STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

COLUMBIAN MUTUAL LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2001

DATE OF REPORT:	AUGUST 2, 2002
EXAMINER:	VIJAY GOSWAMI

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

August 2, 2002

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21823, dated January 25, 2002 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,” at its home office located at Vestal Parkway East, P.O. Box 1381, Binghamton, New York 13902.

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 Company was found to have a high level of expense relative to its sales volume and in-force business. The problem has resulted from high expense levels and an outdated expense allocation methodology between the Company and its two insurance subsidiaries. The Company will be implementing a new allocation methodology with the December 31, 2004 annual statement. (See item 6 of this report)

The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. (See item 7 of this report)

The examiner recommends that the Company develop disaster recovery and business continuity plans. (See item 8 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 9 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1997. This examination covers the period from January 1, 1998 through December 31, 2001. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2001 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, 2001 to determine whether the Company's 2001 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
Officers' and employees' welfare and pension plans
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 violations, recommendations and comments contained in the prior report on examination. The results of the examiner's review are contained in item 10 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

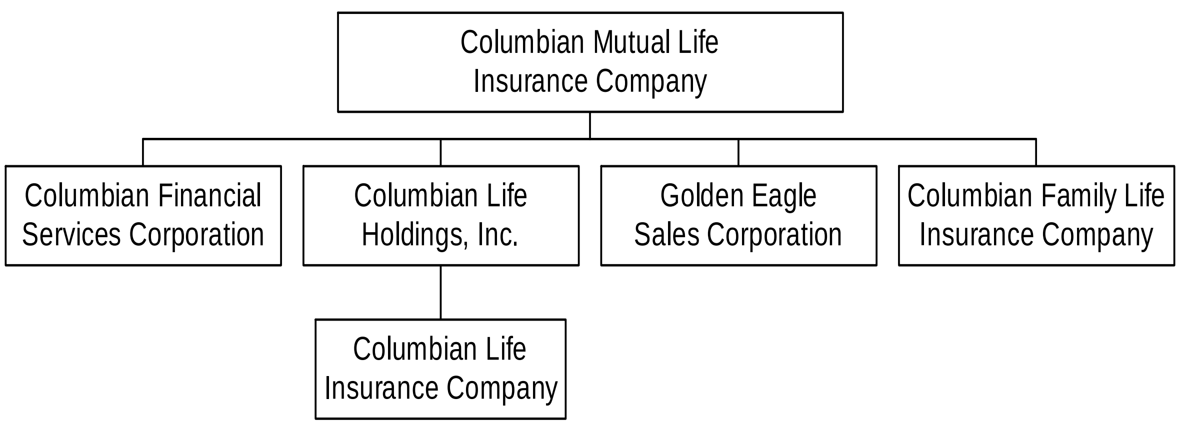
The Company was incorporated as a charitable and benevolent association under the laws of New York on November 1, 1882 under the name American Protective Association. The Company was licensed on January 25, 1883 and commenced business on February 1, 1883.

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 was converted to a mutual life insurance company and adopted its present name. On December 30, 1996, Golden Eagle Mutual Life Insurance Corporation was merged into the Company.

B. Subsidiaries

An organization chart reflecting the relationship between the Company and its subsidiaries, as of December 31, 2001, follows:



As of December 31, 2001, the Company had an administrative and management services agreement with Columbian Life Insurance Company ("CLIC") and Columbian Family Life Insurance Company ("CFL"), whereby the Company provides certain underwriting, actuarial, legal, accounting, marketing, investment advisory and other services.

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 13 directors. Directors are elected for a period of three years. The annual meeting of the board is held in May of each year. As of December 31, 2001 the board of directors consisted of 13 members. Meetings of the board are held quarterly.

The 13 board members and their principal business affiliation, as of December 31, 2001, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Carey S. Barney* Los Angeles, CA	Attorney and Partner Lord, Bissell & Brook	1995
Michael K. Conn* Louisville, KY	Consultant	1999
Peter M. Culley* Paradise Valley, AZ	Retired President and Chief Executive Officer H.S. Pickrell Company	1983
Joseph Fafian, Jr.* Staten Island, NY	President Fafian and Associates, Inc.	1991
John J. Gately, Jr. Binghamton, NY	Senior Vice President and Chief Actuary Columbian Mutual Life Insurance Company	2000
Peter M. Husting* Winnetka, IL	President Husting Enterprises	1992
Charles F. Krause* San Antonio, TX	Attorney Rockwald, Ltd.	1976
George J. Matkov, Jr.* Chicago, IL	Attorney Matkov, Salzman, Madoff & Gunn	1993
Edward J. Muhl* Alexandria, VA	Independent Consultant	1997

Name and Residence	Principal Business Affiliation	Year First Elected
Thomas E. Rattmann Vestal, NY	Chairman, President and Chief Executive Officer Columbian Mutual Life Insurance Company	1996
John G. Shillestad* Northfield, IL	Consultant	1986
Robert W. Singer* Dallas, TX	Consultant	1999
James C. Tappan* Hobe Sound, FL	President Tappan Capital Partners	1987

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

On May 23, 2002, Peter M. Culley retired from the board. As of the date of this report he had not been 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, 2001:

Name	Title
Thomas E. Rattmann	President and Chief Executive Officer
Ronald W. Funk	Senior Vice President, Chief Financial Officer and Treasurer
Robert Reynard Bowsher	Senior Vice President, Sales and Marketing
John J. Gately, Jr.	Senior Vice President and Chief Actuary
Lance A. Bowe	Vice President and Chief Investment Officer
Michael L. Proctor*	Vice President

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

In July 2002, Lance A. Bowe, Vice President and Chief Investment Officer, resigned. Ronald W. Funk, Senior Vice President, Chief Financial Officer and Treasurer, assumed the duties of Vice President and Chief Investment Officer on a temporary basis.

D. <u>Territory and Plan of Operation</u>

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, Puerto Rico and the U.S. Virgin Islands. In 2001, 73.36% of all premiums (life, accident and health, annuity considerations, and deposit type funds) were received from New York. Policies are written on a participating and non-participating basis.

The Company's core lines of business are home service, pre-need (not sold in New York), and group and individual life, dental, vision, and disability.

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

E. <u>Reinsurance</u>

As of December 31, 2001, the Company had reinsurance treaties in effect with 20 companies, of which 14 were authorized or accredited. The Company's life 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 $150,000; however, at the discretion of management, the maximum retention limit for all affiliated companies collectively is $350,000. The total face amount of life insurance ceded as of December 31, 2001, was $1,265,931,341, which represents 38.76% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $11,462,349, was supported by letters of credit, trust agreements and funds withheld.

The total face amount of life insurance assumed, as of December 31, 2001, was $96,959,469, all of which was assumed from subsidiaries.

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 growth during the period under review:

	December 31, 1997	December 31, 2001	Increase (Decrease)
Admitted assets	$403,863,806	$349,125,138	$(54,738,668)
Liabilities	$374,646,677	$313,392,241	$(61,254,436)
Aggregate write-ins for special surplus funds	$ 400,000	$ 400,000	$ 0
Unassigned funds (surplus)	28,817,128	35,332,897	6,515,769
Total surplus	$ 29,217,128	$ 35,732,897	$ 6,515,769
Total liabilities and surplus	$403,863,806	$349,125,138	$(54,738,668)

The Company's life insurance business in force decreased during the examination period. As a result, the Company's assets and liabilities decreased.

The Company's invested assets as of December 31, 2001 were mainly comprised of bonds (48.1%), mortgage loans (30.9%), stocks (10.3%), and policy loans (8.7%).

The majority (97.90%) of the Company's bond portfolio, as of December 31, 2001, 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:

	1998	1999	2000	2001
Industrial life	$ (148,448)	$ 341,881	$ 53,207	$ 22,014
Ordinary:				
Life insurance	$2,916,919	$1,172,485	$2,395,087	$4,790,535
Individual annuities	180,868	(2,321)	(280,462)	(348,569)
Supplementary contracts	(12,438)	8,184	14,967	17,873
Total ordinary	$3,085,349	$1,178,348	$2,129,592	$4,459,839
Group life	$ (295,475)	$ (225,847)	$ (453,179)	$ (393,495)
Accident and health:				
Group	$ (17,139)	$ 86,574	$ 93,792	$ 129,274
Other	(205,525)	(20,937)	136,498	99,173
Total accident and health	$ (222,664)	$ 65,637	$ 230,290	$ 228,447
Total	$2,418,762	$1,360,019	$1,959,911	$4,316,805

The fluctuations in the ordinary life, group accident and health and other accident and health lines of business were due to startup costs associated with the introduction of the pre-need product and the products sold through the worksite distribution system (individual and group universal life, dental, vision, and disability). The Company ceased writing individual annuities in 1999.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2001, as contained in the Company's 2001 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review.

A. ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2001

Admitted Assets

Bonds	$160,141,355
Common stocks	34,281,097
Mortgage loans	
First liens	102,708,057
Real estate	
Properties occupied by the company	4,821,805
Policy loans	28,896,430
Cash and short term investments	1,910,519
Other invested assets	95,510
Deposit funds-state insurance department	100
Reinsurance ceded:	
Amounts recoverable from reinsurers	435,424
Commissions and expense allowances due	798,798
Other amounts receivable under reinsurance contracts	269,901
Electronic data processing equipment	705,237
Federal income tax recoverable	585,058
Life insurance premiums and annuity considerations deferred and uncollected on in force business	8,429,975
Accident and health premiums due and unpaid	48,494
Investment income due and accrued	3,779,573
Receivable from parent, subsidiaries and affiliates	1,199,046
Other assets	18,760
Total admitted assets	$349,125,138

Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$271,515,045
Aggregate reserve for accident and health policies	1,191,734
Supplementary contracts without life contingencies	8,544,038
Policy and contract claims:	
Life	2,611,692
Accident and health	142,843
Policyholders' dividends and coupons due and unpaid	97,105
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	10,769,200
Premiums and annuity considerations received in advance	160,643
Policy and contract liabilities not included elsewhere	
Interest maintenance reserve	521,509
Commissions to agents due or accrued	276,295
Commissions and expense allowances payable on reinsurance assumed	32,876
General expenses due or accrued	1,030,604
Taxes, licenses and fees due or accrued	460,449
Unearned investment income	596,686
Amounts withheld or retained by company as agent or trustee	9,181,914
Amounts held for agents' account	63,102
Remittances and items not allocated	166,670
Miscellaneous liabilities:	
Asset valuation reserve	2,842,068
Reinsurance in unauthorized companies	40,715
Funds held under reinsurance treaties with unauthorized reinsurers	190,742
Payable for securities	1,011,595
Other liabilities	1,000,447
Unclaimed funds	545,363
Pension liability	348,383
Interest unpaid on policy or contract funds	48,559
Amounts payable on reinsurance ceded- MODCO reserve adjustment	1,963
Total liabilities	$313,392,241
Guaranty fund - state of Colorado	$ 400,000
Unassigned funds (surplus)	35,332,897
Total surplus and other funds	$ 35,732,897
Total liabilities, surplus and other funds	$349,125,138

B. CONDENSED SUMMARY OF OPERATIONS

	1998	1999	2000	2001
Premiums and considerations	$ 53,605,378	$ 47,806,688	$ 45,347,339	$ 40,134,561
Investment income	25,884,221	24,734,235	22,912,035	24,070,899
Commissions and reserve adjustments on reinsurance ceded	5,706,942	5,813,173	5,073,985	6,909,346
Miscellaneous income	5,993	331,655	844,675	738,463
Total income	$ 85,202,535	$ 78,685,751	$ 74,178,034	$ 71,853,267
Benefit payments	$ 44,579,793	$ 40,177,082	$ 37,989,926	$ 34,767,748
Increase in reserves	(4,633,310)	(4,966,595)	(4,078,480)	(4,540,053)
Commissions	7,639,603	6,363,797	5,962,426	5,904,766
General expenses and taxes	23,486,166	25,235,361	22,175,631	21,791,521
Increase in loading and cost of collection	(297,456)	(19,538)	(141,063)	(184,412)
Total deductions	$ 70,774,798	$ 66,790,107	$ 61,908,441	$ 57,739,569
Net gain (loss)	$ 14,427,737	$ 11,895,643	$ 12,269,594	$ 14,113,698
Dividends	11,469,217	10,608,286	10,198,502	10,144,135
Federal and foreign income taxes incurred	539,757	(72,662)	111,180	(347,242)
Net gain (loss) from operations before net realized capital gains	$ 2,418,762	$ 1,360,019	$ 1,959,911	$ 4,316,805
Net realized capital gains (losses)	(279,995)	36,119	(297,477)	(497,036)
Net income	$ 2,138,767	$ 1,396,138	$ 1,662,434	$ 3,819,768

C. CAPITAL AND SURPLUS ACCOUNT

	1998	1999	2000	2001
Surplus, December 31, prior year	$29,217,128	$31,232,296	$32,133,675	$33,116,463
Net income	$ 2,138,767	$ 1,396,138	$ 1,662,434	$ 3,819,768
Change in net unrealized capital gains (losses)	122,310	2,252,864	471,985	192,933
Change in non-admitted assets and related items	(592,661)	(1,081,267)	(1,332,233)	(1,941,307)
Change in liability for reinsurance in unauthorized companies	0	0	(43,980)	3,265
Change in asset valuation reserve	(273,773)	(645,843)	279,669	286,595
Cumulative effect of changes in accounting principles	0	0	0	11,978
Prior year tax adjustments	1,202,262	101,580	0	0
Surplus adjustments:				
Change in surplus as a result of reinsurance	(581,737)	(498,513)	(160,458)	1,194,243
Other surplus adjustments	0	(623,580)	105,370	(951,042)
Net change in capital and surplus	$ 2,015,168	$ 901,379	$ 982,787	$ 2,616,434
Capital and surplus, December 31, current year	$31,232,296	$32,133,675	$33,116,463	$35,732,897

6. EXPENSES

The Company was found to have a high level of expense relative to its sales volume and in-force business. In 2001, the Company incurred $19.5 million in expenses, exclusive of sales compensation and taxes, while generating only $2.2 million in first year premiums, $7.4 million in single premiums and $30.5 million in renewal premiums. The problem has resulted from high expense levels and an outdated expense allocation methodology between the Company and its two insurance subsidiaries.

The Company will be implementing a new allocation methodology with the December 31, 2004 annual statement. The new methodology would have resulted in a $6.5 million additional expense allocated to the subsidiaries in 2003. The Department will again review the expense issues during the next examination, including a full review of the new methodology to ensure its reasonableness in relation to actual expenses incurred. In addition, the examiner recommends that the Company take measures to reduce its overall expenses.

7. INTERNAL AUDIT

Neither the Company, nor any member of the holding company system, has an internal audit staff. Internal audit is an integral part of corporate governance that also includes the audit committee, the board of directors, senior management and the external auditors. In particular, internal auditors and audit committees are mutually supportive. Consideration of the work of internal auditors is essential for the audit committee to gain a complete understanding of the Company's operations. Internal audit identifies strategic, operational and financial risks facing the organization and assesses controls put in place by management to mitigate those risks.

The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control.

8. DISASTER RECOVERY AND BUSINESS CONTINUITY PLANS

The Company does not have a written disaster recovery plan. The objective of a disaster recovery plan is to provide reasonable assurance that data, systems and operations can be successfully recovered and be available to users in the event of a disaster. Such a plan should address hardware and system recovery, data retrieval procedures, emergency contact information, hardware/software vendor information, telecommunications recovery procedures, disaster declaration approval procedures, and physical recovery location. The plan should contain provisions to ensure periodical testing. The disaster recovery plan should be aligned with the Company’s business continuity plans and be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the disaster recovery test plan and results (indicating problems found or successful completions) and documentation of management approval of the plan should be maintained.

The examiner recommends that the Company develop a disaster recovery plan.

The Company does not have a business continuity plan. The objective of a business continuity plan is to reasonably ensure that the recovery of critical business processes could take place in the event of a disaster. Such a plan should identify the recovery of critical business processes. The plan should also identify supporting systems applications, vendors that would assist with locating alternate processing and office site locations, forms and documentation arrangements, network and application restoration procedures, and procedures to be followed by Company personnel during a disaster and recovery period. The plan should contain provisions to ensure periodic testing. The business continuity plan should be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the business continuity test plan and results and documentation of management approval of the plan should be maintained.

The examiner recommends that the Company develop a business continuity plan.

9. 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.

D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)

Supplement No. 1 to Circular Letter No. 19 (2000) (the "Supplement"), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and present underwriting practices regarding race-based underwriting and to report its findings to the Department, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted in a timely manner a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement. The Company reported that it had reviewed all board minutes, policy forms, and agents' contracts and compensation, and had determined that it did not have any business on the books for which race was used as a basis for premium rates, underwriting ratings, dividends or other values.

A review was made into the affairs of the Company with respect to race-based underwriting and the findings reported pursuant to the Supplement. The examiner determined that the Company's review of its past and present underwriting practices complied with the requirements of the Supplement.

In September 2000, a civil class action lawsuit was filed in the United States District Court for the Southern District of New York alleging, among other things, that the Company sold policies that were underwritten on the basis of the insured's race. In May 2004, the court issued an order preliminarily approving the class settlement of the lawsuit, which has a broader scope than the Department's review.

10. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The examiner recommends that the Company file an inter-company tax allocation agreement in compliance with Department Circular Letter No. 33 (1979). A similar comment was contained in the prior report on examination. The Company filed an inter-company tax allocation agreement with the Department.
B	The Company failed to report a treaty in effect with an unauthorized company in any of the appropriate Exhibits, Schedules or Pages of the 1996 and 1997 annual statements. The Company reported the treaty in the 1998 and subsequent filed annual statements.
C	The Company violated Section 1308(f)(1) of the New York Insurance Law by entering into a reinsurance agreement whereby a block of policies were 100% reinsured without the Superintendent's prior approval. The Company filed the treaty with the Department and it was approved on March 24, 2000.
D	Certain reinsurance treaties with Cologne Life Reinsurance Company, Reassurance Company of Hannover, American United Life Insurance Company, and Reinsurance Group of America contained language that was not in compliance with various provisions of Section 1308 of the New York Insurance Law. A similar comment was contained in the prior report on examination. The Company amended the treaties to include the required language.
E	The Company violated Section 1308(a)(2)(A) of the New York Insurance Law by taking credit for reinsurance ceded for treaties in which the insolvency provisions did not meet the requirements of the Section for such credit. The Company amended the treaties to include an appropriate insolvency provision.

Item	Description
F	The letters of credit with Barnett Bank of Central Florida, Banca Commerciale Italiana, and Texas Commerce were not in complete compliance with Department Regulation No. 133. Because of the small amounts involved, the Company discontinued the letters of credit and has not claimed a reserve credit. They instead have set up a liability for reinsurance in unauthorized companies.
G	The Company violated Section 1308(a)(2)(A) of the New York Insurance Law by reducing its liability for reinsurance ceded to unauthorized reinsurers in financial statements based upon letters of credit that were not in compliance with the requirement of such Section. Because of the small amounts involved, the Company discontinued the letters of credit and has not claimed a reserve credit. They instead have set up a liability for reinsurance in unauthorized companies.
H	The examiner recommended that the Company take appropriate steps to correct all reinsurance treaties and letters of credit in order to bring them into compliance with the requirements of Section 1308 of the New York Insurance Law and Department Regulation No. 133. A review of the Company's reinsurance treaties and letters of credit revealed that the Company made the necessary changes to be in compliance with Section 1308 of the New York Insurance Law and Department Regulation No. 133.
I	The examiner recommended that in the future the Company use the correct year of incidence in computing the investment yield rate when using the investment year method to distribute net investment income. A review of the method used by the Company to distribute net investment income revealed that the Company is using the correct year of incidence in computing the investment year method as recommended.
J	The Company violated Section 3201(b)(1) of the New York Insurance Law by issuing policies for delivery in this State in a manner other than as approved by the Superintendent. A review of policy forms revealed that the Company is issuing policies in a manner approved by the Superintendent.

Item	Description
K	The Company violated Section 3201(b)(1) of the New York Insurance Law when it issued life insurance policies using a form not as approved by the Superintendent. A review of policy forms revealed that the Company issued policies using forms as approved by the Superintendent.
L	The Company violated Section 2611(a) of the New York Insurance Law by subjecting individuals to HIV related blood tests without receiving written consent prior to such testing. The Company has revised its procedures to ensure that the proper consent forms are signed at the time of application.
M	The Company violated Section 2611(b) of the New York Insurance Law by using written consent forms that did not contain all the information required by such Section. The Company has revised its forms to include all information required by Section 2611(b) of the New York Insurance Law.
N	The Company violated Section 3207(c) of the New York Insurance Law by issuing policies of life insurance upon the lives of minors in amounts that exceeded the limits outlined in such Section. The policies were issued in excess of the limits allowed due to a computer programming error. The examiner's review did not reveal any polices issued on the lives of minors in amounts that exceeded the limits under the Law.
O	The Company violated Department Regulation No. 60 when it failed to effectively oversee and monitor its internal operations regarding compliance with the Regulation. As a result, the Company failed to detect applications that should have been treated as probable replacements and practices that circumvented the requirements of the Regulation. The Company is monitoring replacements for compliance with Department Regulation No. 60.

11. SUMMARY AND CONCLUSIONS

Following are the comment and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company was found to have a high level of expense relative to its sales volume and in-force business. The Company will be implementing a new allocation methodology with the December 31, 2004 annual statement. In addition, the examiner recommends that the Company take measures to reduce its overall expenses.	14
B	The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control.	15
C	The examiner recommends that the Company develop disaster recovery and business continuity plans.	16

Respectfully submitted,

/s/
Vijay Goswami
Senior Examiner

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

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

/s/
Vijay Goswami

Subscribed and sworn to before me

this__________ day of ____________________2002.

APPOINTMENT NO. 21823

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

VIJAY GOSWAMI

as a proper person to examine into the affairs of the

COLUMBIAN MUTUAL LIFE INSURANCE COMPANY

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 25th day of January, 2002

GREGORY V. SERIO
Superintendent of Insurance

Superintendent