NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SBLI USA LIFE INSURANCE COMPANY, INC.

CONDITION: DECEMBER 31, 2015

DATE OF REPORT: APRIL 17, 2017

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AS OF

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EXAMINER:	ANTHONY CHIAREL

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Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 8, 2017

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31432, dated February 10, 2016 and annexed hereto, an examination has been made into the condition and affairs of SBLI USA Life Insurance Company Inc., hereinafter referred to as "the Company," at its home office located at 100 West 33rd Street, New York, NY 10001.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material violation contained in this report is summarized below.

The Company violated Insurance Regulation No. 95, 11 NYCRR Section 86.4(d) by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim form. (See item 7C of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2016 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2011 through December 31, 2015. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2015 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

This examination was led by the State of New York with participation from the states of Virginia and Arizona. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2011 through 2015, by the accounting firm of Deloitte & Touché, LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department which was given the task of assessing the internal control structure of the holding company system.

The examiner reviewed the corrective actions taken by the Company with respect to the recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated on August 30, 1999, under the name SBLI USA Mutual Life Insurance Company, Inc. ("SBLI Mutual"), as a mutual life insurance company and commenced business on January 1, 2000. The Company is the successor to the Savings Bank Life Insurance Fund which was established by an Act of the Legislature, Chapter 471 of the Laws of 1938, which became effective on January 1, 1939 under Article X-A (later re-codified as Article IX-D) of the New York Insurance Law. Legislation was passed in 1998 by the New York State Legislature to allow the consolidation of the Life Insurance Departments of the Savings Bank Life Insurance System Issuing Banks ("Issuing Banks") and of the Savings Bank Life Insurance Fund ("Fund") into a single mutual life insurance company. A plan of conversion and transfer was submitted to the Issuing Banks, the Superintendent of Insurance and the Superintendent of Banks of the State of New York.

On June 30, 2010, SBLI Mutual voluntarily stopped accepting new business. However, it continued to administer its existing in force business, while reducing its workforce and consolidating its various offices.

In January 2013, a private equity group consisting of Reservoir Capital Partners, LP; Reservoir Capital Investment Partners, LP; Reservoir Capital Master Fund II, LP (collectively "Reservoir"), and Black Diamond Capital Partners I LP ("Black Diamond"), all Delaware limited partnerships controlled the Prosperity Life Insurance Group LLC. ("Prosperity"), a Delaware life insurance holding company, agreed to acquire the Company through a demutualization.

On October 8, 2014, the Plan of reorganization and the acquisition of the Company was approved by the Department whereby the Company converted from a mutual life insurance company to a stock life insurance company and the Company adopted its current name. Prior to conversion, the Company's shares were held by SBLI USA Holdings Inc. ("SBLI Holdings"). Prosperity and its affiliates, indirectly, funded $36 million necessary to purchase and redeem the shares held by SBLI Holdings in the form of a $7.5 million capital note issued to Shenandoah Life Insurance Company ("SLIC"), a wholly owned subsidiary of Prosperity, and purchased a portion of the shares held by SBLI Holdings. SBLI USA Acquisition LLC ("SBLI Acquisition") purchased the remaining shares of the Company held by SBLI Holdings for $28.5 million in cash.

The Company became a direct, wholly owned subsidiary of SBLI Acquisition which is 90.4% owned by Prosperity and 9.6% owned by SLIC. In December 2014, the Company re-entered the market place.

On April 8, 2015, SLIC transferred its interest in SBLI Acquisition to Prosperity. At December 31, 2015, Prosperity owned 100% of the SBLI Acquisition, which owns 100% of the common stock of the Company.

As of December 31, 2015the Company's capital and paid in and contributed surplus were, $2,280,000 and $26,220,000, respectively.

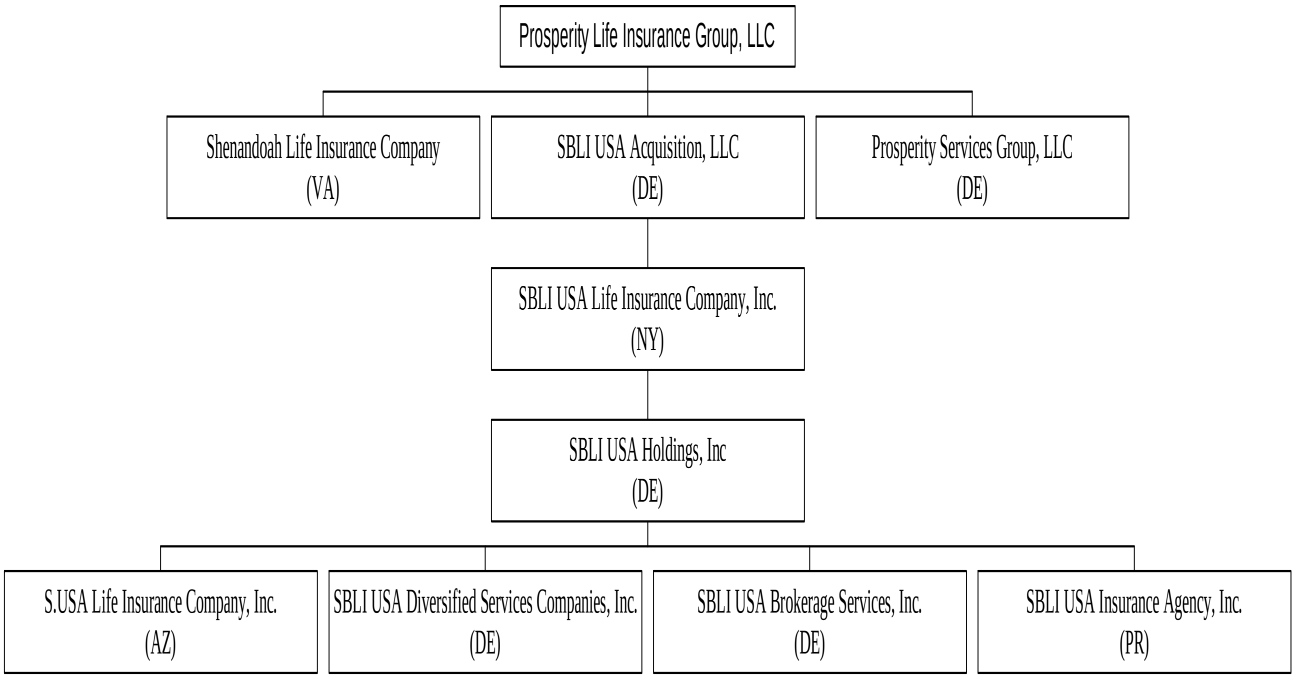
B. Holding Company

The Company is a wholly owned subsidiary of SBLI Acquisition, a Delaware corporation. SBLI Acquisition is in turn a wholly owned subsidiary of Prosperity, a private equity controlled life insurance holding company.

The Company wholly-owns SBLI Holdings, which in turn wholly-owns four subsidiaries; S. USA Life Insurance Company, Inc. ("S.USA"), an Arizona domestic life insurer, SBLI USA Diversified Services Companies, Inc.; SBLI USA Brokerage Services, Inc.; and SBLI USA Insurance Agency, Inc. S.USA has been active selling individual and group life insurance and individual and group accident and health insurance in 44 states and the District of Columbia during the examination period. SBLI USA Diversified Services Companies, Inc.; SBLI USA Brokerage Services, Inc.; and SBLI USA Insurance Agency, Inc. are inactive.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2015 follows:



D. Service Agreements

The Company had 3 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipients of Services	Specific Services Covered	Income/ (Expense)* For Each Year of the Examination
Service and Expense Allocation Agreement File No. 29579 1st Addendum 7/9/2001 2nd Addendum 7/15/2003	12/18/2000	The Company	SBLI Holdings, S.USA, SBLI Diversified Services, SBLI USA Brokerage Services, SBLI USA Insurance Agency	Office space, facilities, equipment, underwriting, claims, administration, etc.	2011 $373,267 2012 $274,770 2013 $255,474 2014 $193,429 2015 $178,000
Investment Advisory Agreement File No. 29579 1st Addendum, 7/15/2003 2nd Addendum 12/31/2003	12/18/2000	The Company	SBLI Holdings, S.USA, SBLI USA Insurance Agency	Investment Advisory	2011 $ 1,495 2012 $14,765 2013 $12,430 2014 $ 8,765 2015 $ 3,905
Service and Expense Agreement File No. 49868 1/26/15	1/12/2015	Prosperity Services Group, LLC	The Company	Facilities, equipment, and services of personnel, including management, underwriting, claims handling, clerical and administrative, information services, policyholder contact, accounting, premium collection, investment management, legal.	2011 $ 0 2012 $ 0 2013 $ 0 2014 $ 0 2015 $(11,746,000)

* Amount of Income or (Expense) Incurred by the Company

The Company participates in a federal tax allocation agreement with its parent and affiliates.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven and not more than 30 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in February/March of each year. As of December 31, 2015, the board of directors consisted of ten members. Meetings of the board are held quarterly.

The ten board members and their principal business affiliation, as of December 31, 2015, of the Company were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Michael Akker Mahopac, NY	President Prosperity Life Insurance Group, LLC	2007
Anurag Chandra New York, NY	Chairman and Chief Executive Officer Prosperity Life Insurance Group, LLC	2014
Heidi E. Hutter Austin, TX	Partner Black Diamond Capital Partners	2014
David Jefferson* Randolph, NJ	President and Chief Executive Officer JNET Communications	1999
Jose O. Montemayor Austin, TX	Partner Black Diamond Capital Partners	2014
Evelyn F. Murphy* Brookline, MA	President and Owner The Wage Project	2014
Matthew T. Popoli New York, NY	Partner, Senior Managing Director Reservoir Capital Group, LLC	2014
Zafar Rashid* Avon, CT	Self-Employed Risk Management Consultant	2014

Name and Residence	Principal Business Affiliation	Year First Elected
Ethel Grace Vandecruze* New York, NY	Founder, Principal and Managing Director Grace Global Capital	2014
Anthony Z. Xu New York, NY	Managing Director Reservoir Capital Group, LLC	2014

* Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2015:

Name	Title
Anurag Chandra	Chairman and Chief Executive Officer
Michael Akker	President
Robert M. Damante	Executive Vice President, Chief Financial Officer
Kathleen M. Kronau*	Senior Vice President, General Counsel & Secretary
Ralph Meola	Senior Vice President, Chief Actuary & Chief Risk Officer
Russell H. Johnson	Vice President, Internal Audit
Paul W. Moore	Vice President, Information Technology
Wade D. Key	Vice President, Mortgage Loans and Real Estate
Michal Ryduchowski	Vice President, Deputy Chief Actuary
Stephen G. Hilbish	Vice President, Investments
Subodh Kesri	Vice President, Corporate Development
Marcia T. Chrisley	Treasurer

* Designated consumer services officer per Insurance Regulation No. 64, 11 NYCRR Section 216.4(c)

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in 12 states, namely Illinois, Iowa, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Dakota, Vermont; and the Commonwealth of Puerto Rico. Policies are written on a participating basis.

In 2015, 84.7% of the premiums (life, accident and health premiums, and deposit type funds) were received from New York, 5.6% from New Jersey, and 1.2% from Pennsylvania. The majority of the direct premiums (98.4%) was for life insurance and the remaining 1.6% was equally distributed between accident and health and deposit-type contracts.

A. Statutory and Special Deposits

As of December 31, 2015, the Company had $ 4,600,000 (par value) on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As per confirmations received from the following states which were reported in Schedule E of the 2015 filed annual statement an additional, $2,536,214 was being held by the states of New Hampshire, North Carolina, and the Commonwealth of Puerto Rico.

B. Direct Operations

The products offered by the Company are 1, 10, 15, and 20 year Term Life, Senior Life, Simplified Issue Whole Life, Simple Issue Term, and Final Expense Insurance. The Company targets the middle to low cost market with modest face values. In 2015, 99% of direct business written was individual life. The Company writes policies on a participating basis.

The Company distributes its products through general agencies, agency/bank platforms, internal agents, and on an e-commerce basis. Through the e-commerce process, a consumer can explore the Company’s offerings on-line, and request an agent call-back. The Company had 968 licensed sales agents as of December 31, 2015.

C. Reinsurance

As of December 31, 2015, the Company had reinsurance treaties in effect with 12 companies, of which nine were authorized or accredited.

The Company's life and accident and health business is reinsured on a coinsurance, and or yearly renewable term basis. The maximum retention limit for the life and accident and health business is $250,000. Reinsurance is provided on an automatic and facultative basis.

The total face amount of life insurance ceded as of December 31, 2015, was $2,190,466,308 which represents 22.8% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2015, was $2,300,763,016.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2010	December 31, 2015	Increase (Decrease)
Admitted assets	$1,472,583,323	$1,518,751,794	$ 46,168,471
Liabilities	$1,408,062,857	$1,397,203,802	$(10,859,055)
Common capital stock	$ 0	$ 2,280,000	$ 2,280,000
Gross paid in and contributed surplus	0	26,220,000	26,220,000
Additional admitted DTA under SSAP 10R	3,081,146	0	(3,081,146)
Group Contingency Reserve	8,997,285	6,993,182	(2,004,103)
Unassigned funds (surplus)	52,442,035	86,054,810	33,612,775
Total capital and surplus	$ 64,520,466	$ 121,547,992	$ 57,027,526
Total liabilities, capital and surplus	$1,472,583,323	$1,518,751,794	$ 46,168,471

The Company's invested assets as of December 31, 2015, were mainly comprised of bonds (89.5%), and policy loans (6.6%). The majority (99.4%) of the Company's bond portfolio, as of December 31, 2015, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2011	$11,796	$2,898,743	$ 0	$3,437,245	$ 0	$3,459,633
2012	$10,155	$2,604,200	$ 1,000	$3,398,958	$ 4,593	$3,120,483
2013	$10,692	$2,719,116	$ 0	$2,983,436	$ 2,602	$2,831,424
2014	$ 9,233	$2,634,839	$ 700	$2,796,689	$ 2,442	$2,522,406
2015	$15,071	$2,560,535	$19,125	$2,619,140	$ 529	$2,106,251

The increase in the amount of individual whole life and term insurance issued is the result of the Company re-entering the marketplace in 2015.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2011	2012	2013	2014	2015
Ordinary:					
Life insurance	$11,271,844	$11,523,432	$ 6,221,583	$10,735,559	$10,999,356
Individual annuities	1,417,346	1,181,880	1,656,615	1,746,910	1,649,939
Supplementary contracts	41,471	42,240	39,184	9,722	89,172
Total ordinary	$12,730,661	$12,747,552	$ 7,917,382	$12,492,191	$12,738,467
Credit life	$ 1,408	$ 1,337	$ 2,102	$ 1,456	$ 1,391
Group Life	$ 7,386,542	$ 5,623,472	$ 5,887,857	$ 6,863,177	$ 2,870,217
Accident and health:					
Group	$ 112,561	$ 114,619	$ 73,855	$ 70,445	$ 74,000
Other	(21,483)	286,195	235,139	23,304	477,329
Total accident and health	$ 91,078	$ 400,814	$ 308,994	$ 93,749	$ 551,329
Total	$20,209,689	$18,773,175	$14,116,335	$19,450,573	$16,161,404

The decrease in the gain on ordinary life insurance from $11,523,432 in 2012 to $6,221,583 in 2013, is primarily due to a $1.0 million decrease in premiums, a $2.3 million decrease in net investment income and IMR, a $6.6 million increase in benefits paid to policyholders, and a $4.4 million decrease in reserves for the year.

The increase in the gain on ordinary life insurance from $6,221,583 in 2013 to $10,735,559 in 2014 is due to a $7.9 million decrease in benefits paid to policyholders, and a $2.0 million decrease in general expenses, primarily offset by a $2.2 million decrease in reserves and by a $2.3 million decrease in premiums.

The decrease in the gain on group life insurance from $6,863,177 in 2014 to $2,870,217 in 2015 is primarily due to a $2.8 million increase in benefits paid to policyholders, $0.4 million decrease in general expenses, $1.0 million decrease in premiums collected, $0.2 million decrease in reserves, and $0.3 million increase in federal income taxes.

The fluctuation on individual accident and health line of business during the period is primarily due to changes in benefits paid to policyholders.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2015, as contained in the Company's 2015 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2015 filed annual statement.

A. Independent Accountants

The firm of Deloitte & Touché. LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Deloitte & Touché, LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$ 1,329,698,988
Stocks:	
Preferred stocks	8,534,844
Common stocks	8,088,769
Real estate:	
Properties held for sale	4,114,364
Cash, cash equivalents and short term investments	14,827,105
Contract loans	97,415,276
Other invested assets	22,938,563
Receivable for securities	28,138
Investment income due and accrued	10,706,588
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(57,523)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	7,724,463
Reinsurance:	
Amounts recoverable from reinsurers	379,927
Other amounts receivable under reinsurance contracts	1,289,458
Current federal and foreign income tax recoverable and interest thereon	520,726
Net deferred tax asset	9,597,880
Guaranty funds receivable or on deposit	1,087,753
Receivables from parent, subsidiaries and affiliates	393,410
Unearned reinsurance ceded premiums	1,444,827
Receivable for 332 assessment	18,238
Total admitted assets	$ 1,518,751,794

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 1,162,352,311
Aggregate reserve for accident and health contracts	1,072,745
Liability for deposit-type contracts	117,589,933
Contract claims:	
Life	9,265,411
Accident and health	179,972
Policyholders' dividends and coupons due and unpaid	116,167
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	7,874,323
Premiums and annuity considerations for life and accident and health contracts received in advance	1,246,928
Contract liabilities not included elsewhere:	
Interest maintenance reserve	68,113,422
General expenses due or accrued	6,680,119
Taxes, licenses and fees due or accrued, excluding federal income taxes	152,960
Unearned investment income	2,547,689
Remittances and items not allocated	1,893,048
Miscellaneous liabilities:	
Asset valuation reserve	9,106,695
Reinsurance in unauthorized companies	190,273
Payable to parent, subsidiaries and affiliates	410,156
Capital notes and interest thereon	7,500,000
Group Contingency Reserve	911,650
Total liabilities	$ 1,397,203,802
Common capital stock	2,280,000
Aggregate write-ins for other than special surplus funds	6,993,182
Gross paid in and contributed surplus	26,220,000
Unassigned funds (surplus)	86,054,810
Surplus	$ 119,267,992
Total capital and surplus	$ 121,547,992
Total liabilities, capital and surplus	$ 1,518,751,794

D. Condensed Summary of Operations

	2011	2012	2013	2014	2015
Premiums and considerations	$ 72,532,727	$ 68,476,009	$ 65,738,883	$ 62,525,498	$ 59,940,553
Investment income	70,752,344	66,807,425	64,054,411	63,847,553	63,847,702
Commissions and reserve adjustments on reinsurance ceded	2,826,776	2,590,088	2,388,745	2,367,991	2,233,290
Miscellaneous income	613,079	401,119	2,232	(43,074)	(300,973)
Total income	$146,724,926	$138,274,641	$132,184,271	$128,697,968	$125,720,572
Benefit payments	$ 88,102,211	$ 87,817,301	$ 91,878,351	$ 81,840,285	$ 85,457,984
Increase in reserves	(2,560,609)	(6,882,115)	(11,267,499)	(8,857,077)	(9,551,488)
Commissions	614,951	543,559	528,132	501,287	523,768
General expenses and taxes	31,379,323	29,078,693	28,274,254	26,081,649	23,030,851
Increase in loading on deferred and uncollected premiums	(91,830)	(208,234)	(164,976)	(111,973)	(103,542)
Miscellaneous deductions	777,521	759,685	743,752	732,020	720,630
Total deductions	$118,221,567	$111,108,889	$109,992,014	$100,186,191	$100,078,203
Net gain	$ 28,503,359	$ 27,165,752	$ 22,192,257	$ 28,511,777	$ 25,642,369
Dividends	8,293,670	8,392,577	8,075,922	7,985,020	7,584,559
Federal and foreign income taxes incurred	0	0	0	1,076,184	1,896,406
Net gain (loss) from operations before net realized capital gains	$ 20,209,689	$ 18,773,175	$ 14,116,335	$ 19,450,573	$ 16,161,404
Net realized capital gains (losses)	(22,293,984)	(35,695,666)	(16,344,904)	(20,899,761)	(440,285)
Net income (loss)	$ (2,084,295)	$ (16,922,491)	$ (2,228,569)	$ (1,449,188)	$ 15,721,119

Premiums decreased from approximately $72.5 million in 2011 to $59.9 million in 2015 primarily due to the Company not accepting new business beginning June 30, 2010. After the demutualization of the Company was consummated in the fourth quarter of 2014, the Company began accepting new business.

The General expenses and taxes decreased from $31.4 million in 2011 to $23.0 million in 2015 due to the reduction in the Company's workforce, consolidation of the Company's offices and the integration efforts associated with the demutualization and the shared service agreements.

The net realized capital losses for the years 2011 through 2014 were the result of writing off or selling investments from losses that emanated in the financial crises of 2008 and 2009.

Net income increased from losses of $16.9 million in 2012 to a gain of $15.7 million in 2015 due to the reduction in net realized capital losses. The net capital losses realized for the years 2011 through 2014 were the results of either sales or write-offs of investment losses emanating from the financial crises of 2008 and 2009. In 2011 realized capital losses were $22.3 million which included $18.5 million other than temporary impairment, compared to $0.4 million realized capital losses in 2015.

E. Capital and Surplus Account

	2011	2012	2013	2014	2015
Capital and surplus, December 31, prior year	$64,520,466	$ 76,394,173	$81,265,293	$ 88,995,654	$102,198,255
Net income	$ (2,084,295)	$(16,922,491)	$(2,228,569)	$ (1,449,188)	$ 15,721,119
Change in net unrealized capital gains (losses)	13,269,903	23,663,015	15,127,000	22,561,693	3,628,453
Change in net deferred income tax	(2,130,180)	2,826,052	2,699,112	(13,645,231)	2,856,299
Change in non-admitted assets and related items	2,227,762	(3,163,221)	(6,586,343)	16,950,446	(130,318)
Change in liability for reinsurance in unauthorized companies	264,655	(85,367)	86,125	(7,865)	(151,865)
Change in asset valuation reserve	32,037	(1,331,526)	(1,351,687)	(3,264,729)	(3,158,752)
Capital changes:					
Paid in	0	0	0	2,280,000	0
Surplus adjustments:					
Paid in	0	0	0	26,220,000	0
Consideration paid to policyholders for interest in company	0	0	0	(36,000,000)	0
Misc. charge - post retirement benefit plans	0	(115,342)	182,000	(225,000)	170,000
Misc. charge - supplemental executive retirement plan	(111,425)	0	(197,276)	(217,525)	414,801
Additional admitted DTA under SSAP 10R	405,250	0	0	0	0
Net change in capital and surplus for the year	11,873,707	4,871,120	7,730,361	13,202,601	19,349,737
Capital and surplus, December 31, current year	$76,394,173	$ 81,265,293	$88,995,654	$102,198,255	$121,547,992

Net unrealized capital gains decreased from $13.2 million in 2011 to $3.6 million in 2015. In 2010, the Company incurred unrealized losses of $59.9 million due to the financial crises. The unrealized gains throughout the examination period were the result of writing off or selling investments that generated the 2010 unrealized loss.

The change in net deferred income tax increase from a loss of $2.1 million in 2011 to a gain of $2.8 million in 2015 was primarily due to the tax effective on unrealized gains in 2015. The 2014 loss of $13.6 million was the result of the utilization of net operating and capital loss carry-forwards at the time of demutualization.

The change in non-admitted assets and related items decreased from a gain of $2.2 million in 2011 to a loss of $0.1 million in 2015 primarily due to the change in non-admitted net deferred tax assets. The $16.9 million increase in 2014 was primarily the result of the change in net deferred income taxes.

7. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Section 403(d) of the New York Insurance Law states, in part:

> "All applications … and all claim forms …shall contain a notice in a form approved by the superintendent that clearly states in substance the following:
>
> 'Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation'

Insurance Regulation No. 95, 11 NYCRR Section 86.4(d) states, in part:

> "Location of warning statements and type size. The warning statements required by subdivisions (a) . . . of this section shall be placed immediately above the space provided for the signature of the person executing the application or claim form and shall be printed in type which will produce a warning statement of conspicuous size . . . "

A review of life claim forms utilized during the examination period revealed that individual claim form number 705NGEM and group claim form number 716GEM did not have the required fraud warning statement placed immediately above the space provided for the signature of the person executing the claim as required by Insurance Regulation No. 95, 11 NYCRR Section 86.4(d).

The Company violated Insurance Regulation No. 95, 11 NYCRR Section 86.4(d) by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim form.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

A The examiner recommended that minutes of executive sessions be maintained, and where such matters are identified by the Company as confidential, include a high level summary of the topics discussed.

Prior to the acquisition of SBLI by Prosperity, the board did not meet in Executive Session. Following the acquisition, in accordance with best corporate governance practices, the directors met in private session following the regular meeting of the board at their meetings. No actions or votes were taken in those sessions.

B The examiner recommended that the Company recalculate the dividends due on the affected class of policies, using the methodology that was approved by its board of directors, for all years in which the dividend formula was incorrectly applied. In all cases where the formula yields a positive dividend result, the Company should pay the amount due to all affected policyholders.

The Company's Chief Actuary submitted an email to the Department outlining the dividend correction process on January 31, 2013. The Department's actuary accepted the Company's implementation of the corrective actions in a letter dated March 12, 2013.

C The examiner further recommended that, going forward, management verify that the Company is meeting its obligation to all policyholders by correctly applying the dividend formula, as approved by the board, to all policies.

The examiner's review revealed that there has been no subsequent change in dividends since the implementation of the corrective actions taken in 2013. Furthermore, the Company has stated that it will verify any future dividend change and apply the dividend formula as approved by its board of directors to ensure that it fulfills its obligation to all policyholders to correctly apply the approved dividend formula.

9. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

Item	Description	Page No(s).
A	The Company violated Insurance Regulation No. 95, 11 NYCRR Section 86.4(d) by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim form.	24-25

Respectfully submitted,

/s/
Anthony Chiarel
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Anthony Chiarel, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Anthony Chiarel

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 31432

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, SHIRIN EMAMI, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

ANTHONY CHIAREL

as a proper person to examine the affairs of the

SBLI USA LIFE INSURANCE COMPANY, INC.

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 10th day of February, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES EXCELSIOR

SHIRIN EMAMI
Acting Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU