



FINANCIAL CONDITION REPORT ON EXAMINATION

OF

COLUMBIAN MUTUAL LIFE INSURANCE COMPANY

AS OF DECEMBER 31, 2020

EXAMINER:
DATE OF REPORT:

JAN PIERRE SANTIAGO, CFE
JUNE 1, 2022

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	4
3.	Description of Company	6
	A. History	6
	B. Holding company	7
	C. Organizational chart	7
	D. Service agreements	8
	E. Management	10
4.	Territory and plan of operations	13
	A. Statutory and special deposits	13
	B. Direct operations	13
	C. Reinsurance	14
5.	Financial statements	15
	A. Independent accountants	15
	B. Net admitted assets	16
	C. Liabilities, capital and surplus	17
	D. Condensed summary of operations	18
	E. Capital and surplus account	19
6.	Reserves	20
7.	Subsequent events	21
8.	Prior report summary and conclusions	22
9.	Summary and conclusions	23

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 7, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32261, dated June 17, 2021, and annexed hereto, an examination has been made into the condition and affairs of Columbian Mutual Life Insurance Company, hereinafter referred to as “the Company”. The Company’s home office is located at 4704 Vestal Parkway East, Binghamton, NY 13902. Due to the COVID-19 pandemic, the examination was conducted remotely.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

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

1. EXECUTIVE SUMMARY

The material violations and comments contained in this report are summarized below.

- The Department conducted a review of the reserves as of December 31, 2020. This review included an examination of the asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review of asset adequacy analysis, concerns were raised regarding the potential lack of conservatism in both the Company's methodology and assumptions used. In particular, the methodology used to develop expenses allocated to in force policies – especially the treatment of non-recurring and acquisition expenses; and the development of the experience assumptions – including a review of the experience study process and the inclusion of the policies identified as part of the unclaimed property review. Concerns were also raised regarding the allocation of expenses between affiliated companies. In response, the Company committed to refine its expense development methodology, update experience studies and assumptions, and enhance its model validation as discussed with the Department. The Department will continue to review these refinements as they are completed and at this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved. (See item 6 of this report.)
- The Company violated Section 1712(b)(4) of the New York Insurance Law by changing the billing terms of its Administrative and Management Agreement without notifying the superintendent in writing of its intention at least thirty days prior thereto and by including affiliated companies in its 2016 through 2020 consolidated federal tax returns that were not part of its filed and approved Federal Income Tax Allocation Agreement without notifying the superintendent in writing of its intention at least thirty days prior thereto. (See item 3D of this report.)
- The Company violated Section 1712(a) of the New York Insurance Law by providing administrative services to an affiliate without allocating and receiving payment for the appropriate fees as outlined in its service agreement. This is a repeat violation. (See item 3D of this report.)

- On June 29, 2021, the Company’s board of directors approved a strategic transaction with Constellation Insurance Holdings, Inc. (“Constellation”). This strategic transaction includes the conversion of the Company to a stock company and the issuance of all its newly issued stock to Constellation pursuant to a sponsored demutualization. Upon closing, Constellation will invest up to \$100 million to fund cash payment of eligible policyholders and to significantly strengthen capitalization of the Company and Columbian Life Insurance Company (“CLIC”). (See item 7 of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC") *Financial Condition Examiners Handbook, 2021 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2016, through December 31, 2020. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2020 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was called by the Department in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. New York served as the lead state with participation from the State of Illinois. Since the lead and participating states are accredited by the NAIC, the states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational

- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2016 through 2020, by the accounting firm of RSM US LLP (“RSM”). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm RSM were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department performing operational, Information Technology, financial and compliance reviews. Where applicable, internal audit related documentation and reports were reviewed, and where applicable, portions were utilized to gain an understanding of the control environment.

The examiner reviewed the corrective actions taken by the Company with respect to the violation contained in the prior report on financial condition examination. The results of the examiner’s review are contained in item 8 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 charitable and benevolent association under the laws of New York on November 1, 1882 under the name American Protective Association. The Company was licensed on January 25, 1883 and commenced business on February 1, 1883.

In 1907, the name was changed to Columbian Protective Association and the home office was moved to Binghamton, New York. At the same time, the Company commenced operations as a cooperative life and accident and health insurance company.

On March 11, 1952, the Company converted to a mutual life insurance company and adopted its present name. On December 30, 1996, Golden Eagle Mutual Life Insurance Corporation merged with and into the Company. On November 30, 2005, Columbian Family Life Insurance Company, (“CFLIC”) a subsidiary, merged with and into the Company. On February 28, 2006, Philanthropic Mutual Life Insurance Company (“PMLIC”), a Pennsylvania based company, merged with and into the Company.

On October 1, 2007, Farmers and Traders Life Insurance Company (“F&T”), a New York domestic life insurance company, merged with and into the Company. On November 26, 2008, Mutual of Detroit Life Insurance Company (“MoD”) merged with and into the Company. On July 1, 2011, Unity Mutual Life Insurance Company merged with and into the Company.

On April 1, 2017, Securitas Financial Group, Inc. (“SFG”) sold its wholly owned subsidiary, Securitas Financial Life Insurance Company (“SFLIC”), to an unrelated life insurance company.

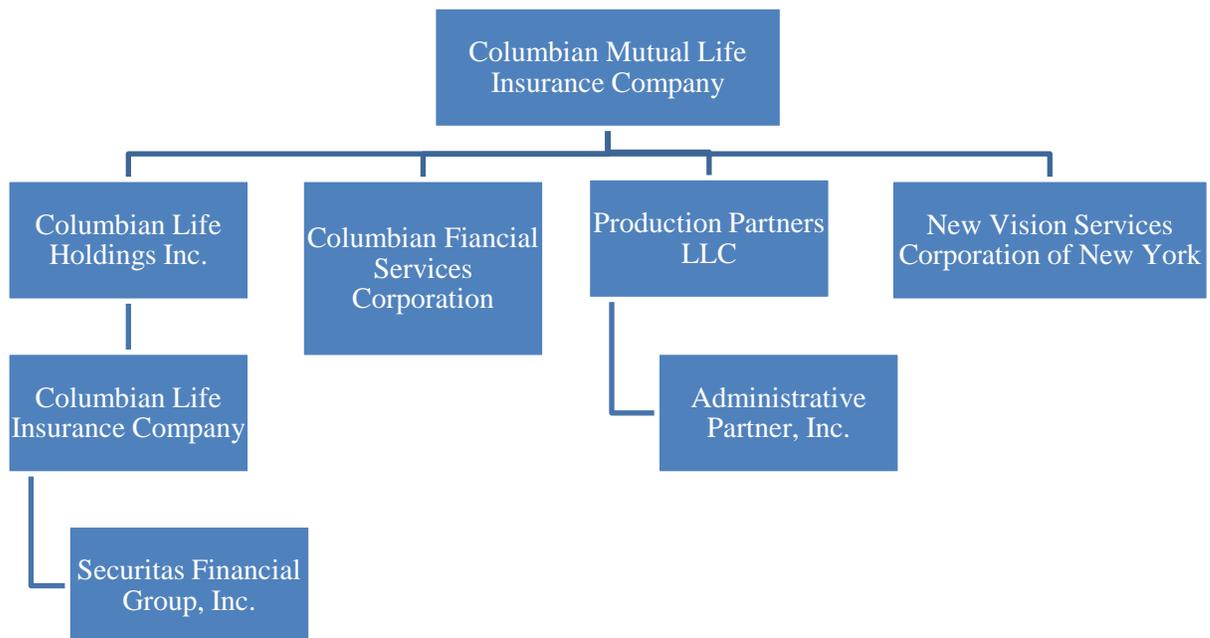
On June 29, 2021, the Company’s board of directors approved a strategic transaction with Constellation. This strategic transaction includes the conversion of the Company to a stock company and the issuance of all its newly issued stock to Constellation pursuant to a sponsored demutualization. Upon closing, Constellation will invest up to \$100 million to fund cash payment to eligible policyholders and to significantly strengthen capitalization of the Company and CLIC.

B. Holding Company

The Company owns Columbia Life Holdings, Inc. (“CLH”), which in turn wholly owns CLIC, an Illinois domiciled life insurer that is also an accredited reinsurer in New York, which in turn owns SFG, a Delaware domiciled company. The Company and its affiliates collectively refer to themselves and operate as the Columbia Financial Group (“CFG”). Other members of CFG include Columbia Financial Services Corporation, a general agency; Production Partners, LLC, a limited liability corporation, which in turns owns 100% of Administrative Partners, Inc., an administrative service company; and New Vision Service Corporation of New York, an administrative service company.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2020 follows:



D. Service Agreements

The Company had four service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income* For Each Year of the Examination
Administrative and Management Services Agreement	10/27/1993	The Company	CLIC	Centralized underwriting, actuarial, legal, accounting, investment advisory, marketing, administrative, personnel and management services.	2016 \$23,703,769 2017 \$24,827,824 2018 \$25,181,092 2019 \$27,381,593 2020 \$28,719,088
Intercompany Borrowing Agreement	05/01/1996	The Company	CLIC	Make funds available to assist in managing the fluctuations of day-to-day cash flow.	2016 \$0** 2017 \$0 2018 \$0 2019 \$0 2020 \$0
Intercompany Borrowing Agreement	07/24/2013	CLIC	The Company	Make funds available to assist in managing the fluctuations of day-to-day cash flow.	2016 \$0** 2017 \$0 2018 \$0 2019 \$0 2020 \$0
Administrative Service Agreement	07/01/2009	The Company	SFLIC	Provide facilities, equipment, and services of personnel.	2016 \$4,494 2017 \$ 0*** 2018 \$ 0 2019 \$ 0 2020 \$ 0

* Amount of income earned by the Company.

** There were no inter-company borrowings during the examination period.

*** SFLIC was sold on April 1, 2017.

The Company participates in a federal income tax agreement with its parent and affiliates.

Section 1712(b)(4) of the New York Insurance Law states, in part, the following:

“(b) The following transactions between a parent corporation and any subsidiary may not be entered into unless the parent corporation has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, ...

(4) management agreements, service contracts, tax allocation agreements...”

The Administrative and Management Services Agreement between the Company and CLIC, dated October 29, 1993, states, in part, the following:

“Within 30 days after the end of each calendar quarter Columbian Mutual shall provide a written report to the Subsidiary setting forth a summary of the services and facilities provided to the Subsidiary during such calendar quarter and the expenses incurred by Columbian Mutual in providing such services and facilities.

The amount of compensation due to Columbian Mutual as provided herein shall be paid on a quarterly basis within 30 days after receipt by the Subsidiary of the quarterly reports.”

A review of the billing and payments made during the examination period under review, related to the Administrative and Management Services Agreement between the Company and CLIC indicated that billings were issued and settled on a monthly basis, rather than quarterly as required by the filed and approved Administrative and Management Services Agreement.

The Company violated Section 1712(b)(4) of the New York Insurance Law by changing the billing terms of its Administrative and Management Agreement without notifying the superintendent in writing of its intention at least thirty days prior thereto.

A review of the Company’s consolidated federal income tax returns for the period under review revealed that the following companies participated in the 2016 through 2020 consolidated federal income tax returns without being named as participating companies in the Federal Income Tax and Allocation Agreement, dated May 1, 2006, and amended June 1, 2006, and December 31, 2012:

- New Vision Services Corporation of New York
- Columbian Life Holdings, Inc.
- Columbian Financial Services Corporation

The Company violated Section 1712(b)(4) of the New York Insurance Law by including affiliated companies in its 2016 through 2020 consolidated federal tax returns that were not part of its filed and approved Federal Income Tax Allocation Agreement, dated May 1, 2006, without notifying the superintendent in writing of its intention at least thirty days prior thereto.

Section 1712(a) of the New York Insurance Law states, in part:

“ . . . All transactions between the parent corporation and its subsidiaries shall be fair and equitable, charges or fees for services performed shall be reasonable and all expenses incurred and payments received shall be allocated to the parent corporation on an equitable basis in conformity with customary insurance practices consistently applied. The books, accounts and records of each party to all transactions shall be so maintained as to disclose clearly and accurately the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties.”

A review of inter-company charges between the Company and SFLIC, revealed that the Company failed to charge SFLIC for administrative services performed as outlined in its filed service agreement during the first three months of 2017, prior to the sale of SFLIC on April 1, 2017.

The Company violated Section 1712(a) of the New York Insurance Law by providing administrative services to an affiliate without allocating and receiving payment for the appropriate fees as outlined in its service agreement. This is a repeat violation.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven directors. Directors are elected for a period of three years at the annual meeting of the stockholders held in May of each year. As of December 31, 2020, the board of directors consisted of 14 members. Meetings of the board are held quarterly. The 14 board members and their principal business affiliation, as of December 31, 2020, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
William W. Atkin* Fort Myers, FL	Retired, Senior Vice President, Chief Financial Officer, Secretary and Treasurer Annuity Life Reinsurance, LTD.	2004
Helen S. Boyer* Columbia, Maryland	Retired, Vice President, Secretary and Treasurer Monumental Life Insurance Company	2017
Sharon A. Brangman* Syracuse, New York	Professor of Medicine and Division Chief of Geriatric Medicine SUNY Upstate Medical University in Syracuse	2011
John A. Dore* Northfield, Illinois	Insurance Consultant, Arbitrator and Mediator Sheridan Ridge Advisors, LLC	2013
Alan W. Feagin* Ellerslie, Georgia	Retired, President and Chief Executive Officer Assurant Preneed	2006
Michael C.S. Fosbury Vestal, New York	President Columbian Mutual Life Insurance Company	2015
Isabelle C. Goossen* Winnetka, Illinois	Retired, Vice President of Finance and Administration Chicago Symphony Orchestra	2007
Arnold G. Gough, Jr.* Hinsdale, Illinois	Retired, Attorney and Partner Winston & Strawn LLP	2013
William R. Hess* Wilmington, North Carolina	Retired, Chairman, President and Chief Executive Officer Farmers and Traders Life Insurance Company	2007
Charles J. Kavanaugh* Delmar, New York	Retired, Partner KPMG, LLP	2012
Michael W. Lowe* Louisville, Kentucky	Retired, Director, President, Chief Operating Officer, and General Counsel Settlers Life Insurance Company	2019
Patrick A. Mannion Fayetteville, New York	Retired, Vice Chairman Columbian Mutual Life Insurance Company	2011
Edward R. Morrissey* White Plains, New York	Retired Partner Deloitte and Touche, LLP	2019
Thomas E. Rattmann Binghamton, New York	Retired, Chief Executive Officer Columbian Mutual Life Insurance Company	1996

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

In May 2021, Thomas E. Rattmann resigned and Alan W. Feagin retired from the board and were not replaced.

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.

The following is a listing of the principal officers of the Company as of December 31, 2020:

<u>Name</u>	<u>Title</u>
Michael C.S. Fosbury	President and Chief Executive Officer
Amy C. Purdy Godleski	Senior Vice President, Chief Financial Officer
Frank L. Lettera	Senior Vice President, Corporate Secretary
Jeanne M. Clarke*	Senior Vice President, Chief Administrative Officer
Simone E. Davis	Senior Vice President, Chief Actuary and Chief Risk Officer
Richard S. Relf	Senior Vice President, Sales and Marketing
Lesley A. Frey	Vice President, Chief Human Resources and Diversity Officer
Gregory J. Sim	Vice President, Chief Information Officer
Todd M. Swenson	Vice President, Special Markets and Product Research and Development
Xianmei Tang	Vice President, Corporate Actuary
Dale A. Spencer	Vice President, Investments and Chief Investment Officer
Steven D. Szubert	Vice President, Controller

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

4. TERRITORY AND PLAN OF OPERATIONS

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.

The Company is licensed to transact business in 50 states, the District of Columbia and the U.S. Virgin Islands. In 2020, approximately 69% of life insurance premiums, accident and health premiums, and annuity considerations were received from New York. Policies are written on a participating and non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2020:

<u>Life Insurance Premiums</u>	
New York	69.6%
New Jersey	4.1%
Pennsylvania	3.8%
Michigan	3.5%
North Carolina	<u>3.3%</u>
Subtotal	84.3%
All others	<u>15.7%</u>
Total	<u>100.0%</u>

A. Statutory and Special Deposits

As of December 31, 2020, the Company had \$3,000,000 (par value) of United States Treasury Bonds and Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants, and creditors of the Company. As reported in Schedule E of the 2020 filed annual statement an additional \$3,250,211 was being held by the states of Arkansas, Florida, Georgia, Nevada, New Hampshire, New Mexico, North Carolina, Virginia, and U.S. Virgin Islands, collectively.

B. Direct Operations

The Company's primary business is life insurance sold by independent agents. The majority of these policies have low face amounts and are sold by an agent in the consumer's home.

The Company maintains a home service life insurance product, in which the agent may collect the ongoing premiums directly or via mail each month and provide service related to policies in force. During the “stay at home” restrictions due to the COVID-19 pandemic, the Company developed tele-sales processes to permit the agents to sell to consumers remotely.

The Company’s agency operations are conducted on a general agency basis.

The Group’s core business is through three divisions: Special Markets, Family Solutions, and Preneed Insurance (not marketed in New York). The Special Markets division markets and services final expense, simplified issue term, and whole life products through independent marketing organizations. Sales in this sector are heavily generated through leads. The Family Solutions division markets and services final expense, simplified issue term, and whole life products through general agents. The Preneed Insurance division markets and services prefunded funeral expense products via funeral homes and independent marketing organizations that are associated with funeral homes.

C. Reinsurance

As of December 31, 2020, the Company had reinsurance treaties in effect with 23 companies, of which 13 were authorized or accredited. The Company’s life, annuity, and accident and health business is reinsured on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$250,000. The total face amount of life insurance ceded as of December 31, 2020, was \$1,558,397,968, which represents 27.83% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverables from authorized companies, totaling \$135,723,360 was partly supported by letters of credit, trust agreements and other miscellaneous credits. A provision for reinsurance in authorized companies was recorded for \$110,251.

The total face amount of life insurance assumed as of December 31, 2020, was \$2,873,820,913.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2020, as contained in the Company's 2020 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, 2020 filed annual statement.

A. Independent Accountants

The firm of RSM was retained by the Company to audit the Company's statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

RSM concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	\$1,096,306,986
Stocks:	
Preferred stocks	885,008
Common stocks	42,817,342
Mortgage loans on real estate:	
First liens	193,728,831
Real estate:	
Properties occupied by the company	2,816,936
Cash, cash equivalents and short-term investments	4,345,396
Contract loans	58,404,711
Other invested assets	10,834,961
Investment income due and accrued	13,029,795
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,872,199
Deferred premiums, agents' balances and installments booked but deferred and not yet due	37,427,560
Reinsurance:	
Amounts recoverable from reinsurers	1,071,846
Other amounts receivable under reinsurance contracts	2,847,061
Current federal and foreign income tax recoverable and interest thereon	772,954
Net deferred tax asset	7,554,616
Electronic data processing equipment and software	2,639,131
Receivables from parent, subsidiaries and affiliates	3,068,684
Accounts receivable	1,469,235
Deferred premium asset	318,537
Fixed asset	270,883
Summary of remaining write-ins for Line 25 from overflow page	<u>37,499</u>
Total admitted assets	<u>\$1,482,520,179</u>

C. Liabilities and Surplus

Aggregate reserve for life policies and contracts	\$1,267,767,694
Aggregate reserve for accident and health contracts	309,280
Liability for deposit-type contracts	30,247,493
Contract claims:	
Life	30,685,973
Accident and health	17,766
Policyholders' dividends and coupons due and unpaid	3,519
Premiums and annuity considerations for life and accident and health contracts received in advance	318,108
Other amounts payable on reinsurance	382,389
Interest maintenance reserve	20,980,193
Commissions to agents due or accrued	1,986
Commissions and expense allowances payable on reinsurance assumed	2,114,639
General expenses due or accrued	504,562
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,241,862
Unearned investment income	244,836
Amounts withheld or retained by company as agent or trustee	24,533,785
Amounts held for agents' account	141,038
Remittances and items not allocated	572,770
Miscellaneous liabilities:	
Asset valuation reserve	11,160,926
Reinsurance in unauthorized companies	110,251
Funds held under reinsurance treaties with unauthorized reinsurers	47,701
Payable for Securities	11,260,000
Pension liability	6,986,717
Unclaimed funds	3,991,421
Interest unpaid on policy or contract funds	3,330,008
Estimated loss contingency liability	2,700,000
Post Retirement benefit obligation	1,658,412
Sales conference	440,442
Other contingent liabilities	190,033
Ceded supp contract with life contingencies	18,523
 Total liabilities	 <u>\$1,421,962,322</u>
 Guaranty fund - State of Colorado	 400,000
Unassigned funds (surplus)	<u>60,157,856</u>
Total surplus	<u>\$ 60,557,856</u>
 Total liabilities and surplus	 <u>\$1,482,520,179</u>

D. Condensed Summary of Operations

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Premiums and considerations	\$183,231,018	\$180,607,639	\$179,674,146	\$178,419,805	\$168,272,805
Investment income	60,509,995	61,051,452	59,903,992	59,429,333	59,676,733
Commissions and reserve adjustments on reinsurance ceded	(2,128,230)	(5,267,269)	(7,257,758)	(16,577,316)	(3,472,643)
Miscellaneous income	<u>5,911,150</u>	<u>7,214,472</u>	<u>5,934,800</u>	<u>8,332,082</u>	<u>4,707,105</u>
Total income	<u>\$247,523,933</u>	<u>\$243,606,294</u>	<u>\$238,255,180</u>	<u>\$229,603,904</u>	<u>\$229,184,000</u>
Benefit payments	\$119,200,312	\$117,817,111	\$126,504,993	\$125,360,754	\$159,877,922
Increase in reserves	37,585,295	36,033,554	27,604,696	14,948,777	12,616,681
Commissions	55,831,114	55,558,445	54,341,563	53,232,606	47,390,096
General expenses and taxes	28,256,006	27,602,593	24,509,706	27,048,531	22,355,823
Increase in loading on deferred and uncollected premiums	(586,014)	(2,926,347)	(583,076)	(1,359,573)	(1,392,304)
Miscellaneous deductions	<u>2,550</u>	<u>946</u>	<u>118,348</u>	<u>(3,203)</u>	<u>2,697,390</u>
Total deductions	<u>\$240,289,263</u>	<u>\$234,086,302</u>	<u>\$232,496,230</u>	<u>\$219,227,892</u>	<u>\$243,545,608</u>
Net gain (loss)	\$ 7,234,670	\$ 9,519,992	\$ 5,758,950	\$ 10,376,012	\$ (14,361,608)
Dividends	1,877,775	1,166,564	1,401,709	1,228,139	(8,771)
Federal and foreign income taxes Incurred	<u>(3,992,450)</u>	<u>1,183,318</u>	<u>709,180</u>	<u>(756,588)</u>	<u>(2,719,191)</u>
Net gain (loss) from operations before net realized capital gains	\$ 9,349,345	\$ 7,170,110	\$ 3,648,061	\$ 9,904,461	\$ (11,633,646)
Net realized capital gains (losses)	<u>(167,227)</u>	<u>1,872,458</u>	<u>(492,227)</u>	<u>627,773</u>	<u>829,341</u>
Net income	<u>\$ 9,182,117</u>	<u>\$ 9,042,568</u>	<u>\$ 3,155,831</u>	<u>\$ 10,532,234</u>	<u>\$ (10,804,305)</u>

E. Surplus Account

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, December 31, prior year	\$ <u>80,681,475</u>	\$ <u>96,213,055</u>	\$ <u>106,730,789</u>	\$ <u>95,917,973</u>	\$ <u>87,127,308</u>
Net income	\$ 9,182,117	\$ 9,042,568	\$ 3,155,831	\$10,532,234	\$ (10,804,305)
Change in net unrealized capital gains (losses)	(2,795,255)	(160,607)	(4,343,713)	(4,659,829)	(65,107)
Change in net unrealized foreign exchange capital gain (loss)	0	0	0	0	0
Change in net deferred income tax	(3,158,666)	(12,837,914)	153,820	202,877	(3,416,381)
Change in non-admitted assets and related items	5,740,178	16,770,277	(6,074,975)	(4,689,727)	(586,805)
Change in liability for reinsurance in unauthorized companies	12,218	131	7,022	5,022	8,014
Change in asset valuation reserve	(779,182)	273,082	(423,410)	(1,490,074)	(727,336)
Change in surplus as a result of reinsurance	0	0	0	7,900,000	(3,995,641)
Prior period reserve adjustment	0	0	2,534,852	0	0
Change in post-retirement Vanguard deferred comp	(14,252)	306,338	160,873	89,093	(27,351)
Prior year income tax adjustment	(330,549)	(1,057,437)	349,457	(1,113,045)	(1,062,972)
Prior year income tax adjustment	0	0	0	(9,688,279)	(1,548,732)
Change in pension liability	7,674,971	(1,818,703)	(6,332,572)	(5,878,939)	(4,342,836)
Net change in surplus for the year	<u>15,531,580</u>	<u>10,517,734</u>	<u>(10,812,816)</u>	<u>(8,790,666)</u>	<u>(26,569,452)</u>
Surplus, December 31, current year	\$ <u>96,213,055</u>	\$ <u>106,730,789</u>	\$ <u>95,917,973</u>	\$ <u>87,127,308</u>	\$ <u>60,557,856</u>

6. RESERVES

The Department conducted a review of the reserves as of December 31, 2020. This review included an examination of the asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review of asset adequacy analysis, concerns were raised regarding the potential lack of conservatism in both the Company's methodology and assumptions used. In particular, the methodology used to develop expenses allocated to in force policies – especially the treatment of non-recurring and acquisition expenses; and the development of the experience assumptions – including a review of the experience study process and the inclusion of the policies identified as part of the unclaimed property review. Concerns were also raised regarding the allocation of expenses between affiliated companies. In response, the Company committed to refine its expense development methodology, update experience studies and assumptions, and enhance its model validation as discussed with the Department. The Department will continue to review these refinements as they are completed and at this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved.

7. SUBSEQUENT EVENTS

On June 29, 2021, the Company's board of directors approved a strategic transaction with Constellation. This strategic transaction includes the conversion of the Company to a stock company and the issuance of all its newly issued stock to Constellation pursuant to a sponsored demutualization. Upon closing, Constellation will invest up to \$100 million to fund cash payment of eligible policyholders and to significantly strengthen capitalization of the Company and CLIC.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation contained in the prior report on financial condition examination and the subsequent actions taken by the Company in response to the citation:

<u>Item</u>	<u>Description</u>
A	The Company violated Section 1712(a) of the New York Insurance Law by providing Administrative Services to its affiliate Securitas Financial Life Insurance Company without allocating and receiving payment for the appropriate fees as outlined in its service agreement.

The examination revealed that the Company complied with the prior examination comments by allocating expenses to SFLIC for the year ending 2016. However, the Company failed to allocate expenses when it received payments from SFLIC for the three-month period ending April 1, 2017 until the SFLIC was sold to an unrelated company. This is a repeat violation.

9. SUMMARY AND CONCLUSIONS

Following are the violations and comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1712(b)(4) of the New York Insurance Law by changing the billing terms of its Administrative and Management Agreement without notifying the superintendent in writing of its intention at least thirty days prior thereto.	9
B	The Company violated Section 1712(b)(4) of the New York Insurance Law by including affiliated companies in its 2016 through 2020 consolidated federal tax returns that were not part of its filed and approved Federal Income Tax Allocation Agreement without notifying the superintendent in writing of its intention at least thirty days prior thereto.	10
C	The Company violated Section 1712(a) of the New York Insurance Law by providing administrative services to an affiliate without allocating and receiving payment for the appropriate fees as outlined in its service agreement. This is a repeat violation.	10
D	The Department conducted a review of the reserves as of December 31, 2020. This review included an examination of the asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review of asset adequacy analysis, concerns were raised regarding the potential lack of conservatism in both the Company's methodology and assumptions used. In particular, the methodology used to develop expenses allocated to in force policies – especially the treatment of non-recurring and acquisition expenses; and the development of the experience assumptions – including a review of the experience study process and the inclusion of the policies identified as part of the unclaimed property review. Concerns were also raised regarding the allocation of expenses between affiliated companies. In response, the Company committed to refine its expense development methodology, update experience studies and assumptions, and enhance its model validation as discussed with the Department. The Department will continue to review these refinements as they are completed and at this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved.	20

Respectfully submitted,



Jan Pierre Santiago, CFE
INS Regulatory Insurance Services, Inc.

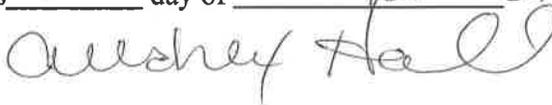
STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

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



Jan Pierre Santiago

Subscribed and sworn to before me

this 6th day of June, 2022


AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

_____/s/
Vincent Targia
Principal Insurance Examiner

STATE OF NEW YORK)
)SS:

COUNTY OF NEW YORK)

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

_____/s/
Vincent Targia

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 32261

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

***JAN PIERRE SANTIAGO**
(INS REGULATORY INSURANCE SERVICES, INC.)*

*as a proper person to examine the affairs of the
COLUMBIAN MUTUAL LIFE INSURANCE COMPANY
and to make a report to me in writing of the condition of said
COMPANY*

with such other information as she shall deem requisite.

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

this 17th day of June, 2021

*LINDA A. LACEWELL
Superintendent of Financial Services*

By: Mark McLeod

*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

