

Report of Examination of

Columbus Life Insurance Company
Cincinnati, Ohio

As of December 31, 2012

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Columbus, Ohio
August 9, 2013

Honorable Mary Taylor
Lieutenant Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lieutenant Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Columbus Life Insurance Company

an Ohio domiciled, stock, life insurance company, hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2007. The Department’s current examination covers the period of January 1, 2008 through December 31, 2012.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For all years under examination, the Certified Public Accounting firm of Ernst & Young LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

Name	Principal Occupation
John F. Barrett	Chairman of the Board, President and Chief Executive Officer, Western & Southern Financial Group
James N. Clark	Former Secretary, Executive Vice President and Chief Financial Officer, Western & Southern Financial Group
Bryan C. Dunn	President The Lafayette Life Insurance Company
J.J. Miller	President and Chief Executive Officer, Columbus Life Insurance Company
James K. Risk III	President and Chief Executive Officer, Kirby Risk Corporation
Joseph H. Seaman	President and Chief Executive Officer, Greater Lafayette Chamber of Commerce
Jerry B. Stillwell	President and Chief Executive Officer, The Lafayette Life Insurance Company
Robert B. Truitt	President and Chief Executive Officer, Ash Access Technology, Inc. and HemoCleanse, Inc.
Robert L. Walker	Senior Vice President and Chief Financial Officer, Western & Southern Financial Group

Officers

As of the examination date, the following principal executive officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
J.J. Miller	President and Chief Executive Officer
Donald J. Wuebbling	Secretary and Counsel
Clint D. Gibler	Senior Vice President and Chief Information Officer
Noreen J. Hayes	Senior Vice President
Constance M. Maccarone	Senior Vice President
Nora E. Moushey	Senior Vice President and Chief Actuary
Jonathan D. Niemeyer	Senior Vice President and General Counsel
Nicholas P. Sargen	Senior Vice President and Chief Investment Officer
Robert L. Walker	Senior Vice President and Chief Financial Officer
Charles W. Wood, Jr.	Senior Vice President
James H. Acton, Jr.	Vice President
Keith W. Brown	Vice President
Daniel W. Harris	Vice President
D. Todd Henderson	Vice President
Bradley J. Hunkler	Vice President and Chief Accounting Officer
Phillip E. King	Vice President and Auditor
Michael R. Moser	Vice President and Chief Compliance Officer
Mario J. San Marco	Vice President
Thomas M. Stapleton	Vice President
James J. Vance	Vice President

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The Company is a wholly owned subsidiary of The Western and Southern Life Insurance Company, which is a wholly owned subsidiary of Western & Southern Financial Group, Inc., which is a wholly owned subsidiary of Western-Southern Mutual Holding Company, the ultimate controlling person in the holding company system.

Territory and Plan of Operations

The Company's main product offerings include universal life, variable universal life, survivorship universal life, indexed universal life, term life, annuities and retirement and business planning. The Company's products are sold through a distribution channel of over 3,300 independent producers and are tailored towards individuals, families and businesses in the middle and upper-middle income markets. The Company is licensed in the District of Columbia and in all states except New York.

During 2012, the largest states in terms of direct premium written allocable by state were as follows: Missouri, \$28.9 million (13.0%); Ohio, \$28.5 million (12.8%); California, \$14.9 million (6.7%); Florida, \$13.2 million (6.0%); and Pennsylvania, \$12.1 million (5.4%).

The table below illustrates the Company's 2012 direct and net premiums written, in thousands, by line of business:

Line of Business	Direct	Assumed	Ceded	Net	Net %
Ordinary life insurance	\$160,016	\$ -	\$ 39,558	\$120,458	62.8
Ordinary individual annuities	71,221	-	-	71,221	37.1
Other accident and health	<u>166</u>	<u>-</u>	<u>-</u>	<u>166</u>	<u>0.1</u>
Totals	<u>\$231,403</u>	<u>\$ -</u>	<u>\$ 39,558</u>	<u>\$191,845</u>	<u>100.0</u>

Reinsurance

The Company cedes business to various unaffiliated reinsurers pursuant to the terms of various agreements. Most of the Company's cessions are existing ordinary life risks. The maximum amount of exposure retained on any one life is \$2,000,000 on ordinary life risks.

All contracts examined contained the necessary clauses to meet the guidelines prescribed by the NAIC.

Financial Statements

The financial condition and the results of its operations for the five-year period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors are reflected in the following:

- Statement of Assets, Liabilities, Surplus and Other Funds
- Summary of Operations
- Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 2012

Assets

Bonds	\$ 2,487,735,889
Common stocks	41,407,720
Mortgage loans on real estate	88,699,245
Cash and short term investments	14,940,558
Contract loans	68,453,991
Derivatives	2,515,723
Other invested assets	117,311,834
Receivable for securities	503,758
Securities lending reinvested collateral assets	<u>2,943,409</u>
Subtotal, cash and invested assets	2,824,512,127
Investment income due and accrued	27,800,432
Uncollected premiums in course of collection	618,250
Deferred premiums and installments booked but deferred	8,100,861
Amounts recoverable from reinsurers	6,468,809
Current federal income tax recoverable and interest thereon	1,177,684
Net deferred tax asset	27,361,895
Guaranty funds receivable or on deposit	965,433
Aggregate write-ins for other than invested assets	<u>16,938,806</u>
Total assets excluding Separate Accounts	2,913,944,297
From Separate Accounts	<u>97,270,605</u>
Total assets	<u><u>\$ 3,011,214,902</u></u>

Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 2012

Liabilities

Aggregate reserve for life contracts	\$2,398,870,609
Aggregate reserve for accident and health contracts	2,504,989
Liability for deposit-type contracts	167,372,221
Life contract claims	14,388,350
Accident and health contract claims	41,769
Policyholders' dividends and coupons due and unpaid	5,535
Dividends apportioned for payment	11,660,015
Premiums received in advance	115,421
Other amounts payable on reinsurance	3,965,563
Interest maintenance reserve	8,267,687
Transfers to Separate Accounts due or accrued	(7,678,309)
Taxes licenses and fees due or accrued	1,278,081
Unearned investment income	1,994,273
Amounts withheld or retained by company as agent or trustee	15,361
Remittances and items not allocated	428,634
Liability for benefits for employees and agents	23,912,523
Asset valuation reserve	28,795,451
Payable to parent, subsidiaries and affiliates	1,021,767
Derivatives	568,103
Payable for securities	1,303,881
Payable for securities lending	37,749,717
Aggregate write-ins for liabilities	<u>2,589,378</u>
Total liabilities excluding Separate Accounts	2,699,171,019
From Separate Accounts	<u>97,270,605</u>
Total liabilities	<u>2,796,441,624</u>

Capital and Surplus

Common capital stock	10,000,000
Gross paid in and contributed surplus	81,816,437
Unassigned funds	<u>122,956,841</u>
Total capital and surplus	<u>214,773,278</u>
Total liabilities, capital and surplus	<u>\$ 3,011,214,902</u>

Summary of Operations
For the Year Ended December 31, 2012

Premiums and annuity considerations	\$ 191,844,683
Considerations for supplementary contracts	1,115,578
Net investment income	145,742,706
Amortization of interest maintenance reserve	998,782
Commissions and expense allowances on reinsurance ceded	33
Income from fees associated with Separate Accounts	1,451,597
Charges and fees for deposit-type contracts	714,499
Aggregate write-ins for miscellaneous income	<u>251,001</u>
Total	<u>342,118,879</u>
Death benefits	107,310,183
Matured endowments	603,206
Annuity benefits	19,225,160
Benefits under accident and health contracts	1,287,454
Surrender benefits and withdrawals for life contracts	80,367,668
Interest and adjustments on contracts	4,906,924
Payments on supplementary contracts	1,163,167
Increase in aggregate reserves	<u>65,806,610</u>
Total	280,670,372
Commissions on direct business written	17,997,233
General insurance expenses	25,404,871
Taxes, licenses and fees, excluding federal income taxes	3,862,790
Increase in loading on deferred and uncollected premiums	(184,235)
Net transfers to (from) Separate Accounts	(135,075)
Aggregate write-ins for deductions	<u>2,778,207</u>
Total	<u>330,394,163</u>
Net gain before policyholder dividends and federal income taxes	11,724,716
Dividends to policyholders	<u>11,523,847</u>
Net gain after policyholder dividends but before federal taxes	200,869
Federal income taxes	<u>(3,761,375)</u>
Net gain before realized capital gains	3,962,244
Net realized capital (losses)	<u>(2,906,175)</u>
Net income	<u>\$ 1,056,069</u>

Statement of Changes in the Capital and Surplus Account
As of and For the Year Ended December 31
(In thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Capital and surplus, prior year end	\$206,240	\$258,530	\$271,591	\$208,958	\$229,061
Net income	1,056	7,832	12,546	3,857	16,963
Change in net unrealized capital gains (losses)	12,000	(5,180)	8,290	10,035	(14,482)
Change in net deferred income tax	880	6,544	319	271	(10,743)
Change in nonadmitted assets	(1,342)	(6,944)	4,783	(384)	4,090
Change in liability for reinsurance in unauthorized and certified companies	508	(508)	-	-	-
Change in reserve on account of change in valuation basis	-	-	-	-	12,520
Change in asset valuation reserve	(4,569)	295	(12,711)	(3,266)	10,839
Cumulative effects of changes in accounting principles	-	-	-	4,562	-
Surplus paid in	-	-	-	40,216	-
Dividends to stockholders	-	(50,000)	(25,000)	-	(50,000)
Aggregate write-ins	<u>-</u>	<u>(4,329)</u>	<u>(1,288)</u>	<u>7,342</u>	<u>10,710</u>
Net change in capital and surplus	<u>8,533</u>	<u>(52,290)</u>	<u>(13,061)</u>	<u>62,633</u>	<u>(20,103)</u>
Capital and surplus, current year end	<u>\$214,773</u>	<u>\$206,240</u>	<u>\$258,530</u>	<u>\$271,591</u>	<u>\$208,958</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3907.14 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Policy Reserves and Related Actuarial Items

The Company's Board of Directors appointed Nora E. Moushey, FSA, MAAA, Senior Vice President and Chief Actuary of the Company, to render the Company's Statement of Actuarial Opinion ("Opinion"). Ms. Moushey prepared an Actuarial Memorandum supporting the Opinion in connection with the preparation of the Company's December 31, 2012 Annual Statement.

Peter A. Weber, ASA, MAAA, the Department's Life and Annuity Actuary, reviewed the Actuarial Memorandum and performed other procedures as considered necessary to evaluate the Company's policy reserves and related actuarial items. On the basis of his analysis, Mr. Weber determined that the policy reserves and related actuarial items presented in the December 31, 2012 Annual Statement are

consistent with requirements in Ohio law, and furthermore, that the policy reserves and related actuarial items held by the Company are adequate and appropriate.

Conclusion

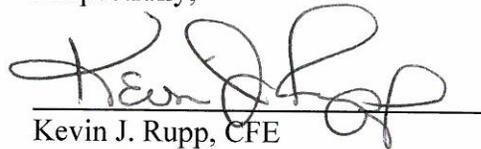
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2012, and is summarized as follows:

Total Admitted Assets	<u>\$3,011,214,902</u>
Liabilities	\$2,796,441,624
Capital and Surplus	<u>214,773,278</u>
Total Liabilities, Capital and Surplus	<u>\$3,011,214,902</u>

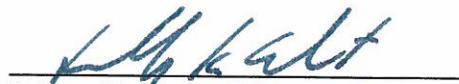
Acknowledgement

In addition to the aforementioned and undersigned, the following representatives of the Department participated in this examination: Jeffrey J. Ferris, AES, CFE, CISA; Ryan S. Gibson, CFE, FLMI; Aaron R. Hibbs, CFE, ChFC, CPA, FLMI; Leroy J. Moster, AES, CFE, CISA, CPA; and Zachary L. Wheatley, CPA.

Respectfully,



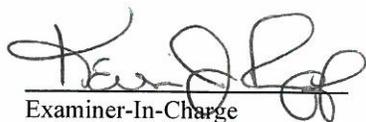
Kevin J. Rupp, CFE
Examiner-in-Charge
Ohio Department of Insurance



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2011.


Examiner-In-Charge

8/20/13
Date


Assistant Chief Examiner

8/20/13
Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Kevin J. Rupp, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 20 day of August, 2013.


(Notary Public)

ELIZABETH CHASE

NOTARY PUBLIC, STATE OF OHIO

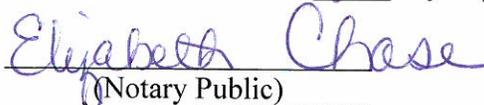
MY COMMISSION EXPIRES MAY 22, 2017

My Commission Expires

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 20 day of August, 2013.


(Notary Public)

ELIZABETH CHASE

NOTARY PUBLIC, STATE OF OHIO

MY COMMISSION EXPIRES MAY 22, 2017

My Commission Expires