Written statement to the New York State Department of Financial Services, Public Affairs office concerning the SBLI USA Mutual Life Insurance Company, Inc. Plan of Reorganization To Convert From A Mutual Company To A Stock Company.

My name is Henry L. Lichtenstein and I reside at [redacted] with my wife Pamela H. Pataky. I am semi-retired 30-year plus financial professional, commodity futures broker, currently a member of the Commodity Exchange Inc. and past member of the New York Mercantile Exchange and the Kansas City Board of Trade with an unblemished regulatory record. I have been a strong exponent and believer in the mutual insurance company concept and I have been a SBLI policy owner for what I believe is 50 years, but at least for 48 years. In 1964 my farther had me take out a $10,000 term life policy when I was 14 years old, not sure exactly since I don't have perfect records but no later than 1966. I turned this policy for a $20,000 term life policy at some point in the early 1980s when my wife, Pamela took out a $20,000 term life policy shortly after our marriage in early 1982. Later in the mid-1980s and as soon as SBLI increased its maximum coverage to $50,000 my wife and I turned in our $20,000 policies into new $50,000 term life policies. Within a few years, SBLI again increased its maximum coverage limit and both my wife and I took out additional new $250,000 term life policies. In February and March 1996, all four of these policies were converted to WHOLE LIFE policies to be fully paid up in 20 annual premiums:

These policies are:
Henry L. Lichtenstein

1. $250,000 20 Payment Life Policy #[redacted] date of issue 02/26/96
   Annual premium $6,107.50 with Accidental Death Benefit annual premium of $205.00

2. $50,000 Life Paid-Up at 65 (exactly equivalent to 20 Payment Life given my age 45 at the date of the policy) Policy #[redacted] date of issue 02/27/96
   Annual premium $1,224.00 with Accidental Death Benefit annual premium of $82.00

Pamela H. Pataky

3. $250,000 20 Payment Life Policy #[redacted] date of issue 02/26/96
   Annual premium $4,797.50 with Accidental Death Benefit annual premium of 207.50

4. $50,000 20 Payment Life Policy #[redacted] date of issue 03/05/96
   Annual premium $962.00 with Accidental Death Benefit annual premium of $83.00

All four of these policies also had R-38A Waiver of Premium coverage which expired after we turned 60 years of age.

As you can see, my wife and I have had annual premium cost of **$13,668.50** (which excludes the premium cost of the R-38A Waiver of Premium) for the past 19 years.

In addition, since the 1980s, I have enthusiastically recommended SBLI to many friends and co-workers but not so after I noticed a precipitous decline in dividends beginning around 2004, and this decline in dividends was especially pronounced in my wife policies. The next year this decline of dividends was even more pronounced as was the variance between my policies and my wife's policy. This was so shocking to me that I attended the next annual meeting at SBLI USA headquarters in on W 34th St in was probably the 2005. I arrived a few minutes late and I believe I was the third policy holder to show up and the two previous arrivals had already left. I met with a large number of people that seems to include most of the senior management including the President but I am not sure if the head Actuary was in attendance. I questioned them about the dividend cuts, and specifically about the very drastic cuts on my wife's policies. I was shocked to be informed that SBLI USA only invested in U.S. Treasury Bonds and as their portfolio matured and as premium income was being invested, the yield from the new bond purchased were declining due to the very low interest being then available from U.S. Treasuries. I questioned them as to why they did not diversify their investment into stock and real estate as did most other insurance companies and did not receive a satisfactory answer. Nor did they answer direct questions concerning the reason for the even greater decline in my wife's policies dividends than was already a drastic decline in dividend in my policies. I also questioned their continued solvency and was told that they continued to hold the highest rating.

A few months ago, I again attended the 2014 annual meeting of policy holders and I arrived 7 minutes late. The annual meeting had already adjourned. I insisted on speaking with somebody and Mr. James Machovsky, Senior Vice President, Marketing and Sales Operations spoke with me as did Anya Sanger about a question I had about premium. At this time I mentioned to Mr. Machovsky the concerns I raised at the annual meeting I previously attended and he assured me that their investment portfolio was now managed by outside professionally managers and that it was doing "very well". No mention of SBLI USA losing its rating or of its impending sale was made. Neither was mention of any investment losses in mortgage backed securities as later become evident at the August 21, 2014 hearing. I then went to vote for the unopposed slate of directors and I registered what I believe was the third vote in person that day. There was evident a box of mailed in ballots of what I believed was, at most, several dozen ballots, of which a few were fedexed, which I commented on to the SBLI employee who took my ballot.

My conclusions after my 50 year of experience with SBLI, and upon reading the SBLI USA Mutual Life Insurance Company, Inc. Policyholder Information Booklet dated July 18, 2014 and attendance of Public Hearing at One State Street on August 21, 2014 where I gave oral testimony and reserved the right to submit this additional written information, are:

1. This was a mismanaged company that had more than 20 years to adjust to low interest rates and failed miserably to do so, even though the bulk of the insurance industry successfully did so.

2. To reward their incompetency by allowing the senior management of this company to negotiate its sale which would include their continued employment would be an injustice and materially harm the owners of this mutual insurance company.
3. The proposed sale price at less than book value is unfair to the owners of the mutual insurance company.
4. If the "Closed Block" does not contain all of the assets of company, you should be asking, "Why Not?" and "Where are these assets going?"
5. The Consideration formula is does injustice to the term "down and dirty" and is inexcusably lazy despite the fact that not all the records exist. They certainly know the date of issue of each and every policy as well as the amount of insurance and the type of policy and the annual premium. Therefore, they could easily assign a point value for term policies, a higher value for whole life polices and then assign values for each year that each policy has been in effect and then use the total of points to for each policy to determine share of ownership and thus the consideration to be paid to each policy holder for each policy they own. This could easily be accomplished for far less the millions of dollars that the management and their consultants have suggested would be the cost of establishing complete records. Obviously, I feel my and my wife's personal financial commitment to SBLI USA would be much greater than average and thus would be materially harmed if our ownership interest would be compensated the same as someone who purchased a small term life policy in the last years that SBLI was still writing such policies. Furthermore, I must object to the SBLI Chief Actuary's testimony at the hearing, to the effect that what the policy owners were primarily forgoing in the ownership rights in this mutual insurance company was the right to vote for the board of directors, a right that was rarely exercised, even by such an interested and vested policy owner such as myself. I object also to the fact that he neglected to realize that the policy owners own the entire company including all assets, since it is a mutual company.

Therefore, I urgently recommend that the state of New York State Department of Financial Services reject the proposed demutualization of SBLI USA because of the patent unfairness to the plan's terms and conditions and instead place the company into receivership in order to protect the interests of its policy holders. I would hope that the Superintendent of Financial Services of the State of the New York would then arrange an appropriate reorganization or sale or merger of SBLI USA, preferable keeping it as mutual insurance company.

Henry L. Lichtenstein
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September 4, 2014