

<p>In the Matter of the Plan of Reorganization of SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC.</p> <p>and the Proposed Acquisition of Control of SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC. BY PROSPERITY LIFE INSURANCE GROUP, LLC</p>	<p>Written Statement of Marc Slutzky</p> <p>Dated: August 21, 2014</p>
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WRITTEN STATEMENT OF MARC SLUTZKY

My name is Marc Slutzky. I am a principal and consulting actuary at Milliman, Inc. (“Milliman”). Milliman has served as the independent outside actuarial advisor to SBLI USA Mutual Life Insurance Company, Inc. (“SBLI USA”) in connection with SBLI USA’s development of its plan of reorganization pursuant to Section 7312 of the New York Insurance Law (the “Plan”). I am, and have been, the Milliman principal responsible for that engagement. I have been working as an actuary for over 40 years and have been with Milliman for over 15 years. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I hold a degree in economics from Hobart College. Milliman and I personally have served as consultants to a number of insurance companies, regulators, and others with respect to various demutualization plans.

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.

SBLI USA retained 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 to provide an opinion on whether or not the assets set aside to establish the Closed Block (as described below) are adequate and appropriate to meet the objective of the Closed Block. During the course of our engagement, I, and other Milliman staff acting under my direction, received from SBLI USA extensive information concerning its past and present financial experience and the characteristics of its policies. This information included expected future cash flows from assets held by SBLI USA and SBLI USA’s experience underlying its insurance business. In all cases, we were provided with the information we required to the extent it was available, or could be developed from SBLI USA’s records. I have relied on this information, which was provided under the general direction of Ralph Meola, SBLI USA’s Senior Vice President and Chief Actuary. We did not independently verify this information. Where possible, however, Milliman reviewed the information, for general reasonableness, and in certain circumstances reconfirmed the data with SBLI USA.

As detailed in my actuarial opinion letters, I believe the actuarial aspects relating to the allocation of consideration to Eligible Policyholders under SBLI USA’s sponsored

demutualization are fair and equitable to SBLI USA's policyholders as required by Section 7312 of the New York Insurance Law. In addition, I believe that the establishment, funding and operation of the Closed Block is consistent with Section 7312 of the New York Insurance Law and is consistent with the objectives of the Closed Block.

The Plan calls for consideration to be paid to Eligible Policyholders, as defined in the Plan, in exchange for their membership interests in SBLI USA. Under a demutualization plan, the formula for allocating consideration among eligible policyholders depends on the specific circumstances and often consists of two parts: a fixed component and a variable component. The fixed component is distributed as an equal amount to each eligible policyholder, and the variable component, if any, is allocated in proportion to each policyholder's actuarial contribution (described below) to the value of the company.

SBLI USA is currently a mutual life insurance company organized under the laws of the State of New York. Based upon my understanding, it is the successor-in-interest to the former Savings Bank Life Insurance system ("SBLI"), and is the insurer with respect to all SBLI coverage previously issued by any New York savings bank that issued SBLI policies. Based upon my understanding, at one point, 78 New York savings banks were issuing SBLI policies. Through mergers and transfers of business, by 1999, there were 16 remaining savings banks with life insurance departments. In 1999, following the enactment of enabling legislation, the Savings Bank Life Insurance Fund and the remaining 16 separate life insurance departments of the banks, together known as the SBLI system, received the approval of the New York State Banking and Insurance Departments to form a single mutual life insurance company as of January 1, 2000, called the SBLI Mutual Life Insurance Company of New York, Inc. (effective April 12, 2000, the company's name was changed to SBLI USA Mutual Life Insurance Company, Inc.). Based upon my understanding, prior to the formation of SBLI USA, each of the separate life insurance departments managed its own asset portfolio and had its own financial experience. While premiums, cash values and reserve standards were uniform among the banks, policyholder dividends differed, and at one point there were as many as five different dividend scales in effect. In addition, some, but not all, of the bank insurance departments were required to hold additional reserves as a result of Asset Adequacy Analysis testing. However, the records of the historical financial experience of the various classes were not maintained subsequent to the formation of the mutual company. Such historical experience records would be needed to determine what contribution to historical surplus was made by the various classes ("actuarial contribution").

Based on my analysis, I concluded, among other things, that because records of the historical experience of the various classes of policies prior to the mutualization of SBLI USA no longer exist; because the aggregate size of the consideration to be distributed to Eligible Policyholders is small relative to the number of Eligible Policyholders; because the cost of equitably determining the actuarial contribution including costs associated with gathering all the data and addressing any post-mutualization data insufficiencies, relative to the amount to be distributed, is substantial; and for other reasons stated in the opinion, an allocation in the form solely of a fixed amount is fair and equitable to Eligible Policyholders. Eligible Policyholders will be entitled to receive an amount of cash equal to the portion of the policyholder consideration that has been allocated to each of them. Each Eligible Policyholder will be allocated an amount of consideration equal to \$36 million divided by the total 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, however, depending on the number of Eligible Policyholders. In prior demutualizations the fixed components allocated to each policy or policyholder have ranged from \$27 to over \$1,000, but have been most commonly in the range of \$100 to \$300. Therefore SBLI USA's allocation of all consideration to the fixed component, resulting in the allocation of a fixed component to each policyholder of approximately \$190, provides a fixed component that is consistent with the level in prior demutualizations. I have concluded that the distribution to each Eligible Policyholder under SBLI USA's Plan is consistent with applicable actuarial standards and is fair and equitable.

The second aspect of the Plan that I analyzed from an actuarial perspective is the establishment, funding and operation of the Closed Block. The Closed Block is an accounting mechanism established to protect the reasonable dividend expectations of owners of SBLI USA's traditional dividend-paying individual life insurance policies. The objective of the Closed Block is to provide reasonable assurances to owners of policies included in the Closed Block that the assets allocated to the Closed Block will be in an amount that produces cash flows which, together with anticipated revenue from the policies in the Closed Block, are expected to be sufficient to support such business including, but not limited to, provisions for payments of claims, certain expenses, and taxes associated with the Closed Block business and to provide for the continuation of 2013 dividend scales, if the experience underlying such dividend scales continues, and for appropriate adjustments in such dividend scales if that experience changes. The Closed Block funding level is based, among other things, on the assumption that the Closed Block will be able to maintain an investment return of approximately 4.6%, and on the mortality experience, persistency, and other assumptions underlying the 2013 dividend scale. However, the Closed Block does not guarantee a continuation of this dividend scale. The funding of the Closed Block provides for the continuation of the dividend scales payable in 2013 if the experience underlying such dividend scales continues, and for appropriate adjustments to future dividend scales (where such adjustments can be either increases or decreases) if the experience changes from that underlying the dividend scales payable in 2013.

The Plan also addresses certain types of individual participating policies and riders that have non-guaranteed elements that will not be in the Closed Block. The policies excluded from the Closed Block are generally those where the policyholder had no expectation of a payment of dividends or where the policyholder was eligible to receive dividends but the dividend payments with respect to the policy did not vary based upon the underlying experience of the policy. The Plan establishes alternative protections for these classes of policies. These protections are described in greater detail in the Plan.

I concluded that the method of funding the Closed Block is reasonable and consistent with the objectives of a closed block; that the assets allocated to the Closed Block are an amount that, together with anticipated future premiums from such business, is reasonably expected to be sufficient to support such business, including, but not limited to, provisions for payment of claims, certain expenses and taxes associated with the Closed Block policies and to provide for continuation of dividend scales in effect in 2013 if the experience underlying such dividend scales continues, and for appropriate adjustments in such dividend scales if the experience changes; and that the appropriate policies and contracts are included in the Closed Block and the appropriate policies are excluded from the Closed Block.

I delivered a statement of actuarial opinion to SBLI USA's Board of Directors on July 8, 2014, a copy of which has been filed with the Superintendent as part of the record of this proceeding. In summary, subject to the terms and conditions set forth therein, my opinion was essentially as follows: (1) that the Plan for allocating consideration to Eligible Policyholders is fair and equitable to SBLI USA's Eligible Policyholders; and (2) that the Plan makes appropriate provisions with regard to the establishment, funding and operations of the Closed Block and provides a vehicle to make appropriate adjustments to future policy dividends if the underlying experience changes. That continues to be my opinion today. Thank you for the opportunity to submit this written statement in support of SBLI USA's Plan.

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



Marc Slutzky
Principal and Consulting Actuary,
Milliman, Inc.