



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS
REGULATION

DIVISION OF INSURANCE

REPORT OF EXAMINATION OF
THE SAVINGS BANK LIFE INSURANCE COMPANY OF
MASSACHUSETTS

Woburn, Massachusetts

As of December 31, 2013

NAIC COMPANY CODE 70435

EMPLOYERS ID NO. 04-3117253

THE SAVINGS BANK LIFE INSURANCE COMPANY OF MASSACHUSETTS

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COMMONWEALTH OF MASSACHUSETTS
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GARY D. ANDERSON
ACTING COMMISSIONER OF INSURANCE

April 17, 2015

Honorable Gary D. Anderson
Acting Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

**THE SAVINGS BANK LIFE INSURANCE COMPANY OF
MASSACHUSETTS**

at its home office located at One Linscott Road, Woburn, Massachusetts, 01801. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Savings Bank Life Insurance Company of Massachusetts, ("SBLI" or "Company") was last examined as of December 31, 2008 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the five-year period from January 1, 2009 through December 31, 2013, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the company by obtaining information about the company, including corporate governance, identifying and assessing inherent risks within the company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations. All accounts and activities of the company were considered in accordance with the risk-focused examination process.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bond and other insurance, employees' pension and benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2009 through 2013. A review and use of the Certified Public Accountants' work papers were made to the extent deemed appropriate and effective. An independent actuarial consulting firm, Ernst & Young LLP ("E&Y") was retained by the Division to evaluate the adequacy of the Company's statutory reserves as of December 31, 2013. In addition to E&Y, the Division retained Risk and Regulatory Consulting, LLC ("RRC") to review the adequacy and effectiveness of the IT systems controls and determine the level of reliance to be placed on the information generated by the data processing systems.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings noted during the previous examination and for the current examination period.

SUBSEQUENT EVENTS

On September 3, 2014 the President and Chief Executive Officer, Christopher Pinkerton left the Company. On September 24, 2014 the Board unanimously voted to elect James A. Morgan as his replacement. He will hold the title of President, Chief Executive Officer and Treasurer. Mr. Morgan was also elected to the Board of Directors.

On December 11, 2014 the Division approved the Company's Rated NAIC Bond ("RNB 1") Structured transaction which restructured SBLI's current Regulation XXX securitization transactions in Vermont and Arizona. The restructuring included the securitization transactions known as SNAP 1, SNAP 2, and LOCK 1. The restructuring will recapture the in force term block, consisting of SNAP 1 and SNAP 2, ceded to SBLI Re, LLC, the Company's Arizona captive and Lock 1, ceded to SBLI VT Re, LLC the Company's Vermont captive. The existing coinsurance agreements with SBLI Re, LLC and SBLI VT Re, LLC will terminate and SBLI will recede this recaptured business to SBLI VT Re, LLC pursuant to a new funds withheld Coinsurance Agreement between SBLI and SBLI VT Re, LLC. The excess reserves reinsured under this new Coinsurance Agreement will be financed through a surplus note with a variable principal amount issued by SBLI VT Re, LLC.

COMPANY HISTORY

General

The Company was organized and incorporated on March 31, 1991, and commenced business on January 1, 1992 under the laws of the Commonwealth of Massachusetts as a stock company titled "The Savings Bank Life Insurance Company of Massachusetts". The Company was created by Chapter 499 of the Acts of 1990 to convert the 53 life insurance departments of savings and insurance banks into a single domestic stock life insurance company subject to the provisions of Massachusetts General Law ("M.G.L.") Chapter 175 in all respects, except as specifically provided in Chapter 178A. In satisfaction of statute, the Company assumed all policies and contracts of the 53 life insurance departments of savings and insurance banks in effect on the date of conversion.

In accordance with Chapter 178A, two classes of stock were issued and authorized, 49 shares of Class A (voting) and 450,069 shares of Class B (non-voting), to eligible banks as of the close of business on December 31, 1991. Shares of Class B stock were allocated to the banks based on the amount of surplus of the individual life insurance departments in relation to the total surplus of all such departments at the date of conversion. Banks eligible to hold shares in the Company may not hold more than one share of Class A stock. There is a restriction on a bank's disposal of the Company's capital stock, which must be offered for purchase to the Company before being disposed of.

At the close of business on December 31, 1991, the collective surplus of the 53 life insurance departments of savings and insurance banks was determined to be \$98.7 million. Chapter 178A

required the Company to distribute to individual policyholders with policies in effect at the date of conversion an amount equal to the surplus it assumed on the effective date of conversion from the Savings Bank Life Insurance System. The distribution of the initial surplus was to be paid as additional annual dividends to eligible policyholders over a period of not less than eight nor more than twelve years with an additional payment of interest in the thirteenth year in accordance with the schedule in the Plan of Assumption prepared by the Company and filed with the Commissioner of Insurance. In accordance with the Plan of Assumption, the legislated method of the additional dividend distribution was intended to provide about 60% of the previously accumulated surplus to policyholders and about 40% of the previously accumulated surplus to shareholders. The distribution of additional annual dividends and interest was completed in 2005.

In 2007, the Company established a wholly-owned subsidiary, SBLI Re, Inc. ("SBLI Re"). SBLI Re is domiciled in the state of Arizona and holds a certificate of authority as a special purpose financial captive insurer. The Company purchased 250,000 shares of SBLI Re common stock at \$1.00 per share par value and contributed \$40.75 million of additional paid-in capital. SBLI Re was incorporated in August 2007 and commenced business December 28, 2007. SBLI Re was reorganized in February 2010 to become SBLI Re, LLC an Arizona limited liability company.

Effective November 2010, SBLI adopted Restated Articles of Organization pursuant under M.G.L. Chapter 175, Section 50B. This allowed the Company to issue policies with sex-distinct premium rates as opposed to the same premium rates for both men and women ("unisex rates") which was required under M.G.L. Chapter 178A giving the Company a competitive disadvantage. The Company began issuing policies with sex-distinct rates as of December 1, 2010.

In 2011, the Company established a wholly-owned subsidiary, SBLI VT Re, LLC ("SBLI VT Re"). SBLI VT Re is domiciled in Vermont and defined as a special purpose financial insurer. The Company contributed paid-in capital of \$10 million for both 2013 and 2012.

Capital Stock

The Company's enabling legislation authorized the issuance of 49 shares of Class A (voting) and 450,069 shares of Class B (non-voting) stock as of the close of business on December 31, 1991 for a total of 450,118 shares. The total paid in capital at the date of conversion was \$39,473,824 which was comprised of 450,118 shares of common stock with a par value of \$6 per share for a total paid in common capital stock of \$2,700,708 and \$36,773,116 of paid in and contributed surplus.

As of December 31, 2013, the authorized and outstanding capital stock of the Company consisted of 450,118 shares of common stock with a par value of \$6.00 per share; 2,400 shares were held as treasury stock and 447,718 were held by banks. No shares of capital stock have been retired. The capital stock of the Company amounted to \$2,700,708 at the examination date.

Dividends to Stockholders

The Company declared and paid the following ordinary dividends to stockholders during the examination period:

2013	\$ 1,840,121
2012	1,840,125
2011	1,840,137
2010	1,848,834
2009	0

There were no declared but unpaid dividends as of December 31, 2013. In addition the Company did not declare or pay any extraordinary dividends during the examination period.

CORPORATE RECORDS

Articles of Organization and Bylaws

The bylaws and Chapter 499 of the Acts of 1990, which was the enabling legislation that created The Savings Bank Life Insurance Company of Massachusetts and Chapter 178A, were read. Since the last examination, the Bylaws and Articles of Organization were amended and restated with the repeal of Chapter 178A of the M.G.L.'s in 2010. This enabled the Company to operate as is permissible for other domestic stock life insurance companies under M.G.L. Chapter 175.

Board of Directors Minutes

The minutes of the Board of Directors for the period under statutory examination were read and indicated that all meetings were held in accordance with the Company bylaws and laws of the Commonwealth of Massachusetts. The Board minutes contained all required votes and authorizations.

Conflict of Interest Procedures

The Company has adopted a policy statement pertaining to conflict of interest in accordance with Question 18 of the General Interrogatories of the Annual Statement. The Company has an established procedure for the disclosure to the Board of Directors of any material interest or affiliation on the part of any officer or director, which is in or is likely to conflict with his/her official duties.

Annually, each officer, director and responsible employee completes a questionnaire disclosing any material conflicts of interest. The completed questionnaires were reviewed, and no discrepancies were noted in the responses to the General Interrogatories regarding conflicts of interest as reflected in the Company's 2013 Annual Statement.

Disaster Recovery and Business Continuity

The Company provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with M.G.L. Chapter 175 Sections 180M-180Q.

MANAGEMENT AND CONTROL

Board of Directors

The bylaws provide that the business and affairs of the Company shall be managed by the Board of Directors except as otherwise provided by Statute or valid shareholder agreement. The Board of Directors shall consist of not fewer than eleven (11) or more than nineteen (19) Directors.

The bylaws do not specify the number of meetings to be held during the year. The minutes of the Board of Directors meetings indicated that meetings were held at a minimum of six times per year with no more than nine times per year during the examination period. At any meeting of the Board, a majority of the Directors then in office shall constitute a quorum. The minutes indicated that a quorum was obtained at all meetings of the Board of Directors held during the examination period.

At December 31, 2013 the Board was comprised of fourteen (14) directors, which is in compliance with the Company bylaws.

Directors duly elected and serving at December 31, 2013, with business affiliations, follow:

<u>Director</u>	<u>Business Affiliation</u>
Gerald T. Mulligan, Chairman of Board	Chairman of the Board SBLI
Kevin G. Champagne	Former Director Sovereign Bank
Arthur R. Connelly	Director South Shore Bank
Martin F. Connors, Jr.	President and Chief Executive Officer Rollstone Bank and Trust
Stephen G. Crowe	Director MountainOne Financial Partners
J. Williar Dunlaevy	Director Berkshire Bank
John F. Heaps, Jr.	President and Chief Executive Officer Florence Savings Bank
Robert S. Karam	President Karam Financial Group

The Savings Bank Life Insurance Company of Massachusetts

William J. McCool, Jr.	Senior Vice President Citizens Financial Group
William H. Mitchelson	Chairman Salem Five Cents Savings Bank
Christopher H. Pinkerton*	President and Chief Executive Officer SBLI
Peter J. Segerstrom	President and Chief Executive Officer Winchester Savings Bank
Robert K. Sheridan	Former President and Chief Executive Officer SBLI
Steven H. Wright	Executive Partner Holland & Knight, LLP

* Christopher Pinkerton left the Company in September, 2014 and James Morgan was elected to replace him as President and Chief Executive Officer.

Officers

The bylaws of the Company provide that the officers of the Company shall be a chairman of the board, a president, a treasurer, a secretary, and such other officers, as the Board of Directors may determine. Pursuant to the bylaws, the Board of Directors elects the officers of the Company at its annual meeting. Vacancies among the officers may be filled and new offices created and filled by the Board of Directors.

The elected officers and their respective titles at December 31, 2013 follow:

<u>Name</u>	<u>Title</u>
Gerald T. Mulligan	Chairman of the Board
Christopher H. Pinkerton*	President and Chief Executive Officer
James A. Morgan*	Senior Vice President – Chief Investment Officer and Treasurer
Marybeth P. Leary	Senior Vice President – Corporate Clerk
Octavio C. Bolivar	Senior Vice President - Chief Information Officer
Rose G. Conneely	Senior Vice President – Operations
Paul M. Fergus, MD	Senior Vice President – Medical Director
Peter M. Scavongelli, Esq.	Senior Vice President – General Counsel
Denis J. Clifford	Senior Vice President - Chief Distribution Officer
May Lee Low	Senior Vice President - Chief Actuary
Dexter H. Murray, Jr.	Vice President – Controller
Sandra L. Williams	Senior Vice President – Human Resources

* Christopher Pinkerton left the Company in September, 2014 and James Morgan was elected to replace him as President and Chief Executive Officer.

In accordance with the bylaws, the Annual Meeting of the Company's Class A Stockholders is held on the first Monday of June or such other date as the Board of Directors may determine. A majority in interest of all Class A stock issued and outstanding constitutes a quorum. The minutes indicated that a quorum was obtained at each annual meeting held during the examination period.

Policyholders Advisory Board

The Policyholders Advisory Board ("PAB") was established in April, 2011 in conjunction with the new legislation passed in Massachusetts which repealed prior requirements under M.G.L. Chapter 178A, Section 9. In addition, the PAB replaced the Policyholders Protective Board that was in place under Section 9 of M.G.L. Chapter 178A. The main purpose of the PAB is to monitor the commitment to safe, low-cost life insurance. This is accomplished through independent evaluations of Company operations and when appropriate written recommendations to the Chairman of the Board and President. Members serving on the PAB at December 31, 2013, were as follows: William G. Gothorpe, A. James Lavoie, Gail Snowden, Robert F. Verdonck and Thomas M. Feeley.

Committees of the Board

The Board of Directors appointed an Executive Committee, Audit Committee, Investment Committee, Compensation Committee and a Governance and Nomination Committee in accordance with the bylaws. The purpose and membership of each committee at December 31, 2013 follows.

Executive Committee

The Executive Committee is comprised of seven Directors, six of which are independent. The Committee is charged with the review and assessment of operations, financial results and performance of the Company and, when appropriate, development of policy initiatives for the Company. Any such initiatives shall be recommended to the Directors for their consideration. Except for actions legally required to be approved by the Board of Directors and except for functions for which the Directors have legally delegated authority to act to other committees, the Executive Committee in the intervals between meetings of the Board of Directors shall possess and may exercise all other powers which the Board may legally delegate with respect to the management and direction of the business and affairs of the Company. All material actions taken by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such actions and shall be subject to ratification, revision, alteration, or approval by the Board of Directors. Directors serving on this committee at December 31, 2013 were as follows: Christopher H. Pinkerton, Chairman, Kevin G. Champagne, Robert S. Karam, William H. Mitchelson, Gerald T. Mulligan, Peter J. Segerstrom and Steven H. Wright.

Audit Committee

The Audit Committee is comprised of five board members, four of which are independent. The Committee is charged with the duty of independent oversight of the work of the Internal Auditor / Enterprise Risk Management ("ERM"), the independent certified public accounting firm retained by the Board of Directors and the operations of the Chief Financial Officer related to the preparation, auditing and publication of financial reports to regulatory authorities. The Audit Committee will review and exercise oversight of both the Annual Audit Plan of the outside public accounting firm and the Annual Internal Audit Plan developed by the Internal Auditor. The Committee receives quarterly reports from the Director of Internal Audit related to the Company's ERM program. The reports include a Balanced Risk Scorecard and minutes from the Internal Risk Committee meetings. The Committee is responsible for knowing about and understanding both internal and external risks that can potentially impact the Company, and ensuring that these risks are managed to an optimal level. Directors serving on this committee at December 31, 2013 were as follows: Martin F. Connors, Jr., Chairman, Arthur R. Connelly, John F. Heaps, Jr., William J. McCool and Robert K. Sheridan.

Investment Committee

The Investment Committee is comprised of seven Directors, six of which are independent. The Committee is charged with the duty of providing assistance to the Directors in the review and monitoring of the actions taken by the Company's investment staff to assure that such actions are consistent with the approved investment policies and procedures established by the Board of Directors. All investment transactions made by the Company's investment staff are approved by the Investment Committee and ratified by the Board of Directors. Directors serving on this Committee at December 31, 2013 were as follows: J. Williar Dunlaevy, Chairman, Stephan G. Crowe, Robert S. Karam, William J. McCool, Peter J. Segerstrom, Robert K. Sheridan and Steven H. Wright.

Compensation Committee

The Compensation Committee is comprised of five Directors, all of whom are independent. The Committee is charged with the duty of providing assistance and recommendations to the Board of Directors in their election of officers of the Company and in their approval of salary, benefit plans and other compensation of key officers and employees. Directors serving on this Committee at December 31, 2013 were as follows: Kevin G. Champagne, Chairman, Arthur R. Connelly, John F. Heaps, Jr., William H. Mitchelson and Gerald T. Mulligan.

Governance and Nominating Committee

The Governance and Nominating Committee is comprised of four Directors, three of which are independent. The Committee has the responsibility to recommend qualified candidates to serve as board members or members of the Policyholders Advisory Board. In addition, it recommends to the Board policies and procedures designed to provide effective and efficient governance and it also evaluates the operations and effectiveness of the Board and Board Committees. The

The Savings Bank Life Insurance Company of Massachusetts

members of this Committee at December 31, 2013 were as follows: Gerald T. Mulligan, Chairman, John F. Heaps, Jr., Robert S. Karam and Robert K. Sheridan.

Holding Company

Per Form B, as filed with the Massachusetts Division of Insurance, the Company is a member of a holding company system and is subject to the registration requirements of M.G.L. Chapter 175, Section 206C. The Company is the “ultimate controlling person” for three entities.

Transactions and Agreements with Subsidiaries and Affiliates

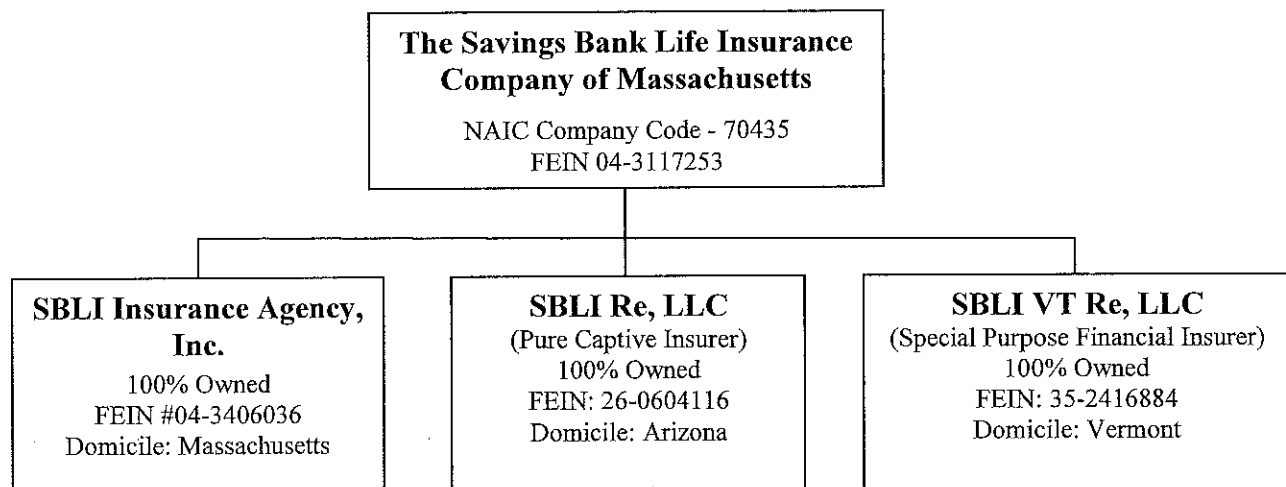
SBLI Insurance Agency, Inc., the Company’s wholly-owned insurance agency, has an exclusive agreement with the Plymouth Rock Assurance Corporation to sell discounted group automobile and homeowners insurance to the Company’s policyholders.

The Company has Service Agreements with SBLI Re, LLC and SBLI VT Re, LLC which provide that the Company provide various services to their subsidiaries including financial, reporting, claims management, and actuarial services.

The Company and its subsidiaries SBLI Re, LLC and SBLI VT Re, LLC have entered into separate tax sharing agreements which allocate consolidated income tax expense to SBLI Re, LLC and SBLI VT Re, LLC as if SBLI Re, LLC and SBLI VT Re, LLC had filed separate federal income tax returns. In addition, these agreements allocate to the Company the tax benefits of SBLI Re, LLC and SBLI VT Re, LLC’s current net operating losses used in the consolidated federal income tax return. The Company is obligated to repay such tax benefit to the extent SBLI Re, LLC and SBLI VT Re, LLC are able to recognize such net operating loss carryover deduction on a stand-alone basis.

Organization Chart

At December 31, 2013, the following Companies were part of the following organizational structure:



FIDELITY BOND AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, which is consistent with M.G.L. Chapter 175, Section 60. The aggregate limit of liability exceeds the NAIC suggested minimum as of December 31, 2013.

The Company has further protected its interests and property by policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts and was in force as of December 31, 2013.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offers various insurance plans, including group life, dental and health coverage, and long-term disability insurance to all full-time employees and certain part-time employees.

The Company also offers a salary deferral savings plan pursuant to Section 401(k) of the Internal Revenue Code. The Plan, which is a defined contribution plan, permits all employees of the Company age 21 and over to make salary deferrals from their date of hire. Employer safe harbor and matching contributions are made after an employee has attained age 21 and completed at least one year of service. All employer contributions are 100% vested when credited.

The Company has a supplemental employee retirement plan for its President and Chief Executive Officer ("CEO"). Under the plan, the Company will contribute annually to the plan until the year of the CEO's retirement to provide for the projected plan benefit in the form of a lump sum distribution.

The Company has a supplemental executive savings plan for the CEO and various Senior Vice Presidents. Under the plan, the Company will make annual contributions to each participant's account during a predetermined funding and vesting period until termination of employment.

In 2006, the Company established a non-qualified deferred compensation plan for certain employees to supplement the benefits of the qualified 401(k) plan. The Company will make annual discretionary contributions to each participant's account, to age 65 or retirement. Participants are fully-vested after five years of service. The Company contributes a percentage of an eligible participant's salary in a Safe Harbor Contribution whether the participant contributes to the SBLI 401(k) plan or not. Highly paid employees are capped.

The Company provides group life insurance benefits for active and retired employees. The Company intends to fund the accumulated postretirement benefit obligation as benefits become due.

TERRITORY AND PLAN OF OPERATION

The Company has continued its geographical expansion since 2003 when they were only licensed in fourteen states and the District of Columbia. On December 31, 2013 the Company was licensed to write business in forty nine states and the District of Columbia. The Company offers a variety of ordinary life insurance and annuity products with the principle product being its guaranteed level-term life insurance product. The Company's products are offered through banks, in-house (captive) sales agents, and a network of independent agents and brokers.

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2013 through December 31, 2013. The market conduct examination was called pursuant to authority in M.G.L. Chapter 175, Section 4. The market conduct examination was conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Risk & Regulatory Consulting, LLC were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The business areas that were reviewed under this comprehensive market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating and Claims. Each business area reviewed includes the identification and evaluation of the insurer's internal controls.

Dividends to Policyholders

The Company annually determines the amount of divisible surplus available as dividends to eligible policyholders. Surplus, in excess of what the Company's Board of Directors determines to be necessary to meet its future policy and operating obligations, is distributed annually in the form of dividends on the Company's participating policies, subject to statutory mandates. Policyholder dividends for the examination period were as follows:

<u>Year</u>	<u>Dividends to Policyholders</u>
2013	\$ 39,833,633
2012	38,368,646
2011	37,057,847
2010	36,708,426
2009	48,467,102

GROWTH OF COMPANY

The growth of the Company for the years 2009 through 2013 is shown in the following schedule, which was prepared from the Company's annual statements.

<u>Year</u>	<u>Admitted</u> <u>Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Direct</u> <u>Premiums</u> <u>Written</u>	<u>Net</u> <u>Premiums</u> <u>Written</u>
2013	\$2,534,372,093	\$2,320,772,781	\$210,898,604	\$342,030,660	\$169,054,405
2012	2,437,180,579	2,234,383,845	200,096,026	357,753,035	207,887,688
2011	2,395,971,590	2,202,463,538	190,807,344	313,697,933	187,844,083
2010	2,562,923,342	2,403,679,418	156,543,216	322,083,951	214,508,577
2009	2,203,666,505	2,040,728,317	160,237,480	327,161,051	214,837,879

REINSURANCE

Ceded Reinsurance

The Company has several ceded reinsurance treaties in effect mainly covering risks on individual term life insurance. On ordinary life policies, the Company retains a maximum coverage per individual life of \$500,000. Reinsurance is provided on coinsurance and yearly renewable term bases. To mitigate the impact of Regulation XXX reserve requirements, SBLI completed a life insurance securitization intended to help finance these reserves. Effective September 1, 2007, through December 31, 2009, all guaranteed level term new business sales was reinsured 100% to SBLI Re, LLC with excess mortality risk reinsured with Swiss Re of America. This agreement was extended through March 31, 2011.

Effective April 1, 2011 the Company entered in an additional reinsurance agreement with SBLI VT Re, LLC to mitigate the impact of Regulation XXX ceding level term life business for both in-force policies with issue dates between January 1, 2001 to December 31, 2004, and new policies issued on or after April 1, 2011 to March 31, 2014.

The Company also has catastrophic reinsurance with Centurion Life Insurance Company, Zurich American Insurance Company and Sirius International Insurance Corporation. If SBLI incurs a multiple life loss (more than two lives) due to a single incident, then the reinsurer will reimburse losses in excess of \$1,000,000, to a maximum claim limit of \$20,000,000.

All treaties are with authorized reinsurers.

Assumed Reinsurance

The Company does not assume any risk beyond its own insurance policies.

ACCOUNTS AND RECORDS

The internal controls structure was discussed with management through questionnaires, interviews and through a review of the work performed by the Company's Independent Certified Public Accountants. No material deficiencies were noted.

The NAIC provides a questionnaire covering the evaluation of the controls in the IT systems environment. The questionnaire was completed by the Company and reviewed by the Division's outside IT specialist from Risk and Regulatory Consulting, LLC to evaluate the adequacy of the IT controls. In addition to the questionnaire, interviews with Company staff were conducted to gather supplemental information and corroborate the Company's responses to the questionnaire. A review was also made of the documentation supporting Management and Organization Controls, Application Systems Development and Maintenance Controls, Operating and Processing Controls, Logical and Physical Security Controls, Contingency Planning Controls, Personal Computer, Local Area Network (LAN), Wide Area Network (WAN) and Internet Controls. No material deficiencies were noted.

The Company maintains its accounts and records on an electronic data processing basis. All entries are input to this data processing system, which then generates general ledger and supporting reports as well as other reports common to the insurance industry. No material exceptions were noted.

The books and records of the Company are audited annually by PricewaterhouseCoopers LLP, independent Certified Public Accountants in accordance with 211 CMR 23.00 and 211 CMR 26.00.

STATUTORY DEPOSITS

The statutory deposits of the Company as of December 31, 2013, were as follows:

<u>Location</u>	<u>Description of Deposit</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Arizona	US Treasury Bond 8.125% Due August 2019	\$ 105,000	\$ 107,538	\$ 133,140
Georgia	US Treasury Bond 8.125% Due August 2019	30,000	37,639	46,599
Kansas	US Treasury Bond 8.125% Due August 2019	100,000	107,538	133,140
Massachusetts	US Treasury Bond 8.125% Due August 2019	1,500,000	1,613,073	1,997,105
Nebraska	US Treasury Bond 8.125% Due August 2019	100,000	107,538	133,140
Nevada	US Treasury Bond 8.125% Due August 2019	200,000	215,076	266,281
New Mexico	US Treasury Bond 8.125% Due August 2019	100,000	107,538	133,140
North Carolina	US Treasury Bond 8.125% Due August 2019	500,000	537,692	665,702
Rhode Island	US Treasury Bond 8.125% Due August 2019	100,000	107,538	133,140
Tennessee	US Treasury Bond 8.125% Due August 2019	500,000	537,692	665,702
Virginia	US Treasury Bond 8.125% Due August 2019	200,000	215,076	266,281
	Total Deposits	<u>\$ 3,435,000</u>	<u>\$ 3,693,938</u>	<u>\$ 4,573,370</u>

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2013. The financial statements are the responsibility of Company management. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2013

Summary of Operations for the year ended December 31, 2013

Statement of Capital and Surplus for the year ended December 31, 2013

Reconciliation of Capital and Surplus for the Five-Year Period ended December 31, 2013

The Savings Bank Life Insurance Company of Massachusetts
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2013

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	\$ 2,142,459,692	\$ 0	\$ 2,142,459,692
Preferred stocks	28,150,924		28,150,924
Common stocks	44,784,664		44,784,664
Real estate occupied by the company	3,921,407		3,921,407
Cash and short-term investments	55,540,059		55,540,059
Contract Loans	79,390,354		79,390,354
Other invested assets	3,959,142		3,959,142
Receivable for securities	502,300		502,300
Subtotals, cash and invested assets	2,358,708,542		2,358,708,542
Investment income due and accrued	24,779,160		24,779,160
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	8,394,684		8,394,684
Deferred premiums, agents' balances and installments booked but deferred and not yet due	105,126,714		105,126,714
Amounts recoverable from reinsurers	6,820,394		6,820,394
Other amounts receivable under reinsurance contracts	8,726,690		8,726,690
Net deferred tax asset	17,425,997		17,425,997
Electronic data processing equipment	23,053		23,053
Aggregate write-ins for other than invested assets	4,366,859		4,366,859
Total Assets	<u>\$ 2,534,372,093</u>	<u>\$ 0</u>	<u>\$ 2,534,372,093</u>

The Savings Bank Life Insurance Company of Massachusetts
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
As of December 31, 2013

Liabilities	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Aggregate reserve for life contracts	\$ 1,831,663,398	\$ 0	\$ 1,831,663,398	(1)
Aggregate reserve for accident and health contracts	8,890		8,890	
Liability for deposit-type contracts	197,769,554		197,769,554	(1)
Life (contract claims)	16,143,906		16,143,906	
Accident and health (contract claims)	5,000		5,000	
Policyholders' dividends	268,836		268,836	
Dividends apportioned for payment	40,393,185		40,393,185	
Premiums and annuity considerations for life and accident and health contracts received in advance	97,116		97,116	
Other amounts payable on reinsurance	7,332,437		7,332,437	
Interest maintenance reserve	4,437,892		4,437,892	
Commissions to agents or accrued-life and annuity contracts	799,472		799,472	
General expenses due or accrued	5,395,574		5,395,574	
Taxes, licenses and fees due or accrued	1,093,798		1,093,798	
Unearned investment income	1,874,693		1,874,693	
Amounts withheld or retained by company as agent or trustee	3,778,580		3,778,580	
Remittances and items not allocated	7,037,998		7,037,998	
Liability for benefits for employees and agents	1,843,452		1,843,452	
Asset Valuation Reserve	21,728,635		21,728,635	
Payable to parent, subsidiaries and affiliates	22,604,920		22,604,920	
Funds held under coinsurance	128,827,617		128,827,617	
Payable for securities	27,667,828		27,667,828	
Total Liabilities	<u>2,320,772,781</u>		<u>2,320,772,781</u>	
Common capital stock	2,700,708		2,700,708	
Gross paid in and contributed surplus	36,773,116		36,773,116	
Unassigned funds (surplus)	174,387,056		174,387,056	
Less treasury stock at cost	(261,568)		(261,568)	
Total Surplus	<u>210,898,604</u>		<u>210,898,604</u>	
Total of common capital stock and surplus	<u>213,599,312</u>		<u>213,599,312</u>	
Total Liabilities, Capital and Surplus	<u>\$ 2,534,372,093</u>	<u>\$ 0</u>	<u>\$ 2,534,372,093</u>	

The Savings Bank Life Insurance Company of Massachusetts
Summary of Operations
For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums and annuity considerations for life and accident and health contracts	\$ 169,054,405	\$ 0	\$ 169,054,405
Considerations for supplementary contracts with life contingencies	1,827,772		1,827,772
Net Investment Income	100,262,690		100,262,690
Amortization of Interest Maintenance Reserve	819,025		819,025
Commissions and expense allowance on reinsurance ceded	63,053,258		63,053,258
Aggregate write-ins for miscellaneous income	247,837		247,837
Totals	335,264,987		335,264,987
Death benefits	70,742,440		70,742,440
Matured endowments	309,397		309,397
Annuity benefits	12,595,262		12,595,262
Disability benefits and benefits under accident and health contracts	48,408		48,408
Surrender benefits and withdrawals for life contracts	54,441,354		54,441,354
Interest and adjustments on contract or deposit-type contracts	7,782,292		7,782,292
Payments on supplementary contracts with life contingencies	1,408,624		1,408,624
Increase in aggregate reserves for life and accident and health contracts	40,618,912		40,618,912
Totals	187,946,689		187,946,689
Commissions on premiums, annuity considerations and deposit-type contracts (direct business only)	31,064,533		31,064,533
General insurance expenses	52,002,297		52,002,297
Insurance taxes, licenses and fees, excluding federal income taxes	8,747,405		8,747,405
Increase in loading on deferred and uncollected premiums	(2,237,987)		(2,237,987)
Aggregate write-ins for deductions	228,555		228,555
Totals	277,751,492		277,751,492
Net gain from operations before dividends to policyholders and federal income taxes	57,513,495		57,513,495
Dividends to policyholders	39,833,633		39,833,633
Net gain from operations after dividends to policyholders and before federal income taxes	17,679,862		17,679,862
Federal and foreign income taxes incurred	0		0
Net gain from operations after dividends to policyholders and federal income taxes	17,679,862		17,679,862
Net realized capital gains less capital gains tax (\$0)	199,048		199,048
Net Income	\$ 17,878,910	\$ 0	\$ 17,878,910

The Savings Bank Life Insurance Company of Massachusetts
Capital and Surplus
For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Capital and surplus, December 31, prior year	\$ 202,796,734	\$ 0	\$ 202,796,734
Net income	17,878,910		17,878,910
Change in net unrealized capital gains or (losses)	(3,988,584)		(3,988,584)
Change in net deferred income tax	(34,781,236)		(34,781,236)
Change in nonadmitted assets	37,310,324		37,310,324
Change in asset valuation reserve	(3,776,715)		(3,776,715)
Dividends to stockholders	(1,840,121)		(1,840,121)
Net change in capital and surplus for the year	10,802,578		10,802,578
Capital and surplus, December 31, 2013	<u>\$ 213,599,312</u>	<u>\$ 0</u>	<u>\$ 213,599,312</u>

The Savings Bank Life Insurance Company of Massachusetts
Reconciliation of Capital and Surplus
For the Five Year Period Ended December 31, 2013

	2013	2012	2011	2010	2009
Capital and surplus, December 31, prior year	\$202,796,734	\$193,508,052	\$159,243,924	\$162,938,188	\$160,892,388
Net income / (loss)	17,878,910	22,604,713	17,720,238	12,277,147	(8,507,339)
Change in net unrealized capital gains or (losses)	(3,988,584)	(8,545,224)	(86,309,860)	(188,738)	(26,080,570)
Change in net deferred income tax	(34,781,236)	10,278,454	741,857	(2,516,152)	5,189,641
Change in nonadmitted assets	37,310,324	(17,477,104)	13,122,212	(9,661,483)	6,419,058
Change in reserve on account of change in valuation basis			(4,056,723)		
Change asset valuation reserve	(3,776,715)	(1,256,283)	(7,122,175)	(1,756,204)	(7,486,209)
Change in treasury stock		(500)	(1,500)		
Cumulative effect of changes in accounting principles		5,524,751			
Dividends to stockholders	(1,840,121)	(1,840,125)	(1,840,137)	(1,848,834)	
Aggregate write-ins for gains and (losses) in surplus			102,010,216		32,511,219
Net change in capital and surplus for the year	10,802,578	9,288,682	34,264,128	(3,694,264)	2,045,800
Capital and surplus, December 31, current year	<u>\$213,599,312</u>	<u>\$202,796,734</u>	<u>\$193,508,052</u>	<u>\$159,243,924</u>	<u>\$162,938,188</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1: Actuarial Items, Reserves and Liabilities:

The consulting actuaries from E&Y reviewed the Company's policy reserves for all life and annuity policies. E&Y found the Company to be in compliance with Massachusetts' regulations with respect to methodology and valuation assumptions. This finding was supported by E&Y's review of methodologies and assumptions as well as through the recalculation of reserves for sample policies.

The traditional life portfolio represents both participating and non-participating life policies that were issued over the last eighty years and spans multiple CSO mortality tables, valuation interest rates and valuation methods. The term life insurance reserves include primarily level term coverage along with some yearly renewable term. As required by statute, the Company uses XXX reserve methodology applied to issues after 2001. In addition to reserve recalculations, E&Y reviewed audit reports of the Company's independent auditors and discussed with Company actuaries how the reserve system is maintained. Based on these procedures, E&Y concludes that the reserves meet statutory minimums.

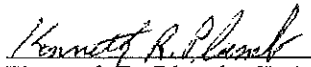
The consulting actuaries from E&Y reviewed the reserves for Individual Deferred Annuities. The deferred annuity block is comprised of contracts with cash settlement options with future interest rate guarantees that range up to 5%. All contracts are funded through the general account and feature limited surrender charge periods. The currently marketed product has varying interest rate guarantee periods and includes a market value adjustment.

E&Y obtained information from the Company demonstrating its approach to calculating deferred premium assets associated with its mean method of reserving. Based on the analysis provided by the Company it was determined that the Company is using the method preferred by the Division which is having a limitation on the deferred premium asset so as to not exceed the premium reflected within the mean reserve.

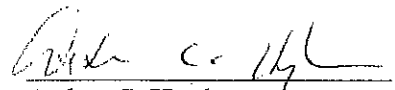
ACKNOWLEDGEMENT

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company to all the examiners during the course of the examination.

The assistance rendered by RRC and E&Y who participated in this examination is hereby acknowledged.



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