Government of the District of Columbia
Department of Insurance, Securities and Banking

Thomas E. Hampton
Commissioner

BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA

Re: Report on Examination – **Columbia Federal Insurance Company** as of December 31, 2007

ORDER

Pursuant to Examination Warrant 2009-2, a Financial Condition Examination of **Columbia Federal Insurance Company** as of December 31, 2007 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 19th day of June, 2009, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

Thomas E. Hampton
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

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Government of the District of Columbia
Department of Insurance, Securities and Banking

REPORT ON EXAMINATION

COLUMBIA FEDERAL INSURANCE CO.

AS OF

DECEMBER 31, 2007

NAIC COMPANY CODE 10692

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Washington, D.C.
May 8, 2009

Honorable Thomas E. Hampton
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
810 First Street, NE, Suite 701
Washington, D.C. 20002

Dear Commissioner:

In accordance with Section 31-1402 of the District of Columbia Official Code, we have examined the financial condition and activities of

Columbia Federal Insurance Company

(hereinafter called the Company) at its home office located at 1908 Bladensburg Road, N.E., Washington, DC 20002-1880, and the following Report on Examination is submitted.

SCOPE OF EXAMINATION

This examination, covering the period from January 1, 2003 to December 31, 2007, including any material transactions and/or events noted occurring subsequent to December 31, 2007, was conducted under the association plan of the National Association of Insurance Commissioners (NAIC) by examiners of the District of Columbia Department of Insurance, Securities and Banking (the Department).

The last examination of the Company was a full scope examination, covering the period from January 1, 2000 to December 31, 2002.

Our examination was conducted in accordance with examination policies and standards established by the District of Columbia Department of Insurance, Securities and Banking and procedures recommended by the NAIC and, accordingly, included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

Our examination included a review of the Company's business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for calendar years 2003 through 2007. We placed substantial reliance on the audited financial statements for calendar years 2003 through 2006, and consequently performed only minimal testing for that period. We concentrated our examination efforts on the year ended December 31, 2007. We reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2007, and directed our efforts to the extent practical to those areas not covered by the firm's audit.

STATUS OF PRIOR EXAMINATION FINDINGS

Our examination included a review to determine the current status of the five recommendations made in our preceding Report on Examination, which covered the period from January 1, 2000 to December 31, 2002.

During our current examination, we repeated one of the five recommendations made in our prior Report on Examination. See the "Comments and Recommendations" section of this report under the caption "Loss and LAE Redundancy" for further discussions regarding this recommendation.

HISTORY

General:

This stock company was incorporated in the District of Columbia on September 4, 1996. As stated in the Articles of Incorporation, the purposes for which the Company was organized is to insure all kinds of loss of or damage to goods, merchandise or other property caused by fire, risks of transportation, or navigation, the action of the elements or adverse manifestations of nature, and on automobiles against loss or damage from collision or theft and against liability of the owner or use for injury to person or property caused by his automobile; as well as all and every risk or peril to which the subject of insurance may be exposed, against which is not contrary to public policy to insure, including every insurable interest therein or in the use thereof, or profit or income there from, or legal liability thereof. The period of existence of the Company is perpetual.

Capital Stock:

The Company's Articles of Incorporation authorized the Company to issue 200,000 shares of common capital stock divided into 100,000 shares of Class A common stock with a par value of $10.00 per share, and 100,000 shares of class B common stock with a par value of $10.00 per share. As of September 30, 1996, (with no changes thru the exam period) the Company had issued 30,000 shares of Class A common stock at $10.00 per share in the total amount of $300,000 to Andrew Schaeffer and received additional consideration of a $400,000 surplus contribution from him. This brings the Company's paid-up capital stock to $300,000 and gross paid in and contributed surplus to $400,000 in compliance with D.C. Code, Section 31-2502.13.

Dividends to Stockholders:

The Company did not declare or pay any dividends to stockholders during the period under examination.

Management:

The Company's Articles of Incorporation and Bylaws provide that the responsibility for the control and management of the affairs, property and interests of the Company is vested in its Board of Directors composed of not less than three (3) members who shall be elected annually by the shareholders. The Bylaws provide that the officers of the Company shall consist of a President, a Secretary, a Treasurer, and such other officers, including a Chairman of the Board of Directors, and one or more Vice Presidents, as the Board of Directors may from time to time deem advisable. The Board of Directors shall elect the officers of the Company at the regular annual meeting of the Board following the annual meeting of shareholders.

According to the Bylaws, at any meeting of the Board of Directors, the presence of a majority of the Directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business. The minutes of all meetings held during the period under statutory examination indicated that a quorum was obtained at all meetings of the Board of Directors during the period under examination.

Directors duly elected and serving at December 31, 2007 follows. Addresses and business affiliations were provided by the Company.

Name and Address	Principal Occupation
Andrew Schaeffer Potomac, Maryland	President, Treasurer and Chairman Columbia Federal Insurance Company
Leroy Brown Washington, D.C.	Claims Manger Columbia Federal Insurance Company
Nancy Lynette Futrell	Secretary

The composition of the board of directors at December 31, 2007 was not in compliance with District of Columbia Official Code Section 31-706(c)(3), which requires that not less than 1/3 of the directors of the Company be persons who are not officers or employees of the Company, or of any entity controlling, controlled by, or under common control with the Company (i.e., the directors must be "independent"). For further discussion see the Comments and Recommendations section of this report under the caption "Lack of Independent Directors."

The By-laws provide that the officers of the Company shall consist of a President, a Secretary/Treasurer, and such other officers, including one or more Vice-Presidents. The officers shall be elected by the Board of Directors and shall serve until his/her successor is duly elected and qualified or the officer is removed.

The following were duly elected Officers serving at December 31, 2007:

Andrew Schaeffer	President, Treasurer and Chairman
Nancy Lynette Futrell	Secretary
Leroy Brown	Claims Manger

Committees:

As of December 31, 2007 the Company was not in compliance with District of Columbia Official Code Section 31-706(c)(4), which requires that the board establish one or more committees comprised of individuals who are not officers or employees of the Company, or of any entity controlling, controlled by or under common control with the Company. This committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the Company's financial condition, nominating candidates for director, evaluating the performance of officers of the Company, and recommending to the board the selection and compensation of principal officers. Specifically, the Company did not have such a committee or committees. For further discussion see the "Comments and Recommendations" section of this report under the caption "Lack of Independent Committees of Board of Directors."

Conflicts of Interest:

Directors and officers of the Company regularly responded to conflict of interest questionnaires. Our review of the responses to the questionnaires completed for 2007 disclosed no conflicts that would adversely affect the Company. Furthermore, no additional conflicts of interest were identified during the course of our examination.

Corporate Records:

We reviewed the minutes of the meetings of the stockholders and board of directors for the period under examination. Based on our review, it appeared that the minutes documented the Company's significant transactions and events, and that the directors approved those transactions and events. However, approval of the investment decisions and approval by the finance committee were absent.

AFFILIATED COMPANIES

The Company is 100% owned by Andrew Schaeffer. There are no other insurance companies owned by Mr. Schaefer. The Company is a member of a holding company system through common ownership and managerial control. Mr. Schaffer also owns controlling interest the following Companies:

Guardian Insurance Agency
Chesapeake Leasing Company
Resource Management Inc
Metropolitan Investment Co
1908 Bladensburg Road LLC

All affiliates are 100% owned by Andrew Schaeffer except for **1908 Bladensburg Road LLC** which is 90% owned by Andrew Schaeffer

INTERCOMPANY AGREEMENTS

As of December 31, 2007, the Company was a party to the following significant intercompany agreements:

1908 Bladensburg Road LLC

The Company rents facility space from 1908 Bladensburg Road LLC for 2007 and 2008. The space leased is 3,000 sq ft for $3,900 a month or $46,800 a year plus property taxes. The monthly payments are made to **Metropolitan Investment Co**., the management company for the property. The lease is for two years with renewals negotiated. The lease requires the tenant to have liability insurance. The Company enters into the leasing contract every two years.

Chesapeake Leasing Company

The Company has leases for computer equipment and office equipment from Chesapeake Leasing Company. The annual amount of the lease is for $12,690 for Computer and office equipment. The leases are for two years. These leases are subject to renewals.

Resource Management Inc.

The Company acquires the services of employees from Resource Management Inc. as needed. The Company will be billed for actual salaries, taxes, and other costs. The Company will be charged a fee for the administrative services in providing the employees. During 2007 the Company paid $368,880 for these services.

Guardian Insurance Agency

The Company uses Guardian Insurance Agency in regards to the Taxi liability polices that it issues. The Company paid the agency $54,608 in 2007.

Tax Sharing Agreement:

There are no tax sharing agreements between the Company and the Affiliates.

FIDELITY BOND AND OTHER INSURANCE

As of December 31, 2007, the Company had fidelity bond coverage of $75,000 with a deductible of $5,000. The fidelity bond complies with the minimum coverage required by District of Columbia Municipal Regulation 26-803.1 and meets the minimum coverage recommended by the National Association of Insurance Commissioners.

Also, the Company appears to have adequate insurance coverage for property, building and contents and liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company does not have employees and therefore does not have employee pension, stock ownership and insurance plans.

STATUTORY DEPOSITS

The District of Columbia Department of Insurance, Securities and Banking does not require the Company to maintain a statutory deposit.

TERRITORY AND PLAN OF OPERATION

Columbia Federal is one of five regulated entities writing taxicab liability insurance business in the District of Columbia.

The Company writes automobile personal injury and property damage coverage of taxicabs licensed in the District of Columbia. The limits of coverage are $10,000 each accident for property damage and $25,000 each person and $50,000 each accident for personal injury.

Prior to 2006 the Company wrote policies with two week durations. On December 23, 2005, the Department approved policy and rate filings for the Company to write a six month policy that became effective January 1, 2006. The new six month policies begin on January 1st and July 1st of each year. This change was made to comply with the mandates of District of Columbia Municipal Regulation 26-801.

INSURANCE PRODUCTS AND RELATED PRACTICES

The District of Columbia's Market Conduct Unit performed an examination of the Company's business practices for the year 2001. To date, that examination report is not a public document. A market conduct examination would include detailed reviews of the Company's sales and advertising, agent licensing, underwriting, and rating, claims processing and complaint handling practices and procedures.

The scope of our examination did not include market conduct procedures, including, but not limited to, market conduct procedures in the following areas:

- Policy Forms
- Fair Underwriting Practices
- Advertising and Sales Materials
- Treatment of Policyholders:
  - Claims Processing (Timeliness)
  - Complaints

REINSURANCE

As of December 31, 2007, the Company had no ceded or assumed business.

ACCOUNTS AND RECORDS

The Company's general accounting records consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements). Our review did not disclose any significant deficiencies in these records.

In addition, our examination disclosed that minutes of the Stockholders and Directors did not include the reporting and approval of investments made by the investment committee. This is discussed further in the "Comments and Recommendations" section of this Report, under the caption "Minutes of Stockholders and Directors."

FINANCIAL STATEMENTS

The following financial statements reflect the financial condition of the Company as of December 31, 2007, as determined by this examination:

The accompanying "Note to Financial Statements" is an integral part of these financial statements.

BALANCE SHEET

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets	Examination Adjustment Increase (Decrease)	Net Admitted Assets Per Examination
Common stocks	$1,575,851	$ 0	$1,575,851	$ 0	$1,575,851
Cash ($1,474,751), cash equivalents ($0) and short term investments ($0)	1,474,751		1,474,751		1,474,751
Subtotals, cash and invested assets	$ 3,050,602	$ 0	$ 3,050,602	$ 0	$ 3,050,602
Investment income due and accrued	40		40		40
Uncollected premiums and agents' balances in course of collection	41,015		41,015		41,015
Current federal and foreign income tax recoverable	0		0		0
Net deferred tax asset	0		0		0
Totals	$ 3,091,657	$ 0	$ 3,091,657	$ 0	$ 3,091,657

LIABILITIES, SURPLUS AND OTHER FUNDS

	Amounts per Annual Statement	Examination Adjustments	Amounts per Examination
Losses **(NOTE)**	$ 919,093	$	$ 919,093
Loss adjustment expenses **(NOTE)**	536,478		536,478
Commissions Payable	2,284		2,284
Other expenses (excluding taxes, licenses and fees)	4,539		4,539
Taxes, licenses and fees (excluding federal and foreign income taxes)	8,175		8,175
Current Federal income tax	30,255		30,255
Net deferred tax liability	18,374		18,374
Unearned premiums	128		128
Advance Premiums	1,296		1,296
Total liabilities	$ 1,520,622	$ 0	$ 1520,622
Common capital stock	$ 300,000		$ 300,000
Gross paid in and contributed surplus	400,000		400,000
Unassigned funds (surplus)	871,035		871,035
Surplus as regards policyholders	$ 1,571,035	0	$ 1,571,035
Total liabilities and surplus	$ 3,091,657	$ 0	$ 3,091,657

STATEMENT OF INCOME

Underwriting Income:		
Premiums earned		$ 1,040,146
Underwriting deductions:		
Losses incurred	$ 432,611	
Loss expenses incurred	329,562	
Other underwriting expenses incurred	252,980	
Total underwriting deductions		$ 1,015,153
Net underwriting loss		$ 24,993
Investment Income:		
Net investment income earned	$ 67,152	
Net realized capital gains	95,855	
Net investment gain		$ 163,007
Other Income:		
Miscellaneous income	$ 3,192	
Total other income		$ 3,192
Net income after dividends to policyholders and before federal and foreign income taxes		$ 191,192
Federal and foreign income taxes incurred		(51,606)
Net income		$ 139,586

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2002	$ 954,433
Net income, 2003	$ 151,374
Change in net unrealized capital gains or (losses)	27,676
Change in net deferred income tax	(2,603)
Change in nonadmitted assets	(19)
Change in write ins	(2,100)
Net change in surplus as regards policyholders, 2003	174,328
Surplus as regards policyholders, December 31, 2003	$ 1,128,761
Net income, 2004	115,843
Change in net unrealized capital gains or (losses)	148,027
Change in net deferred income tax	(32,172)
Change in nonadmitted assets	(718)
Net change in surplus as regards policyholders, 2004	230,980
Surplus as regards policyholders, December 31, 2004	$ 1,359,741
Net income, 2005	$ 81,664
Change in net unrealized capital gains or (losses)	(35)
Change in net deferred income tax	(1,441)
Change in nonadmitted assets	(493)
Net change in surplus as regards policyholders, 2005	79,695
Surplus as regards policyholders, December 31, 2005	$ 1,439,436
Net income, 2006	$ 61,597
Change in net unrealized capital gains or (losses)	(19,388)
Change in net deferred income tax	7,649
Change in nonadmitted assets	5
Net change in surplus as regards policyholders, 2006	49,863
Surplus as regards policyholders, December 31, 2006	$ 1,489,299
Net income, 2007	$ 139,586
Change in net unrealized capital gains or (losses)	(68,044)
Change in net deferred income tax	10,194
Net change in surplus as regards policyholders, 2007	81,736
Surplus as regards policyholders, December 31, 2007	$ 1,571,035

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

Surplus as regards policyholders per Annual Statement, December 31, 2007	$ 1,571,035
Change in unassigned funds	0
Surplus as regards policyholders per examination, December 31, 2007	$ 1,571,035

COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The comparative financial position of the Company for the five-year period ended December 31, 2007, is as follows:

	2007	2006	2005	2004	2003
Assets	$3,091,657	$2,937,217	$3,009,687	$2,903,304	$2,786,725
Liabilities	1,520,622	1,447,918	1,570,251	1,543,563	1,657,964
Policyholders surplus	1,571,035	1,489,299	1,439,436	1,359,741	1,128,761
Premiums earned	1,040,146	1,118,436	1,543,547	1,549,676	1,625,283
Net underwriting gain (loss)	24,993	(34,818)	69,985	134,637	195,799
Net investment gain (loss)	163,007	97,074	33,415	17,210	14,002
Net income (loss)	139,586	61,597	81,664	115,843	151,374

Note: Amounts for the years ended December 31, 2003 through 2006 were taken from the Company's Annual Statements as filed with the Department. Amounts for the year ended December 31, 2007 are amounts per examination.

NOTE TO FINANCIAL STATEMENTS

Losses and Loss Adjustment Expenses:

The Company reported "Losses" and "Loss adjustment expenses" reserves totaling $919,093 and $536,478 respectively. These reserves represent management's best estimate of the amounts necessary to pay all claims and related expenses incurred but still unpaid as of December 31, 2007.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2007, were reviewed as part of our examination. As part of our review, we relied on the Company's independent actuary, who concluded that the methodologies and reserves appeared to be sufficient. In addition, the methodologies utilized by the Company to compute these reserves, and the adequacy of the loss reserves and loss adjustment expense reserves were reviewed by an independent actuary engaged as part of our examination. This independent actuary engaged as part of our examination also concluded that the methodologies and reserves appeared to be sufficient. However, our independent actuary also made certain recommendations related to the Company's loss reserves. See the "Comments and Recommendations" section of this Report, under the caption "Loss Reserves", for further comments regarding these recommendations.

COMMENTS AND RECOMMENDATIONS

Lack of Independent Directors:

As of December 31, 2007 the Company was not in compliance with District of Columbia Code Section 31-706(c)(3) which states that no less than 1/3 of the directors of a domestic insurer and not less than 1/3 of the members of each committee of the board of directors of any domestic insurer shall be persons who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with the insurer and who are not beneficial owners of a controlling interest in the voting stock of the insurer or such an entity. As of December 31, 2007, all directors of the Company were officers or employees of the Company.

Although the Company did not comply with District of Columbia Code Section 31-706(c)(3) at December 31, 2007, the Company did comply with the requirements of the District of Columbia Code by appointing an independent director effective January 1, 2008.

Lack of Independent Committees of the Board:

Pursuant to District of Columbia Code Section 31-706(c)(4) the board of directors of a domestic insurer shall establish 1 or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with the insurer, and who are not beneficial owners of a controlling interest in the voting stock of the insurer or any such entity. The committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer, and recommending to the board of directors the selection and compensation of the principal officers.

Absent any written exemptions by the Department, the Company must establish committees of the board of directors pursuant to District of Columbia Code 31-706(c)(4).

Loss Reserves:

As indicated in the **NOTE** in the “Note to Financial Statements” section of this Report, the Company reported “Losses” and “Loss adjustment expenses” reserves as of December 31, 2007 were reviewed as part of our examination by an independent actuary who concluded that these reserves appeared to be sufficient.

However, in the prior examination as of December 31, 2002 the Actuary noted that reserves were redundant by 15%. In the current examination the Actuary noted that reserves were redundant by $287,701 or 19.8% of reserves. Loss and LAE reserves are established based upon estimates that require considerable judgment and those estimates will be revised over time resulting in gains or losses. In the prior exam management stated that it was very conservative and that the estimates reflect that philosophy.

The examiners wish to point out once again that there is a redundancy in the reserves and care should be taken in the trend of those reserves increasing.

Excess equity investments

The Company reported equity investments of $1,575,851 on December 31, 2007. In accordance with District of Columbia Official Code 31-1373.06 "an insurer shall not acquire an investment under this section if as a result ......would exceed the greater of 25% of admitted assets or 100% of its surplus." The investment by the Company in equity securities at December 31, 2007 exceeds the greater of 25% of admitted assets or 100% of Company's surplus by $4,815. However, the excess is not considered material for purposes of this report. Moreover, the Company sold all equity investments in 2008 and is currently in compliance.

We recommend that in the future the Company stay in compliance with District of Columbia Official Code 31-1373.06. In addition, we recommend that the investment plan of the Company be updated to reflect the District of Columbia Official Code concerning investments.

Intercompany Agreements

The Company reported to the Department intercompany agreements on Form C as required. However, District of Columbia Official Code 31-706 (2) requires "in writing of its intention to enter into such a transaction at least 30 days prior..." "All management agreements, service contracts, and all cost-sharing arrangements." The Company did not submit those agreements to the Department on Form D for review or approval.

The Company is required to submit intercompany agreements in the Holding Company System to the Department for review and approval.

Minutes of the Stockholders and Directors:

The Board of Directors of the Company did not approve the investments made by the investment committee. In addition, there are no minutes from the investment committee concerning investments and return on investments.

It is recommended that the Board of Directors approve the investment in accordance with District of Columbia Official Code 31-1371.04 "The Board of Directors shall evidence by formal resolution, at least annually that it has determined whether all investments have been made in accordance with delegations, standards, limitations, and investment objectives prescribed by the committee of the board charged with the responsibility to direct its investments."

Additional Comments and Recommendations

During our examination, in addition to the above Comments and Recommendations, we made other suggestions and recommendations to the Company with regard to record keeping and other procedures relating to its operations. These additional suggestions and recommendations were not deemed significant for purposes of our Report on Examination, and are not included in our Report on Examination.

SUBSEQUENT EVENTS

In 2008 the Company liquidated the investment position in equity securities. The reason for this change was the poor performance of the securities markets. The Company placed the proceeds into cash. Company management believes this strategy places itself in a position to take advantage of a market upward change if and when it occurs. However, again due to the poor performance of the securities industry, the Company will have a lower interest/ investment income although avoiding high market losses.

CONCLUSION

Our examination disclosed that as of December 31, 2007, the Company had:

Admitted assets	$ 3,091,657
Liabilities	$ 1,520,622
Common capital stock	$ 300,000
Gross paid in and contributed surplus	400,000
Unassigned funds (surplus)	871,035
Surplus as regards policyholders	$ 1,571,035
Total liabilities, capital and surplus	$ 3,091,657

Based on our examination, the accompanying balance sheet properly presents the statutory financial position of the Company as of December 31, 2007, and the accompanying statement of income properly presents the statutory results of operations for the period then ended. The supporting financial statements properly present the information prescribed by the District of Columbia Official Code and the National Association of Insurance Commissioners.

Chapters 20 ("RISK-BASED CAPITAL") and 25 ("FIRE, CASUALTY AND MARINE INSURANCE") of Title 31 ("Insurance and Securities") of the District of Columbia Official Code specify the level of capital and surplus required for the Company. We concluded that the Company's capital and surplus funds exceeded the minimum requirements during the period under examination.

SIGNATURES

In addition to the undersigned, Chidinma Ukairo of the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination:

The actuarial portion of this examination was completed by David J. Macesic, ACAS, MAAA, of INS Consultants, Inc.

Respectfully submitted,

Frank J. Ryan JR. CPA
Examiner-In-Charge
District of Columbia Department of
Insurance, Securities and Banking

Nathaniel Kevin Brown CPA, CFE
Chief Examiner
District of Columbia Department of
Insurance, Securities and Banking

IN ADDITION TO THE EXAMINATION OF COLUMBIA FEDERAL INSURANCE COMPANY, AN EXAMINATION WAS MADE OF GUARDIAN INSURANCE AGENCY, INC., AND THE REPORT THEREON IS AS FOLLOWS:

ADDENDUM

GUARDIAN INSURANCE AGENCY, INC.

Guardian Insurance Agency, Inc. was incorporated in the District of Columbia on November 5, 1996, to collect, finance and disburse insurance premiums and to do any and all acts necessary in the operation of an insurance agency, as stated in the article of incorporation. The period of duration is perpetual. The Agency's business address is 1908 Bladensburg Road, N.E., Washington D.C. 20002-1880.

The responsibility for control and management of the affairs, property and interests of Guardian Insurance Agency, Inc., is invested by its Board of Directors composed of not less than three (3) members who are elected annually by the shareholders. As stated in the By-laws, Article IV, the officers of the Agency shall consist of a President, a Secretary, a Treasurer, and such other officers, including a Chairman of the Board of Directors, and one or more Vice Presidents, as the Board of Directors may from time to time deem advisable. The officers of the Agency shall be elected by the Board of Directors at a regular annual meeting of the Board following the annual meeting of shareholders. At the most recent meeting of the Board of Directors the following officers were elected with the President to be the Chief Executive Officer of the Agency:

Name	Title
Andrew Schaeffer	President
Nancy Futrell	Secretary
Andrew Schaeffer	Treasurer

Serving as the Company's Board of Directors as of December 31, 2007 are as follows:

Andrew Schaeffer
Nancy Futrell
Leroy Brown

The Agency's Articles of Incorporation authorized the Agency to issue ten thousand (10,000) shares of common stock with no par value. As of October 8, 1996, the Agency has issued 5,000 shares of common stock to Andrew Schaeffer (owner of Columbia Federal Insurance Company) at a total cost of $5,000, which represents 100% ownership of the outstanding shares of Guardian. The Agency Agreement between Columbia Federal Insurance Company and Guardian Insurance Agency, Inc. is renewed annually.

The Balance Sheet and Statement of Income of the Agency for the year ended December 31, 2007, to accompany this report.

GUARDIAN INSURANCE AGENCY, INC.

BALANCE SHEET

AS OF DECEMBER 31, 2007

ASSETS			
CURRENT ASSETS			
Cash – Operating	$	7,500	
Account Receivable		51,607	
Prepaid Expense		2,776	
TOTAL CURRENT ASSETS			$ 61,883
OTHER ASSETS			
Organizational Costs		115	
Accum. Amort. – Organizational Costs		(115)	
Start Up Costs		601	
Accum. Amort – Start up Costs		(601)	
TOTAL OTHER ASSETS			0
TOTAL ASSETS			$ 61,883
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Account Payable	$	41,628	
TOTAL CURRENT LIABILITIES			$ 41,628
EQUITY			
Common Stock	$	5,000	
Retained Earnings		13,923	
Current Earnings		1,332	
TOTAL EQUITY			$ 20,255
TOTAL LIABILITY AND EQUITY			$ 61,883

GUARDIAN INSURANCE AGENGY, INC.
INCOME STATEMENT
AS OF DECEMBER 31, 2007

INCOME	
Commission Income	$ 54,608
Miscellaneous Income	20
TOTAL INCOME	54,628
EXPENSES	
Accounting	1,535
Insurance	710
Printing	27
License	476
Rent	10,200
Management and Administrative	40,200
Taxes – Other	148
TOTAL EXPENSES	53,296
NET INCOME	$ 1,332