In the Matter of the Plan of Reorganization of SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC. and the Proposed Acquisition of Control of SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC. BY PROSPERITY LIFE INSURANCE GROUP, LLC	Written Statement of Ralph Meola **Dated: August 21, 2014**

WRITTEN STATEMENT OF RALPH MEOLA

My name is Ralph Meola. I am the Senior Vice President and Chief Actuary of SBLI USA Mutual Life Insurance Company, Inc. ("SBLI USA" or the "Company"). I joined SBLI USA in 1999 as Chief Actuary under the previous management team and have held this position ever since. I have been working as an actuary for nearly 40 years. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I hold a degree in mathematics from Montclair State University.

I am submitting this written statement in support of SBLI USA's request that the Superintendent of the Department of Financial Services of the State of New York (the "Superintendent") approve the plan of reorganization of SBLI USA to convert from a mutual insurer to a stock insurer (the "Plan"), which was unanimously adopted by SBLI USA's Board of Directors (the "Board") on July 8, 2014. SBLI USA is seeking the Superintendent's approval of the Plan, which includes its demutualization and acquisition by Prosperity Life Insurance Group, LLC ("Prosperity").

SBLI USA retained an independent outside actuarial advisor, Milliman, Inc. ("Milliman"), to advise it in connection with actuarial matters related to the allocation of consideration to the policyholders eligible to receive consideration as part of the Plan ("Eligible Policyholders"), and whether or not the assets set aside to establish the closed block are adequate and appropriate to meet the objective of the closed block. A closed block is an accounting mechanism established as part of the Plan in accordance with statutory requirements to protect the reasonable dividend expectations of owners of SBLI USA's traditional dividend-paying individual life insurance policies (the "Closed Block"). During the course of this engagement with Milliman, I worked closely with Marc Slutzky and others at Milliman to provide policy information and assumptions needed by Milliman to complete their assigned work. This information included providing Milliman with SBLI USA's expected future cash flows from assets held by SBLI USA and SBLI USA's experience underlying its insurance business and the current policyholder dividends associated with that business.

Policyholder Dividends and the Closed Block

Premiums for insurance policies are set so that the cash flows from premium payments and investment earnings from the related assets are expected to be sufficient to cover all the cash flows required to pay guaranteed policy benefits, company expenses and contribute to company surplus. The surplus is needed to provide for future contingencies and company growth. Premiums for participating insurance policies are generally set with a degree of conservatism relative to anticipated experience with a focus on the adequacy of the premium.

Dividends are not guaranteed. Dividends arise if the actual company experience is more favorable than that which was assumed in setting the premiums, beyond the desired contribution to surplus. The amount of dividend is related to the amount of earnings beyond the desired contribution to surplus. If experience is favorable, dividends can be paid, if less favorable, less is available for dividends. If experience is very unfavorable, dividends may not be paid at all.

Company earnings may come from many sources but the principal sources arise from investment income in excess of that which is needed to cover guaranteed policy benefits, mortality results more favorable than that which was assumed in setting premiums and company expense relative to what was assumed in setting premiums.

The Closed Block has been established as part of the Plan to protect the reasonable dividend expectations of the policyholders with policies included in the Closed Block. Policies eligible to receive dividends will continue to be eligible and the Plan will not alter that.

The dividends used in connection with establishing the assets needed for funding the Closed Block were derived from the SBLI USA dividend scale applicable for calendar year 2013 that was approved by the Board and is the dividend scale currently in effect. This approach is consistent with the relevant actuarial standards of practice. In particular, the reasonable dividend expectations of policyholders in connection with a demutualization are defined in the applicable actuarial standards of practice as "[t]he expectation that the current dividend scale will be maintained if the experience underlying the current scale continues, and that the dividend scale will be adjusted appropriately if the experience changes." Similarly, the New York law governing demutualizations says, in part, that the assets of the closed block should be sufficient "to provide for current payable dividend scales, if the experience underlying such scales continues, and for appropriate adjustments in such scales if the experience changes." This treatment of payment of dividends is intended to ensure that dividends in the future will change only to reflect changes in the underlying experience.

One of the principal components of earnings is investment income earned in excess of interest needed to support guaranteed policy benefits. Most of SBLI USA's policies issued since 1985 have a guaranteed cash surrender value based on an interest rate of 4.75%. Since 1985, investment income earned on SBLI USA's investment portfolio has decreased significantly while corresponding guaranteed crediting rates on policies have remained fixed. As an example, in 1985, the average investment rate earned by SBLI USA's predecessor bank life insurance departments was approximately 9%. By 2006, SBLI USA's investment rate had dropped to 5.8% and by 2012, the rate had dropped further to 4.6%, which corresponds to the rate underlying the dividend scale declared for 2013. The decrease in investment rates described above is a key component of why dividends paid by SBLI USA have decreased since 1985.

This decline in rates earned on investments is not unique to SBLI USA. It is related to economic conditions and affects all insurance companies. US Treasury rates are at historical lows. The ten year treasury rate was over 11% early in 1985 and is less than 2.5% currently.

Thus, the use of the 2013 dividend scale in connection with the establishment of the Closed Block is reasonable in light of New York law, the actuarial guidance and the current earnings of SBLI USA.

If the Plan were not to be approved, dividends will continue to be dependent upon future economic conditions and Company experience. Additionally, without the approval of the Plan, policyholders will be subject to risk with respect to Company expenses. The expense per policy could increase materially without adequate growth in the future of SBLI USA. Under the Plan, the Closed Block is not required to pay for the amount of the general operating expenses of SBLI USA. The shareholders and not the policyholders bear the risk related to future expenses.

Allocation of Consideration to Eligible Policyholders

Under the Plan, Eligible Policyholders will receive in total $36 million of cash consideration in exchange for their membership interests in SBLI USA. The main membership interest that is extinguished is the right of policyholders to vote on the election of members of the Board of SBLI USA. In this regard, as a mutual insurer, each policyholder has one vote regardless of the number of policies they own, the size of the policies or the type of policy (whole life, endowment life, term life, annuity, etc.).

Under the Plan, each Eligible Policyholder will be allocated a fixed amount of consideration equal to $36 million divided by the number of Eligible Policyholders. SBLI USA estimates that each Eligible Policyholder will be entitled to receive approximately $190. The actual amount paid to each Eligible Policyholder may be higher or lower, depending on the number of Eligible Policyholders. The consideration paid to Eligible Policyholders will not vary based on policy year of issue, size of policy, type of insurance or other characteristics.

Other demutualizations have allocated consideration using only a fixed component of consideration per policyholder. Some other demutualizations have had both fixed and variable components. The variable component might vary by policy year of issue, size of policy, type of insurance or other characteristics. The formula for the variable component is developed to reflect the differing contributions to company value made by each policy, not simply the size of the benefits or cumulative premium.

To develop a variable component, SBLI USA would have had to first determine the relative contributions made by each policy to the Company value. This is typically done by building complex actuarial models. For very large company demutualizations, the cost of developing such models may be justified. However, with smaller company demutualizations, such as the case with SBLI USA, this cost is often substantial in relation to the amount of consideration to be distributed.

In addition, the development of a model to develop the relative contributions was not feasible for SBLI USA given the company's previous corporate structure. Before a reorganization that occurred in 2000, SBLI USA was a collection of life insurance departments in as many as 78 banks. Each bank had its own experience for investment income, persistency and expense. In addition, at times there were as many as five different dividend scales being used by the banks. Existing information regarding individual bank experience is very limited and is insufficient to develop an adequate picture of the profits by policy or product.

We concluded in consultation with our advisors that an allocation of a fixed component to each Eligible Policyholder would be a reasonable approach based on (1) the amount of total consideration relative to the number of Eligible Policyholders; (2) the reorganization of SBLI USA in 2000 and limited available data prior to that time; (3) the fact that other demutualizations have had only a fixed component; and (4) that policyholders are receiving compensation largely based on the loss of the right to vote for directors of a mutual insurer, in which a policyholder is only given one vote under the law and it does not vary by the number, amount or types of policies

We asked Mr. Slutzky if a fixed allocation would be fair and equitable given the unique facts and circumstances of SBLI USA. Mr. Slutzky concluded that a fixed allocation would indeed be fair and equitable and has provided an opinion to that effect. A copy of Mr. Slutzky's opinion is attached as Annex E to the Policyholder Information Booklet.

I, Ralph Meola, affirm that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Ralph Meola
Senior Vice President and Chief Actuary,
SBLI USA Mutual Life Insurance Company, Inc.