

Securitas Financial Life Insurance Company

Winston-Salem, North Carolina

Report on Examination

As of December 31, 2015

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September 30, 2016

Honorable Michael Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Securitas Financial Life Insurance Company

(hereinafter referred to as the “Company”), at its main administrative office located at 4704 Vestal Parkway East, Binghamton, New York, 13902. The Company’s statutory home office is located at 4964 University Parkway, Suite 203, Winston-Salem, North Carolina, 27106. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2011 to December 31, 2015, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2010.

The purpose of this examination was to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

This was a multi-state coordinated financial examination of three (3) insurance company subsidiaries within the Columbian Mutual Life Insurance Group (“Group”). New York served as the Lead State. Illinois and North Carolina were Participating States.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and

evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Underwriting/Premiums
Reserves/Claims
Reinsurance Assumed/Ceded
Related Party and Employee Benefits
Investments
Capital and Surplus

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with Statutory Accounting Principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Company's financial statements.

This examination report includes significant findings of fact, and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). RSM US LLC, formerly McGladrey, LLP of New York, New York, is the designated independent public accountant of the Company and issued an unqualified opinion for the year ended December 31, 2015. Deloitte & Touche, LLP issued unqualified opinions for each year subsequent to the Department's prior examination through 2014.

The statutory reserves and related items for 2015 were reviewed and certified by the Company's Internal Actuary, Tammy-Anne Campbell, FSA, FCIA.

REPORT ACRONYMS

"CML"	Columbian Mutual Life Insurance Company
"CLIC"	Columbian Life Insurance Company
"Unity"	Unity Mutual Life Insurance Company
"SFG"	Securitas Financial Group, LLC
"SFLIC"	Securitas Financial Life Insurance Company
"Jefferson Pilot"	Jefferson-Pilot Life Insurance Company
"Jefferson Standard"	Jefferson Standard Life Insurance Company
"Board"	Board of Directors

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

1. Reclassifications

- a) In 2010, the Company decreased the par value of its common capital stock from \$3.85 per share to \$3.20 per share, resulting in a difference of (\$400,000). The Company incorrectly recorded this difference as an increase to the deficit in unassigned funds. An examination adjustment was made to reclassify (\$400,000) from unassigned funds to gross paid in and contributed surplus in accordance with the NAIC Annual Statement Instructions. This issue has been resolved.

2. Comments, Recommendations and Directives

- b) The Company was not able to provide conflict of interest forms for its officers and administrative employees for the years 2006 through 2009. Pursuant to North Carolina Administrative Code Title 11 ("NCAC") Chapter 11C.0117, conflict of interest forms shall be executed annually and the Company is directed to maintain complete records for all years under examination pursuant to GS §58-2-200 and NCAC Chapter 11, Section 11C.0105. This issue has been resolved.
- c) The Company was not able to provide complete documentation and detailed records to support the amount payable to parent, subsidiaries and affiliates reported in the 2010 Annual Statement. The Company is directed to maintain complete records for all years under examination pursuant to GS §58-2-200 and NCAC Chapter 11, Section 11C.0105. This issue has been resolved.

CURRENT EXAMINATION

1. Comments, Recommendations and Directives

- a. The Company did not have annual stockholders meetings during the years 2011 and 2012, as required by Article I, Section 1 of its Bylaws. The Company is directed to comply with its bylaws which require annual meetings to be held.
- b. The Company did not notify the Department of its intention to enter into a Federal Income Tax Agreement with CML, an affiliate, at least 30 days before the transaction as required by GS § 58-19-30(b)(4). The Company is directed file the agreement with the Department for review and approval and to comply with GS §58-19-30(b)(4) in future transactions with affiliates.
- c. The Company's service and expense allocation agreement with CML indicates that the Company was provided services from CML without incurring any expenses as outlined in its agreement. GS § 58-19-30(a)(3) states that, "expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied". As a shell company, with no underwriting activity, expenses were determined to be minimal, therefore, the Company made no allocations. No examination adjustment is proposed to record amounts due to CML for the services provided during 2015, as the amount is considered to be immaterial. The Company is directed to comply with GS § 58-19-30(a)(3) and ensure expenses incurred are submitted to CML.

COMPANY HISTORY

The Company was incorporated on September 14, 1981, under the laws of the State of North Carolina as Jefferson Pilot, a stock life insurance company authorized to write life, annuities and accident and health insurance policies in North Carolina. The original authorized capital stock was 1.0 million shares with no par value. The Company commenced business with paid in capital of \$1.2 million and contributed surplus of \$1.8 million. On May 4, 1982, the Articles of Incorporation were amended to reduce the authorized capital stock to 500,000 shares of common stock, each having a par value of \$2.40.

On December 31, 1986, the Articles of Incorporation were amended to change the name of the Company to Jefferson Standard. On November 10, 1992, the Articles of Incorporation were amended to increase the authorized capital stock of the Company to \$1.5 million, comprised of 625,000 shares of common capital stock; all owned by Jefferson Pilot, a wholly owned subsidiary of Lincoln National Life Insurance Company.

On May 28, 2009, the Department approved the acquisition of Jefferson Standard by SFG, which was wholly owned by Unity. The acquisition was completed on June 12, 2009, with an effective date of May 31, 2009. On June 25, 2009, the Department approved the Company's name change from Jefferson Standard to SFLIC.

Effective July 1, 2011, Unity merged with CML with CML being the surviving entity. As part of the merger the Company and its parent, SFG, became wholly owned subsidiaries of CML. CML is the ultimate parent of both CLIC and SFLIC.

CAPITAL STOCK

As of December 31, 2015, the Company's capitalization consisted of the following:

Description	Value
Number of authorized common capital shares	625,000
Number of shares issued and outstanding	625,000
Total common capital stock	\$2,000,000
Par value per share	\$3.20

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Board of Directors

The business of the Company is managed by its management team and subject to review by the Board consisting of at least two, but not more than seven members. A majority of the Board constitutes a quorum for the transaction of business.

Directors are elected annually and hold office for one year or until their successors are elected and qualified, subject to the right of the majority of the stockholders to remove any and all directors and elect successors. Vacancies may be filled by a vote of the remaining directors at any regular or special meeting.

The following individuals served as directors at December 31, 2015:

Name	Location	Principal Occupation
Patrick A. Mannion	Binghamton, NY	Chief Executive Officer, Chairman of the Board & President
Jeanne M. Clarke	Binghamton, NY	Vice President, Treasurer & Secretary

The Board has the authority to establish committees including, but not limited to, an executive committee. These committees have the powers and duties deemed appropriate by the Board, however, their power may not exceed the power of the Board. The Company did not have any committees established by the Board for the period under examination.

Officers

The Bylaws provide that the Board elect the officers of the Company. The officers may include the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, the President, one or more Vice Presidents, the Treasurer, and the Secretary. Any two or more offices may be held by the same person, except the offices of President and Secretary, unless there is only one stockholder of issued and

outstanding stock, in which case all offices may be held by the same person. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified.

The following individuals served as officers of the Company at December 31, 2015:

Name	Title
Patrick A. Mannion	Chief Executive Officer, Chairman of the Board & President
Jeanne M. Clarke	Vice President, Treasurer & Secretary
Tammy-Anne Campbell	Vice President, Appointed Actuary

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Company acted in accordance with its policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings available of the Board for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events, and that the directors approved these transactions and events. (Refer to Current Examination Comment 1.a.)

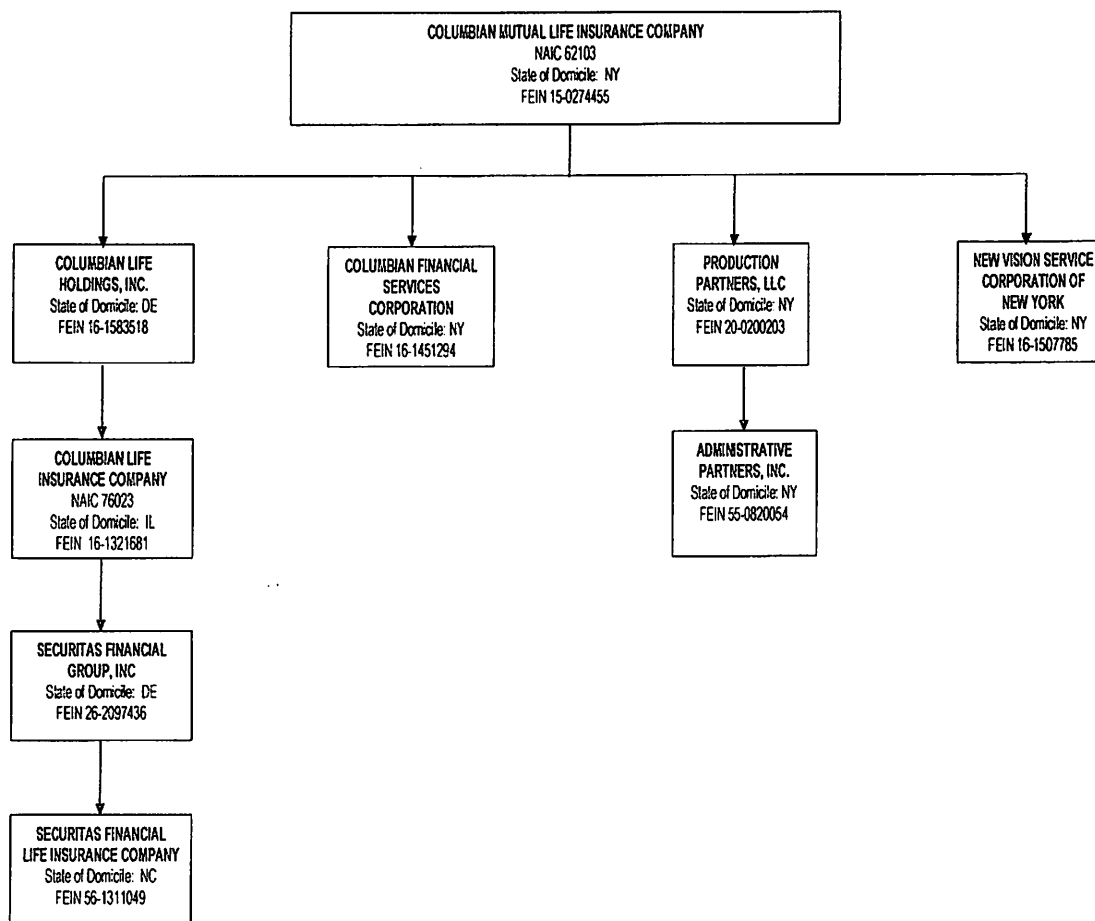
The Company's Articles of Incorporation and Bylaws were reviewed for any changes during the period under examination. Based on our review, there were no changes since the last examination.

CORPORATE ORGANIZATION

The Company is part of an insurance holding company system as defined in GS § 58-19. The Company is a wholly-owned subsidiary of CML, a New York insurance holding company. Columbian Life Holdings, Inc., a wholly owned subsidiary of CML, owns 100% of the outstanding stock of CLIC, an Illinois domiciled life insurance company. CLIC owns 100% of the outstanding shares of SFG, which is the parent of the Company. CML is the ultimate controlling party.

ORGANIZATIONAL CHART

The following is an organizational chart including all of the entities in the Group:



STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2015 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state.

ACCOUNTS AND RECORDS

The Company's books and records are maintained at the main administrative office at 4704 Vestal Parkway East, Binghamton, New York, 13902.

FIDELITY BONDS

The Company is covered by CML's fidelity bond totaling \$3.5 million, which exceeds the minimum amount recommended by the NAIC.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees. The Company's daily operations are handled by CML pursuant to a service and expense allocation agreement.

RELATED PARTY AGREEMENTS

The Company has a service and expense allocation agreement with CML, effective July 1, 2009, whereby CML provides certain data processing, accounting, and legal services to the Company. CML provides these services at cost and bills the Company monthly. The Company did not incur any charges in 2014 or 2015 under this agreement. (Refer to Current Examination Comment 1.c.)

TERRITORY AND PLAN OF OPERATION

At December 31, 2015, the Company was licensed in the following states and the District of Columbia:

Arizona	Arkansas	Colorado	Delaware	Georgia
Idaho	Indiana	Louisiana	Mississippi	Missouri
Nevada	New Mexico	North Carolina	Oklahoma	Oregon
South Carolina	Tennessee	Texas	Virginia	Washington
West Virginia				

The Company is licensed to write single premium immediate annuities. The Company wrote no business during the examination period.

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five year period ended December 31, 2015:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income
2015	\$5,825,001	\$5,713,916	\$0	\$0	\$18,099
2014	\$5,743,860	\$5,637,595	\$0	\$0	\$113,595
2013	\$5,637,977	\$5,480,515	\$0	\$0	\$53,426
2012	\$5,560,232	\$5,428,488	\$0	\$0	\$85,064
2011	\$5,463,062	\$5,346,906	\$0	\$0	\$141,457

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2015. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2014, are unexamined and are presented for comparative purposes only.

Securitas Financial Life Insurance Company
Statutory Statement of Admitted Assets
December 31,

	2015	2014 <i>(unexamined)</i>
Bonds	\$4,243,152	\$4,403,029
Cash and short-term investments	1,448,063	1,262,229
Total cash and invested assets	5,691,215	5,665,258
Investment income due and accrued	36,154	37,801
Net deferred tax asset	97,631	40,800
Total admitted assets	\$ 5,825,001	\$5,743,860

Securitas Financial Life Insurance Company
Statutory Statement of Liabilities, Capital and Surplus
December 31,

	2015	2014 <i>(unexamined)</i>
Interest Maintenance Reserve	\$17,152	\$29,170
Current federal income taxes	60,920	32,845
Asset Valuation Reserve	9,810	11,201
Payable to parent, subsidiaries	10,248	33,048
Miscellaneous accounts payable	12,955	-
Total Liabilities	111,085	106,265
Common capital stock	2,000,000	2,000,000
Gross paid in and contributed surplus	8,783,237	8,783,237
Unassigned funds	(5,069,321)	(5,145,642)
Total capital and surplus	5,713,916	5,637,595
Total Liabilities, Capital and Surplus	\$5,825,001	\$5,743,860

Securitas Financial Life Insurance Company
Statutory Statement of Operations
December 31,

	2015	2014 <i>(unexamined)</i>
Revenues		
Net investment income	116,015	133,052
Amortization of Interest Maintenance Reserve	14,381	13,425
Total revenues	130,396	146,477
Expenses and Other Deductions		
General insurance expenses	20,901	(3,994)
Insurance taxes, licenses and fees, excluding income taxes	64,538	61,162
Total expenses and other deductions	\$85,439	\$57,168
Net gain from operations before taxes	44,957	89,309
Federal income taxes incurred	26,858	(24,286)
Net income	18,099	113,595

Securitas Financial Life Insurance Company
Statutory Statement of Capital and Surplus
December 31,

Capital and Surplus Account	2015	2014 <i>(unexamined)</i>
Capital and surplus, beginning of year	\$5,637,595	\$5,480,515
Capital and surplus increases(decreases):		
Net Income	18,099	113,595
Change in net deferred income tax	16,523	128,584
Change in non-admitted assets	40,308	(87,784)
Change in asset valuation reserve	1,391	2,686
Change in capital and surplus as regards policyholders for the year	76,321	157,081
Capital and surplus, end of year	\$5,713,916	\$5,637,595

Securitas Financial Life Insurance Company
Statutory Statement of Cash Flow
December 31,

	2015	2014 <i>(unexamined)</i>
Cash From Operations		
Net investment income	\$127,480	\$145,732
Total	<u>127,480</u>	<u>145,732</u>
Commissions, expenses paid and aggregate write-ins	85,439	57,168
Total	<u>85,439</u>	<u>57,168</u>
Net cash from operations	<u>42,041</u>	<u>88,564</u>
Cash From Investments		
Proceeds from investments sold, matured, or repaid	153,639	654,917
Net cash from investments	<u>153,639</u>	<u>654,917</u>
Cash Used By Financing and Miscellaneous Sources		
Other cash applied	(9,847)	(10,952)
Net cash used by financing and miscellaneous sources	<u>(9,847)</u>	<u>(10,952)</u>
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	185,834	732,529
Cash and short-term investments, beginning of year	1,262,229	529,699
Cash and short-term investments, end of year	<u>\$1,448,063</u>	<u>\$1,262,229</u>

COMMENTS ON FINANCIAL STATEMENTS

There were no changes to the Company's financial statements and there were no proposed adjustments to surplus as a result of this examination.

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses are "non-admitted" and are charges against surplus.

Asset valuation reserve: Maintained as prescribed by the NAIC.

Analysis of Assets:

The following represents an analysis of the Company's net admitted assets as of December 31, 2015:

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$4,243,152	-	\$4,243,152
Cash and short-term investments	1,448,063	-	1,448,063
Total cash and invested assets	5,691,215	-	5,691,215
Investment income due and accrued	36,154	-	36,154
Net deferred tax assets	145,107	47,476	97,631
Total admitted assets	\$5,872,477	\$47,476	\$5,825,001

Capital and Surplus:

The following, in conjunction with the Capital and Surplus Account table (see page 13), represents the changes in the Company's capital and surplus since the Department's last examination as of December 31, 2010:

	2013	2012	2011
Capital and surplus, beginning of year	\$ 5,428,488	\$5,346,906	\$5,218,059
Capital and surplus increases (decreases):			
Net income(loss)	53,426	84,806	141,005
Change in net deferred income tax	(36)	(8,364)	(227)
Change in non-admitted assets	-	8,364	(8,237)
Change in asset valuation reserve	(1,363)	(3,224)	(3,694)
Change in surplus as regards policyholders for the year	52,027	81,582	128,847
Capital and surplus, end of year	\$5,480,515	\$5,428,488	\$5,346,906

Contingencies and Commitments

The Company is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Company.

Securitas Financial Life Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2015

Steven Szubert, Treasurer and Controller
Columbian Mutual Life Insurance Company
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Jeanne M. Clarke, Treasurer and Secretary
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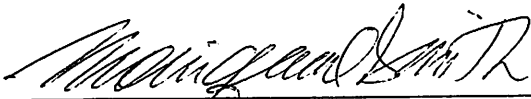
CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$1,500,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



Monique D. Smith, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

September 30, 2016

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Herb Maltba, Examination Supervisor, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature:

Herb Maltba

Herb Maltba

Date:

11/2/2016

Sworn and subscribed before me this *2* day of *November*, 2016.

Notary Public Signature:

[Signature]

Notary Public Seal:

