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 Michael Akker **Dated: August 21, 2014**

WRITTEN STATEMENT OF MICHAEL AKKER

Introduction

My name is Michael Akker. I am the President and Chief Executive Officer of SBLI USA Mutual Life Insurance Company, Inc. ("SBLI USA" or the "Company"), as well as a member of its Board of Directors. I joined SBLI USA under its previous management team in 2001, serving as the Company's Vice President and Chief Internal Auditor, until my appointment as Vice President and Treasurer in 2003, and then as Senior Vice President, Strategic Planning and Investments. In December 2007, I was appointed Chief Operating Officer. On June 1, 2010, I became President and Chief Executive Officer. I hold a bachelor of science degree from Queens College, City University of New York and a master's degree in business administration from St. John's University. I am a certified fraud examiner, financial services auditor, and risk professional.

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 its plan of reorganization to convert from a mutual insurer to a stock insurer (the "Plan"), which was unanimously adopted by the Company's Board of Directors (the "Board") on July 8, 2014. SBLI USA is seeking the Superintendent's approval of its proposed sponsored demutualization, which includes its demutualization and acquisition by Prosperity Life Insurance Group, LLC ("Prosperity") pursuant to an Amended and Restated Merger Agreement, dated as of November 27, 2013, among SBLI USA, Prosperity, and subsidiaries owned by each of them (the "Merger Agreement"). In adopting the Plan, the Board determined that the Plan, including the transactions contemplated by the Plan and the Merger Agreement, is in the best interests of SBLI USA and its policyholders.

Background

SBLI USA is a New York mutual life insurance company headquartered in New York. SBLI USA began in 1939 as The Savings Banks Life Insurance System pursuant to an Act of the New York State Legislature. In 1940, that Act was amended to create a corporation called the Savings Bank Life Insurance Fund. Then, in 1998, due to changes in the financial services industry, legislation was enacted allowing the Savings Bank Life Insurance Fund to consolidate with sixteen separate insurance departments of issuing banks, creating a single mutual life insurance company. SBLI USA was incorporated on August 30, 1999 and was licensed to issue life insurance, annuities, and accident and health insurance on December 28, 1999. SBLI USA adopted its present name on April 12, 2000.

Prosperity is a life and annuity insurance holding company. Prosperity currently owns Shenandoah Life Insurance Company ("Shenandoah"), a Virginia domiciled life and annuity insurance company. Prosperity acquired Shenandoah from the Commissioner of Insurance of Virginia, acting as Deputy Receiver of Shenandoah, and facilitated Shenandoah's exit from receivership. Additional information about Prosperity is provided in the Written Statement of Matthew Popoli.

The Plan Should Be Approved By The Superintendent

Pursuant to Section 7312 of the New York Insurance Law, the Superintendent must approve the Plan if he finds that: 1) the Plan, in whole and in part, does not violate the New York Insurance Law; 2) the Plan is fair and equitable to the policyholders; 3) the Plan is not detrimental to the public; and 4) after giving effect to the Plan, SBLI USA will have an amount of capital and surplus the Superintendent deems to be reasonably necessary for its future solvency. The Plan meets each of these requirements.

First, after consultation with counsel, it is my understanding that the Plan does not violate the New York Insurance Law. Section 7312 of the New York Insurance Law governs the proposed demutualization of SBLI USA. The Plan meets the requirements set forth in that section. In addition, SBLI USA has undertaken the following steps required under Section 7312: secured the unanimous approval of the Plan by its Board; formally filed its Plan and related documents with the Superintendent; published a notice of public hearing; and distributed the Policyholder Information Booklet to voting policyholders.

Second, the Plan is fair and equitable to SBLI USA's policyholders. Policyholders eligible for consideration ("Eligible Policyholders") will be entitled to receive approximately \$190.00 each in exchange for their membership interests in SBLI USA. This represents a distribution to Eligible Policyholders of tangible economic value that they would not receive unless we demutualize. All of the funding for this payment to the Eligible Policyholders is being provided by Prosperity and its affiliates as a result of Prosperity's sponsorship of the demutualization. In a sponsored demutualization, in exchange for providing consideration to Eligible Policyholders, the sponsor rather than demutualizing company's members would receive the stock of the converted company.

The consideration paid to Eligible Policyholders under the Plan will be in addition to the coverage and benefits that our policies provide. Demutualization will not affect the validity of any policy, benefits, values, or guarantees. Dividend eligibility will not be reduced and policy premiums will not be increased in any way as a result of the Plan. Moreover, the Plan contains important features that provide additional safeguards for SBLI USA policyholders. For example, the Plan calls for the establishment of a closed block, which will ensure that the reasonable dividend expectations of SBLI USA's individual policyholders are met with respect to dividend-paying life insurance policies. The Plan also puts in place other protections with regard to non-guaranteed participating policies that will not be included in the closed block.

The unanimous decision by our Board to adopt the Plan was a result of a long-running review by the Board of SBLI USA's strategic options. The Board has been concerned that SBLI USA lacks scale and capital to compete effectively as a stand-alone mutual life insurance company. The Board weighed various alternatives to improve SBLI USA's competitive position and considers the sponsored demutualization proposed by Prosperity to be the best offer received.

As background, the Board considered a variety of options potentially available for the Company to remain competitive and independent, such as organic growth and growth through acquisitions and capital raising alternatives to fund that growth. However, organic growth and growth through acquisitions did not appear feasible given the amount of capital that would be required.

The Board also considered other strategic options that could enhance SBLI USA's competitive position and long-term prospects through affiliation with other parties, including pursuing a sponsored demutualization or a merger with another mutual company. The management of SBLI USA received inquiries from several parties about possible business combination transactions, and the Board retained several investment banks to solicit proposals from a wide range of companies. The Board engaged professional advisors in 2004, 2007, and 2009 to gauge interest from third parties in a potential investment in or potential business combination transaction with SBLI USA. In total, these financial advisors contacted more than 35 counterparties, but none of those contacts resulted in a transaction. In 2010, SBLI USA engaged a fourth financial adviser to evaluate four proposals relating to potential business combination transactions, but none of the proposals passed the preliminary stage. The financial advisor also contacted ten parties about a potential business combination transaction, but only one party proposed a transaction and SBLI USA and the counterparty could not reach an agreement on key terms.

In March 2012, Prosperity contacted SBLI USA with a proposal for a sponsored demutualization of SBLI USA. The proposal by Prosperity for a sponsored demutualization was the first potential investment or business combination transaction about which SBLI USA has been able to reach an agreement since it began to consider such transactions in 2004. The Board consulted extensively with senior management and with its advisers, and considered a number of factors in reaching its decision to approve the Merger Agreement and the Plan. Some of the factors, positive and negative, that the Board considered include:

1) the effect of SBLI USA's decision to cease writing new business on its credibility in the market and on SBLI USA's ability to raise capital to enable it to begin writing business again;

2) SBLI USA's financial condition and future prospects, the strategic direction of SBLI USA's business and its competitive position in various lines of business, which, when considered in their entirety, demonstrated the need to have access to additional capital;

3) the fact that no potential buyer had made a proposal to acquire or invest in SBLI USA on terms as favorable as those of the proposed sponsored demutualization, notwithstanding the extensive processes SBLI USA conducted;

4) the unlikelihood of obtaining a superior offer from a third party and the risk of losing the proposed transaction with Prosperity while continuing to seek a superior offer;

5) the belief of the Board that, after a thorough analysis of SBLI USA's prospects, the transaction offered the best alternative for SBLI USA;

6) the suitability of Prosperity as a financial and strategic partner for SBLI USA and its affiliates, including that Prosperity has experience with insurance acquisitions and employees with extensive knowledge of the insurance industry; and

7) the advice and opinions prepared by SBLI USA's advisors, including the financial analysis prepared by Sherman & Company LLC and the actuarial opinions of Marc Slutzky, a principal and consulting actuary of Milliman, Inc. Such advice and opinions are described in further detail in the Written Statement of Ronald Fry of Sherman & Company LLC and the Written Statement of Marc Slutzky.

Again, after careful consideration, our Board unanimously determined that the proposed sponsored demutualization is in the best interests of SBLI USA and its Policyholders.

In reaching the decision to demutualize, our Board was guided by one overriding concern – that the Plan be not only fair and equitable to policyholders, but in the best interests of our policyholders. Further details are provided in the Plan itself and related materials, which have been filed with the Department of Financial Services as part of the record, but I would like to emphasize several points about our Plan that illustrate why we believe it benefits our policyholders and is in their best interest.

Eligible Policyholders will be entitled to receive an amount of compensation in cash in exchange for their membership interests in SBLI USA, which represents an immediate economic benefit. All Eligible Policyholders will be allocated an equal amount of consideration, in the form of cash, which will be determined by dividing $36 million by the total number of Eligible Policyholders. Each Eligible Policyholder will be entitled to receive approximately $190.00. The actual amount may be higher or lower, however, depending on the number of Eligible Policyholders. This represents a distribution to our Eligible Policyholders of tangible economic value that they would not receive unless we demutualize.

The compensation paid under our Plan will be in addition to the coverage and benefits that our policies already provide. Demutualization will not increase policy premiums or contributions, and it will not diminish the benefits, values, policy guarantees, or dividend eligibility of any existing SBLI USA policy. In fact, the sponsored demutualization will help enhance SBLI USA by providing a financial and strategic partner in Prosperity that will enable the Company to sell insurance policies again, and strengthen its long-term prospects.

As is set forth in the Written Statement of Marc Slutzky, our Plan contains important features that provide additional safeguards for our policyholders. Our Plan calls for the establishment of a closed block to ensure that the reasonable dividend expectations of our individual policyholders are met with respect to dividend paying life insurance policies. It also puts in place other protections with regard to non-guaranteed participating policies that will be outside the closed block.

Third, the Plan is not detrimental to the public for a variety of reasons as discussed in this paragraph. Converting to a stock life insurance company will enable SBLI USA to increase its potential for long-term growth and financial strength in ways not available to it as a mutual company. Mutual insurers have a limited ability to raise capital because they can only do so through borrowing or through a sale of subsidiary stock or assets. In contrast, stock life insurance companies have an increased ability to raise capital and can use stock and securities to pay for acquisitions. After the demutualization, SBLI USA will focus on the underserved middle and low income New York consumers. This strategy will allow us to offer low-cost, affordable insurance to existing and new customers, the vast majority of whom are expected to be New York residents. SBLI USA will seek to leverage its existing marketing relationships with New York communities, New York-based banks that also have operations outside of New York, and Prosperity subsidiaries to expand its distribution channels. SBLI USA intends to sell insurance outside of New York using these channels in a cost effective way. Demutualization will enhance SBLI USA's potential to grow and offer the highest quality products and services.

Fourth, after the Plan is implemented, SBLI USA will have an amount of capital and surplus reasonably necessary for its future solvency and above the minimum capital and surplus requirements under the New York Insurance Law. Additionally, as the Written Statement of Ronald Fry and the fairness opinion of Sherman & Company LLC discuss in greater detail, undertaking a sponsored demutualization will allow SBLI USA to become part of a larger, well-capitalized entity that can restart sales and generate new cash flow streams.

Conclusion

Based on careful consideration of various elements of the Plan over the preceding months, on July 8, 2014, the Board unanimously adopted the Plan. After extensive analysis and consultation with independent financial, actuarial, legal, and other advisors, we strongly believe that the Plan is in the best interests of SBLI USA and that it is fair and equitable to our policyholders. As a result, the Board has recommended that our policyholders vote in favor of approving the Plan.

I am proud that the Board unanimously adopted the Plan. I share their belief that the conversion of the Company to a stock life insurance company and the acquisition by Prosperity is the best course of action for SBLI USA, that it is in the best interest of our policyholders, and that it is fair and equitable to our policyholders. For the reasons described herein and for the reasons described in other statements submitted on behalf of SBLI USA, we respectfully ask that the Plan be approved.

On behalf of SBLI USA, I would like to thank the Superintendent and his staff and advisors for the opportunity to submit this Written Statement, and for their hard work in connection with consideration of the Plan.

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

Michael Akker
President and Chief Executive Officer,
SBLI USA Mutual Life Insurance Company, Inc.