936</td>
<td>$59,506</td>
</tr>
<tr>
<td>1997</td>
<td>$3,260,326</td>
<td>$1,772,964</td>
<td>$37,146</td>
<td>$82,756</td>
</tr>
<tr>
<td>1996</td>
<td>$3,235,798</td>
<td>$1,791,386</td>
<td>$40,758</td>
<td>$61,316</td>
</tr>
</tbody>
</table>

The above schedule indicates a yearly decline of premium income from $40,758 in 1996 to $18,680 in 2000.
Since the prior examination, December 31, 1995, the Alliance has experienced the following changes in its total number of certificates in-force and the overall amounts in-force as of December 31, 2000:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CERTIFICATES IN-FORCE</th>
<th>INSURANCE IN-FORCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2,845</td>
<td>$1,996,293</td>
</tr>
<tr>
<td>1999</td>
<td>3,008</td>
<td>$2,202,037</td>
</tr>
<tr>
<td>1998</td>
<td>3,039</td>
<td>$2,230,508</td>
</tr>
<tr>
<td>1997</td>
<td>3,119</td>
<td>$2,275,251</td>
</tr>
<tr>
<td>1996</td>
<td>3,228</td>
<td>$2,361,927</td>
</tr>
</tbody>
</table>

During the past five years, the Alliance’s certificates in force decreased by 383 and the insurance in-force decreased by $365,634.

**SIGNIFICANT OPERATING RATIOS**

The following ratios have been computed as of December 31, 2000, based on the results of this examination:

- Change in unassigned funds: 1.02%
- Net gain to total income: 4.43%

**ACCOUNTS AND RECORDS**

The Alliance maintains its accounting, investment register, policy and claim records on a manual basis at its administrative office in New York, New York. Reports of investment inventory and transactions are provided by print-outs furnished by the investment custodian. The Alliance retains an Actuarial Consultant (Bruce and Bruce) for the compilation of the reserves, the valuation of its pension plan and the preparation of the Annual Statement.
PENDING LITIGATION

The Alliance is not involved in any lawsuits whose outcome could have a material effect on its financial condition.

FINANCIAL STATEMENTS

The financial condition of the Alliance, as of December 31, 2000, 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;
- Analysis of Assets, as of December 31, 2000.
## COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS

As Of December 31,

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>$2,439,655</td>
<td>$2,447,915</td>
<td>$2,542,601</td>
<td>$2,416,903</td>
<td>$2,486,704</td>
</tr>
<tr>
<td>Common stocks</td>
<td>529,370</td>
<td>701,847</td>
<td>643,996</td>
<td>671,325</td>
<td>552,906</td>
</tr>
<tr>
<td>Real estate:  properties occupied by the society</td>
<td>33,824</td>
<td>43,824</td>
<td>53,824</td>
<td>63,824</td>
<td>73,824</td>
</tr>
<tr>
<td>Certificate loans and liens</td>
<td>5,000</td>
<td>5,000</td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Cash on deposit</td>
<td>44,389</td>
<td>113,950</td>
<td>99,274</td>
<td>62,508</td>
<td>74,886</td>
</tr>
<tr>
<td>Premiums actually collected by subordinate lodges not yet remitted to home office</td>
<td>354</td>
<td>406</td>
<td>433</td>
<td>1,311</td>
<td>851</td>
</tr>
<tr>
<td>Interest income due and accrued</td>
<td>35,206</td>
<td>34,092</td>
<td>42,584</td>
<td>38,455</td>
<td>40,627</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$3,087,798</strong></td>
<td><strong>$3,347,034</strong></td>
<td><strong>$3,388,712</strong></td>
<td><strong>$3,260,326</strong></td>
<td><strong>$3,235,798</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES, SURPLUS AND OTHER FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate reserve for life certificates and contracts</td>
<td>$1,369,000</td>
<td>$1,401,000</td>
<td>$1,419,000</td>
<td>$1,430,000</td>
<td>$1,462,000</td>
</tr>
<tr>
<td>Certificate and contract claims: Life</td>
<td>68,720</td>
<td>73,371</td>
<td>73,733</td>
<td>69,403</td>
<td>62,648</td>
</tr>
<tr>
<td>Premiums and annuity considerations received in advance</td>
<td>6,440</td>
<td>7,530</td>
<td>7,955</td>
<td>9,791</td>
<td>10,626</td>
</tr>
<tr>
<td>Certificate and contract liabilities not included elsewhere: Interest maintenance reserve</td>
<td>4,912</td>
<td>5,374</td>
<td>5,845</td>
<td>6,297</td>
<td>6,721</td>
</tr>
<tr>
<td>Commissions to fieldworkers due or accrued</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>General expenses due or accrued</td>
<td>2,896</td>
<td>1,079</td>
<td>5,786</td>
<td>2,970</td>
<td>2,040</td>
</tr>
<tr>
<td>Unearned investment income</td>
<td>63,011</td>
<td>63,061</td>
<td>62,462</td>
<td>62,671</td>
<td>62,861</td>
</tr>
<tr>
<td>Miscellaneous liabilities: Asset valuation reserve</td>
<td>74,599</td>
<td>221,404</td>
<td>203,350</td>
<td>184,022</td>
<td>182,680</td>
</tr>
<tr>
<td>Aggregate write-ins for liabilities: Reserve for supreme lodge meetings</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,810</td>
<td>810</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>1,590,578</strong></td>
<td><strong>1,773,819</strong></td>
<td><strong>1,779,131</strong></td>
<td><strong>1,772,984</strong></td>
<td><strong>1,791,386</strong></td>
</tr>
<tr>
<td><strong>Unassigned funds</strong></td>
<td><strong>1,497,220</strong></td>
<td><strong>1,573,215</strong></td>
<td><strong>1,609,581</strong></td>
<td><strong>1,487,362</strong></td>
<td><strong>1,444,412</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities And Unassigned Funds</strong></td>
<td><strong>$3,087,798</strong></td>
<td><strong>$3,347,034</strong></td>
<td><strong>$3,388,712</strong></td>
<td><strong>$3,260,326</strong></td>
<td><strong>$3,235,798</strong></td>
</tr>
</tbody>
</table>
### COMPARATIVE STATEMENT OF INCOME
For The Year Ended December 31,

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums and annuity considerations</td>
<td>$18,680</td>
<td>$23,220</td>
<td>$31,936</td>
<td>$37,146</td>
<td>$40,758</td>
</tr>
<tr>
<td>Net investment income</td>
<td>149,139</td>
<td>145,893</td>
<td>150,538</td>
<td>166,959</td>
<td>169,729</td>
</tr>
<tr>
<td>Amortization of interest maintenance reserve</td>
<td>464</td>
<td>469</td>
<td>452</td>
<td>424</td>
<td>387</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>562</td>
<td>1,242</td>
<td>552</td>
<td>290</td>
<td>302</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>168,845</td>
<td>170,824</td>
<td>183,478</td>
<td>204,819</td>
<td>211,176</td>
</tr>
<tr>
<td>Death benefits</td>
<td>39,455</td>
<td>51,112</td>
<td>47,369</td>
<td>64,465</td>
<td>45,693</td>
</tr>
<tr>
<td>Matured endowments</td>
<td>6,000</td>
<td>14,546</td>
<td>11,000</td>
<td>17,154</td>
<td>13,953</td>
</tr>
<tr>
<td>Annuity and old age benefits</td>
<td>1,137</td>
<td>1,137</td>
<td>1,137</td>
<td>1,137</td>
<td>2,030</td>
</tr>
<tr>
<td>Surrender benefits</td>
<td>12,344</td>
<td>6,824</td>
<td>8,454</td>
<td>8,501</td>
<td>7,843</td>
</tr>
<tr>
<td>Payments on supplementary contracts without life contingencies and for refund accumulations</td>
<td>0</td>
<td>0</td>
<td>(11,000)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Increase in aggregate reserve for life and accident and health certificates and contracts</td>
<td>(32,000)</td>
<td>(18,000)</td>
<td>0</td>
<td>(32,000)</td>
<td>(17,500)</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>26,936</td>
<td>55,619</td>
<td>56,960</td>
<td>59,257</td>
<td>51,659</td>
</tr>
<tr>
<td>Commissions on premiums, annuity considerations and deposit-type funds</td>
<td>1,708</td>
<td>2,051</td>
<td>2,322</td>
<td>3,314</td>
<td>3,163</td>
</tr>
<tr>
<td>General insurance expenses and fraternal expenses</td>
<td>182,361</td>
<td>180,470</td>
<td>185,740</td>
<td>188,608</td>
<td>194,076</td>
</tr>
<tr>
<td>Insurance taxes, licenses and fees</td>
<td>8,211</td>
<td>8,250</td>
<td>8,533</td>
<td>24,523</td>
<td>23,818</td>
</tr>
<tr>
<td>Aggregate write-ins: Increase in reserve for Supreme lodge meetings</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>219,216</td>
<td>246,390</td>
<td>253,555</td>
<td>281,702</td>
<td>272,716</td>
</tr>
<tr>
<td>Net gain from operations before refunds to members</td>
<td>(50,371)</td>
<td>(75,566)</td>
<td>(70,077)</td>
<td>(76,883)</td>
<td>(61,540)</td>
</tr>
<tr>
<td>Net realized capital gains or (losses)</td>
<td>0</td>
<td>0</td>
<td>(12,897)</td>
<td>1,974</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$ (50,371)</td>
<td>$(75,566)</td>
<td>$(82,974)</td>
<td>$(74,909)</td>
<td>$(61,540)</td>
</tr>
</tbody>
</table>
## COMPARATIVE STATEMENT OF CAPITAL AND SURPLUS

For The Year Ended December 31,

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus December 31, prior year</td>
<td>$1,573,215</td>
<td>$1,609,583</td>
<td>$1,487,362</td>
<td>$1,444,410</td>
<td>$1,519,911</td>
</tr>
<tr>
<td>Net income from operations</td>
<td>(50,371)</td>
<td>(75,566)</td>
<td>(82,974)</td>
<td>(74,909)</td>
<td>(61,540)</td>
</tr>
<tr>
<td>Change in net unrealized capital gains or (losses)</td>
<td>(172,477)</td>
<td>57,851</td>
<td>224,314</td>
<td>118,420</td>
<td>30,074</td>
</tr>
<tr>
<td>Change in non-admitted assets and related items</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>500</td>
<td>0</td>
</tr>
<tr>
<td>Change in reserve on account of change in valuation, (increase) or decrease</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(19,000)</td>
</tr>
<tr>
<td>Change in asset valuation reserve</td>
<td>146,805</td>
<td>(18,054)</td>
<td>(19,328)</td>
<td>(1,342)</td>
<td>(25,850)</td>
</tr>
<tr>
<td>Aggregate write-ins for gains and losses in surplus: trustee items</td>
<td>50</td>
<td>(599)</td>
<td>209</td>
<td>283</td>
<td>815</td>
</tr>
<tr>
<td>Net change in surplus for the year</td>
<td>(75,993)</td>
<td>(36,368)</td>
<td>122,221</td>
<td>42,952</td>
<td>(75,501)</td>
</tr>
<tr>
<td>Surplus December 31, Current Year</td>
<td>$1,497,222</td>
<td>$1,573,215</td>
<td>$1,609,583</td>
<td>$1,487,362</td>
<td>$1,444,410</td>
</tr>
</tbody>
</table>
**LITHUANIAN ALLIANCE OF AMERICA**

**COMPARATIVE STATEMENT OF CASH FLOW**
For The Year Ended December 31,

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FROM OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums and annuity</td>
<td>$17,642</td>
<td>$22,822</td>
<td>$30,987</td>
<td>$35,851</td>
<td>$40,361</td>
</tr>
<tr>
<td>considerations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment income</td>
<td>159,145</td>
<td>162,893</td>
<td>161,764</td>
<td>179,211</td>
<td>177,634</td>
</tr>
<tr>
<td>Aggregate write-ins</td>
<td>562</td>
<td>1,242</td>
<td>552</td>
<td>790</td>
<td>320</td>
</tr>
<tr>
<td>for miscellaneous</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>177,349</td>
<td>186,957</td>
<td>193,303</td>
<td>215,852</td>
<td>218,297</td>
</tr>
<tr>
<td>Death benefits</td>
<td>44,106</td>
<td>51,474</td>
<td>43,039</td>
<td>57,710</td>
<td>54,578</td>
</tr>
<tr>
<td>Matured endowments</td>
<td>6,000</td>
<td>14,546</td>
<td>11,000</td>
<td>17,154</td>
<td>13,593</td>
</tr>
<tr>
<td>Annuity and old age</td>
<td>1,137</td>
<td>1,137</td>
<td>1,137</td>
<td>1,137</td>
<td>2,030</td>
</tr>
<tr>
<td>benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surrender benefits</td>
<td>12,344</td>
<td>6,824</td>
<td>8,454</td>
<td>8,501</td>
<td>7,843</td>
</tr>
<tr>
<td>Total</td>
<td>63,587</td>
<td>73,981</td>
<td>63,630</td>
<td>84,502</td>
<td>78,044</td>
</tr>
<tr>
<td>Commissions on premiums,</td>
<td>1,708</td>
<td>2,051</td>
<td>2,322</td>
<td>3,314</td>
<td>3,163</td>
</tr>
<tr>
<td>annuity considerations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and deposit-type funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General insurance</td>
<td>180,544</td>
<td>181,256</td>
<td>193,655</td>
<td>187,677</td>
<td>193,232</td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and fraternal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance taxes,</td>
<td>8,211</td>
<td>8,251</td>
<td>8,533</td>
<td>24,523</td>
<td>23,818</td>
</tr>
<tr>
<td>licenses and fees,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>excluding federal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>254,050</td>
<td>265,539</td>
<td>268,140</td>
<td>300,016</td>
<td>298,257</td>
</tr>
<tr>
<td>Net Cash From Operations</td>
<td>(76,701)</td>
<td>(78,582)</td>
<td>(74,846)</td>
<td>(84,164)</td>
<td>(79,960)</td>
</tr>
</tbody>
</table>

**CASH FROM INVESTMENTS**

Proceeds from investments sold, matured or repaid:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>76,000</td>
<td>311,019</td>
<td>390,000</td>
<td>170,000</td>
<td>271,665</td>
</tr>
<tr>
<td>Stocks</td>
<td>0</td>
<td>0</td>
<td>238,746</td>
<td>1,974</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>76,000</td>
<td>311,019</td>
<td>628,746</td>
<td>171,974</td>
<td>271,665</td>
</tr>
<tr>
<td>Cost of investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>acquired (long-term)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>only:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>68,862</td>
<td>218,762</td>
<td>517,132</td>
<td>100,188</td>
<td>209,636</td>
</tr>
<tr>
<td>Total Investment</td>
<td>68,862</td>
<td>218,762</td>
<td>517,132</td>
<td>100,188</td>
<td>209,636</td>
</tr>
<tr>
<td>Acquired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in certificate loans</td>
<td>0</td>
<td>(1,000)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>and liens</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash From</td>
<td>7,138</td>
<td>93,257</td>
<td>111,614</td>
<td>71,786</td>
<td>62,029</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CASH FROM FINANCING AND MISCELLANEOUS SOURCES**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided or</td>
<td>2</td>
<td>1</td>
<td>(2)</td>
<td>0</td>
<td>(8)</td>
</tr>
<tr>
<td>applied</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash From</td>
<td>2</td>
<td>1</td>
<td>(2)</td>
<td>0</td>
<td>(8)</td>
</tr>
<tr>
<td>Financing And</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net change in cash</td>
<td>(69,561)</td>
<td>14,676</td>
<td>36,766</td>
<td>(12,378)</td>
<td>(17,927)</td>
</tr>
<tr>
<td>and short-term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term</td>
<td>113,950</td>
<td>99,274</td>
<td>62,508</td>
<td>74,886</td>
<td>92,813</td>
</tr>
<tr>
<td>investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of Year</td>
<td>44,389</td>
<td>113,950</td>
<td>99,274</td>
<td>62,508</td>
<td>74,886</td>
</tr>
<tr>
<td>End of Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# LITHUANIAN ALLIANCE OF AMERICA

## ANALYSIS OF ASSETS

As Of December 31, 2000

<table>
<thead>
<tr>
<th></th>
<th>Ledger Assets</th>
<th>Non-Ledger Assets</th>
<th>Assets Not Admitted</th>
<th>Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$2,439,655</td>
<td>$0</td>
<td>$0</td>
<td>$2,439,655</td>
</tr>
<tr>
<td>Common stocks</td>
<td>224,964</td>
<td>304,406</td>
<td>0</td>
<td>529,370</td>
</tr>
<tr>
<td>Real estate: properties occupied by the society</td>
<td>33,824</td>
<td>0</td>
<td>0</td>
<td>33,824</td>
</tr>
<tr>
<td>Certificate loans and liens</td>
<td>5,000</td>
<td>0</td>
<td>0</td>
<td>5,000</td>
</tr>
<tr>
<td>Cash</td>
<td>44,389</td>
<td>0</td>
<td>0</td>
<td>44,389</td>
</tr>
<tr>
<td><strong>Subtotals, Cash And Invested Assets</strong></td>
<td>$2,747,832</td>
<td>304,406</td>
<td>0</td>
<td>$3,052,238</td>
</tr>
<tr>
<td>Premiums actually collected by subordinate lodges not yet remitted to home office</td>
<td>0</td>
<td>354</td>
<td>0</td>
<td>354</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>0</td>
<td>35,206</td>
<td>0</td>
<td>35,206</td>
</tr>
<tr>
<td>Aggregate write-ins for other than invested assets: Loans to students</td>
<td>10,475</td>
<td>0</td>
<td>10,475</td>
<td>0</td>
</tr>
<tr>
<td>Relief loans</td>
<td>1,046</td>
<td>0</td>
<td>1,046</td>
<td>0</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$2,759,353</td>
<td>$339,966</td>
<td>$11,521</td>
<td>$3,087,798</td>
</tr>
</tbody>
</table>
LITHUANIAN ALLIANCE OF AMERICA

SUMMARY OF EXAMINATION CHANGES

There were no changes to the Alliance’s financial statements as a result of this examination.

NOTES TO FINANCIAL ITEMS

INVESTMENTS

As of December 31, 2000, the Alliance’s invested assets were distributed as follows:

<table>
<thead>
<tr>
<th></th>
<th>AMOUNT</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$2,439,655</td>
<td>79.93%</td>
</tr>
<tr>
<td>Common stocks</td>
<td>529,370</td>
<td>17.35%</td>
</tr>
<tr>
<td>Real estate: properties occupied by the society</td>
<td>33,824</td>
<td>1.11%</td>
</tr>
<tr>
<td>Certificate loans and liens</td>
<td>5,000</td>
<td>.16%</td>
</tr>
<tr>
<td>Cash</td>
<td>44,389</td>
<td>1.45%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$3,052,238</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

The Alliance’s bond portfolio had the following quality profiles:

<table>
<thead>
<tr>
<th>NAIC DESIGNATION</th>
<th>AMOUNT</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – highest quality</td>
<td>$2,057,920</td>
<td>84.35%</td>
</tr>
<tr>
<td>2 – high quality</td>
<td>282,135</td>
<td>11.57%</td>
</tr>
<tr>
<td>3 – medium quality</td>
<td>99,600</td>
<td>4.08%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$2,439,655</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
LITHUANIAN ALLIANCE OF AMERICA

-15-

The Alliance has a written investment policy as required by the Pennsylvania Insurance Company law, NILS 40-37-104.1 (40 P.S. §504.1 (c). The permitted investment instruments, with their quality, and the restrictions of the composition of the Alliance’s investment portfolio, are within the requirements of the Pennsylvania Insurance Company Law. The composition of the Alliance’s investment portfolio indicates that the Alliance is adhering to its investment policy.

All the securities were valued in accordance with the NAIC valuation standards.

POLICYHOLDER AND CLAIM RESERVES

The examiners selected a statistically valid claim sampling and were traced to the Alliance records and a valuation report was given to the Pennsylvania Insurance Department with no exceptions noted.

The Pennsylvania Insurance Department actuarial staff concluded that no material changes were required in the Alliance’s reported reserves.

There were no changes in the Alliance’s reserving methodology since the last examination, December 31, 1995.

The Alliance’s reserves have been certified by (Bruce and Bruce Company), Consulting Actuaries located at Lake Bluff, Illinois.

SUBSEQUENT EVENTS

There were no significant transactions that transpired subsequent to the examination date. Also, there is some discussion that the Lithuanian Catholic Alliance, located in Wilkes-Barre, Pennsylvania, would like to merge with the Alliance. The Alliance would be the controlling entity.
RECOMMENDATIONS

PRIOR EXAMINATION

1. It is recommended that the Entity delete the reference to May, June or July in Article III – Conventions – Section 1 and add “time and” before “place”. The revised Section 1 should read, “The Supreme Assembly shall meet triennially in the time and place as designated by the last Convention”.

2. It is recommended that the Entity change “biennial” in the Entity’s By-Laws Article II – Governing and Article III – Conventions to confirm to the triennial elections and terms of the Supreme Executive Board at their next Convention in 1998.

3. It is recommended that the Entity change their General Ledger to include separate general ledger accounts for each of the liability accounts of: Aggregate reserve for life certificates and contracts; Certificate and contract claims – life; Premiums received in advance; Certificate and contract claims: Maintenance Reserve; Commissions to fieldworkers due and accrued; General expenses due and accrued; Asset valuation reserve. The Entity should also establish a separate account for Unassigned funds (Surplus).

4. It is recommended that the Entity restate the agreement to state that the securities may be withdrawn immediately upon demand by the Lithuanian Alliance of America, to comply with Title 31, Section 148.4 (a) of the Pennsylvania Insurance Department Act.

5. It is recommended that the following language be added to the revised custodian agreement:

That the bank or trust company as custodian is obligated to indemnify the insurance company for any loss of securities of the insurance company in the bank or trust company’s custody occasioned by the negligence or dishonesty of the bank or trust company’s officers or employees, burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction;

That in that the loss of the securities for which the bank or trust company is obligated to indemnify the insurance company, the securities shall promptly replaced or the value of the securities and the value of the loss of rights or privileges resulting from said loss of securities shall be promptly replaced.
LITHUANIAN ALLIANCE OF AMERICA

6. It is recommended that the Entity establish a depreciation schedule for real estate accordance with the current Internal Revenue Service (IRS) guidelines, using an estimated original value of the cost of the land to be $20,000, which is forty-two percent of the original cost of $47,264. The $20,000 land value should not be depreciated, but the cost of the building improvements should be.

7. It is recommended that the Entity correct the address in the agreement, to the current address to comply with good business practices.

8. It is recommended in future Annual Statements, that the bonds be reduced by the Fraternal Funds – Philanthropic liability amount in “Amounts withheld or retained by the Society as agent or trustee” Restricted Assets – Fraternal Fund – Philanthropic” be established to offset the liability.

The Alliance has complied with the above recommendations except, during the course of this examination, recommendations #3 and #8 are in the process of being in compliance.

CURRENT RECOMMENDATIONS

There were no recommendations made as a result of this examination.

CONCLUSION

As a result of this examination, the financial condition of Lithuanian Alliance of America, as of December 31, 2000, was determined to be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admitted Assets</td>
<td>$3,087,798</td>
<td>100.0%</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,590,578</td>
<td>51.5%</td>
</tr>
<tr>
<td>Surplus as Regards To Policyholders</td>
<td>$1,497,220</td>
<td>48.5%</td>
</tr>
<tr>
<td>Liabilities and Surplus</td>
<td>$3,087,798</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
LITHUANIAN ALLIANCE OF AMERICA

Since the previous examination, made as of December 31, 1995, the Alliance’s assets decreased by $203,884, its liabilities decreased by $181,193, and its surplus decreased by $22,691.

This examination was conducted by David M. Hughes, and Joseph M. Colardo, AFE, with the latter in charge.

Respectfully,

David G. DelBiondo, CPA
Director
Bureau of Examinations

John P. Leddy,
Examination Manager

Joseph M. Colardo, AFE
Examiner-In-Charge