

# *The State of Royal Neighbors of America*

## **The Financial State of Royal Neighbors of America as of December 31, 2010**

**Audit Committee Report to Members, May 2011**

The Royal Neighbors of America Audit Committee operates under a written charter adopted by the Board of Directors, and is responsible for overseeing the Society's financial reporting process on behalf of the Board of Directors and Society members. This responsibility is accomplished by following a detailed work plan of activities. Management is responsible for Royal Neighbors' financial statements and the financial reporting process, including internal controls. The Society's independent auditors are responsible for performing an independent audit of Royal Neighbors' financial statements in accordance with applicable regulatory accounting principles.

The Audit Committee's responsibility is to monitor and oversee these processes. In this context, the Audit Committee is authorized, among other things, to approve and retain the independent auditors to conduct the annual audit of the Society's financial books and records, review the proposed scope and results of the audit, review and pre-approve the independent auditor's audit and non-audit services rendered, approve the audit fees to be paid, review and approve related party transactions, recognize and prevent prohibited non-audit services by Royal Neighbors' independent auditors, review the annual operating budget proposed by management, and establish procedures for complaints received by the Society regarding accounting matters.

The Audit Committee was formed in September 2004 and meets at least quarterly throughout the year. The Committee meets with representatives of management and independent public accountants to review material matters related to auditing, financial reporting, internal controls, and audit results. For 2010, the Audit Committee retained the firm of Kerber, Eck & Braeckel, LLP (KEB) as Royal Neighbors' independent auditors.

The Audit Committee is comprised of four independent board members: Chairperson V. Sue Molina, Patricia Gibford, Sister Francis Clare Radke, and Dr. Benét Spence.

*The Audit Committee is comprised of four independent board members:*

**Chairperson –**

V. Sue Molina

Patricia Gibford

Sister Francis Clare Radke

Dr. Benét Spence



INSURING LIVES • SUPPORTING WOMEN • SERVING COMMUNITIES™

[www.royalneighbors.org](http://www.royalneighbors.org)

# Royal Neighbors Financial Statement Summary

(dollars in thousands)

## Balance Sheet

	December 31	
	2010	2009
Investments including bonds, common stocks, and mortgage loans	\$ 716,862	666,040
Real estate	6,066	6,177
Contract loans	13,456	13,874
Cash and short-term investments	8,191	12,570
Other assets	21,217	20,504
<b>Total admitted assets</b>	<b>\$ 765,792</b>	<b>719,165</b>
Insurance reserves and claims	\$ 519,002	479,519
Other liabilities	18,380	18,100
<b>Total reserves and liabilities</b>	<b>\$ 537,382</b>	<b>497,619</b>
Certificateholders' surplus:		
Fraternal fund	\$ 90,920	89,911
Unassigned surplus	137,490	131,635
<b>Total certificateholders' surplus</b>	<b>228,410</b>	<b>221,546</b>
<b>Total insurance reserves, liabilities, and surplus</b>	<b>\$ 765,792</b>	<b>719,165</b>
<b>Income Statement</b>		
Premium income, net of reinsurance	\$ 83,088	82,031
Investment income	36,734	36,398
Reinsurance allowances and miscellaneous income	15,980	22,473
<b>Total income</b>	<b>135,802</b>	<b>140,902</b>
Benefits paid or provided	77,923	78,167
Commissions	33,513	32,453
General and administrative expenses	26,046	27,917
Net income (loss) before net realized capital gains (losses)	(1,680)	2,365
Net realized capital gains (losses)	327	(2,266)
<b>Net income</b>	<b>\$ (1,353)</b>	<b>99</b>

### Philanthropy

Nation of Neighbors <sup>SM</sup> Program	\$234,500
Scholarship Program [In 2010 we paid 60 scholarships (including renewals)]	\$147,565
Member Discount Programs	\$300,000
Fraternal Support	\$955,395
Fraternal Aid	\$112,082
Corporate Charitable Contributions	\$93,710



INSURING LIVES • SUPPORTING WOMEN • SERVING COMMUNITIES<sup>SM</sup>

[www.royalneighbors.org](http://www.royalneighbors.org)

# The State of Royal Neighbors of America

## Management's Report to the Membership

	December 31	
	2010	2009
	(dollars in thousands)	
Insurance in force face amount	<b>\$3.0 billion</b>	2.8 billion
Admitted assets	<b>765,792</b>	719,165
Certificateholders' surplus	<b>228,410</b>	221,546
Premium income, net of reinsurance	<b>83,088</b>	82,031

In its 116th year, Royal Neighbors is pleased to report another successful financial year. Our financial position is strong with assets of \$765.8 million and surplus of \$228.4 million, resulting in a surplus ratio of 29.8%, which is significantly above the industry benchmark of 8.0%.

Premium income, net of reinsurance, increased \$1.1 million to \$83.1 million. New sales in 2010 resulted in \$39.3 million of annuity premium and \$17.3 million of annualized life premium. This growth was accomplished while management continued its efforts to monitor and control operating expenses.

The 2010 financial year was indeed a successful one and we are more excited than ever about the future of Royal Neighbors. The Royal Neighbors leadership team remains com-

mitted to a responsible growth strategy that benefits all members and to continuously executing against our long-standing commitment of the neighbor-helping-neighbor philosophy.

### Product options available

- Whole Life
- Level Premium Term Life
- Universal Life
- Single Premium Immediate Annuity
- Flexible Premium Deferred Annuity
- Traditional Individual Retirement Annuity
- Roth Individual Retirement Annuity
- Simplified Issue Whole Life
- Graded Death Benefit Whole Life
- Single Premium Deferred Annuity (1, 3, 5, and 6-year interest guarantee)
- Medicare Supplement

These products are not available in all states.

Please call: (866) 845-6665 for more information, or visit us at [www.royalneighbors.org](http://www.royalneighbors.org).



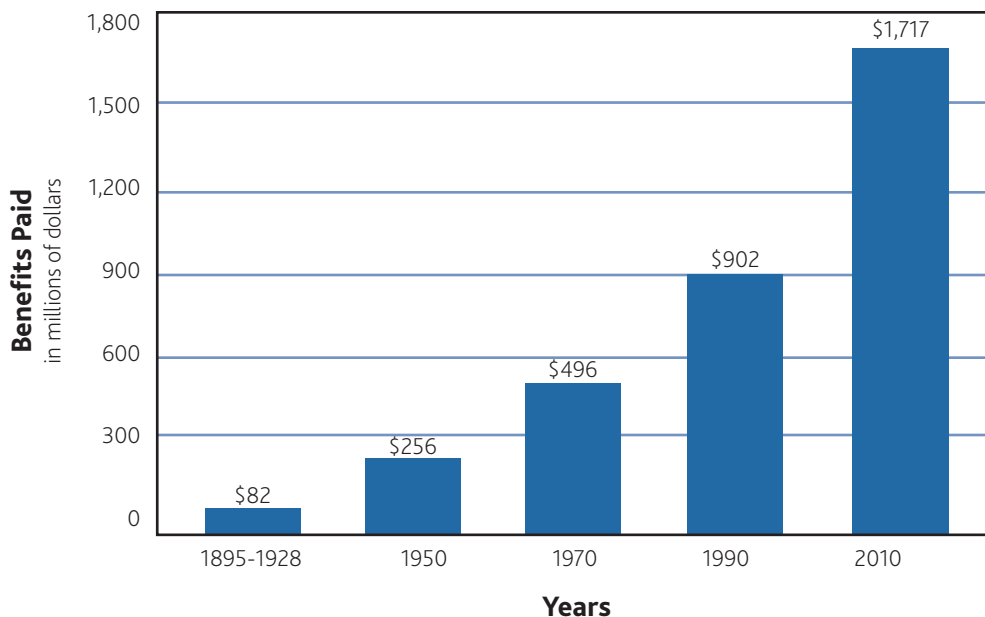
INSURING LIVES • SUPPORTING WOMEN • SERVING COMMUNITIES™

[www.royalneighbors.org](http://www.royalneighbors.org)

# Since 1895, Royal Neighbors of America has been paying and/or providing insurance benefits to members and their beneficiaries.

This chart illustrates the cumulative amounts that have been paid or provided at selected intervals during that time. There are many ways in which our members receive these benefits, including death benefits, interest earned, and refunds. We are very proud to report that over the last 116 years benefits paid to members have grown from \$82 million in the first 34 years to more than \$1.7 billion. In the last 20 years alone, the benefits to our members have almost doubled. We believe this record of performance demonstrates the enduring financial strength of the Society as well as our commitment to honor the promises made in the insurance contracts held by our members.

Royal Neighbors of America Insurance Benefits Paid or Provided to Society Members since 1895



Royal Neighbors is rated  
A- (Excellent) by the  
A.M. Best Company  
for overall financial strength and  
ability to meet ongoing  
obligations to certificateholders.  
*as of Dec. 31, 2010*



INSURING LIVES • SUPPORTING WOMEN • SERVING COMMUNITIES™

[www.royalneighbors.org](http://www.royalneighbors.org)