

<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>Supplemental Written Statement of Ralph Meola</p> <p>Dated: August 26, 2014</p>
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SUPPLEMENTAL WRITTEN STATEMENT OF RALPH MEOLA

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 about SBLI USA’s dividend scale, average dividend payments, and investment assumptions for each year since 2000, which was the year SBLI USA reorganized into a mutual insurer. The Department also requested that I provide additional information regarding SBLI USA’s surplus from the year 2000 forward. Table 1 attached provides the year-end surplus, net yield on invested assets, and average dividend per life insurance policy for calendar years 2000 through 2013. The net yield data illustrates the negative trend in investment earned rates that I described in my written and oral testimony to the Department. The yield in 2013 was 2.4% lower than the yield in 2000. With policy cash values slightly over \$1 billion, this decrease equates to \$24 million of lost revenue in 2013 relative to what might have been achieved if yields were still at calendar year 2000 levels.

The Department requested at the hearing that I provide the percentage of SBLI USA’s investments that are currently held in mortgage backed securities. Table 2 attached shows current values as of July 31, 2014, for SBLI USA’s holdings in commercial and residential non-agency mortgage backed securities.

Certain policyholders raised questions at the hearing regarding the closed block established pursuant to the Plan. As described in the Policyholder Information Booklet, a closed block is an accounting mechanism established as part of the Plan pursuant to statutory requirements to protect the reasonable dividend expectations of owners of SBLI USA’s traditional dividend-paying life insurance policies (the “Closed Block”).

The Closed Block assures that future dividends will change only due to changes in emerging experience and that any favorable experience will inure only to the benefit of the policyholders in the Closed Block. None of the assets, including the revenue therefrom, allocated to the Closed Block or subsequently acquired by the Closed Block will revert to the benefit of the shareholder of SBLI USA.

The Closed Block is funded such that the current dividend scale will continue if the experience underlying the current scale continues. Actual future dividends could be higher or lower than the current scale. If over time the experience of the Closed Block is more favorable than the assumptions underlying the dividend scale in effect in 2013, total dividend payments will be higher. If over time the experience of the Closed Block is less favorable than the assumptions underlying the dividend scales, total dividend payments will be lower. The existence of the Closed Block in no way restricts, limits, or reduces the benefits guaranteed by the existing insurance policies. All assets of SBLI USA continue to be available to support all liabilities of all policies, whether or not they are included in the Closed Block.

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.

Table 1
SBLI USA Mutual Life Insurance Company
Selected Financial Data on a Statutory Accounting Basis

Calendar Year	Year End Surplus (\$ in millions)	Net Yield on Invested Assets	Average Dividend per Life Policy
2000	\$120.6	6.7%	\$80.76
2001	132.3	6.7%	66.65
2002	123.1	6.1%	51.67
2003	120.1	4.8%	37.59
2004	119.8	5.1%	36.38
2005	119.2	5.3%	31.07
2006	123.7	5.8%	27.33
2007	129.5	5.7%	26.99
2008	122.8	5.5%	27.49
2009	113.1	5.3%	29.15
2010	64.5	5.1%	31.68
2011	76.4	4.9%	31.96
2012	81.3	4.6%	34.39
2013	89.0	4.3%	35.28

Table 2

July 31st, 2014 Residential and Commercial MBS (excluding agencies)

	Carry Value	% of Invested Assets	% of Total Assets
CMBS	\$ 87,300,293	5.93%	5.80%
RMBS	\$ 21,848,155	1.48%	1.45%
Home Equity	\$ 5,302,113	0.36%	0.35%
Total Structured Securities:	\$ 114,450,562	7.78%	7.61%

Invested Assets as of July 31, 2014 \$ 1,471,358,411
(Net Admitted)

Total Assets as of July 31, 2014 \$ 1,504,649,127
(Net Admitted)