

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF BROOME

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In the Matter of the Rehabilitation of,	:	
	:	
COLUMBIAN MUTUAL LIFE	:	PETITION TO APPROVE
INSURANCE COMPANY.	:	REHABILITATION PLAN FOR
	:	COLUMBIAN MUTUAL
	:	LIFE INSURANCE COMPANY
	:	
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	X	

New York Liquidation Bureau
David Axinn (Special Deputy Superintendent)
Stephanie Blattmachr (General Counsel and Assistant Special Deputy Superintendent)
Donald N. Cohen (Special Counsel to the General Counsel)
180 Maiden Lane
New York, NY 10038

-and-

Morgan, Lewis & Bockius LLP
Harold Horwich
One State Street
Hartford, CT 06103-3178

*Attorneys for the Acting Superintendent of Financial
Services of the State of New York, as Rehabilitator
of Columbian Mutual Life Insurance Company*

Dated: December 12, 2025

DAVID AXINN, Special Deputy Superintendent and Agent of the Acting Superintendent of Financial Services of the State of New York (“Superintendent”) as rehabilitator (“Rehabilitator”) of Columbian Mutual Life Insurance Company (“CML” or the “Company”), petitions this Court for an order (“Plan Approval Order”) approving the Plan of Rehabilitation For Columbian Mutual Life Insurance Company (the “Plan” annexed hereto as Exhibit A)¹ and the proposed strategic transaction (the “Proposal” or “Proposed Transaction”) with JAB Insurance US Holdings, Inc. (“JAB”), which will result in, among other things: (i) the conversion of CML from a New York mutual life insurance company into a New York stock life insurance company pursuant to Section 7403 of the Insurance Law, (ii) the sale of CML shares to JAB in exchange for a capital contribution of at least \$100 million (“Contribution”), and (iii) the termination of this Rehabilitation Proceeding and the return to CML of possession of its property with permission to resume its business.²

Overview

The Plan is the product of months of negotiations between the Rehabilitator and JAB and will, if approved, remedy the years of financial distress that made the Rehabilitation Proceeding necessary. This is accomplished by the Proposed Transaction, which upon closing will result in JAB making the Contribution of at least \$100 million and acquiring a one hundred percent ownership interest in CML and its indirect subsidiary, Columbian Life Insurance Company (“CLIC”), which is currently in rehabilitation proceedings in Illinois. The Contribution will be allocated between CML and CLIC as provided for in the Proposed Transaction and summarized below and will recapitalize both companies and strengthen their balance sheets.

¹ Annexed hereto as Exhibit B is the Disclosure Statement in Support of Plan of Rehabilitation for Columbian Mutual Life Insurance Company that describes the Plan.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

CML is currently organized as a mutual insurance company, which means that prior to rehabilitation, Policyholders had certain ownership rights (“Equity Interests”), including, among other rights, voting on CML’s board of directors and potentially receiving dividends. Under the Plan, CML would be converted to a stock life company, and the Equity Interests would be permanently extinguished without any distribution in exchange therefor upon JAB becoming the new owner of CML.

The conversion of CML to a stock life company and extinguishment of Equity Interests is necessary to achieving the goals of the Proposed Transaction, including the issuance and sale of CML’s shares to JAB in return for the Contribution. The intent of the Plan and the Proposed Transaction is to, among other things, preserve the contractual benefits promised under the CML policies, including premiums, coverage and timely payment of claims. The Equity Interests, by contrast, have no value in a rehabilitation or a liquidation and are rendered worthless due to CML’s current financial situation. Accordingly, the Plan is in the best interests of Policyholders because it will recapitalize and restore the Company to financial health and assure that CML is able to fulfill its policy obligations as a going concern. In the absence of the Plan and the Proposed Transaction, CML would likely have to cease operations and liquidate, thereby causing uncertainty and loss for certain Policyholders related to the payment of insurance benefits under the CML policies.

Further, the Plan ensures the continuity of CML in the Triple Cities, including ongoing employment, and the payment of creditors, vendors, and other contractual counterparties in the ordinary course.

Thus, for the reasons stated below, the Plan is the best possible outcome for CML, Policyholders and other stakeholders and should be approved.

Background

CML was incorporated as a charitable and benevolent association in New York on November 1, 1882, under the name American Protective Association, and it commenced business on February 1, 1883. In 1907, the Company changed its name to Columbian Protective Association, moved its principal office to Binghamton, New York, and began operating as a cooperative life and accident and health insurance company. On March 11, 1952, CML converted to a mutual life insurance company and adopted its present name. Between 1996 and 2011, CML engaged in a number of strategic mergers with third party insurers and grew in size.

On August 13, 2024, this Court entered the order (“Rehabilitation Order”) (NYSCEF No. 17) placing CML into rehabilitation and appointing the then-Superintendent of Financial Services and her successors as Rehabilitator. The Rehabilitation Order directed the Rehabilitator “to take exclusive possession and/or control of CML’s property, conduct its business, and take such steps as she deems necessary to remove the causes and conditions that made this proceeding necessary....” Rehabilitation Order, ¶ 4.

1. Events Leading Up to the Rehabilitation Proceeding.

In the run-up to rehabilitation, CML’s surplus³ had become impaired due to several largely concurrent events and factors that include the following. On June 29, 2021, CML’s board of directors approved a strategic transaction (“Constellation Transaction”) with Constellation Insurance Holdings, Inc. (“Constellation”), which included a conversion of the Company from a mutual to a stock company and an investment by Constellation of up to \$100 million. CML

³ The National Association of Insurance Commissioners (“NAIC”) defines Policyholder Surplus as “assets in excess of the liabilities of a company.” See NAIC website available at <https://content.naic.org/glossary-insurance-terms> (last visited Nov. 20, 2025).

engaged Keefe, Bruyette and Woods (“KBW”), an investment banker, to advise on the marketing process and help the Company obtain the best possible value and terms for the transaction.

On January 10, 2022, the New York State Department of Financial Services (“NYSDFS”) and CML entered into a consent order (“Consent Order” attached as Exhibit C hereto) under which CML paid a \$3 million civil fine for violations of the Insurance Law relating to unclaimed life insurance benefits. CML also agreed to implement a remediation plan to address these compliance issues. In April 2024, CML reported to NYSDFS a liability for unclaimed life insurance policy benefits in the amount of \$16.5 million.⁴

In addition, NYSDFS conducted a financial examination of CML and issued a report on June 1, 2022 (“Examination Report” attached as Exhibit D hereto), relating to the financial condition of the Company as of December 31, 2020, including a review of CML’s reserving practices. The Examination Report raised concerns relating to CML’s asset adequacy analysis regarding “the potential lack of conservatism in both the Company’s methodology and assumptions used.” (Ex. Id. at 20.) NYSDFS also questioned the Company’s “treatment of non-recurring and acquisition expenses,” “the development of experience assumptions,” and “allocation of expenses between affiliated companies.” (Id.)

CML’s finances continued to decline following the Examination Report. CML’s Annual Financial Statement for the year ended December 31, 2023 (the “2023 Financial Statement”) indicated net cash from operations declined from \$21.5 million in 2019 to negative \$8.3 million in 2023. See Exhibit E attached hereto attaching relevant pages from the 2023 Financial Statement, page 22, line 29. Reported surplus declined from \$87.1 million in 2019 to \$29.2 million in 2023. See id. at page 22, line 28. However, as discussed below, the reported surplus for 2023 did not

⁴ CML has since remediated its unclaimed property procedures and recently submitted a payment of approximately \$12.1 million to the State of New York for unclaimed property relating to the Consent Order.

take into account a report issued by an actuarial consultant retained by NYSDFS that found CML’s policy reserves⁵ were inadequate and that adding the reserves needed to satisfy NYSDFS reserving requirements would eliminate any surplus.

Specifically, in connection with the anticipated sale to Constellation, NYSDFS engaged Matczak Consulting LLC (“Matczak”) to conduct a review of CML’s reserves and other actuarial analyses. Matczak issued a report dated May 28, 2024, documenting, among other things, the results of Matczak’s review of CML’s year-end 2023 Cash Flow Testing (“CFT”) models, assumptions and projections.⁶ Matczak reviewed multiple projection scenarios and concluded that using the worst-case adjusted CFT result as required by New York regulations would result in an asset adequacy reserve adjustment of an additional \$104 million for 2023. Since CML’s statutory surplus as of December 3, 2023, was \$29.2 million, if this \$104 million reserve adjustment had been adopted for the 2023 Financial Statement, it would have rendered the Company insolvent by approximately \$75 million.

In or around May 2024, Constellation withdrew from the Constellation Transaction. On May 31, 2024, following Constellation’s withdrawal and the findings of the 2024 Matczak Report, CML’s board of directors voted unanimously to consent to either rehabilitation or liquidation under Article 74 of the Insurance Law.

Also on May 31, 2024, NYSDFS directed CML to cease writing new business. On June 7, 2024, AM Best downgraded the financial strength ratings of both CML and its indirect Illinois-based subsidiary, CLIC, from C+ (marginal) to C (weak), and their long-term issuer credit ratings

⁵ The NAIC defines “Policy Reserve” as “the amount of money allocated specifically for the fulfillment of policy obligations by a life insurance company; reserves are in place to safeguard that the company is able to pay all future claims.” See NAIC website, available at <https://content.naic.org/glossary-insurance-terms> (last visited Nov. 20, 2025).

⁶ See May 28, 2024 Matczak Consulting L.L.C. Review of Statutory Reserves and Other Actuarial Analyses Proposed Sponsored Demutualization of Columbian Mutual Life Insurance Company (“2024 Matczak Report”) annexed hereto as Exhibit F.

from B- (marginal) to CCC (weak). That same day, CML announced a workforce reduction, laying off approximately 70 employees, or 25% of its staff.

CLIC was placed into rehabilitation by the Circuit Court of Cook County, Illinois, by order dated July 29, 2024, and since then CLIC has been operated in rehabilitation by the Illinois Office of the Special Deputy Receiver. This was followed by entry of CML's Rehabilitation Order on August 13, 2024.

2. Developments Resulting in the Plan and the Proposed Transaction.

The Rehabilitator's first priority upon taking possession and control of CML was to stabilize the Company's operations. The next priority was to develop a rehabilitation plan, including exploring a potential strategic transaction. By the time the Rehabilitation Order was signed in August 2024, CML had been pursuing a strategic transaction for over four years in connection with the withdrawn Constellation Transaction. The Rehabilitator decided to re-engage KBW, which was deeply experienced in the insurance M&A market and CML's strategic options. After multiple years of marketing, it was common knowledge in the industry that CML was seeking a strategic partner and, with KBW's assistance, the Rehabilitator continued to canvas candidates for a transaction.

The Rehabilitator and KBW ultimately focused on three potential acquirers, two of which had emerged just prior to the Rehabilitation Proceeding. The first was a group led by a global private investment firm, which had submitted a letter of intent to CML in June 2024 on a potential recapitalization transaction. The firm had been involved in the earlier process conducted by CML in the 2020-2021 timeframe. The second group was comprised of JAB in conjunction with Agam Capital Management ("Agam").⁷ JAB expressed interest in a potential acquisition of CML, in part

⁷ Agam consults with insurance companies to provide financial advisory services, including due diligence, capital and risk analyses, modeling, and actuarial and pricing services.

through Agam’s prior knowledge of, and contacts with, CML. Finally, after the Rehabilitation Proceeding commenced, a third group led by a specialized alternative asset manager submitted a letter of intent in September 2024 seeking to enter into discussions with CML and commence due diligence regarding a potential transaction but with no proposal as to the terms of a potential transaction.

The Rehabilitator and her advisors conducted intensive arm’s length negotiations and discussions with the three potential acquirers to assess, among other things, due diligence inquiries and scope, financial capacity, transaction details, and transaction experience. By December 2024, the field had narrowed to two remaining potential acquirors, the private investment firm and JAB. Both parties submitted final bids in December 2024.

The JAB bid was selected as the best option for CML and its Policyholders based on the strength of its Proposal. In January 2025, the Rehabilitator entered into an exclusivity agreement with JAB whereby JAB would engage in a due diligence process. Since then, JAB completed its due diligence, and the parties completed intensive arm’s length negotiations and executed a Master Transaction Agreement (the “Transaction Agreement”) for the acquisition of CML, which is the centerpiece of the Plan that is being submitted to the Court for approval.⁸ As reflected in the Transaction Agreement, JAB has agreed to make the Contribution to CML and CLIC of at least \$100 million and up to \$125 million and to maintain both CML’s and CLIC’s ongoing minimum capitalization at levels sufficient to maintain their financial health.

CML did not receive any bids superior to the JAB Proposal. Given CML’s distressed financial condition and compared to the other indications of interest received in connection with a potential sale, JAB’s Proposal represented the highest and best offer that could be obtained. This

⁸ A copy of the Transaction Agreement (excluding over 200 pages of schedules and exhibits thereto) is annexed as Exhibit 2 to the Plan.

conclusion is reinforced by the terms of the withdrawn Constellation Transaction, which did not guarantee the same amount in capital contribution and would have required NYSDFS to approve certain undesirable reserving practices that are not present in JAB's Proposal.

Description of the Plan

The Proposed Transaction includes the following steps: (i) conversion of CML from a mutual company to a stock company, (ii) the sale of 100 percent of CML's newly-issued shares to JAB in return for the Contribution and other commitments, and (iii) the termination of this Rehabilitation Proceeding and resumption of business by CML. As highlighted above and explained in additional detail below, the Proposed Transaction will result in the preservation of all benefit claims held by Policyholders under their policies and the cancellation of such Policyholders' prior Equity Interests in CML, which do not have any value.

1. Conversion of CML to a Stock Company and Extinguishment of Policyholders' Equity Interests

Upon approval of the Plan and receipt of the requisite regulatory approvals, the Rehabilitator will take all necessary steps to reorganize CML as a stock life insurance company, including filing an amended charter and by-laws and making other necessary regulatory filings, all as more specifically disclosed or described in the Plan and summarized, in part, herein. The conversion of CML will discharge and extinguish all Equity Interests formerly held by Policyholders in CML as a mutual life insurer, including any rights Policyholders had to receive dividends or distributions from CML, to make claims against any surplus, or to vote on any Company matters. As discussed herein and in the Plan, the Equity Interests do not have any value given that CML is currently financially impaired and unable to make dividend payments, and will continue to be impaired or insolvent absent the Contribution of capital to be made by JAB.⁹

⁹ CML has not paid dividends to Policyholders since 2020, and the average payment that year was approximately \$20.

Notably, the Plan will not modify or limit CML’s obligations to its Policyholders under CML policies, including premium terms, coverage or benefit payments, except that Policyholder Equity Interests in CML will be discharged and extinguished under the Plan. In addition, the Plan will not impair CML’s obligations to other contractual creditors as all creditor claims will continue to be paid in the ordinary course. Thus, JAB’s Contribution to CML and CLIC is critical to enabling the companies to honor their ongoing payment obligations to policyholders and creditors. In the absence of the Proposed Transaction, CML would have no likely path to recovering its financial health.

2. Sale of CML’s Shares in Exchange for the Contribution

At closing of the Proposed Transaction under the Plan, CML will issue shares of CML to JAB in return for the Contribution of at least \$100 million to CML and CLIC. Of that amount, approximately \$90 million is expected to be contributed to CML and \$10 million to CLIC with the purpose of restoring both companies to financial health.¹⁰ Specifically, following the Contribution, both CML and CLIC should each report a minimum surplus equal to or greater than eight percent (8%) of each company’s reported reserves, which is expected to satisfy the regulatory requirements of New York and Illinois.

3. Conditions to Closing the Proposed Transaction

The parties seek to engage in a number of steps to effectuate the Proposed Transaction and close the Rehabilitation Proceeding. These steps will require, among other things, the following:

- Court Approval Orders: This Court must enter an order approving the Plan for CML under Section 7403(d) of the Insurance Law (“Plan Approval Order”), and the Illinois Court must enter an order approving the process for the

¹⁰ These allocation percentages are subject to change based on the capital requirements of each company.

termination of the Illinois rehabilitation proceeding under 215 ILCS 5/192(6) (“Illinois Order”), in each case substantially in the forms attached to the Transaction Agreement;

- Regulatory Approvals: JAB must obtain the NY Section 1506 Approval by NYSDFS for CML, the Form A Ill. Approval by the IDOI for CLIC, and such other regulatory approvals as may be required;
- Permitted Practices Approvals: The Proposed Transaction requires both NYSDFS and IDOI to agree to certain permitted or prescribed accounting practices intended to support and stabilize the statutory capital profile of both CML and CLIC (the “Permitted Practices”). The approval of Permitted Practices will be addressed in each state’s respective regulatory approval process;
- Investment Manager Determination: The Proposed Transaction requires both the NYSDFS and IDOI to agree to certain terms sought by JAB concerning a specified investment manager; and
- Closing: A closing will be scheduled upon the entry of the Plan Approval Order and Illinois Order and the satisfaction of closing conditions set forth in the Transaction Agreement. Following closing, the CML Rehabilitator will move to terminate the CML Rehabilitation Proceeding.

4. CML’s Resumption of Business

Following closing of the Proposed Transaction, CML will continue to maintain a minimum surplus of at least eight percent (8%) of reported reserves until the earlier of seven years or when

it takes its first dividend. To support this commitment, JAB will enter into a capital maintenance agreement with CML as part of the Proposed Transaction.

Post-closing, JAB will appoint a board of directors and executive management team and has committed to maintaining CML's offices within the State of New York and within 50 miles of its current office in the Triple Cities region of New York for three years.

**The Plan and the Proposed Transaction are in
the Best Interests of CML's Policyholders and Other Stakeholders**

**1. The Legal Standard for Determining Whether a Rehabilitation Plan is in
Creditors' Best Interests**

Section 7403(a) of the Insurance Law directs the rehabilitator of a domestic insurer to "conduct the business thereof, and to take such steps toward the removal of the causes and conditions which have made such proceeding necessary as the court shall direct." In furtherance of this goal, New York courts have recognized the power of the rehabilitator to propose a sale and/or restructuring of the insurer's business and obligations in connection with an Article 74 rehabilitation plan.

In Matter of People (National Sur. Co.), 239 A.D. 490 (1st Dep't 1933), aff'd, 264 N.Y. 473 (1934) ("National Surety"), the First Department, Appellate Division, discussed the rehabilitator's plan to reorganize National Surety, a New York insurer, by forming a new corporation to assume the insurer's future losses on unexpired surety bonds while creating a second corporation to assume mature claims of existing creditors on surety claims and future claims for losses on mortgage guarantees. A creditor objected to the reorganization of National Surety, claiming that it was injured by the proposed novation of its policy, without consent, that transferred its claim to a lesser capitalized insurer.

In upholding the rehabilitator’s plan, the court quoted at length from Governor Charles Evan Hughes, who delivered a message to the Legislature in 1909 in connection with the enactment of Section 63 of the Insurance Law, establishing the modern insurance receivership system in New York. He stated the new law would:

[m]ake proper provision that the superintendent of the appropriate department, where the corporation is delinquent or the interests of depositors or policyholders are in jeopardy, may at once take possession of the property of the corporation and assume charge of its affairs, so that he may be in a position to conserve its assets and take such steps as will prevent unnecessary waste or spoliation.

* * *

The protection ... is not complete unless the Superintendent is in a position, in times of emergency, at once to take custody for the purposes of conservation, and ample authority for this purpose should be afforded.

The Court added: “Instead of the word ‘rehabilitation,’ Governor Hughes referred to ‘conservation’ to ‘save a corporation from ruin and make easy the resumption of business under proper safeguards.’” 238 A.D. at 494-95. The court concluded:

To carry out such a plan it may be necessary to sell the assets or to transfer certain personal property. Such a course has been held proper when it best serves the interests of the creditors and is for their protection.

238 A.D. at 497.

Following National Surety, in Neblett v. Carpenter, 305 U.S. 297 (1938), the U.S. Supreme Court affirmed a rehabilitation plan upheld by the California Supreme Court that reformed the obligations of certain policyholders, stating “the contract of the policyholder is subject to the reasonable exercise of the state’s police power.” Neblett, 305 U.S. at 304 (quoting Carpenter v. Pac. Mut. Life Ins. Co. of Cal., 10 Cal.2d 307, 328 (1937)). The Supreme Court held that such a plan may be upheld provided that it is fair and equitable, does not discriminate unfairly

or illegally in favor of any class of creditor, “and that, if the old company were dissolved and its assets sold, their value would be substantially less than the amount which will be realized from them under the plan.” Id. This test, known today as the “Best Interests of Creditors Test,” provides that a rehabilitation plan may be confirmed if creditors receive at least as much value under a reorganization plan as they would receive if the debtor’s assets were sold in a liquidation proceeding.

In numerous instances, New York courts have upheld the rehabilitator’s restructuring powers and approved rehabilitation plans that meet this legal standard. See, e.g., Matter of Exec. Life Ins. Co. of N.Y., 103 A.D.3d 631, 633 (2d Dep’t), leave den’d, 21 N.Y.3d 854 (2013) (affirming receiver’s plan to restructure and transfer annuities without policyholder consent to a newly established entity resulting in greater benefits for most policyholders than would have been afforded by a straight statutory liquidation proceeding); Matter of Fin. Guar. Ins. Co., Index No. 401265/2012 (N.Y. Sup. Ct., N.Y. Cnty. Jun. 13, 2013) (approving rehabilitator’s plan to restructure financial guaranty policies, finding that the plan was in the best interests of creditors and that the relief provided policyholders, creditors and other claimants at least what they would expect to have received had Financial Guaranty Insurance Company been subject to a liquidation) (attached hereto as part of Exhibit G); Matter of Interboro Mut. Indem. Ins. Co., Index No. 003808/04 (NY Sup. Ct., Nassau Cnty. Feb. 1, 2007) (approving demutualization and sale of Interboro Mutual Indemnity Insurance Company as part of a rehabilitation plan) (attached hereto as part of Exhibit G).

2. The Plan and the Best Interests of Creditors Test

Section 7435 of the Insurance Law sets forth the priority scheme for distributions of claims from the assets of a life insurer in a liquidation proceeding. All claims in each class must

be paid in full before members of the next class receive any payment. Claims under insurance policies, including reimbursement claims of the state guaranty associations for payment of policyholder claims, are class four priority claims, and therefore they would only be paid after paying all higher priority claims (i.e., classes one through three) in full. Government claims (class five), general creditor claims (class six), and surplus notes claims (class seven) all must also be paid in full before claims relating to the Equity Interests of Policyholders (class eight), which are the last and lowest priority.¹¹

Here, NYSDFS retained Matczak to conduct a review of CML’s year-end 2024 CFT methodology, assumptions, projections and results. In a report dated June 27, 2025, documenting the results of the review of CML’s year-end 2024 CFT models, assumptions and projections under multiple scenarios, Matczak concluded that the Company’s reserves were understated in 2024 by \$51 million.¹² (The reduction in the understatement of reserves from \$104 million at year-end 2023 to \$51 million at year-end 2024 was reconciled by Matczak and found to be attributable to changes in modeling methodologies utilized by CML that Matczak concluded were reasonable and acceptable.) Upon reviewing the report, CML posted half of this amount (i.e., \$25.5 million) to its reserves in its 2024 Annual Financial Statement, which had not yet been finalized. However, CML is still required to post the second half to its reserves, an additional \$25.5 million (the “YE 2025 Reserve Adjustment”), in 2025, which will be reported in its 2025 Annual Financial Statement. Based on CML’s Quarterly Financial Statement 3rd Quarter 2025, which shows a surplus of \$18.3 million, it is anticipated that the YE 2025 Reserve Adjustment will place CML in

¹¹ Certain priorities under section 7435 of the Insurance Law would potentially need to be reordered to make the statute consistent with the U.S. Supreme Court’s decision in Department of Treasury v. Fabe, 508 U.S. 491 (1993).

¹² A copy of the June 27, 2025 Matczak Consulting L.L.C. - Review of Year-End 2024 Cash Flow Testing Columbian Mutual Life Insurance Company in Rehabilitation (“2025 Matczak Report”) is annexed hereto as Exhibit H.

an impaired or negative surplus position for its year-end 2025 Annual Financial Statement and following quarters.¹³

Given CML's impaired surplus, there would likely be insufficient assets to fully pay class four insurance policy claims held by Policyholders in a potential liquidation. Under the state guaranty fund system, every U.S. State, Puerto Rico and the District of Columbia have established guaranty associations to cover claims under life insurance policies issued by insolvent insurers up to a statutory limit.¹⁴ New York has one of the highest limits at \$500,000 in life insurance benefits in the aggregate for any one life.¹⁵ Reimbursement claims of the guaranty associations are class four claims in a liquidation proceeding. To the extent a Policyholder's benefit is in excess of the statutory limit ("Overcap Claim"), that Overcap Claim is also classified as a class four claim. As of September 30, 2025, the Rehabilitator estimates that there are approximately 65 CML policies with potential Overcap Claims with a total face amount of \$47.1 million. The guaranty associations would cover approximately \$26.6 million of that amount, leaving approximately \$20.5 million in Overcap Claims that would have to be paid directly out of CML's assets. However, given CML's impaired surplus, it is unlikely there would be sufficient funds to cover the Overcap Claims. Thus, there is substantial risk that, absent approval and implementation of the Plan, not all Policyholders would be paid in full, whereas under the Plan the Policyholders' benefit claims can be satisfied and discharged, and therefore the Plan satisfies the Best Interests of

¹³ CML's most recent financial filing dated September 30, 2025 (relevant excerpts of which are annexed hereto as Exhibit I), reported surplus at \$18.3 million. If the \$25.5 million in additional reserves were added, the surplus would be negative \$7.2 million. In addition, CML's auditor is nearing completion of its Independent Auditors' Report on CML's 2024 Annual Financial Statement, and has preliminarily reported that CML's reserves may have been understated by an additional \$9.2 million, which would further impair surplus if this adjustment to reserves were required.

¹⁴ The statutory limit varies according to each state's enabling laws. The National Organization of Life & Health Insurance Guaranty Associations maintains a website that provides information on the state guaranty fund system and the benefit limits available in each state, available at www.nolhga.com.

¹⁵ See Section 7708(a)(2) of Insurance Law.

Creditors Test because Policyholders will receive greater benefits under the Plan than they would in liquidation.

Similarly, given CML’s impaired surplus, lower priority creditors, such as class six general creditors, are not likely to be paid in full in liquidation. By contrast, under the Plan and the Proposed Transaction, all creditors would be paid in the ordinary course and would therefore receive a better outcome than they would in liquidation.

Finally, with respect to class eight claims on account of Equity Interests, there would not be sufficient funds in liquidation to make distributions. Equity Interest claims are paid only out of surplus. However, due to its financial impairment, CML last paid a dividend of \$3 million to Policyholders in 2020, when the surplus was reported to be \$60.6 million. CML has not declared a dividend since that time.¹⁶ Below is a chart displaying the last five years of CML’s surplus and dividend history:

Year	2020	2021	2022	2023	2024
Surplus	\$60.6 million	\$77.1 million	\$40.0 million	\$29.2 million	\$2.0 million
Dividend	\$3.0 million	\$0	\$0	\$0	\$0

As noted above, after accounting for the YE 2025 Reserve Adjustment that will be booked in the 2025 Annual Financial Statement, CML is projected to post a negative surplus for 2025, meaning there would be no surplus funds available to reach the eighth priority class of Equity Interests. All other claims in the statutory liquidation waterfall, including administrative and other expenses of the liquidation, Policyholder benefits (including reimbursement claims), government claims and all vendor and contractual claims, have a higher priority and must receive full payment

¹⁶ Under § 4219(a)(1) of the Insurance Law, New York domestic mutual life insurers are not required to make distributions unless the company’s surplus exceeds certain statutory thresholds, including that amount that is equal to ten percent of its policy reserves and policy liabilities.

of their claims in accordance with the priority scheme before any distributions could be made for Equity Interests. Therefore, under the Plan, holders of CML’s Equity Interests will receive at least as much value as they would if CML were liquidated.

Even assuming a positive surplus figure after accounting for the YE 2025 Reserve Adjustment, it is unlikely there would be sufficient assets to sustain the operations of CML in liquidation over an extended period of time. In 2023, CML’s Annual Statement reflected an operating loss of \$8.3 million on a cash basis, meaning the Company was unable to generate enough cash to support its operations for 2023. In 2024, CML reported an operating loss of \$8.0 million on a cash basis, again not generating sufficient cash to meet its operations needs for 2024. In both 2023 and 2024, CML was required to sell its existing investments to raise cash to support its operations. This trend is not expected to improve without a capital infusion.

The liquidation of CML would also have a substantial adverse impact on CLIC. CML and CLIC are parties to a reinsurance agreement (“Reinsurance Agreement”) under which CML reinsures 80 percent of certain CLIC policies on a first dollar quota share basis.¹⁷ If CML entered liquidation, this would cause CLIC to non-admit approximately \$500,000,000 in reinsurance coverage, which would render CLIC immediately insolvent, forcing it into liquidation. The unwinding and ultimate payout under the Reinsurance Agreement could take years to resolve, adding additional strain to CLIC's policyholders and the guaranty association system as well as to CML itself.

¹⁷ The Reinsurance Association of America (“RAA”) defines quota share reinsurance as “[a] form of pro rata reinsurance (or proportional reinsurance) indemnifying the ceding company for an established percentage of loss on each risk covered in the contract in consideration of the same percentage of the premium paid to the ceding company.” See Glossary of Reinsurance Terms, RAA website, available at <https://www.reinsurance.org/RAA/RAA/About-the-RAA/Glossary/Glossary%20of%20Reinsurance%20Terms.aspx> (last visited Dec. 2, 2025).

In sum, even if CML were placed into liquidation and continued to run off its existing claims, the Company is not projected to generate sufficient cashflow to pay claims as they mature in the ordinary course. Accordingly, Policyholders and other creditors have no realistic expectation of receiving distributions in full in a liquidation, and Policyholders have no expectation of receiving any distributions for their Equity Interests because CML’s surplus will continue to remain impaired. Thus, the Plan is in the best interests of CML’s creditors and provides as good or better outcomes than they would receive if CML were placed into liquidation.

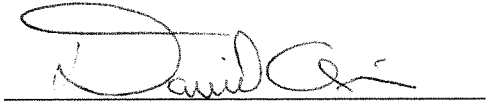
3. Additional Support for the Proposed Transaction

In addition to avoiding liquidation, the Proposed Transaction is beneficial to CML and its stakeholders for other important reasons. JAB represents a solid business partner for CML. JAB’s corporate parent, JAB Holding Company (“JHC”), manages over \$70 billion in assets through its affiliates, including \$30 billion in life insurance assets and \$40 billion in consumer goods and services. These holdings include Prosperity Life Group, a writer of annuities with over \$25 billion of assets. JHC’s other life insurers will provide partnership opportunities for CML to provide services across the platform in annuities and life products. JHC is a long-term holder of companies. Its continuity and longevity of ownership are key features in the life insurance industry where policyholder benefits mature over long periods. Lastly, JAB has committed to maintaining a business presence in the Triple Cities, New York region for three years post-closing. For these reasons, the Proposed Transaction is expected to bring stability to CML’s business.

Relief Requested

WHEREFORE, it is respectfully requested that the relief sought in the Plan Approval Order annexed as Exhibit A to the accompanying Affirmation of Stephanie Blattmachr be granted and entered.

December 12, 2025



David Axinn
Special Deputy Superintendent
And Agent of the Rehabilitator