



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

CHURCH LIFE INSURANCE CORPORATION

AS OF DECEMBER 31, 2022

EXAMINER:

KE XU, CFE

DATE OF REPORT:

JUNE 24, 2024

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 25, 2024

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. 32583, dated December 7, 2023, and annexed hereto, an examination has been made into the condition and affairs of the Church Life Insurance Corporation, hereinafter referred to as "the Company." The Company's home office is located at 19 East 34th Street, New York, NY 10016.

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 violation contained in this report is summarized below.

The Company violated Section 4211(a) of the New York Insurance Law by failing to provide evidence that it filed notices of election in the office of the superintendent at least ten days before the day of such election. (See item 3E 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's") *Financial Condition Examiners Handbook, 2023 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2018, to December 31, 2022. 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, 2022, 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 NAIC Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. No other states participated in the examination.

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 2018 through 2022, by the accounting firm of Ernst & Young, LLP (“EY”). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company’s internal control structure includes a network of risk management and governance processes. In addition, the Internal Audit department provides evaluation and enhancement to the risk management, control and governance processes. The Senior Vice President of Internal Audit has the authority to use outside sources to conduct internal audits on behalf of the Company.

The examiner reviewed the corrective actions taken by the Company with respect to the recommendations contained in the prior report on examination. The results of the examiner’s review are contained in item 6 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

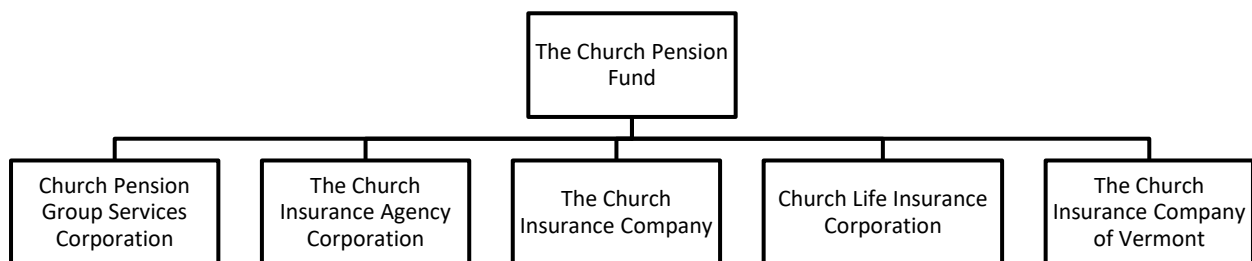
The Company was incorporated and licensed as a stock life insurance company under the laws of the State of New York on June 24, 1922, and commenced business on July 1, 1922. Initial resources of \$155,000, consisting of common capital stock of \$100,000 and paid in and contributed surplus of \$55,000,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

B. Holding Company

The Company is a wholly owned subsidiary of The Church Pension Fund (“CPF”). CPF is examined by the Department and, therefore, deemed an authorized insurer for certain regulatory purposes. Church Pension Group Services Corporation (“CPGSC”) provides personnel and facilities related services to CPF and its affiliated companies on a cost reimbursement basis. The Company and its affiliates are often referred to collectively as the Church Pension Group (“CPG”).

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2022, follows:



Effective October 31, 2018, The Church Insurance Company of New York (“CICNY”), a New York domiciled captive insurance company, merged with The Church Insurance Company of Vermont (“CICVT”), a captive insurance company domiciled in Vermont, leaving CICVT as the surviving company. Both CICNY and CICVT were directly owned by CPF.

D. Service Agreements

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

Type of Agreement	Effective Date	Provider(s) of Services	Recipient of Services	Specific Services Covered	Expense* For Each Year of the Examination
Services Agreement	01/01/2013 Terminated 6/01/2020	Church Insurance Agency Corporation	The Company	Life insurance licensing services	2018 \$(15,000) 2019 \$ (0) 2020 \$ (0)
Services and Facilities Agreement	01/01/2017	CPGSC	The Company	Administrative services and facilities	2018 \$(6,329,022) 2019 \$(6,364,500) 2020 \$(6,369,000) 2021 \$(6,962,822) 2022 \$(6,943,782)

*Amount of Expense Incurred by the Company

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 15 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in February of each year. As of December 31, 2022, the board of directors consisted of seven members. Meetings of the board are held annually.

The seven board members and their principal business affiliation, as of December 31, 2022, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Francis P. Armstrong Clark, New Jersey	Executive Vice President Church Life Insurance Corporation	2016
Rosalie S. Ballentine* St. Thomas, U.S. Virgin Islands	Attorney Law Office of Rosalie Simmonds Ballentine, P.C.	2015
Brendan Barnicle* Wilsonville, Oregon	Rector St. Francis of Assisi Episcopal Church	2022
Samuel G. Candler* Atlanta, Georgia	Dean The Cathedral of Saint Philip	2022
John Servais	Senior Vice President	2020

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Chatham, New Jersey	Church Life Insurance Corporation	
Ellen M. Taggart Wyckoff, New Jersey	Executive Vice President Church Life Insurance Corporation	2019
Mary K. Wold New York, New York	President and Chief Executive Officer Church Life Insurance Corporation	2012

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

Section 4211 of New York Insurance Law states in part:

“(a) No election of directors of a domestic stock life insurance company shall be valid unless a copy of the notice of election shall have been filed in the office of the superintendent at least ten days before the day of such election . . .”

For the exam period, the Company failed to file the notices of election with the superintendent 10 days prior to the written consent of the Company’s sole shareholder.

The Company violated Section 4211(a) of the New York Insurance Law by failing to provide evidence that it filed notices of election in the office of the superintendent at least ten days before the day of such election.

When notified of the violation, the Company has taken corrective action to file the notices required by Section 4211 (a) of the New York Insurance Law.

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, 2022:

<u>Name</u>	<u>Title</u>
Mary K. Wold	President and Chief Executive Officer
Francis P. Armstrong	Executive Vice President and Chief Operating Officer

<u>Name</u>	<u>Title</u>
Roger A. Sayler	Executive Vice President, Chief Investment Officer and Managing Director

Roger A. Sayler retired from the Company effective July 1, 2023. Michael Hood was elected Executive Vice President, Chief Investment Office and Managing Director, effective September 28, 2023, replacing Roger A. Sayler as a principal officer.

Section 216.4 of 11 NYCRR 216 (Insurance Regulation 64) states, in part:

“(c) Every insurer shall establish an internal department specifically designated to investigate and resolve complaints filed with the Department of Financial Services and to take action necessitated as a result of its complaint investigation findings. Such internal department is to operate in a staff capacity to the entire company with authority to question and change the position taken in individual instances or company practices generally. Responsibility for such department is to be vested in a corporate officer who is also to be entrusted with the duty of executing the Department of Financial Services’ directives. If the Department of Financial Services requests the appearance of an insurer representative to discuss a pending matter, the individual whom the company sends shall be authorized to make any determination warranted after all the facts are elicited at such conference. Each insurer must furnish the superintendent with the name and title of the corporate officer responsible for its internal consumer services department.”

In response to examination correspondence, the Company stated that the Company did not have a designated Consumer Service Officer during the examination period.

The Company violated Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64) when it failed to designate a corporate officer (“consumer services officer”) to lead an internal department specifically designated to investigate and resolve complaints filed with the Department and to take action necessitated as a result of its complaint investigation findings.

When advised of this violation, the Company commenced the process to appoint a 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. Prior to 2004, the Company was licensed only in New York. During 2004, the Company applied for licenses to conduct business in all states, except those where exemptions apply that allow the Company to conduct business without being licensed or having its products registered. As of December 31, 2022, the Company was licensed in 45 states and the District of Columbia and is exempt from licensure in 5 additional states.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2022:

<u>Life Insurance Premiums</u>		<u>Annuity Considerations</u>	
New York	7.6%	New York	16.5%
California	7.3	Florida	7.4
Florida	7.2	Texas	7.3
Texas	5.9	Pennsylvania	6.8
North Carolina	<u>5.7</u>	New Hampshire	<u>5.5</u>
Subtotal	33.7%	Subtotal	43.5%
All others	<u>66.3</u>	All others	<u>56.5</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

<u>Deposit Type Funds</u>	
Arizona	37.9%
Oregon	37.7
New Mexico	12.5
New York	<u>11.9</u>
Total	<u>100.0%</u>

A. Statutory and Special Deposits

As of December 31, 2022, the Company had \$1,500,000 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. The Company reported an additional \$1,889,355 as being held by the states of Arkansas, Georgia, Nevada, New Hampshire, New Mexico, North Carolina, and Virginia.

B. Direct Operations

The Company primarily writes group life insurance for a customer base limited solely to clergy and lay workers and their families who serve The Episcopal Church (“TEC”) and its related entities. The Company’s insurance products historically included individual and group life insurance and individual and group annuity products. The Company no longer writes individual life insurance or individual annuity products other than group conversion life insurance policies and supplemental contracts resulting from in force deferred annuities. Effective June 30, 2022, the Company’s sole group annuity contract expired, and the contract was terminated, in accordance with its terms, as of July 1, 2022.

In addition to CPF’s primary mission of providing pension benefits to the clergy of TEC, CPF also provides these clergy with group life insurance coverage. CPF purchases this group life insurance coverage from the Company. The coverage provides a maximum of \$50,000 for retired clergy and a maximum of \$150,000 for active clergy. The CPF’s group life insurance plan for the clergy of TEC represents 85% of the Company’s group life insurance premiums and 66% of its group life insurance in force.

Effective April 1, 2022, the Company entered into an administrative services agreement with Forrest T. Jones & Company, Inc. and with its affiliate Forrest T. Jones Consulting Company for administrative services, premium collection and claims processing with respect to the Company’s individual life and individual annuity contracts.

C. Reinsurance

As of December 31, 2022, the Company had one reinsurance treaty in effect with an authorized reinsurer. The Company’s life business is reinsured on a coinsurance and/or yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for its group supplemental life insurance claims and accidental death and dismemberment claims of individual life contracts is \$100,000 and all other life insurance claims in excess of \$200,000. The total face amount of life insurance ceded as of December 31, 2022, was \$76,721,343, which represents 4.4% of the total face amount of life insurance in force.

Effective September 1, 2022, the Company terminated its reinsurance agreement covering individual life business with Optimum Re Insurance Company. There were no reinsurance recoverables or outstanding balances as of the date of termination. Effective June 30, 2021, the Company terminated its reinsurance agreement covering individual life business with Swiss Re Life and Health America Inc. There were no reinsurance recoverables or outstanding balances as of December 31, 2021.

Reinsurance assumed is limited to single premium gift annuity contracts issued by The Episcopal Church Foundation and The Domestic and Foreign Missionary Society, both institutions of The Episcopal Church. There was no reinsurance assumed premium in 2022. The Company is liable for the annuity payout of the reserves for these reinsurance assumed contracts, which totaled \$70,432.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2022, as contained in the Company's 2022 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, 2022, filed annual statement.

A. Independent Accountants

The firm of EY was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31 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.

EY 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	\$192,872,957
Stocks:	
Common stocks	9,216,453
Cash, cash equivalents and short-term investments	4,736,912
Contract loans	385,189
Investment income due and accrued	1,699,099
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	125,065
Deferred premiums, agents' balances and installments booked but deferred and not yet due	142,420
Receivables from parent, subsidiaries and affiliates	154,159
Other receivable	<u>72,711</u>
 Total admitted assets	 <u>\$209,404,965</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$106,010,457
Liability for deposit-type contracts	12,182,526
Contract claims:	
Life	5,216,245
Premiums and annuity considerations for life and accident and health contracts received in advance	1,671,922
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	56,783
Interest maintenance reserve	12,094,390
General expenses due or accrued	291,693
Taxes, licenses and fees due or accrued, excluding federal income taxes	519,493
Remittances and items not allocated	45,528
Miscellaneous liabilities:	
Asset valuation reserve	2,587,088
Payable to parent, subsidiaries and affiliates	586,975
Payable for Securities	<u>70,855</u>
 Total liabilities	 <u>\$141,333,955</u>
 Common capital stock	 \$ 6,000,000
Gross paid in and contributed surplus	6,000,000
Aggregate write-ins for special surplus funds	1,499,213
Unassigned funds (surplus)	<u>54,571,797</u>
Surplus	\$ <u>62,071,010</u>
Total capital and surplus	\$ <u>68,071,010</u>
 Total liabilities, capital and surplus	 <u>\$209,404,965</u>

D. Condensed Summary of Operations

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Premiums and considerations	\$ 44,895,226	\$35,722,615	\$43,711,733	\$ 36,438,385	\$ 30,923,739
Investment income	12,101,734	12,528,026	12,932,337	11,416,152	8,919,279
Miscellaneous income	<u>87,852</u>	<u>104,203</u>	<u>(9,882)</u>	<u>2,882</u>	<u>3,714</u>
Total income	<u>\$ 57,084,812</u>	<u>\$48,354,844</u>	<u>\$56,634,188</u>	<u>\$ 47,857,419</u>	<u>\$ 39,846,732</u>
Benefit payments	\$ 41,648,653	\$38,910,302	\$43,077,745	\$ 52,269,583	\$134,090,242
Increase in reserves	18,896,567	(4,844,879)	2,687,240	(15,420,793)	(92,356,954)
General expenses and taxes	8,956,265	7,261,728	7,245,321	7,504,951	7,554,302
Increase in loading on deferred and uncollected premiums	<u>(1,612)</u>	<u>439</u>	<u>(1,980)</u>	<u>15</u>	<u>(2,767)</u>
Total deductions	<u>\$ 69,499,873</u>	<u>\$41,327,590</u>	<u>\$53,008,326</u>	<u>\$ 44,353,756</u>	<u>\$ 49,284,823</u>
Net gain (loss)	<u>\$(12,415,061)</u>	<u>\$ 7,027,254</u>	<u>\$ 3,625,862</u>	<u>\$ 3,503,663</u>	<u>\$ (9,438,091)</u>
Net gain (loss) from operations before net realized capital gains	\$(12,415,061)	\$ 7,027,254	\$ 3,625,862	\$ 3,503,663	\$ (9,438,091)
Net realized capital gains (losses)	<u>3,542</u>	<u>12</u>	<u>3,594,779</u>	<u>3,873,662</u>	<u>5,037,047</u>
Net income	<u>\$(12,411,519)</u>	<u>\$ 7,027,267</u>	<u>\$ 7,220,641</u>	<u>\$ 7,377,325</u>	<u>\$ (4,401,044)</u>

E. Capital and Surplus Account

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, December 31, prior year	\$ <u>64,710,780</u>	\$ <u>51,613,053</u>	\$ <u>63,469,124</u>	\$ <u>70,513,356</u>	\$ <u>77,851,221</u>
Net income	\$(12,411,519)	\$ 7,027,267	\$ 7,220,641	\$ 7,377,325	\$ (4,401,044)
Change in net unrealized capital gains (losses)	(1,239,979)	3,622,483	126,698	402,079	(7,773,134)
Change in non-admitted assets and related items	14,388	3,035	14,195	2,643	(4,102)
Change in reserve valuation basis	5,192,590	0	0	0	(228,618)
Change in asset valuation reserve	146,784	(860,590)	(317,302)	(444,179)	2,626,687
Correction for prior year error	(4,800,000)	0	0	0	0
Adjustment for 2018 indirect expenses	<u>0</u>	<u>2,063,778</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	\$(<u>13,097,736</u>)	\$ <u>11,855,973</u>	\$ <u>7,044,232</u>	\$ <u>7,337,868</u>	\$ <u>(9,780,211)</u>
Capital and surplus, December 31, current year	\$ <u>51,613,044</u>	\$ <u>63,469,026</u>	\$ <u>70,513,356</u>	\$ <u>77,851,221</u>	\$ <u>68,071,010</u>

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations contained in the prior report on examination and the subsequent actions taken by the Company in response to each recommendation:

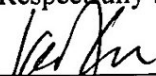
<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Company follow the NAIC annual statement instructions in allocating the costs incurred through the intercompany service agreement to the appropriate expense classification items and re-file Exhibit 2 of the company's 2018 annual statement with the NAIC.</p> <p>The review revealed that the Company refiled Exhibit 2 and has allocated costs incurred through the intercompany service agreement to the appropriate expense classifications for each year under examination.</p>
B	<p>The examiner recommends that the Company take greater care in preparing its annual statement, redo schedule S part 4 of the Company's 2017 and 2018 annual statements to reflect the letter of credit with Optimum Re, and re-file such schedule with the NAIC.</p> <p>The review of Schedule S part 4 of the Company's 2017 and 2018 annual statements revealed that the Company refiled the Schedule to reflect the letter of credit with Optimum Re.</p>
C	<p>The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department</p> <p>The review of reserves revealed that the Company refined and strengthened its reserving methodologies in a manner acceptable to the Department and the Department certified the reserves for the examination period.</p>
D	<p>The examiner recommends that the Company enhance its ERM program by formalizing its documentation of its ERM activities.</p> <p>The review revealed that the Company made the appropriate documentation updates and other enhancements to its ERM program.</p>

7. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 4211(a) of the New York Insurance Law by failing to provide evidence that it filed notices of election in the office of the superintendent at least ten days before the day of such election.	7
B	The Company violated Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64) when it failed to designate a corporate officer (“consumer services officer”) to lead an internal department specifically designated to investigate and resolve complaints filed with the Department and to take action necessitated as a result of its complaint investigation findings. When advised of this violation, the Company commenced the process to appoint a designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).	8

Respectfully submitted,



Ke Xu, CFE
INS Regulatory Insurance Services, Inc.

STATE OF NORTH CAROLINA)
) SS:
COUNTY OF DURHAM)

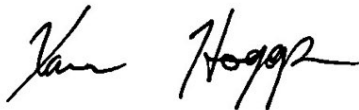
Ke Xu, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

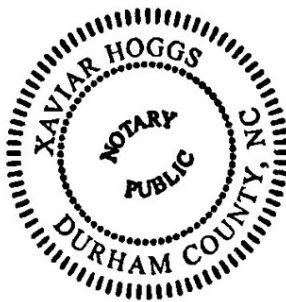


Ke Xu

Subscribed and sworn to before me

this 24 day of June 2024





Respectfully submitted,

/s/

Anthony Mauro
Principal Insurance Examiner

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

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

/s/

Anthony Mauro

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32583

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **ADRIENNE A. HARRIS**, *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:*

KE XU
(INS REGULATORY INSURANCE SERVICES)

as a proper person to examine the affairs of the

CHURCH LIFE INSURANCE CORPORATION

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 7th day of December, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

