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| 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 | Supplemental Written Statement of Marc Slutzky Dated: August 26, 2014 |
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SUPPLEMENTAL WRITTEN STATEMENT OF MARC SLUTZKY

I submit this supplemental written statement in response to certain requests from the Department of Financial Services of the State of New York (the "Department") and to certain comments from members of the public at the August 21, 2014 public hearing regarding the plan of reorganization of SBLI USA Mutual Life Insurance Company, Inc. ("SBLI USA") to convert from a mutual insurer to a stock insurer (the "Plan"). I respectfully request that this supplemental statement be incorporated into the Department's record of proceedings.

The Department requested at the hearing that I provide additional information comparing SBLI USA to other companies that distributed solely a fixed consideration to members or policyholders. In the demutualization of Security Benefit Mutual Holding Company ("Security Benefit Life"), solely a fixed consideration was distributed to members. In the demutualization of Shenandoah Life, the distribution to policyholders was conditional on certain financial targets being met by the demutualized company, and had such targets been met, solely a fixed consideration would have been distributed to each policyholder; however, the targets were not met and there was no consideration distributed to the policyholders.

Table I attached shows comparative financial and other data comparing SBLI USA, Shenandoah Life and Security Benefit Life.

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.

Table I
SBLI USA Mutual Life Insurance Company
Comparative Data

| | <u>SBLI USA</u> | <u>Shenandoah Life</u> | <u>Security Benefit Life</u> |
|---|---|------------------------|---------------------------------|
| Form of Organization | Mutual Life Insurer | Mutual Life Insurer | Mutual Holding Company |
| Approximate Number of Eligible Members or Policyholders | 190,000 | 170,000 | 200,000 |
| Year of Actual or Proposed Demutualization | 2014 | 2012 | 2010 |
| Year Demutualization Plan Filed | 2014 | 2011 | 2010 |
| Assets at Year End Before Demutualization Plan Filed | \$1.5 billion | \$1.4 billion | \$9.2 billion |
| Surplus at Year End Before Demutualization Plan Filed | \$89 million | \$15 million* | \$103 million** |
| Consideration Per Member or Policyholder | \$190 | None | \$100 |
| Aggregate Consideration paid to Members or Policyholders | \$36 million | None | \$20 million |
| Financial Condition Prior to Demutualization | Normal Operations, but not selling new business | In Receivership | Normal Operations |
| Was Company Selling New Business? | Voluntarily Suspended Sales | New Business Suspended | Continuing to Sell New Business |
| Realized and Unrealized Capital Losses From 2008 to End of Year Prior to Filing of Demutualization Plan, Reported in Statutory Financial Statements | \$154 million | \$118 million | \$386 million |

* Shenandoah Life surplus makes no adjustment for the \$20 million of surplus notes, as they were redeemed for \$4 million as part of the demutualization. If the full amount of surplus notes were removed, reported surplus would be negative.

** Security Benefit Life surplus excludes \$149.7 million of surplus notes, and \$175 million of capital paid in subsequent to December 31, 2009.