



July 30, 2014

Honorable Mr. Benjamin M. Lawskey,
State of New York
Superintendent of Financial Services
One State Street
New York, NY 10004

RE: Plan for demutualization of SBLI USA Mutual Life Insurance Company, "SBLI USA"

Dear Sir:

As a policyholder of SBLI USA, I recently received documents, "*the Plan*", pertaining to the proposed demutualization of SBLI USA. According to the Plan, following a public hearing and New York Law, your Office, in general terms, may approve the Plan after consideration of the reasons and purposes of the Plan, whether it is fair and equitable to the policyholders of SBLI USA, not detrimental to the public, and that after the demutualization, SBLI USA will have an amount of capital and surplus that your Office deems reasonably necessary for its future solvency.

As I understand the Plan, demutualization of SBLI USA would basically be accomplished by a cash consideration of \$7.5 million, ultimately used to become a part of a Policyholder Consideration, including an additional \$28.5 million to be obtained from a source not specifically identified. Another \$4 million is to reimburse transaction costs. The "...fairness opinion from a financial point of view..." comments that no amount of the foregoing \$36 million will be paid out of the existing surplus of SBLI USA. However, \$90 million of policyholder surplus does appear to move from a mutual management corporation to a shareholder controlled entity for an apparent consideration of \$40 million, with no surplus gain.

The Plan indicates that the Directors of SBLI USA are recommending policyholder approval of the Plan on the basis that it is fair and equitable, and that generally the Directors of SBLI USA gave consideration to the long term prospects of SBLI USA so as SBLI USA might remain a viable, competitive life insurance writing entity. I guess my question is, just how is the policyholder surplus of SBLI USA being enhanced by the Plan to support additional underwriting.

Should demutualization of SBLI USA not occur, the policyholder surplus of SBLI USA may be subject to the cost of either, expenses realized by the acquiring entity, or a fee for the termination of the Merger Agreement.

With the formation of SBLI USA in 2000, the Plan reports that the separate historical experience of the various policy classes of the different insurance departments of the

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Savings Bank Life Insurance systems were not maintained by SBLI USA. As SBLI USA discontinued writing business in June, 2010, it is reasonable to accept that all prior and existing in-force policies have contributed to the existing policyholders surplus of SBLI USA. It would seem that SBLI USA should be able to identify the face amount of its in-force participating and non-participating policies along with associated accumulations and reserves against such policies so that an acceptable and appropriate ratio of total assets pertaining to the "Closed Block" policies can be calculated. SBLI USA provides me an annual statement of my policy's face value, cash value, accumulations and interest.

In any case, a "Closed Block" asset calculation and Policyholder Consideration is not what causes me concern over the Plan, but rather the preservation of policyholder surplus to meet the obligations of existing SBLI USA's in-force policies before being used to support a different corporate shareholder investment, underwriting and management incentive. Can the Plan ultimately be fair and equitable to the policyholders of SBLI USA and not detrimental to the public if no additional capital funds are infused or retained so as to enable SBLI USA to become a viable and competitive life insurance underwriter as expressed by SBLI USA's own Directors?

Respectfully submitted,


Philip J. Smith