



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

SBLI USA LIFE INSURANCE COMPANY, INC.

AS OF DECEMBER 31, 2020

EXAMINER:
DATE OF REPORT:

COLETTE M. HOGAN SAWYER, CFE
JUNE 14, 2022

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 16, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32272, dated May 17, 2021, and annexed hereto, an examination has been made into the condition and affairs of SBLI USA Life Insurance Company, Inc., hereinafter referred to as "SBLI" or "the Company". The Company's home office is located at 100 West 33rd Street, Suite 1007, New York, NY 10001-2900. Due to the COVID-19 pandemic, the examination was conducted remotely.

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 violations contained in this report are summarized below.

- The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to enter into a service agreement with Wand, an applicant in the acquisition of the Company, at least thirty days prior thereto. (See item 3D of this report.)
- The Company violated Section 1202(b)(1) of the New York Insurance Law by failing to have at least one-third of the members of the Audit Committee be persons who are not officers or employees of the Company or any entity controlling, controlled by, or under common control with the Company. (See item 3E of this report.)
- The Company violated Section 1202(b)(2) of the New York Insurance Law by failing to establish one or more committees (audit committee) comprised solely of independent members of the Board. (See item 3E of this report.)
- The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office. (See item 3F of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC") *Financial Condition Examiners Handbook, 2021 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2016, to December 31, 2020. 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, 2020, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the 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.

The examination was called by the Department in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. New York served as the lead state with participation from the states of Arizona and Virginia. 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 2016 through 2020, by the accounting firm of Deloitte & Touche, 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 prior report on examination which did not contain any financial condition examination violations, recommendations, or comments.

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 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 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 marketplace.

On April 8, 2015, SLIC transferred its interest in SBLI Acquisition to Prosperity. As of December 31, 2015, Prosperity owned 100% of the SBLI Acquisition, which owns 100% of the common stock of the Company. On December 20, 2016, 100% of the outstanding common stock of the Company was transferred to Prosperity.

SBLI USA Holdings, Inc., the Company's wholly owned subsidiary, owned 100% of the common stock of S.USA Life Insurance Company, Inc. ("S.USA"), a stock life insurance company organized under the laws of the state of Arizona. On December 21, 2016, SBLI USA Holdings, Inc. was dissolved and 100% of the outstanding common stock of the S.USA was transferred to the Company.

On January 1, 2019, the members of Prosperity, including funds managed by Reservoir Capital Group, LLC and Black Diamond Capital Partners ("Sellers"), sold 100% of the ownership interests in Prosperity to Irizaba LP ("Irizaba"), thus also acquiring indirect control of SBLI. Pursuant to the Purchase and Sales Agreement (dated March 12, 2018), Irizaba agreed to purchase all of Sellers' limited liability company interests in Prosperity Life Insurance Group, LLC for \$462 million. Irizaba is a Bermuda exempted limited partnership which is comprised of several limited partners and Bluejacket GP LLC ("Bluejacket"), a Delaware limited liability company, as the general partner. Bluejacket is a member managed LLC with Jonathan D. Pollock having the majority voting rights. Approximately 98.175% of the Class A limited partnership interests of Irizaba and approximately 87.543% of the Class B limited partnership interests of Irizaba are owned by Vauxhall Holdings LP, a Bermuda exempted limited partnership, as of December 31, 2020. Redwing GP LLC, a Delaware limited liability company, is the general partner of Vauxhall Holdings LP. The remaining limited partnership interests in Irizaba are held by sixteen individual investors in amounts of less than 10% each.

In accordance with the Department's letter dated December 11, 2018, approving the application filed by Irizaba and its Controlling Persons for approval of the Acquisition of Control of the Company ("the Order"), the Superintendent's approval of the Order is expressly conditioned upon Irizaba's adoption and implementation of a certain capital management plan proposed by the Department. The plan will be in effect for seven years following the closing.

Prosperity Holding Company (“PHC”), after its incorporation on March 2, 2020, became the sole member of Prosperity Service Group, LLC (“PSG”). The restructuring was done to create tax and capital management efficiencies for Prosperity’s subsidiaries and upstream entities. The ultimate controlling person of SBLI (currently Jonathan Pollack), would not change with the creation and transference of ownership of the current Prosperity subsidiaries.

On April 30, 2020, SBLI paid an ordinary shareholder dividend to PHC, the Company’s sole shareholder of record, in the form of the stock of its direct subsidiary S.USA.

Effective July 28, 2020, Irizaba’s name was changed to Prosperity Group Holdings, LP (“PGH”) to be better aligned with the Prosperity “brand.”

On November 10, 2020, Bluejacket amended and restated its Limited Liability Company Agreement for the purpose of admitting two new individuals as members: Mark Cicirelli and Patrick Frayne. The members of Bluejacket are Jonathan D. Pollock (40% voting rights), Mark Cicirelli (30% voting rights) and Patrick Frayne (30% voting rights). Mr. Pollock remains in control of the management of Bluejacket and PGH. All members of Bluejacket are affiliated with the Elliott Group of companies.

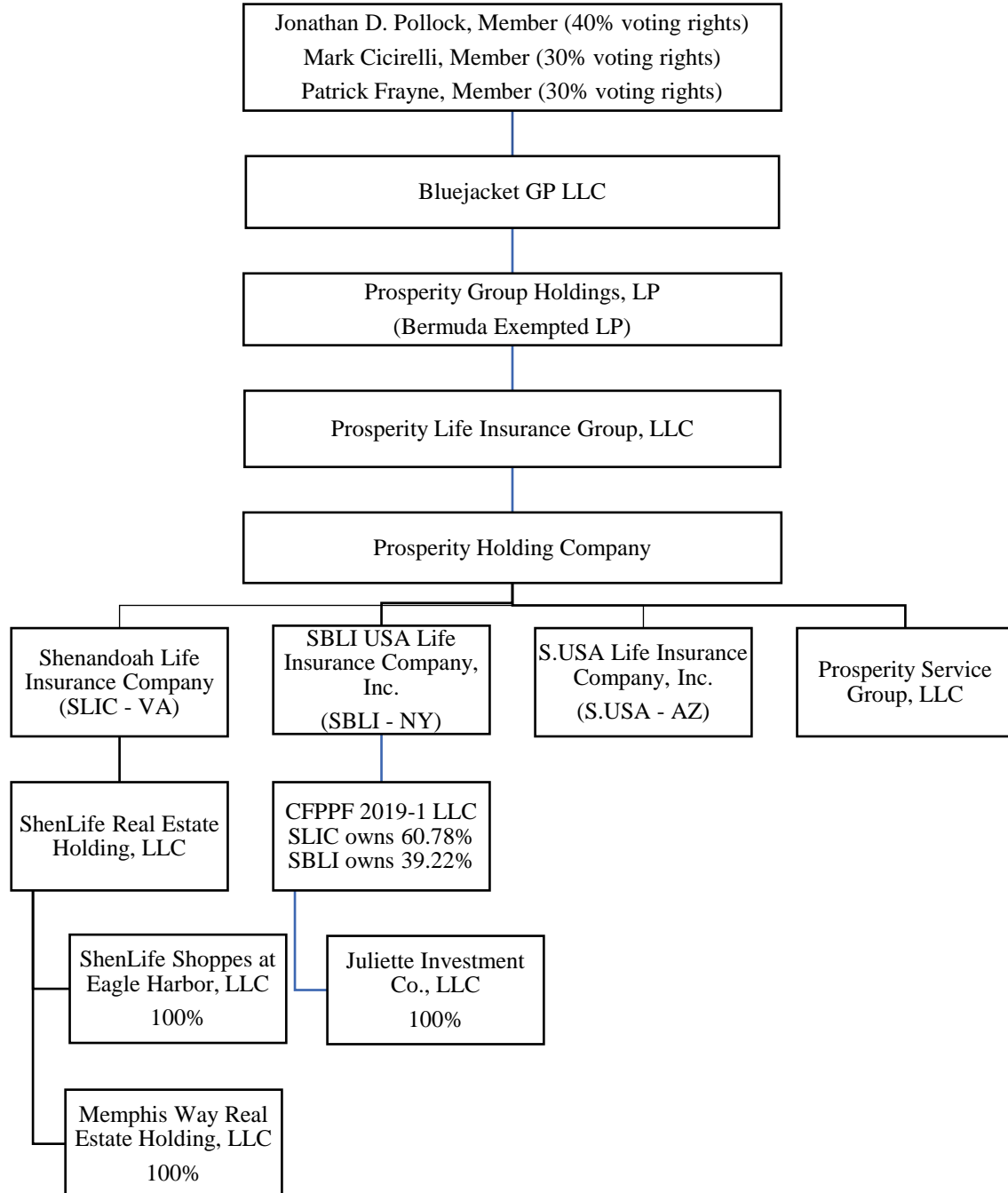
Capital and paid in and contributed surplus were \$2,508,000 and \$68,492,000, respectively, as of December 31, 2020.

B. Holding Company

The Company is a wholly owned subsidiary of PHC, a Delaware holding company. PHC is in turn a wholly owned subsidiary of Prosperity Life Insurance Group, LLC (“PLIG”), a Delaware limited liability company. PGH (formerly known as Irizaba LP), a Bermuda limited partnership, is the sole member of PLIG. PGH is 100% controlled by Bluejacket GP, LLC.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2020, follows:



D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Service and Expense Allocation Agreement File No. 29579	12/18/2000 1 st Addendum 07/09/2001 2 nd Addendum 07/09/2001 3 rd Addendum 12/31/2003 4 th addendum 11/2016 This agreement was terminated effective 12/21/2017.	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.	2016 \$ 166,765 2017 \$2,228,141 2018 \$ 0 2019 \$ 0 2020 \$ 0
Service and Expense Agreement File No. 49868	01/12/2015	PSG	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.	2016 \$(10,423,000) 2017 \$(10,650,000) 2018 \$(11,806,000) 2019 \$(9,997,600) 2020 \$(14,204,684)

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

The Company participates in a federal income tax allocation agreement with its parent company, PHC and other affiliated entities, S.USA, and PSG.

Section 1505(d) of the New York Insurance Law states, in part:

“(d) The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period: . . .

(3) rendering of services on a regular or systematic basis. . . .”

The examiner’s review of the Department’s records revealed that Wand Management Services LLC (“Wand”) and two of the individual applicants were among the “Applicants” of the First Amended and Restated Application for Approval of Acquisition of Control Pursuant to 11 NYCRR 80-1.6 of SBLI USA Life Insurance Company, Inc. filed with the Department on July 16, 2018.

Also, the examiner’s review of the service agreement between Irizaba and Wand revealed that two principals of Wand provided consulting services for Irizaba and the Prosperity entities including the Company. Furthermore, John S. Struck, a principal of Wand served as an independent director on the Company’s Audit Committee of the board of directors.

The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to enter into service agreement with Wand, an applicant in the Acquisition of the Company, at least thirty days prior thereto.

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 thirty directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in February or March of each year. As of December 31, 2020, the board of directors consisted of eight members. Meetings of the board are held annually, immediately following the annual meeting of stockholders. The Board by resolution shall provide for and hold additional regular meetings as requested. During the examination period, the Board held regular quarterly meetings.

The eight board members and their principal business affiliation, as of December 31, 2020, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
William J. Beshears New York, NY	Investment Analyst Elliott Management Corporation	2019
Mark B. Cicirelli New York, NY	Portfolio Manager Elliot Investment Management L.P. CT	2019
Anne M. Dowling* Madison, CT	Private investor	2017
Patrick M. Frayne, Kiawah Island, SC	Finance/Portfolio Manager Elliott Management Corporation	2019
Jose O. Montemayor* Austin, TX	Corporate Governance and Management Black Diamond Capital Management	2012
Bruce W. Schnitzer Litchfield, CT	Managing Director Wand Partners, Inc.	2019
John S. Struck Key Biscayne, FL	Vice President Wand Partners, Inc.	2019
Nicholas H. von Moltke New York, NY	Chief Executive Officer Prosperity Life Insurance Group	2019

*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, 2020:

<u>Name</u>	<u>Title</u>
Nicholas H. von Moltke	President and Chief Executive Officer
Zachary E. Jones	Chief Financial Officer
Deva R. Mishra	Chief Investment Officer

Kathleen M. Kronau is the Company's designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

Section 1202(b) of the New York Insurance Law states, in part:

“(b)(1) Subject to item (v) of subparagraph (B) of paragraph five of subsection (a) of section one thousand two hundred one of this article, not less than one-third of the directors of a domestic stock life insurance company and not less than one-third of the members of each committee of the board of directors of any domestic life insurance company shall be persons who are not officers or employees of such company or of any entity controlling, controlled by, or under common control with such company and who are not beneficial owners of a controlling interest in the voting stock of such company or any such entity. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof.

(2) The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the company's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed by such committee or committees to be principal officers of the company, and recommending to the board of directors the selection and compensation of such principal officers and in the case of a domestic stock life insurance company, recommending to its board of directors any plan to issue options to its officers and employees for the purchase of shares of stock, pursuant to section one thousand two hundred seven of this article.”

The Company's board of directors established an Audit Committee, which is required to be comprised of independent members of the board. John S. Struck, a principal of Wand, served as the Chair of the Audit Committee along with two other independent directors. The examiner's review revealed that Mr. Struck was both an applicant in the acquisition and a consulting services provider to the Company. Therefore, the Company's Audit Committee consisted only of two independent directors.

The Company violated Section 1202(b)(1) of the New York Insurance Law by failing to have at least one-third of the members of the Audit Committee be persons who are not officers or employees of the Company or any entity controlling, controlled by, or under common control with the Company.

The Company also violated Section 1202(b)(2) of the New York Insurance Law by failing to establish one or more committees (audit committee) comprised solely of independent members of the Board.

F. Books and records

Section 325(a) of the New York Insurance Law states, in part:

“Every domestic insurer . . . shall, except as hereinafter provided, keep and maintain at its principal office in this state its charter and by-laws, (in the case of a United States branch a copy thereof) and its books of account, and if a domestic stock corporation, a record containing the names and addresses of its shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof, and if a domestic corporation the minutes of any meetings of its shareholders, policyholders, board of directors and committees thereof . . . ”

In response to the examiner’s inquiry related to the maintenance of the books of account, the Company stated, in part, that:

“ . . . Books of account are kept electronically via a software platform hosted on a server that is located in Raleigh, NC...A properly-credentialed individual physically located in the New York office can access all financial details electronically from the server. . . . ”

The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records in durable medium at its home office.

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 42 states, and the District of Columbia and Puerto Rico. In 2020, 88.3% of the Company's life premiums, 98% of annuity considerations, and 61.2% of accident and health premiums were received from New York. The Company only writes nonparticipating policies.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2020:

<u>Life Insurance Premiums</u>		<u>Annuity Considerations</u>	
New York	88.3%	New York	98.0%
New Jersey	4.5	New Hampshire	<u>2.0</u>
North Carolina	1.1		
Pennsylvania	1.1	Total	<u>100.0%</u>
South Carolina	<u>0.7</u>		
Subtotal	95.7%		
All others	<u>4.3</u>		
Total	<u>100.0%</u>		
<u>Accident and Health Insurance Premiums</u>			
Mississippi	61.2%		
North Carolina	30.5		
New York	4.4		
New Jersey	2.5		
South Carolina	<u>0.3</u>		
Subtotal	98.9%		
All others	<u>1.1</u>		
Total	<u>100.0%</u>		

A. Statutory and Special Deposits

As of December 31, 2020, the Company had \$4,600,000 (par value) of United States Treasury Notes, New York State General Obligation Bonds, and New York City General Obligation Bonds 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 2020 filed annual statement, an additional \$3,119,541 was being held by the states of Arkansas, Nevada, New Hampshire, New Mexico, North Carolina, Virginia, and Puerto Rico.

B. Direct Operations

The Company's principal business consists of life insurance, annuities, and accident and health ("A&H") products, which includes the in-force and recently developed new products. The Company's annuity products include market value adjusted annuities (introduced in 2016), and indexed annuities (introduced in 2017). Distribution of its products occurs through general agencies and agency/bank platforms. The Company had 2,045 licensed sales agents as of December 31, 2020.

C. Reinsurance

As of December 31, 2020, the Company had reinsurance treaties in effect with 12 companies, of which nine were authorized, accredited, or certified. The Company's life and accident and health business on a coinsurance and yearly renewable term basis. The maximum retention limit for 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, 2020, was \$1.49 billion, which represents 19.9% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$4,993,735, was supported by letters of credit.

The total face amount of life insurance assumed as of December 31, 2020, was \$2.29 billion.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, and surplus as of December 31, 2020, as contained in the Company's 2020 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, 2020, filed annual statement.

A. Independent Accountants

The firm of Deloitte & Touche LLP ("D&T") 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.

D&T 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	\$1,857,696,761
Stocks:	
Preferred stocks	6,318,088
Common stocks	1,157,700
Mortgage loans on real estate:	
First liens	2,323,253
Cash, cash equivalents and short-term investments	141,702,074
Contract loans	80,765,971
Derivatives	1,860,558
Other invested assets	28,408,931
Receivable for securities	45,833
Investment income due and accrued	14,306,695
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,026,593
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,894,340
Reinsurance:	
Amounts recoverable from reinsurers	1,098,300
Other amounts receivable under reinsurance contracts	383,472
Current federal and foreign income tax recoverable and interest thereon	3,451,927
Net deferred tax asset	7,131,477
Guaranty funds receivable or on deposit	3,772
Receivables from parent, subsidiaries and affiliates	1,190,778
Unearned reinsurance ceded premiums	<u>734,629</u>
Total admitted assets	<u>\$2,155,501,152</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$1,769,873,976
Aggregate reserve for accident and health contracts	975,796
Liability for deposit-type contracts	116,402,576
Contract claims:	
Life	7,146,680
Accident and health	633,717
Policyholders' dividends and coupons due and unpaid	175,976
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	6,827,852
Premiums and annuity considerations for life and accident and health contracts received in advance	1,237,362
Contract liabilities not included elsewhere:	
Interest maintenance reserve	56,291,432
Commissions and expense allowances payable on reinsurance assumed	2,790
General expenses due or accrued	7,845,623
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,013,258
Current federal and foreign income taxes	91,651
Unearned investment income	2,108,181
Remittances and items not allocated	9,090,003
Miscellaneous liabilities:	
Asset valuation reserve	11,014,171
Reinsurance in unauthorized companies	39,285
Payable for Securities	26,660,489
Capital notes and interest thereon	4,875,000
Interest accrued on death claims	755,808
Reinsurance ceded payables	<u>45,600</u>
 Total liabilities	 <u>\$2,024,107,226</u>
 Common capital stock	 \$ 2,508,000
 Group contingency reserve	 4,678,454
Gross paid in and contributed surplus	68,492,000
Unassigned funds (surplus)	<u>55,715,472</u>
 Surplus	 <u>\$ 128,885,926</u>
 Total capital and surplus	 <u>\$ 131,393,926</u>
 Total liabilities, capital and surplus	 <u>\$2,155,501,152</u>

D. Condensed Summary of Operations

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Premiums and considerations	\$ 58,157,097	\$ 81,444,542	\$173,657,452	\$209,881,730	\$436,991,154
Investment income	62,196,660	60,952,801	60,442,570	64,369,896	74,970,162
Commissions and reserve adjustments on reinsurance ceded	2,095,506	2,071,458	1,936,029	1,739,755	1,673,823
Miscellaneous income	<u>(101,392)</u>	<u>(305,410)</u>	<u>(130,350)</u>	<u>(99,668)</u>	<u>(65,353)</u>
Total income	<u>\$122,347,871</u>	<u>\$144,163,391</u>	<u>\$235,905,701</u>	<u>\$275,891,713</u>	<u>\$513,569,786</u>
Benefit payments	\$ 81,641,633	\$ 77,838,253	\$ 79,587,457	\$ 88,276,582	\$ 95,469,665
Increase in reserves	(8,368,002)	14,083,264	103,610,694	138,264,792	358,904,186
Commissions	645,677	1,906,708	5,380,656	7,552,140	13,368,061
General expenses and taxes	18,536,100	20,107,537	21,714,618	22,725,677	27,182,254
Increase in loading on deferred and uncollected premiums	(47,758)	186,034	(91,405)	(81,467)	(180,158)
Miscellaneous deductions	<u>688,721</u>	<u>714,523</u>	<u>700,262</u>	<u>676,709</u>	<u>609,143</u>
Total deductions	<u>\$ 93,096,371</u>	<u>\$114,836,319</u>	<u>\$210,902,282</u>	<u>\$257,414,433</u>	<u>\$495,353,151</u>
Net gain (loss)	\$ 29,251,500	\$ 29,327,072	\$ 25,003,419	\$ 18,477,280	\$ 18,216,635
Dividends	7,402,907	7,234,831	7,060,892	6,877,944	6,735,004
Federal and foreign income taxes Incurred	<u>3,087,662</u>	<u>3,552,897</u>	<u>2,078,712</u>	<u>(4,131,434)</u>	<u>1,813,269</u>
Net gain (loss) from operations before net realized capital gains	\$ 18,760,931	\$ 18,539,344	\$ 15,863,815	\$ 15,730,770	\$ 9,668,362
Net realized capital gains (losses)	<u>(15,592,948)</u>	<u>(1,722,143)</u>	<u>1,281,410</u>	<u>209,941</u>	<u>(47,578,040)</u>
Net income	<u>\$ 3,167,983</u>	<u>\$ 16,817,200</u>	<u>\$ 17,145,225</u>	<u>\$ 15,940,711</u>	<u>\$ (37,909,678)</u>

E. Capital and Surplus Account

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, December 31, prior year	<u>\$121,547,992</u>	<u>\$117,107,946</u>	<u>\$95,431,528</u>	<u>\$89,073,613</u>	<u>\$ 96,138,256</u>
Net income	\$ 3,167,983	\$ 16,817,200	\$17,145,225	\$15,940,711	\$(37,909,678)
Change in net unrealized capital gains (losses)	8,060,017	(15,506,031)	(1,953,415)	(7,181,127)	42,320,234
Change in net deferred income tax	1,161,672	(7,740,616)	86,695	(5,254,726)	2,050,987
Change in non-admitted assets and related items	(2,438,482)	3,404,443	(2,601,396)	7,124,274	9,515,402
Change in liability for reinsurance in unauthorized companies	(27,009)	7,084	169,148	1,556	209
Change in asset valuation reserve	2,501,660	343,502	(571,262)	(3,468,201)	(713,174)
Capital changes:					
Paid in	228,000	0	0	0	0
Surplus adjustments:					
Paid in	(228,000)	0	0	0	42,500,000
Dividends to stockholders	(16,150,000)	(18,750,000)	(18,500,000)	0	(10,043,307)
Transfer of defined benefit pension plan to affiliated entity	(715,887)	0	(132,910)	0	(12,412,968)
Misc. charge - post retirement benefits plans	<u>0</u>	<u>(252,000)</u>	<u>0</u>	<u>(97,844)</u>	<u>(52,035)</u>
Net change in capital and surplus for the year	<u>\$ (4,440,046)</u>	<u>\$ (21,676,418)</u>	<u>\$ (6,357,915)</u>	<u>\$ 7,064,643</u>	<u>\$ 35,255,670</u>
Capital and surplus, December 31, current year	<u>\$117,107,946</u>	<u>\$ 95,431,528</u>	<u>\$89,073,613</u>	<u>\$96,138,256</u>	<u>\$131,393,926</u>

6. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to enter into services agreement with Wand, an applicant in the acquisition of the Company, at least thirty days prior thereto.	10
B	The Company violated Section 1202(b)(1) of the New York Insurance Law by failing to have at least one-third of the members of the Audit Committee be persons who are not officers or employees of the Company or any entity controlling, controlled by, or under common control with the Company.	12
C	The Company also violated Section 1202(b)(2) of the New York Insurance Law by failing to establish one or more committees (audit committee) comprised solely of independent members of the Board.	13
D	The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office.	13

Respectfully submitted,

Colette M Hogan Sawyer

Colette M. Hogan Sawyer, CFE
INS Regulatory Insurance Services, Inc.

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

Colette M. Hogan Sawyer, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

Colette M Hogan Sawyer
Colette M. Hogan Sawyer

Subscribed and sworn to before me
this 16th day of June, 2022

Audrey Hall

Notary Public

AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

/s/
Mostafa Mahmoud
Principal Insurance Examiner

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

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

/s/
Mostafa Mahmoud

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 32272

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, 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:

***COLETTE M. HOGAN SAWYER**
(INS REGULATORY INSURANCE SERVICES, INC.)*

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 she 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 17th day of May, 2021

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:

Mark McLeod

*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

