STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

CHURCH LIFE INSURANCE CORPORATION

CONDITION:	DECEMBER 31, 2007
DATE OF REPORT:	DECEMBER 5, 2008

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EXAMINER:	JOSHUA WEISS

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

January 20, 2009

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22735, dated January 15, 2008 and annexed hereto, an examination has been made into the condition and affairs of Church Life Insurance Corporation, hereinafter referred to as "the Company" or "CLIC", at its home office located at 445 Fifth Avenue, New York, New York 10016.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2007 filed annual statement. (See item 5 of this report)

The examiner's review of the Company's market conduct activities did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Company. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2002. This examination covers the period from January 1, 2003 through December 31, 2007. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2007 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2007 to determine whether the Company's 2007 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the comment contained in the prior report on examination. The results of the examiner's review are contained in item 7 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on June 20, 1922, was licensed on June 24, 1922 and commenced business on July 1, 1922. Initial resources of $155,000, consisting of common capital stock of $100,000 and paid in and contributed surplus of $55,000, were provided through the sale of 1,000 shares of common stock (with a par value of $100 each) for $155 per share.

Increases to the capital and paid in and contributed surplus of the Company resulted in capital of $6,000,000 and paid in and contributed surplus of $6,000,000, as of December 31, 2007. There are now 60,000 shares of common stock outstanding with a par value of $100 per share.

B. Holding Company

The Company is a wholly owned subsidiary of the Church Pension Fund ("CPF"), a pension fund that is deemed an authorized insurer. As a subsidiary of an authorized insurer the Company is exempt from the provisions of Article 15 of the New York Insurance Law.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 15 directors. Directors are divided into two classes, as nearly equal as may be, to be elected annually in consecutive years for a term of two years. The by-laws provide for the election of directors to be held at the annual meeting of the stockholders in January of each year. As of December 31, 2007, the board of directors consisted of ten members. Meetings of the board are held semi-annually.

The ten board members and their principal business affiliation, as of December 31, 2007, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Martin Luther Agnew Jr.* Bullard, TX	Retired Dean St. Mark's Cathedral	2003
James Elwood Bayne* Dallas, TX	Consultant ExxonMobil	2000
Elizabeth Deborah Conklyn* San Antonio, TX	Executive Vice President, People Services United Services Automobile Association	2002
Barbara Bywater Creed* San Francisco, CA	Counsel Trucker Huss, APC	2002
Samuel Paul Johnson* Birmingham, AL	Chairman and Chief Executive Officer Johnson Sterling Paul Securities, Inc.	2004
Arthur Kunji Kusumoto* Wailuku, HI	Estate Planner	1997
Peter James Lee* Richmond, VA	Bishop Diocese of Virginia	2000
Quintin Ebenezer Primo III* Chicago, IL	Chairman and Chief Executive Officer Capri Capital Partners LLC	2003
William Steve Sandahl* Baton Rouge, LA	Certified Public Accountant Postlethwaite & Netterville, APAC	2007
Thomas Dennis Sullivan II Brooklyn, NY	President Church Life Insurance Corporation	2004

* Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

Section 1201(a)(5)(B) of the New York Insurance Law states, in part:

"The corporation's proposed charter shall contain:

(vi) the times and manner of electing directors and officers … and that not less than two shall be residents of this state;"

A review of the company's listing of directors revealed that the Company did not have the required minimum of two directors residing in New York for any of the years under examination.

The Company violated Section 1201(a)(5)(B) of the New York Insurance Law when it did not maintain, the required minimum of two directors residing in this state for any of the years under examination.

The following is a listing of the principal officers of the Company as of December 31, 2007:

Name	Title
Thomas Dennis Sullivan II	President
Jimmy Wayne Morrison	Executive Vice President
Daniel Aaron Kasle	Executive Vice President, Chief Financial Officer
William Lyman Cobb Jr.	Executive Vice President, Chief Investment Officer
Barton Turnbull Jones	Senior Vice President, Gen. Counsel and Secretary
James Edward Thomas	Senior Vice President, General Manager
Patrick Shu-Hsiang Cheng Esq.	Senior Vice President, Deputy General Counsel
Joyce Flournoy Wade	Vice President, Marketing
Wesley Ray Underwood	Vice President, Controller, Treasurer
Angela Lee Kirk	Vice President, Customer Engagement
Charles Hui*	Assistant Vice President

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

Prior to 2004, CLIC was licensed only in New York. During 2004, Church Life applied for licenses to conduct business in all of the remaining states, except those where exemptions apply that allow Church Life to conduct business without being licensed or having its products registered. As of December 31, 2007, Church Life was licensed in 43 states and the District of Columbia and is determined to be exempt from licensure in 5 additional states.

The Company wrote direct premiums of $27,521,198 in 2007. The five states that derived the highest premiums were; New York (18.1%), Pennsylvania (10.5%), North Carolina (9.3%), Florida (5.8%), and California (5.4%).

Church Life primarily writes group life insurance, individual life insurance and group and individual annuity products for a customer base limited solely to ordained clergy and lay individuals directly associated with The Episcopal Church ("TEC") and their immediate families.

The Company has no agency force and pays no commissions.

E. Reinsurance

As of December 31, 2007, the Company had reinsurance treaties in effect with two unaffiliated companies, one of which was authorized or accredited. The Company's life business is reinsured on a coinsurance and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $100,000. The total face amount of life insurance ceded as of December 31, 2007, was $95,269,000, which represents 9.7% of the total face amount of life insurance in force.

No new treaties were entered into during the current exam period.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial decline during the period under review:

	December 31, 2002	December 31, 2007	Increase (Decrease)
Admitted assets	$243,976,453	$201,278,960	$(42,697,493)
Liabilities	$203,488,803	$163,822,549	$(39,666,254)
Common capital stock	$ 6,000,000	$ 6,000,000	$ 0
Gross paid in and contributed surplus	6,000,000	6,000,000	0
Group life contingency reserve	1,499,213	1,499,213	0
Unassigned funds (surplus)	26,988,437	23,957,198	(3,031,239)
Total capital and surplus	$ 40,487,650	$ 37,456,411	$ (3,031,239)
Total liabilities, capital and surplus	$243,976,453	$201,278,960	$(42,697,493)

The decrease in assets and liabilities is due primarily to a transfer of assets and liabilities from CLIC to CPF. At December 31, 2007, 28% of CLIC's total assets represented assets held as administrator for The Episcopal Church Lay Employees Retirement Plan ("Lay Plan"). On January 1, 2003 the administration of the Lay Plan ($67.2 million assets) was transferred to CPF in order to consolidate all pension administration in one unit.

The Company's invested assets as of December 31, 2007, were mainly comprised of bonds (87.6%) and common stocks (5.3%). The Company's entire bond portfolio, as of December 31, 2007, was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2003	2004	2005	2006	2007
Ordinary:					
Life insurance	$(333,225)	$ (513,878)	$ (805,298)	$ (513,163)	$ (439,251)
Individual annuities	292,518	(1,039,947)	2,096,124	4,165,998	1,340,178
Supplementary contracts	(126,470)	(173,591)	(316,834)	(245,592)	(293,367)
Total ordinary	$(167,177)	$(1,727,416)	$ 973,992	$3,407,243	$ 607,560
Group:					
Life	$ 579,524	$ 1,938,362	$ (655,600)	$ 969,647	$1,959,925
Annuities	0	0	(365,372)	(301,080)	(170,534)
Total group	$ 579,524	$ 1,938,362	$(1,020,972)	$ 668,567	$1,789,391
Total	$ 412,347	$ 210,946	$ (46,980)	$4,075,810	$2,396,951

Expenses incurred during the examination period relating to Company's licensing and registration initiatives contributed to the continuing losses in the individual life line. The Company offers individual life products in order to round out its product offerings to its customer base.

The individual annuities loss in 2004 is due mainly to additional reserves required by a new valuation basis.

The group life loss in 2005 is due mainly to an increase in death benefits.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2007, as contained in the Company's 2007 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2007 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2007

Admitted Assets

Bonds	$176,357,954
Stocks:	
Preferred stocks	2,500,320
Common stocks	10,639,154
Cash, cash equivalents and short term investments	9,276,431
Contract loans	403,355
Investment income due and accrued	1,499,628
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	335,863
Amounts recoverable from reinsurers	46,000
Receivables from parent, subsidiaries and affiliates	220,255
Total admitted assets	$201,278,960

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$145,137,275
Liability for deposit-type contracts	9,296,482
Contract claims:	
Life	1,470,025
Premiums and annuity considerations for life and accident and health contracts received in advance	66,792
Contract liabilities not included elsewhere:	
Interest maintenance reserve	4,093,495
General expenses due or accrued	676,860
Taxes, licenses and fees due or accrued, excluding federal income taxes	289,012
Remittances and items not allocated	238,656
Miscellaneous liabilities:	
Asset valuation reserve	1,908,854
Payable to parent, subsidiaries and affiliates	610,967
Payable for securities	34,131
Total liabilities	$163,822,549
Common capital stock	$ 6,000,000
Gross paid in and contributed surplus	6,000,000
Group life contingency reserve	1,499,213
Unassigned funds (surplus)	23,957,198
Surplus	$ 31,456,411
Total capital and surplus	$ 37,456,411
Total liabilities, capital and surplus	$201,278,960

B. CONDENSED SUMMARY OF OPERATIONS

	2003	2004	2005	2006	2007
Premiums and considerations	$24,812,029	$22,817,329	$40,975,442	$40,404,934	$27,147,232
Investment income	9,389,058	9,349,861	9,398,715	9,621,410	9,893,716
Miscellaneous income	498,847	271,743	275,942	164,649	178,283
Total income	$34,699,934	$32,438,933	$50,650,099	$50,190,993	$37,219,231
Benefit payments	$17,709,157	$17,122,101	$41,223,840	$45,234,643	$29,321,013
Increase in reserves	10,390,913	8,223,147	1,353,300	(6,154,087)	(1,119,762)
General expenses and taxes	6,188,721	6,887,704	8,075,378	7,082,367	6,623,933
Increase in loading on deferred and uncollected premiums	(1,452)	(4,965)	44,561	(47,739)	(2,904)
Miscellaneous deductions	248	0	0	0	0
Total deductions	$34,287,587	$32,227,987	$50,697,079	$46,115,184	$34,822,280
Net gain (loss)	$ 412,347	$ 210,946	$ (46,980)	$ 4,075,809	$ 2,396,951
Net gain (loss) from operations before net realized capital gains	$ 412,347	$ 210,946	$ (46,980)	$ 4,075,809	$ 2,396,950
Net realized capital gains (losses)	(124,542)	466,819	99	101,598	0
Net income	$ 287,805	$ 677,765	$ (46,881)	$ 4,177,407	$ 2,396,950

C. CAPITAL AND SURPLUS ACCOUNT

	2003	2004	2005	2006	2007
Capital and surplus, December 31, prior year	$40,487,650	$28,751,048	$29,300,988	$29,559,488	$34,961,574
Net income	$ 287,805	$ 677,765	$ (46,881)	$ 4,177,407	$ 2,396,950
Change in net unrealized capital gains (losses)	1,640,547	242,904	388,676	1,339,367	170,781
Change in non-admitted assets and related items	(108,100)	(25,728)	7,079	26,807	(2,901)
Change in reserve valuation basis	(13,279,671)	0	0	0	0
Change in asset valuation reserve	222,817	(345,002)	(90,375)	(141,494)	(69,993)
Surplus adjustments:					
Change in surplus as a result of Reinsurance	(500,000)	0	0	0	0
Net change in capital and surplus for the year	$(11,736,602)	$ 549,939	$ 258,499	$ 5,402,087	$ 2,494,837
Capital and surplus, December 31, current year	$ 28,751,048	$29,300,987	$29,559,487	$34,961,575	$37,456,411

The Company strengthened individual annuity reserves by the amount of $13,545,233 as of December 31, 2003, in light of concerns relating to low interest rates.

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the comment contained in the prior report on examination and the subsequent action taken by the Company:

Item	Description
A	The Company strengthened individual annuity reserves by the amount of $13,545,233 as of December 31, 2003, in light of concerns relating to low interest rates. The Company strengthened its individual annuity reserves as of December 31, 2003.

8. SUMMARY AND CONCLUSIONS

Following are the violation and comment contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1201(a)(5)(B) of the New York Insurance Law when it did not maintain, for all the years under examination, the required minimum of two directors residing in this state.	6

Respectfully submitted,

________/s/____________
Joshua Weiss
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Joshua Weiss, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

______________/s/____________
Joshua Weiss

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 22735

STATE OF NEW YORK

INSURANCE DEPARTMENT

*I, **ERIC R. DINALLO**, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

JOSHUA WEISS

as a proper person to examine into the affairs of the

CHURCH LIFE INSURANCE CORP.

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 15th day of January, 2008

ERIC R. DINALLO
Superintendent of Insurance

Superintendent