THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

Division of Insurance

Report on the Examination of the

Berkshire Life Insurance Company of America

Pittsfield, Massachusetts

As of December 31, 2010

NAIC GROUP CODE: 0429

NAIC COMPANY CODE: 71714

EMPLOYER'S ID NUMBER: 75-1277524

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May 25, 2012

The Honorable Joseph G. Murphy
Secretary, Northeastern Zone, NAIC
Commissioner of Insurance
Commonwealth of Massachusetts
Office of Consumer Affairs and [illegible]ss
Regulation
Division of Insurance
1000 Washington Stree[illegible] 810
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H[illegible]orable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Law, Chapter 175, Section 4, an examination has been made of the financial condition and affairs as of December 31, 2010 of the

BERKSHIRE LIFE INSURANCE COMPANY OF AMERICA
Pittsfield, Massachusetts

at its home office located at 700 South Street, Pittsfield, Massachusetts, 01201. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Berkshire Life Insurance Company of America, (hereinafter referred to as the "Company" or "BLICOA") was last examined as of December 31, 2005 for the period from July 1, 2001 thereto. The current association examination covers the intervening period from January 1, 2006 through December 31, 2010, and any material transactions and/or events occurring subsequent and noted during the examination.

The current examination was conducted at the direction of and under the overall management and control of the of the Massachusetts Division of Insurance (the "Division") in accordance with standards established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee, the requirements of the 2011 Edition of the *NAIC Financial Condition Examiner's Handbook*, the examination standards of the Division, and with Massachusetts General Laws. Representatives from the professional services firm of KPMG LLP ("KPMG") were engaged by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division's examination staff. This assistance included a review of corporate and accounting records, information technology systems, and actuarially determined liabilities including methodologies, assumptions, and inherent business risks, and other areas deemed appropriate. Examination procedures performed by KPMG were reviewed and approved by the Division.

The principal focus of the examination was 2010 activity. However, transactions both prior and subsequent thereto were reviewed as deemed appropriate. The examination was conducted following the NAIC Risk Focused Examination Model. The risk focused approach requires the examination be planned and performed 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 NAIC Annual Statement Instructions and applicable domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. Key activities were determined to consist of life and accident and health contract reserves; underwriting and premium processing; claim handling; reinsurance including related party reinsurance and transactions including federal income taxes; and investments.

In determining the scope of the examination, after review and evaluation, reliance was placed on certain work papers provided by the Company's external auditors, PricewaterhouseCoopers LLP ("PwC") and by the Company's internal audit department. Wherever possible and deemed appropriate and effective, their independent work product was leveraged to define, support, document, and expedite the overall examination process. The Company is also required to comply with the NAIC's Annual Financial Reporting Model Regulation #205 ("MAR"). Documentation and test work over internal controls performed by the Company to comply with and support Management's Report of Internal Control over Financial Reporting, as required under MAR, where reviewed, leveraged, and relied upon where deemed appropriate and effective.

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COMPANY HISTORY

General

The Company is a wholly owned stock subsidiary of The Guardian Life Insurance Company of America ("Guardian"), a mutual life insurance company domiciled in the State of New York. The Company was previously known as Healthsource Insurance Company, a dormant life and health insurer domiciled in the State of Tennessee and owned by Guardian.

On July 1, 2001, Berkshire Life Insurance Company, a mutual life insurance company domiciled in the Commonwealth of Massachusetts that wrote life, annuity and disability income business, consummated a statutory merger with Guardian whereby Guardian became the surviving company. In connection with this transaction, Healthsource Insurance Company was renamed "Berkshire Life Insurance Company of America" (BLICOA) and was re-domesticated from Tennessee as a Massachusetts corporation, and Guardian contributed $267.5 million of capital to the Company. Also in conjunction with the statutory merger, all of the disability income business of the former Berkshire Life Insurance Company and Guardian was transferred to the Company by way of a 100% coinsurance reinsurance treaty. Effective July 1, 2001, the Company commenced writing new business, primarily individual disability income policies.

Common Capital Stock

The Company has 520,000 shares of capital common stock authorized, issued, and outstanding with a stated per share par value of $6.15. Total capital common stock is valued at $3,198,000 and all shares are owned by Guardian. The Company has no preferred stock issued or outstanding. There are no dividend restrictions other than statutory restrictions however, the Company has not declared or paid any dividends since its inception including the period covered by this examination.

Gross Paid-in and Contributed Surplus

As noted above, Guardian contributed paid-in and contributed surplus of $267,484,486 in conjunction with the statutory merger between Guardian and Berkshire Life Insurance Company in 2001. Total gross paid-in and contributed surplus as of December 31, 2010 is $305,486,486.

CORPORATE RECORDS

Effective May 26, 2010 and in accordance with Massachusetts law and the Company's Articles of Incorporation, Guardian, as the Company's sole shareholder, adopted and filed with the Commissioner of Insurance, Amended and Restated By-Laws for the Company. The format and specific wording of the by-laws of Guardian were adopted throughout. New sections were added, some sections were eliminated, and others were combined. Content headings, article, and section numbers were added for clarity. The following have been identified as significant changes.

- The date of the Annual Meeting has been changed from the first to the third Friday in April.
- All references to Class A and Class B Directors (previously Section II) were eliminated. The specific maximum number of Directors has been removed however, the minimum

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number of Directors remains at five. The President is still a member of the Board and will preside at all Board meetings, unless the Board elects another Director as Chairman. Section III, which previously addressed Director's meetings, was eliminated and incorporated into other sections of the amended by-laws as deemed appropriate.

- Section IV, which previously addressed standing committees of the Board was eliminated. All matters are now discussed at meetings of the full Board of Directors. An entire new section, Article IV, was added and specifically addresses the Board Committee structure of the Company. Included is a provision pursuant to Massachusetts law permitting Guardian to elect to have its Audit and Risk Committee be deemed the Audit Committee of the Company, and Guardian has elected to exercise this option.
- Section V, which previously addressed corporate officers was amended and now addressed under Article III and requires the Secretary to be a resident of the Commonwealth of Massachusetts unless the Company shall have a resident agent appointed pursuant to the Business Corporation Laws. The Company has appointed a resident agent.
- Article V of the adopted by-laws is now a general section which incorporates various sections of the predecessor by-laws, and newly added sections addressing items such as amendments, the corporate seal, masculine pronoun, and dividends to stockholders.
- Article VI is a completely new section entitled "Emergency By-Laws" which provides operating guidance during a National Emergency.

All of the changes noted above were reviewed and considered during our review of various meeting minutes and other corporate records while examining these records for compliance with applicable laws and assessing the overall corporate governance structure of the Company.

MANAGEMENT, CONTROL AND CORPORATE GOVERNANCE

The management, control, and corporate governance environment of the Company has undergone significant changes since the prior examination. As a wholly owned subsidiary of Guardian and pursuant to servicing agreements the Company has transitioned certain operational and support responsibilities to Guardian in order to create efficiencies. The Company is an individual disability income insurance writer and its primary strategic directive is to function as and manage all aspects of its and Guardian's individual disability income business.

Since the last examination, the Company transitioned the make-up of the Board of Directors from a mixed group of internal and external members to a Board consisting of all senior members of Guardian's management team.

Board of Directors

The by-laws provide that the corporate powers of the Company shall be vested in the Board of Directors, elected by a majority of the shareholders, and be composed of at least five Directors. The President of the Company shall be a member of the Board and unless a Chairman is elected, the President shall preside at all meetings of the Board. Unless unable to serve, directors shall hold office for a term of one year and until their successors are chosen and qualified. A Director's term of office shall expire at the end of the calendar year in which such director attains the age of 72 years, at which time he/she shall not be eligible for re-election. The by-laws provide guidelines relating to standard and common provisions relating to regular and special meetings, director

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compensation, quorum at meetings, resignation, removal and vacancies, and actions taken by unanimous consent.

As of December 31, 2010, the Board was comprised of five directors, all of whom hold senior officer positions at Guardian:

Director	Principal Affiliation
Robert E. Broatch	Executive Vice President and Chief Financial Officer of Guardian
D. Scott Dolfi	Executive Vice President of Guardian
Gordon D. Dinsmore	President of Berkshire Life Insurance Company of America and Senior Vice President of Individual Disability for Guardian
Deanna M. Mulligan	Chairman of the Board of Berkshire Life Insurance Company of America and Executive Vice President of Guardian
Margaret W. Skinner	Executive Vice President of Guardian

Committees of the Board of Directors

As noted, the Company's Board changed its operational process in 2010 and no longer has stand-alone committees of its Board of Directors, although current By-Laws permit the Board to establish such ad hoc and standing committees as may be deemed necessary. Certain standing committees of the Guardian Board of Directors may make decisions that impact the Company but all statutory, by-law or other required decisions continue to be reviewed and voted upon by the Company's Board. As of December 31, 2010, Guardian had in place five standing committees, members of which were all independent directors of Guardian. The Guardian Board elects a Chair for each committee other than the Executive Committee.

The Company's Board is vested with all powers of the Company, makes decisions for the company and votes on all required issues. This includes, but is not limited to, such things as review of financial reports, approval of investment plan and securities transactions, the annual appointment of officers, delegations of authority and approval of non officer compensation plans and payments.

Set forth below is a description of the duties assigned and performed by each standing committee of the Guardian Board of Directors, along with a list of members serving on those committees as of December 31, 2010.

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Executive Committee

The Executive Committee of the Guardian Board of Directors is a standing committee that is comprised of the Chair of each of the other standing committees, the "Lead Director" as provided for in the by-laws, and any other Independent Director the Board may choose to elect. The Chair of the Executive Committee shall be the Lead Director. To the extent permitted by law, the Executive Committee shall have any and all powers of the Board during intervals between Board meetings.

Members of the Guardian Executive Committee as of December 31, 2010 were as follows:

Donald C. Waite, Lead Director and Chair
Richard E. Cavanagh
James E. Daley
Deborah Duncan
Paul B. Guenther

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, risk management oversight, the system of internal controls, the audit process, and the Company's performance record for complying with laws and regulations, and to take or use other means necessary to discharge its responsibilities as described in the Company's by-laws and the "Corporate Governance Guidelines" approved by the Board.

In 2010, the Board of Directors of Guardian has elected to designate the Audit and Risk Committee responsible for overseeing the accounting and financial reporting process of the Company, satisfying the requirements of the MAR. Prior to this election, the results of all audits were presented to the BLICOA Audit Committee and full Board when necessary. Additionally, since the election, each member of the BLICOA Board receives a copy of all BLICOA related audit reports through their executive roles at Guardian and the BLICOA Board receives an annual update on the current and proposed audit plan.

Members of the Guardian, and therefore BLICOA, Audit and Risk Committee as of December 31, 2010 were as follows:

Deborah Duncan, Chair
Lloyd E. Campbell
Paul B. Guenther
Stephen J. Squeri

Human Resources and Governance Committee

The primary purpose of the Human Resources and Governance Committee is (i) to identify, evaluate and recommend to the Board qualified individuals to become Board members consistent with criteria approved by the Board; (ii) to make recommendations with respect to the composition of the Board and its committees; (iii) to recommend director nominees for the next annual election

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Board's and Guardian's existing governance structure and reporting its findings and any suggestions for improvements to the Board for its consideration; (v) to evaluate and make recommendations to the Board regarding the adoption of best practices appropriate for the governance of the affairs of the Board, its committees, and Guardian; and (vi) to discharge the Boards responsibility relating to compensation and benefit plans for the chief executive officer, principal and senior officers, members of the Board, and Guardian employees.

Members of the Guardian Human Resources and Governance Committee as of December 31, 2010 were as follows:

Richard E. Cavanagh, Chair
James E. Daley
John A. Somers
Donald C. Waite

Investment Committee

The primary purpose of the Investment Committee is (i) to have general control and supervision over the investments held by the General Account of Guardian, including the power to invest, acquire, exchange and dispose of any such investments of Guardian in such a manner, and in such amounts, as the Committee may determine; and (ii) to review the investment activities and results of Guardian's subsidiaries (including BLICOA) and funds managed by Guardian. While the Guardian Board reviews these matters, the Company's Board has decision-making authority over these items and review the investment plan and transactions. The Committee will also undertake such other activities as are consistent with the Investment Committee Charter, Guardian's charter and by-laws, and governing laws and regulations, and shall conduct itself in accordance therewith.

Members of the Guardian Investment Committee as of December 31, 2010 were as follows:

Paul B. Guenther, Chair
Lloyd E. Campbell
Deborah Duncan
John A. Somers

Product and Distribution Committee

The primary purpose of the Product and Distribution Committee is to review and make recommendations to the Board regarding the Guardian's (and the Company's) products and distribution thereof, proposed dividends to be paid by Guardian, and any other responsibilities delegated by the Board. Any Company product issues are reviewed at either the Company's Risk Committee, the Guardian Product Risk Committee or, if required, the Product and Distribution Committee.

Members of the Guardian Product and Distribution Committee as of December 31, 2010 were as follows:

James E. Daley, Chair
Richard E. Cavanagh

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Stephen J. Squeri
Donald C. Waite

Officers

The following officers along with their respective titles have been identified as key officers of the Company as of December 31, 2010, duly elected and appointed by the Board of Directors.

Officer	Title
Gordon G. Dinsmore, Jr.	President
Thomas G. Sorell	Executive Vice President & Chief Investment Officer
Barry Belfer	Senior Vice President & Treasurer
Jess Geller	Vice President & Actuary
John P. Cifu	Vice President & Chief Financial Officer
Sean D. Quinn	Vice President & Corporate Secretary
Jeffrey A. Yeager	Vice President – Claims and Client Services
Carl Amick	Vice President – Pricing and Underwriting
Lawrence S. Hazzard	Vice President – Product Strategy
Carl Desrochers	Second Vice President – Appointed Actuary

Individual Disability Risk Management Committee

As the individual disability income business unit for the Guardian group, the Company continues to have an Individual Disability Risk Management Committee. This is not a committee of the Board of Directors, but rather a committee of BLICOA and Guardian officers representing various responsibilities across the Company. Per the committee charter, the responsibilities of the committee are to identify, assess, design, and execute mitigation strategies for each of the business unit's risks; educate and drive a risk management culture throughout the business unit; maintain minutes of activities and actions; and report committee activities to Guardian's Enterprise Risk Management Committee. The risks identified by the Committee include operational, legal, product, compliance, reputational, and financial.

Members of the Individual Disability Risk Management Committee as of December 31, 2010 were as follows:

Carl Amick	Vice President, Pricing and Underwriting Policy
Sharon Bartels	Manager of Auditing
Edward Blanco	Guardian Vice President and Chief Audit Executive

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Edward Blanco	Guardian Vice President and Chief Audit Executive
William Chandler	Second Vice President, Information Technology
John Cifu	Vice President and CFO, Committee Chair
Carl Desrochers	Second Vice President and Appointed Actuary
Gordon Dinsmore	President
Mark Haydon	Second Vice President, National Sales Manager
Lawrence Hazzard	Vice President, Product Strategy
Robin MacPherson	Vice President, Underwriting Operations & New Business Services
Kevin Mealey	Assistant Vice President and Chief Underwriting Officer
Sean Quinn	Vice President, Law and Corporate Secretary
Alycia Sacco-Duquette	Disability Income Chief Compliance Officer
Sarah Vega	Second Vice President, Human Resources
Jeffrey Yeager	Vice President, Claims and Client Services

Conflict of Interest Procedures

The Company adheres to the same Conflict of Interest Policy adopted and maintained by Guardian. The policy is founded upon the principle that all decisions by directors, officers, and responsible employees of the Guardian and its affiliates must be motivated solely by the best interest of its policyholders. The policy outlines conflicts that possibly could arise; provides various definitions to add clarity to the policy; and, requires each covered individual to certify their awareness and understanding of the policy. Signed Conflict of Interest Questionnaires and Disclosure Statements for each covered individual were reviewed and no conflicts as defined were noted.

Management Continuity and National Emergency

The Company provides for the continuity of management in the event of a catastrophe or other National Emergency in accordance with sections 180M through 180Q of Chapter 175 of the Massachusetts General Laws.

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AFFILIATED COMPANIES

Per Form B filings, the Company is a member of a holding company system and is subject to the registration requirements of Chapter 175, Section 206C, of the Massachusetts General Laws. Guardian is the "ultimate controlling person" of the group. The Company's primary relationship within the group is with its parent, Guardian. The Company has no subsidiaries nor any direct contractual relationship with its affiliates under the holding company structure. A listing of Guardian's subsidiaries, including the Company is presented below:

The Guardian Life Insurance Company of America (NY)
- Guardian Investor Service LLC
  - RS Investment Management Co. LLC
- The Guardian Insurance and Annuity Company, Inc. (DE)
  - Park Avenue Securities LLC
  - Guardian Baillie Gifford, Ltd.
- Park Avenue Life Insurance Company (DE)
  - Family Service Life Insurance Company (TX)
    - Sentinel American Life Insurance Company (TX)
- **Berkshire Life Insurance Company of America (BLICOA)**
- Managed Dental Care of California
- Guardian Trust Company, FSB
- Managed DentalGuard, Inc. (TX)
- Managed DentalGuard, Inc. (NJ)
- First Commonwealth, Inc.
  - First Commonwealth Limited Health Services Corp (IL)
  - First Commonwealth Limited Health Services Corp (WI)
  - First Commonwealth of Illinois Inc.
  - First Commonwealth of Missouri, Inc. (MO)
  - First Commonwealth Limited Health Services Corp of Michigan (MI)
  - First Commonwealth insurance Company (IL)
- Innovative Underwriters, Inc.
- American Financial Systems, Inc.
- eMoney Advisor Holdings, LLC
  - eMoney Advisors, LLC

Note: Companies with a state abbreviation in parenthesis ( ) at the end of their name represent insurance companies within the holding company system.

Transactions and Agreements with Affiliates

Administration Service Agreement

The Company has in place an Administration Service Agreement (the "Service Agreement") with Guardian effective July 1, 2001. Also effective July 1, 2001, the Company and Guardian entered into a Coinsurance Agreement whereby Guardian agreed to cede to BLICOA, and BLICOA agreed to accept on a coinsurance basis, 100% of the liabilities and obligations arising under or with respect to (i) Guardian's individual disability income insurance policies and contracts and (ii) any new individual disability income insurance business issued by Guardian from and after July 1,

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2001 in states where BLICOA is not yet licensed to write such business or where BLICOA's policies have not yet been approved (collectively, the "Reinsured Policies").

The Service Agreement serves as the basis for inter-company cost allocation and is intended to identify the services, rights, and obligations of the Company and Guardian with respect to administering the Reinsured Policies. This Service Agreement provides administrative guidance relating to (i) Policy Service and Administration; (ii) Claims Administration; (iii) Data Processing Support; (iv) Financial and Actuarial services, and other standard and customary terms necessary to facilitate the nature and relationship of the services being provided by and to Guardian. The terms of the Service Agreement also require cost to be allocated no less than quarterly and settlement thereof shall be within 30 days of the end of such quarter, and there shall be no right of offset for amounts owed under the Service Agreement.

Amended and Restated Agreement for Services and reimbursement Therefor

The Company has in place an Agreement for Services and Reimbursement Therefor which was Amended and Restated as of December 31, 2007. This agreement is between Guardian and each identified subsidiary, including the Company, and is intended to provide a governing framework regarding the provision of services and reimbursement between the Company and Guardian and any other affiliate that may provide services to, or receive services from the Company.

Federal Tax Sharing Agreement

The Company is included in a consolidated federal income tax return with Guardian. The Company has in place a written agreement approved by its Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to the agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

In accordance with the tax allocation agreement, each qualifying member of the group, including the Company, computes its tax provision and liability on a separate return basis, but may, where applicable, recognize benefits of net operating losses and capital losses utilized in the consolidated group. The liabilities/benefits are settled subsequent to the filing of the consolidated federal income tax return.

FIDELITY BONDS AND OTHER INSURANCE

As a wholly owned subsidiary of Guardian, the Company is a named insured where applicable on multiple insurance policies acquired by Guardian to protect its various insurable interests. This coverage includes Fiduciary Liability, Fidelity and Comprehensive Crime, Directors and Officers Liability, General Liability including Excess Umbrella, and other insurance. Fidelity coverage is with an authorized Massachusetts insurer, consistent with Massachusetts General Law Chapter 175 Section 60. The limit of liability is well in excess of the required limits.

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RETIREMENT PLANS, DEFERRED COMPENSATION AND POSTEMPLOYMENT BENEFIT PLANS

The Company no longer has any direct employees. The Company's workforce are Guardian employees, and as such fall under the employment guidelines and benefits established by Guardian. These benefits include a non-contributory defined benefit pension plan covering all employees. Additionally, Guardian sponsors defined contribution plans. Non-highly compensated employees are covered by an investment and profit sharing plan where employees can invest up to 3% of salary matched by an equal amount from Guardian, and may also contribute up to an additional 22% of non-matched contributions. In addition, Guardian provides a profit sharing allocation in proportion to salary.

Guardian also provides certain health care, dental and life insurance benefits for retired employees and employees. Substantially all employees may become eligible for these benefits if they reach retirement age while working for the Company.

TERRITORY AND PLAN OF OPERATION

The Company's primary business is individual disability income (IDI) insurance. As noted, as the writer and administrator of individual disability insurance, the Company has also assumed and now manages all DI business previously written and administered by Guardian, which includes the IDI business of the Berkshire Life Insurance Company, acquired in 2001 as a result of the statutory merger between Guardian and Berkshire Life Insurance Company.

The Company is the leading writer in the industry of non-cancelable IDI products, targeting the specialty medical field and professional markets. The Company also introduced and now offers a multi-life disability income product for employees of small and medium-sized businesses. The Company began offering long term care insurance (LTC) in 2004 however, it discontinued new sales of LTC during the first half of 2012. The existing LTC business continues to be 90% reinsured and managed by a third-party administrator. All products are marketed through Guardian's career agency force consisting of over 3,100 field representatives and approximately 83,000 independent agents and outside brokers. The Company is licensed in all 50 States and the District of Columbia.

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GROWTH OF THE COMPANY

The growth of the Company for the years 2006 to 2010 is shown in the following table, which was compiled from the Company's Annual Statement filings.

Year	Total Admitted Assets	Total Liabilities	Total Capital & Surplus	Net Income	Annual % Change in Capital and Surplus
2010	$2,814,669,327	$2,320,894,330	$493,774,997	$50,710,029	9.2%
2009	2,626,861,469	2,174,587,215	452,274,254	33,987,027	7%
2008	2,455,454,678	2,031,605,084	423,849,594	28,652,099	[illegible]
2007	2,292,683,445	1,906,075,774	386,607,673	62,008,372	11.9%
2006	2,139,102,208	1,793,725,858	345,376,350	59,156.007	16.7%

Morbidity and Loss Experience

Since the Company's principal line of business is disability insurance, morbidity risk is the key driving factor in its overall loss ratio development. The company's individual accident and health loss ratio, along with that of the industry during the examination period (per the NAIC) is illustrated in the following table.

Individual Accident and Health Loss Ratio

	2010	2009	2008	2007	2006
Company	74.4%	[illegible]	72.8%	66.9%	70.5%
Industry	77.7%	79.7%	79.0%	77.0%	79.7%

REINSURANCE

The Company utilizes reinsurance in the normal course of business to reduce overall risk and align its operating objectives within the organization as a whole. Prior to execution, reinsurance agreements are reviewed and approved by the Chief Actuary, Chief Financial Officer, and Counsel. Treaty parameters, including retention limits, are entered into the pricing model and projections are reviewed. All amendments and changes are supported by written documentation. The Company monitors the performance of the ceded business through monthly P&L and loss ratio analysis. Annually, Guardian evaluates the financial stability of the reinsurance industry and identifies "qualified" reinsurance partners.

The Company has in place several treaties ceding various blocks of IDI business, including certain closed blocks originating from the Berkshire Life Insurance Company and acquired by Guardian as a result of the merger and retro-ceded to BLICOA, as well as multi-life plans, closed blocks of term and universal life business, and long-term care insurance.

The following is a brief summary of significant reinsurance treaties by product to which the Company is a party.

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Ceding Agreements:

The Company has a number of treaties in place ceding portions of its IDI business depending on type of direct coverage written, issue period, and retention amounts. Types of coverage reinsured include IDI Monthly Indemnity, Overhead Expense, and Disability Buyout policies. Retention levels range from $2,500 to $10,000 monthly indemnity benefits per insured. The Company also has reinsurance on extended wait coverage where the retention limit is $4,000 per insured once cumulative payments during the life of the policy reach the $750,000 threshold. Treaties to cover these policies are with Munich American Reinsurance Company, General Re Life Corporation, and Lincoln National.

Long Term Care policies, which the Company discontinued offering during 2011, since its initial offering in 2004 has always been reinsured on a 90% coinsurance basis. Policies issued prior to 7/1/2008 are reinsured with Employers Reassurance Corporation, and policies issued after 6/30/2008 are reinsured by Reinsurance Group of America.

Universal Life policies are reinsured with Guardian on a 90% modified coinsurance basis with $1,000,000 maximum retention.

Term Life policies are ceded to various reinsurers based on the year in which the policy originated and the length of the policy term. Total reinsured is either 90% or 70.5% with a maximum retention of $1,000,000. Reinsures include Munich American Reinsurance Company, General Re, Transamerica Financial, Security Life of Denver, Employers Reassurance Corp. and Guardian.

Assumed Agreements

The only assumed reinsurance on the Company's books is assumed from Guardian. Guardian cedes and the Company assumes 100% of all IDI policies directly written by Guardian, and the closed block of IDI business acquired by Guardian as a result of the statutory merger between Guardian and the former Berkshire Life Insurance Company. A portion of this business is included in the business ceded to third party reinsurers as noted above.

EXAMINATION OF ACTUARIAL RESERVES AND RELATED ITEMS

Included as part of its efforts to assist the Division in the overall examination of the Company, KPMG was retained to assist the Division in the analysis of various actuarially determined items in the 2010 Annual Statement. Under the "risk focused" examination approach of the overall examination, KPMG's approach was aimed at identifying the actuarial items on the financial statements with the greatest risk of material error. KPMG considered processes and controls used by the Company to manage risk and identify significant residual risk. Additionally, KPMG's procedures also considered the Company's exposure to business risks and the controls and processes in place to address such risks.

In summary, KPMG performed the following actuarial procedures in order to support the Division's overall examination of the Company:

1. KPMG read PwC's audit work papers to identify audit procedures performed in order to satisfy PwC of the compliance of the Company with statutory regulations as applied to actuarial items

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and of the effectiveness of controls to protect from material errors. KPMG supplemented its review of PwC's work papers with additional procedures where recommended to the Division.

2. KPMG met with Company management to understand the business of the Company, its procedures around actuarial calculations, its approach to risk management and its likely areas of financial statement and business risk.

3. KPMG selectively read policy forms and other documentation to understand the product classification and statutory accounting treatment of various products and to identify situations where the treatment may not comply with the expectations of the Division.

4. KPMG selectively analyzed assumptions and methodologies used to calculate reserves and related actuarial items and compared them to statutory guidance. KPMG focused primarily on IDI products and new guidance introduced since the prior (2005) examination.

5. KPMG performed procedures to assist in its understanding of the consistency of those items with commonly observed industry practices and with Massachusetts regulations.

6. KPMG read the Company's Asset Adequacy Analysis Memorandum and supporting documentation along with PwC's work papers for consistency with typically observed methods, including the setting of assumptions, and for levels of sufficiency reported by the Company.

7. KPMG investigated potential business risks of the Company and sought to understand the ways in which the Company manages these risks in order to assist the Division in assessing the prospective risks to the Company and help in formulating an ongoing Supervisory Plan.

SUBSEQUENT EVENTS

Through a review of numerous corporate governance documents, including minutes of Board and Committee meetings, review of financial statements and results for 2011, and discussions with various members of management, there were no events of material significance noted involving the Company subsequent to December 31, 2010 that would cause our examination approach to be amended or our findings reconsidered.

For Informational Purposes Only

SPECIAL DEPOSITS

The special deposits of the Company at December 31, 2010 are as follows:

State	Purpose of Deposit	Book Value	Fair Value
Arkansas	Statutory Purpose Deposit	$ 100,503	$ 106,090
Georgia	Statutory Purpose Deposit	55,428	58,798
Kansas	Statutory Purpose Deposit	101,921	106,063
Kentucky	Statutory Purpose Deposit	504,082	534,531
Massachusetts	Benefit of all Policyholders	1,500,881	1,599,[illegible]
New Mexico	Statutory Purpose Deposit	115,895	122,[illegible]42
North Carolina	Statutory Purpose Deposit	623,725	666,758
Pennsylvania	Statutory Purpose Deposit	216,673	[illegible],848
South Carolina	Statutory Purpose Deposit	121,365	126,247
Virginia	Statutory Purpose Deposit	60,46[illegible]	64,144
	Totals	$ 3,[illegible]0	$ 3,614,504

TREATMENT OF POLICYHOLDERS AND RELATED PRACTICES

Treatment of Policyholders – Market Conduct Examination

During the financial examination of the Company, the Division's Market Conduct Section initiated a comprehensive market conduct examination of Massachusetts business of the Company for the period January 1, 2010 through December 31, 2010. The market conduct examination was called pursuant to authority in Massachusetts General Laws 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 RSM McGladrey, Inc. were engaged to complete certain agreed upon procedures that were developed using the guidance and standards of the *NAIC Market Conduct Examiner's Handbook*, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The basic business areas reviewed and tested under this market conduct examination are company operations/management; complaint handling; marketing and sales; producer licensing; policyholder services; underwriting and rating; and claims. Once this market conduct examination is completed, a Report on the Comprehensive Market Conduct Examination for the period January 1, 2010 through December 31, 2010 will be issued and become available as a public document.

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ACCOUNTS AND RECORDS

The Company utilizes Oracle PeopleSoft, operating on an IBM platform utilizing a Unix operating system for its general ledger processing and financial reporting. The IT group at BLICOA generally provides application development and support. As a wholly owned subsidiary of Guardian, the overall information technology segment is owned, managed, and operated by Guardian. Certain IT functions, including information security, user access maintenance, data center, and computer operations, are centralized and managed by Guardian. Guardian's data center is located in Bethlehem, PA, and the data center at 877 South Street, Pittsfield, MA is a Disaster Recovery site for Guardian. Both data centers are maintained and managed by Guardian. The Guardian Corporate Audit Department performs the IT internal audit function for BLICOA.

Guardian has a process in place for IT Strategic Planning and IT budgeting with the goal of aligning IT strategy with business strategy. An IT Steering Committee, comprised of IT and business executive leadership, meets on a monthly basis to discuss and prioritize IT related initiatives and projects. This IT governance process is enterprise-wide and BLICOA's IT strategy and projects are included on the steering committee's agenda.

The accounts and records of the Company are subject to review by Guardian's Corporate Auditing Department and are audited annually by PwC.

No material deficiencies were noted in the Company's accounts and records in the course of this examination.

FINANCIAL STATEMENTS

The financial statements section includes the following:

Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2010

Summary of Operations For the Year Ended December 31, 2010

Capital and Surplus For the Year Ended December 31, 2010

Reconciliation of Capital and Surplus For the Five Year Period Ended December 31, 2010

The following financial statements are presented on the bases of accounting practices prescribed or permitted by the Division and the NAIC as of December 31, 2010.

For Informational Purposes Only

Berkshire Life Insurance Company of America
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2010

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	$ 2,350,551,122	$ 0	$ 2,350,551,122
Stocks:			
Common stocks	3,825		[illegible]
Mortgage loans on real estate:			
First liens	298,079,714		298,079,714
Real estate:			
Properties occupied by the company	5,700,929		5,700,929
Cash, cash equivalents and short-term investments	31,851,279		31,851,279
Contract loans	638,056		638,056
Other invested assets	10,857,969		10,857,969
Subtotals, cash and invested assets	2,697,682,894		2,697,682,894
Investment income due and accrued	39,[illegible]		39,284,216
Premiums and considerations:			
Uncollected premiums and agents' balances	6,6[illegible],165		6,666,165
Deferred premiums booked but not yet due	7,987,170		7,987,170
Reinsurance:			
Amounts recoverable from reinsurers	3,412,437		3,412,437
Other amounts receivable under reinsurance cont[illegible]	25,051,596		25,051,596
Current federal and foreign income tax recover[illegible]	1,563,923		1,563,923
Net deferred tax asset	24,902,833		24,902,833
Electronic data processing equipment [illegible] software	670		670
Receivables from parent, subsidiaries [illegible] affiliates	7,974,949		7,974,949
Health care and other amounts [illegible]le	62,151		62,151
Aggregate write-ins for oth[illegible] invested assets	80,323		80,323
Total assets exc[illegible] Separate Accounts	2,814,669,327		2,814,669,327
Total Asset[illegible]	$ 2,814,669,327	$ 0	$ 2,814,669,327

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Berkshire Life Insurance Company of America

Statement of Assets, Liabilities, Surplus and Other Funds (Continued)

As of December 31, 2010

Liabilities	As Reported by the Company	Examination Changes	Per Statutory Examination
Aggregate reserve for life contracts	$ 40,836,592	$ 0	$ 40,836,592
Aggregate reserve for accident and health contracts	2,123,342,189		2,123,342,189
Contract claims:			
Life	99,151		99,151
Accident and health	33,974,617		33,974,617
Policyholders' dividends due and unpaid	(316,170)		(316,170)
Provision for policyholders' dividends payable in the following year - Dividends apportioned	5,789,777		5,789,777
Premiums and annuity considerations received in advance	5,648,611		5,648,611
Contract liabilities not included elsewhere:			
Other amounts payable on reinsurance	38,269,092		38,269,092
Interest Maintenance Reserve	11,012,319		11,012,319
Commissions to agents due or accrued	452,681		452,681
Commissions and expense allowances payable on reinsurance assumed	319,553		319,553
General expenses due or accrued	42,886,216		42,886,216
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,542,365		1,542,365
Amounts withheld or retained by company as agent or trustee	308,129		308,129
Remittances and items not allocated	435,475		435,475
Liability for benefits for employees and agents not included above	8,802		8,802
Asset valuation reserve	15,746,636		15,746,636
Aggregate write-ins for liabilities	538,294		538,294
Total Liabilities	2,320,894,329		2,320,894,329
Common capital stock	3,198,000		3,198,000
Gross paid in and contributed surplus	305,486,486		305,486,486
Unassigned funds (surplus)	185,090,511		185,090,511
Total capital and surplus	493,774,997		493,774,997
Total Liabilities, Capital and Surplus	$ 2,814,669,326	$ 0	$ 2,814,669,326

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Berkshire Life Insurance Company of America
Summary of Operations
For the Year Ended December 31, 2010

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premium and annuity considerations	$ 458,079,752	$ 0	$ 458,079,752
Considerations for supplementary contracts	-		-
Net investment income	162,665,665		162,665,665
Amortization of interest maintenance reserve	136,890		136,890
Commissions and expense allowances on reinsurance ceded	46,878,365		46,878,365
Reserve adjustments on reinsurance ceded	1,564,712		1,564,712
Aggregate write-ins for miscellaneous income	1,671,425		1,671,425
Totals	670,996,809		670,996,809
Death benefits	695,651		695,651
Disability benefits and benefits under A&H policies	205,425,077		205,425,077
Surrender benefits and withdrawals for life contracts	450,655		450,655
Interest and adjustments on contract or deposit-type contract funds	3,657		3,657
Increase in aggregate reserves for life and accident and health policies and contracts	131,250,229		131,250,229
Totals	337,825,269		337,825,269
Commissions on premiums, annuity considerations and deposit-type contract funds	62,540,707		62,540,707
Commissions and expense allowances on reinsurance assumed	64,708,824		64,708,824
General insurance expenses	110,740,542		110,740,542
Insurance taxes, licenses and fees, excluding federal income taxes	14,486,456		14,486,456
Increase in loading on deferred and uncollected premiums	384,745		384,745
Aggregate write-ins for deductions	1,179,799		1,179,799
Totals	591,866,342		591,866,342
Net gain from operations before dividends to policyholders and federal income taxes	79,130,467		79,130,467
Dividends to policyholders	5,219,966		5,219,966
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)	73,910,500		73,910,500
Federal income taxes incurred (excluding tax on capital gains)	25,070,239		25,070,239
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	48,840,262		48,840,262
Net realized capital gains or (losses)	1,869,767		1,869,767
Net Income	$ 50,710,029	$ 0	$ 50,710,029

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Berkshire Life Insurance Company of America
Capital and Surplus
For the Year Ended December 31, 2010

	As Reported by the Company	Examination Changes	Per Statutory Examination
Capital and surplus, December 31, prior year	$ 452,274,254	$ 0	$ 452,274,254
Net income	50,710,029		50,710,029
Change in net unrealized capital gains (losses) less capital gains taxes	188,318		188,318
Change in net unrealized foreign exchange capital gains and (loss)	0		
Change in net deferred income tax	(1,013,253)		(1,013,253)
Change in nonadmitted assets	1,857,940		1,857,940
Change in liability for reinsurance in unauthorized companies	0		
Change in reserve on account of change in valuation basis	(4,431,627)		(4,431,627)
Change in asset valuation reserve	(5,810,664)		(5,810,664)
Change in Surplus Notes	0		
Cumulative effect of changes in accounting principals	0		
Aggregate write-ins for gains and losses in surplus	0		
Net change in capital and surplus for the year	41,500,743		41,500,743
Capital and surplus, December 31, 2009	$ 493,774,997	$ 0	$ 493,774,997

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Berkshire Life Insurance Company of America
Reconciliation of Capital and Surplus
For the Five Year Period Ended December 31, 2010

	2010	2009	2008	2007	20[illegible]
Capital and surplus, December 31, prior year	$452,274,254	$423,849,594	$386,607,673	$345,376,35[illegible]	$[illegible]96,063,364
Net income	50,710,029	33,987,027	28,652,099	62,[illegible]72	59,156,007
Change in net unrealized capital gains or (losses) less capital gains taxes	188,318	(577,273)	305,42[illegible]	31,460	(1,609,832)
Change in net deferred income tax	(1,013,253)	3,216,826	8,389,[illegible]	7,749,186	1,176,952
Change in nonadmitted assets	1,857,940	(509,063)	(4,3[illegible])	(10,897,324)	1,081,705
Change in reserve on account of change in valuation basis (increase) or decrease	(4,431,627)	(8,133,475)		(19,283,651)	(12,067,450)
Change in asset valuation reserve	(5,810,664)	440,61[illegible]	4,207,963	1,623,279	1,575,603
Net change in capital and surplus for the year	41,500,743	28,4[illegible]4,660	37,241,921	41,231,323	49,312,984
Capital and surplus, December 31, current year	$493,774,9[illegible]	$452,274,254	$423,849,594	$386,607,673	$345,376,348

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ACKNOWLEDGMENT

The cooperation and assistance of the officers and employees of Berkshire Life Insurance Company of America extended to all examiners during the course of the examination is hereby acknowledged.

John M. Curran, CFE
Supervising Examiner & Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance

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