THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

Division of Insurance

Report on the Statutory Examination of the

Berkshire Life Insurance Company of America

Pittsfield, Massachusetts

As of December 31, 2005

NAIC GROUP CODE: 0429

NAIC COMPANY CODE: 71714

EMPLOYER'S ID NUMBER: 75-1277524

Berkshire Life Insurance Company of America

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June 15, 2007

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Honorable Commissioners, Executive Director and Director:

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

BERKSHIRE LIFE INSURANCE COMPANY OF AMERICA

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

SCOPE OF EXAMINATION

Berkshire Life Insurance Company of America, hereinafter referred to as the "Company" or "Berkshire Life", has not previously undergone a statutory financial examination. The Company was incorporated as a Massachusetts domestic life insurer on May 11, 2001 and commenced business on July 1, 2001. This examination as conducted by the Massachusetts Division of Insurance (the "Division") will be the inaugural statutory examination.

This examination is being conducted by the Division under the association plan of the National Association of Insurance Commissioners ("NAIC") and covers the period from the Company's inception through December 31, 2005, 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 established by the Financial Condition (E) Committee of the NAIC as well as with the requirements of the *NAIC Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The principal focus of the examination was 2005 activity however transactions both prior and subsequent thereto were reviewed as deemed appropriate.

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, in accordance with 211 CMR 23.05. The firm expressed unqualified opinions on the Company's financial statements for the year ended December 31, 2001, and calendar years 2002 through 2005. 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, Deloitte Consulting LLP, was retained by the Division to complete a detailed review of the statutory reserves and related actuarial items held by the Company as of December 31, 2005. Consultants from Deloitte & Touche LLP were also retained by the Division to review and evaluate the Company's IT environment and associated controls.

HISTORY

General

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

On July 1, 2001, Berkshire Life Insurance Company, a mutual life insurance company domiciled in 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" 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 disability income insurance through the distribution channels of Guardian and those previously associated with the old Berkshire Life Insurance Company, which was merged with and into Guardian.

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 the parent company, Guardian. The Company has no preferred stock outstanding. There are no dividend restrictions other than statutory restrictions however the Company has not declared or paid any dividends since its inception and the period covered by this examination.

Gross Paid-in and Contributed Surplus

As noted above, Guardian contributed paid-in and contributed surplus in the amount 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, 2005 is $305,486,486.

Growth of Company

The growth of the Company since its inception in 2001 to year-end 2005 is shown in the following table which was prepared from the Company's filed statutory annual statements.

Year Ending	Premium Income	Admitted Assets	Total Liabilities	Capital and Surplus
2005	$357,899,292	$1,971,977,448	$1,675,914,084	$296,063,364
2004	340,874,875	1,772,413,340	1,512,711,815	259,701,525
2003	311,486,697	1,611,195,335	1,344,424,630	266,770,705
2002	190,113,729	1,564,882,742	1,318,497,182	246,385,560
2001	77,458,526	1,452,807,256	1,188,690,603	264,116,653

MANAGEMENT

Articles of Organization

The Company filed amended and restated Articles of Organization as HealthSource Insurance Company on May 2, 2001. The Company is a for profit corporation and its stated purpose is to transact the types of business as set forth in certain sections of Massachusetts General Laws ("MGL") Chapter 175, Section 47 and such other business as authorized by MGL Chapter 175, Section 51. On May 21, 2001, the Board of Directors and the sole shareholder (Guardian) authorized, adopted, and approved the change of the corporations name from "HealthSource Insurance Company" to "Berkshire Life Insurance Company of America". Also, on May 21, 2001, the Board of Directors resolved to amend its Articles of Incorporation to reflect the new name of the Company and also filed amended Bylaws.

Corporate Bylaws

Subsequent to the filing of the amended Bylaws submitted with the amended Articles of Organization, at its initial Board of Directors meeting on June 18, 2001, the Board of Directors voted to adopt and approve an amended set of Bylaws which is substantially similar to the original Bylaws. Key articles and/or provisions of which are summarized below.

- Annual and Special Meeting of the Shareholders

  The annual meeting of the shareholders for the election of Directors shall be held in Pittsfield, MA on the first Monday in April. Special meetings may be held when requested by the Chairman of the Board, the President, by a majority of Class A Directors, by a majority of Class B Directors, or upon written request of the shareholders holding not less than one-tenth of all outstanding capital stock. A majority of the outstanding shares of the Company entitled to be voted, in person or by proxy, shall constitute a quorum at a meeting of the shareholders.

- Board of Directors

  There shall be, for an initial period of five years, a Board of Directors composed of a maximum of thirteen Directors and a minimum of seven. The President and Chief Executive officer of the Company will be a member of the Board of Directors and will serve as Chairman. These Directors shall be the "Initial Directors" and shall be divided into two classes as follows:

  (a) Three Directors shall be individuals appointed by Guardian, the first of whom shall be the President and Chief Executive Officer of Guardian, the second of whom shall be selected by a majority of Class A Directors, and the third of whom shall be an outside director serving on Guardian's Board (hereinafter the "Class A Directors"), and

  (b) In addition to the Chief Executive Officer of the Company, nine Directors shall be individuals who served as Directors of the Berkshire Life Insurance Company immediately prior to the time Berkshire Life Insurance Company merged into Guardian (hereinafter the "Class B Directors").

Each Class A Director shall be entitled to cast five (5) votes at all meetings and each Class B Director shall be entitled to cast one (1) vote. Unless he or she is unable to serve or is disqualified from serving, each Initial Director shall hold office for a term of five years and thereafter each Director shall hold office for a term of one year. Any vacancy in Class A Directors shall be filled by a majority of the remaining Class A Directors, and any vacancy in Class B Directors shall be filled by the Board of Directors.

The Board of Directors shall manage the business and affairs of the Company. All actions and decisions of the Board of Directors shall be taken by a majority of the votes cast at any meeting, provided that in the event of a tie vote, such actions and decisions may be decided by a majority vote of Class A Directors, unless the action or decision so voted upon is set forth in certain sections of the Bylaws, in which case, the action or decision may be taken by a simple majority vote of the members without regard to class status.

The Board of Directors shall meet on the day of the Annual Company Meeting and shall hold four additional meetings in each calendar year. A majority of Class A Directors and Class B Directors shall constitute a quorum for the transaction of business.

- Amendments

During the initial five year term, the Bylaws may only be amended or repealed by a unanimous vote of the Board, and thereafter may only be amended or repealed by a majority vote of the Class A Directors present at any meeting.

In accordance with this provision, the Company amended its Bylaws in 2003 and 2005. The amendments were voted upon and approved and were not material to the overall context of the Bylaws. In 2007, subsequent to the date of the examination, numerous changes and amendments to the Bylaws were voted upon and approved. These changes were mostly minor in nature and were not deemed to have any material impact on the day-to-day operations of the Company or its corporate governance structure.

Board of Directors

The following Directors were serving as of December 31, 2005:

Name	Business Affiliation	Director Class
Kay Knight Clarke	President Templeton, LTD	Class A
Phyllis S. Swersky	President Meltech Group	Class B
David L. Klausmeyer	President (Retired) Mead Corporation, Specialty Paper Division	Class B
Joseph D. Sargent	Chairman (Retired) Guardian Life Insurance Company of America	Class A

Rina K. Spence	President SpenceCare International LLC	Class B
Robert E. Hallagan	Vice Chairman Heidrick & Struggles	Class B
Dennis J. Manning	President & Chief Executive Officer Guardian Life Insurance Company of America	Class A
Albert C. Cornelio	Chairman (Retired) Berkshire Life Insurance Company	Class B
Francis C. Oakley	President Emeritus Oakley Center for Humanities, Williams College	Class B
James H. Lunt	President & Chief Executive Officer Lunt Silversmiths	Class B
John B. Caswell	Chairman & Owner The Omnia Group, Inc.	Class B
Joan E. Bancroft	President Berkshire Life Insurance Company of America	Class B

Per the Bylaws, the Standing Committees of the Board of Directors shall be an Executive Committee, an Audit Committee, and a Human Resource Committee. All actions of the Standing Committees shall be taken by a simple majority vote of its members. Members of the Standing Committees shall be elected by a majority of the Board of Directors at its annual meeting.

Executive Committee

The Executive Committee shall consist of three Directors, two of whom shall be Class A Directors, and one of whom shall be a Class B Director who is the President of the Company. The Executive Committee, to the extent permitted by law, shall have any and all powers of the Board of Directors during intervals between Board of Directors meetings.

At December 31, 2005, the Executive Committee consisted of the following Directors:

Joseph D. Sargent – Class A Director
Dennis J, Manning – Class A Director
Joan E. Bancroft – Class B Director and President

Audit Committee

The Audit Committee shall consist of at least five Directors. No officer of the Company, parent or affiliate of the Company shall be a member of this Committee. The Audit Committee shall meet at least twice a year and shall have the power to examine and investigate the records, books and accounts of the Company. Reports of annual audits performed by the Certified Public Accountants shall be presented by the Audit Committee to the Board of Directors.

At December 31, 2005, the Audit Committee consisted of the following Directors:

Phyllis S. Swersky, Chairperson
Kay Knight Clark
Albert C. Cornelio
David L. Klausmeyer
Francis C. Oakley

Minutes of the Audit Committee were reviewed and indicated that meetings were held three times a year during the examination period and that a quorum was obtained at each meeting.

Human Resource Committee

The Human Resource Committee shall consist of at least five Directors. No officer of the Company, parent or affiliate of the Company shall be a member of this Committee. The Human Resource Committee shall meet at least three times a year, and shall recommend to the shareholders candidates for election to the Board of Directors, compensation of Directors and senior management, and review Company policies and practices that may reasonably be defined as within the human resource area.

At December 31, 2005, the Human Resource Committee consisted of the following Directors:

John B. Caswell, Chairman
Robert E. Hallagan
James H. Lunt
Joseph D. Sargent
Rina K. Spence

Officers

In accordance with Article V of the Company's Bylaws, officers shall be elected annually by the Board of Directors and shall consist of a President, one or more Vice Presidents, a Secretary, a Treasurer, an Actuary and any such other officers as the Board of Directors may deem necessary or expedient for the convenient transaction of the business of the company. It is noted that the Board of Directors has not voted annually to elect or re-elect its officers, but rather only voted during the year to elect new officers to new or vacant positions. It is however noted that the Human Resource Committee votes annually to approve the salaries of the officers and senior management. The Company has noted this oversight and has amended its Bylaws to assure compliance with this provision at each annual meeting going forward.

The following individuals were serving as senior officers as of December 31, 2005:

Name	Title
Joan E. Bancroft	President
John P. Cifu	Senior Vice President and Chief Financial Officer
Patrick D. Morris	Senior Vice President and Chief Marketing Officer

Nicholas S. Speranzo	Senior Vice President – Product & Client Services
Charles M. Waldron	Vice President & Chief Actuary
David L. Kalib	Vice President, General Counsel & Secretary
William R. Chandler	Vice President – Information Technology
Jeffrey A. Yeager	Vice President – Claims Management

Conflict of Interest

The Company has adopted a conflict of interest policy statement and has established procedures 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 which is reviewed by general counsel, the results of which are reported to the Board of Directors.

Management Continuity and National Emergency

The Company provides for the continuity of management in the event of a catastrophe or national emergency in accordance with sections 180M through 180Q of Chapter 175 of the Massachusetts general Laws.

Organizational Chart

An organization chart of Guardian and its subsidiaries and affiliates as of the examination date is as follows. Abbreviations in parenthesis after each entity identify its legal jurisdiction of organization/charter.

The Guardian Life Insurance Company of America (NY)
- Guardian Insurance & Annuity Company, Inc. (DE)
  - Guardian Investor Services LLC
  - Park Avenue Securities LLC
- Managed Dental Care of California
- Guardian Trust Company FSB
- Managed DentalGuard Inc. (TX)
- Managed DentalGuard Inc. (NJ)
- First Commonwealth, Inc. (DE)
  - First Commonwealth Limited Health Services Corporation (IL)
  - First Commonwealth Limited Health Service Corporation (WI)
  - First Commonwealth of Illinois Inc. (IL)
  - First Commonwealth Reinsurance Company (AZ)
  - First Commonwealth of Missouri, Inc. (MO)
  - First Commonwealth Limited Health Services Corporation of Michigan (MI)
  - Smileage Dental Services, Inc. (WI)
  - First Commonwealth Insurance Company (IL)
  - First Commonwealth Health Services Corporation Illinois
- Innovative Underwriters Inc.
- **Berkshire Life Insurance Company of America (MA)**
- Guardian Baillie Gifford, Ltd.
- Private Health Care Systems
- Park Avenue Life Insurance Company (DE)
  - Family Service Life Insurance Company (TX)
    - Sentinel American Life Insurance Company (TX)

Transactions and Agreements with Affiliates

Service Agreements

Guardian provides the Company with various managerial, administrative and technical services along with certain salary and benefits pursuant to a general Agreement for Services and Reimbursement effective in May, 2001. In general, cost incurred by Guardian on behalf of the Company shall be allocated based on equitable customary cost accounting practices. Settlement of balances due are paid quarterly, and the right of offset is utilized when applicable.

Tax Sharing Agreement

The Company is included in a consolidated federal income tax return with Guardian. Guardian and the Company have in place a written agreement, approved by the Company's 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. In accordance with the tax allocation agreement, each qualifying member of the group computes its tax provision and liability on a separate return basis. Tax liabilities/benefits are settled subsequent to the filing of the federal income tax return.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured along with Guardian and its affiliates on various insurance policies covering fiduciary liability, directors and officer's liability, professional liability, fidelity and comprehensive crime and employment practices liability. Fidelity coverage is in excess of NAIC suggested minimum guidelines. In addition, the Company is a named insured on various insurance policies with Guardian that provides numerous coverages, such as general liability, excess umbrella coverage, and property coverage for home office property.

STATUTORY DEPOSITS

The statutory deposits of the Company at December 31, 2005 are as follows:

State	Purpose of Deposit	Fair Value	Book Value
Arkansas	Benefit of Arkansas Policyholders	$ 102,000	$ 102,000
Georgia	Georgia Insurance Code 33-3-8, 33-3-9	52,458	56,232
Indiana	Benefit of Indiana Policyholders	26,230	26,230
Kentucky	Kentucky Insurance Department	476,895	511,759
Massachusetts	Benefit of All Policyholders	1,649,971	1,560,837
New Mexico	NM Insurance Code 59A-5-18, 59A-5-19	109,686	117,576
North Carolina	NC Insurance Code 58-5-50	625,844	629,284
Pennsylvania	PA Insurance Department Code 401	205,065	219,817
South Carolina	SC Insurance Code 38-9-80, 38-9-90	153,551	158,775
Virginia	VA Insurance Code 38.2-1045, CH 10 Art. 7	57,227	61,344
	Totals	$3,458,927	$3,443,854

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company's principal line of business is individual disability income products. The Company is licensed and authorized to write business in fifty states and the District of Columbia, however its primary markets are New York, New Jersey and Massachusetts. Although primarily a disability income insurer, the Company has marketed various Term and Universal Life products. As of June 30, 2005, the Company no longer offered a term life product. In 2004 the Company entered the long-term care insurance market and also began offering a multi-life disability income product, both of which are immaterial to the Company's operations at this time.

Treatment of Policyholders and Claimants – Market Conduct

During the financial examination of the Company, the Division's Market Conduct Section initiated a comprehensive market conduct examination of the Company for the period January 1, 2005 through June 30, 2006. The market conduct examination was called pursuant to authority in Massachusetts General Laws Chapter 175, Section 4. The market conduct examination is being 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 Rudmose & Noller Advisors, LLC were engaged to complete certain agreed upon procedures which 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 that are being reviewed under this market conduct examination are company operations/management; complaint handling; marketing and sales; producer licensing; policyholder services; underwriting and rating; claims; and an assessment of the Company's internal control environment. Once this market conduct examination is completed a Report on the Comprehensive Market Conduct Examination of the Company for the period January 1, 2005 through June 30, 2006 will be issued and become available as a public document.

REINSURANCE

Consistent with the general practice in the life insurance industry, the Company is a party to various reinsurance agreements, whereby the Company seeks to reduce and diversify its net liability on individual risks and protect again large losses by reinsuring a portion of its life, disability income, and long term care product risk with other companies. Included in the ceded disability income business is business assumed from its parent, Guardian, which includes the closed block of disability income business written by Berkshire Life Insurance Company prior to its statutory merger with Guardian.

Significant reinsurance arrangements impacting the Company's financial condition and operations as of December 31, 2005 are summarized below:

Ceded Agreements

I Individual Disability Insurance

Reinsurer: Lincoln National Life Insurance Company

Ceded: Individual disability policies sold by Berkshire Life Insurance Company prior to April 1, 1997. The Company cedes monthly benefits once an individual deductible is met. This business is part of the closed block of policies assumed by Guardian at the time of the statutory merger with Berkshire Life Insurance Company and assumed by the Company.

Reinsurer: Munich American Reinsurance Company

Ceded: Individual disability policies sold by Berkshire Life Insurance Company from April 1, 1997 until July 1, 2001 (date of statutory merger). The Company cedes individual disability monthly benefits in excess of $4,000, overhead expense benefits in excess of $5,000, and 65% of disability buyout option benefits. This business is part of the closed block of policies assumed by Guardian at the time of the statutory merger with Berkshire Life Insurance Company and assumed by the Company.

Reinsurer: Munich American Reinsurance Company

Ceded: Disability policies sold by the Company as the direct writer on July 1, 2001 and subsequent. This is a coinsurance agreement that covers policies as follows:

a. Individual disability monthly benefits in excess of $5,000, overhead expenses benefits in excess of $10,000, and 50% of disability buyout option benefits.
b. For Guardian policies that were written after July 1, 2001, the Company retrocedes individual monthly benefits in excess of $5,000, 15% of overhead expense benefits, and 50% of disability buyout options benefits.

II Term Life Insurance

Reinsurers: Reinsurance of the Company's term life products is established on a "pool" basis and numerous reinsurers participate (assume) in the pool at various participation ratios depending on the date the policy was written and the type and terms of the policy. The lead insurer is Munich American Reinsurance Company. Other significant participants include Transamerica Financial Life Insurance Company, Scottish Re, and Guardian. The Company no longer writes this line of business.

Ceded: All term life policies in excess of Company's $1 million net retention.

III Universal Life Insurance

Reinsurer: Guardian, Security Life of Denver Insurance Company, and Security Life of Denver International Limited

Ceded: 90% quota share on a coinsurance/modified coinsurance basis, all universal life policies and associated defined benefits with a maximum retention an any one policy of either $500,000 or $1 million depending on issue age and type of policy.

IV Long Term Care Insurance

Reinsurer: Employers Reinsurance Corporation (ERG)

Ceded: 90% quota share reinsurance of all long term care policies.

Assumed Agreements

The only assumed reinsurance on the books of the Company is assumed from Guardian. Guardian cedes and the Company assumes 100% of all individual disability insurance directly written by Guardian, and the closed block of individual disability income acquired by Guardian as a result of the statutory merger between Guardian and Berkshire Life Insurance Company. As noted above under the ceded agreements section, the Company retrocedes a portion of this business to third party reinsurers.

ACCOUNTS AND RECORDS

The internal controls structure was discussed with management through questionnaires and through a review of the work performed by the Company's independent certified public accountants, PricewaterhouseCoopers LLP. A review and evaluation of the control environment of the Company's information systems were performed. The NAIC's Information Systems (IS) Questionnaire completed by the Company was reviewed by consultants from Deloitte & Touche LLP on behalf of the Division. 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, Local Area Network (LAN), Wide Area Network (WAN) and Internet Controls. The control environment of the Company's information systems was found to have in place sufficient internal controls.

The Company uses an automated general ledger system. Trial balances were traced from the general ledger and supporting documents to the 2005 Annual Statement. No significant 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 23.05.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts and by the National Association of Insurance Commissioners, as of December 31, 2005.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2005.

Statement of Operations for the Year Ended December 31, 2005.

Statement of Changes in Capital and Surplus for the Year Ended December 31, 2005.

Statement of Changes in Capital and Surplus for the Years Ended December 31, 2005, 2004, 2003, 2002, and from Inception to December 31, 2001.

Statement of Assets, Liabilities, Capital and Surplus
As of December 31, 2005

Assets	**As Reported by the Company**	**Examination Changes**	**Per Statutory Examination**
Bonds	$ 1,549,172,538	$ 0	$ 1,549,172,538
Stocks:			
Common stocks	3,162,065		3,162,065
Mortgage loans on real estate:			
First liens	252,780,210		252,780,210
Real estate:			
Properties occupied by the company	6,497,345		6,497,345
Cash, cash equivalents and short-term investments	51,783,828		51,783,828
Contract loans	206,796		206,796
Other invested assets	3,910,141		3,910,141
Total cash and invested assets	1,867,512,923		1,867,512,923
Investment income due and accrued	25,753,552		25,753,552
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	7,160,980		7,160,980
Deferred premiums, agents' balances and installments booked but deferred and not yet due	9,813,158		9,813,158
Reinsurance:			
Amounts recoverable from reinsurers	1,538,362		1,538,362
Other amounts receivable under reinsurance contracts	30,032,868		30,032,868
Net deferred tax asset	22,434,388		22,434,388
Electronic data processing equipment	202,096		202,096
Receivable from parent, subsidiaries and affiliates	6,129,622		6,129,622
Aggregate write-ins for other than invested assets	1,399,499		1,399,499
Total Assets	$ 1,971,977,448	$ 0	$ 1,971,977,448

Berkshire Life Insurance Company of America

Statement of Assets, Liabilities, Capital and Surplus
As of December 31, 2005

Liabilities	**As Reported by the Company**	**Examination Changes**	**Notes**	**Per Statutory Examination**
Aggregate reserve for life contracts	$ 20,254,736	$ 0		$ 20,254,736
Aggregate reserve for accident and health contracts	1,501,938,479		**(1)**	1,501,938,479
Contract claims:				
Life	61,500			61,500
Accident and health	23,292,272			23,292,272
Policyholders' dividends due and unpaid	(181)			(181)
Provision for policyholders' dividends and coupons payable in following calendar year-estimated amounts:				
Dividends apportioned for payment	611,075			611,075
Premiums and annuity considerations received in advance	4,160,403			4,160,403
Contract liabilities not included elsewhere:				
Other Amounts payable on reinsurance	10,500,114			10,500,114
Interest maintenance reserve	13,221,505			13,221,505
Commissions to agents due or accrued	9,405,857			9,405,857
Commissions and expense allowances payable on reinsurance assumed	22,279,866			22,279,866
General expenses due or accrued	42,677,615			42,677,615
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,001,441			1,001,441
Current federal and foreign income taxes	1,160,362			1,160,362
Amounts withheld or retained by company as agent or trustee	602,864			602,864
Remittances and items not allocated	1,926,182			1,926,182
Liability for benefits for employees and agents if not included above	33,056			33,056
Asset valuation reserve	17,783,436			17,783,436
Payable for securities	5,000,000			5,000,000
Aggregate write-ins for liabilities	3,502			3,502
Total Liabilities	1,675,914,084			1,675,914,084
Common capital stock	3,198,000			3,198,000
Gross paid in and contributed surplus	305,486,486			305,486,486
Unassigned funds (surplus)	(12,621,121)			(12,621,121)
Total Surplus	292,865,364			292,865,364
Total Capital and Surplus	296,063,364			296,063,364
Total Liabilities and Capital and Surplus	$ 1,971,977,448	$ 0		$ 1,971,977,448

Statement of Operations
For the Year Ended December 31, 2005

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premium and annuity considerations	$ 357,899,292	$ 0	$ 357,899,292
Net investment income	115,716,547		115,716,547
Amortization of interest maintenance reserve	978,549		978,549
Commissions and expense allowances on reinsurance ceded	33,548,123		33,548,123
Reserve adjustments on reinsurance ceded	2,533,340		2,533,340
Aggregate write-ins for miscellaneous income	1,326,770		1,326,770
Totals	512,002,621		512,002,621
Death benefits	729,237		729,237
Disability benefits and benefits under A&H policies	137,795,668		137,795,668
Surrender benefits and withdrawals for life contracts	37,780		37,780
Interest on contracts or deposit-type funds	6,643		6,643
Increase in aggregate reserves for life and accident and health contracts	134,042,945		134,042,945
Totals	272,612,273		272,612,273
Commissions on premiums, annuity considerations and deposit-type contract funds	32,421,907		32,421,907
Commissions and expense allowances on reinsurance assumed	86,956,019		86,956,019
General insurance expenses	70,428,097		70,428,097
Insurance taxes, licenses and fees, excl. federal income taxes	8,429,368		8,429,368
Increase in loading on deferred and uncollected premiums	(3,159,668)		(3,159,668)
Aggregate write-ins for deductions	71,262		71,262
Totals	467,759,258		467,759,258
Net gain from operations before dividends to policyholders and federal income taxes	44,243,363		44,243,363
Dividends to policyholders	640,067		640,067
Net gain from operations after dividends to policyholders and before federal income taxes	43,603,296		43,603,296
Federal income taxes incurred (excluding tax on capital gains)	8,062,976		8,062,976
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	35,540,320		35,540,320
Net realized capital gains or (losses)	5,688,744		5,688,744
Net Income	$ 41,229,064	$ 0	$ 41,229,064

Statement of Changes in Capital and Surplus
For the Year Ended December 31, 2005

	As Reported by the Company	Examination Changes	Per Statutory Examination
Capital and surplus, December 31, 2004	$ 259,701,525	$ 0	$ 259,701,525
Net income	41,229,064		41,229,064
Change in net unrealized capital gains or (losses)	733,364		733,364
Change in net deferred income tax	(7,535,876)		(7,535,876)
Change in non-admitted assets and related items	5,520,468		5,520,468
Change in liability for reinsurance in unauthorized companies	338,851		338,851
Change in asset valuation reserve	(3,924,032)		(3,924,032)
Net change in capital and surplus for the year	36,361,839		36,361,839
Capital and surplus, December 31, 2005	$ 296,063,364	$ 0	$ 296,063,364

Statement of Changes in Capital and Surplus
For the Years Ended December 31, 2005, 2004, 2003, 2002 and from Inception to December 31, 2001

	2005	2004	2003	2002	2001
Capital and surplus, December 31, prior year	$259,701,525	$266,770,705	$246,385,560	$264,116,652	$7,974,571
Net income	41,229,064	(172,896)	6,262,592	(15,991,055)	(15,632,720)
Change in net unrealized capital gains or (losses)	733,364	1,158,382	1,203		1,399,078
Change in net deferred income tax	(7,535,876)	4,979,698	5,902,304	6,346,132	5,304,664
Change in non-admitted assets and related items	5,520,468	(2,514,370)	16,432,398	(17,059,311)	
Change in liability for reinsurance in unauthorized companies	338,851	(338,851)			
Change in reserve on account of change in valuation basis		(1,991,606)			1,788,519
Change in asset valuation reserve	(3,924,032)	(3,858,537)	(6,381,885)	570,275	(4,178,586)
Cumulative effect of changes in accounting principles				8,398,276	
Capital changes - paid in					267,484,486
Aggregate write-ins for gains and (losses) in surplus		(4,331,000)	(1,831,467)	4,591	(23,360)
Net change in capital and surplus for the year	36,361,839	(7,069,180)	20,385,145	(17,731,092)	256,142,081
Capital and surplus, December 31, current year	$296,063,364	$259,701,525	$266,770,705	$246,385,560	$264,116,652

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Aggregate Reserve for Accident and Health Contracts

Deloitte Consulting LLP was retained by the Massachusetts Division of Insurance to complete a detailed review of the statutory reserves and related actuarial items held by the Company as of December 31, 2005. This included a review of reserving methodologies, assumptions, reserve calculations, asset adequacy analysis testing, and compliance with Massachusetts insurance laws and regulations. Deloitte Consulting relied upon the accuracy and completeness of the data underlying the reserve calculations in its work; however, the accuracy and completeness of the underlying data was tested by the financial examination team and found to be reliable.

Testing procedures were performed, and based on those procedures it was determined that the aggregate statutory reserves and related actuarial items:

- Are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles;
- Are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions;
- Meet the requirements of the insurance laws and regulations of the Commonwealth of Massachusetts and meet the requirements of the applicable NAIC Model Regulations;
- Include provision for all actuarial reserves and related statement items that ought to be established.

The Company assumes all of the in-force and new individual disability income (IDI) business from the Guardian, net of a reinsurance agreement through Swiss Re. The Company cedes 90% of the long-term care (LTC) risk to Employers Reassurance Corporation on a coinsurance basis. The majority of the reserves for the individual life products (approximately 76%) are ceded to various reinsurers. Virtually 100% of the net reserves held by the Company as of December 31, 2005 were for the IDI product line.

In accordance with applicable Division and NAIC insurance guidance, the Company records as liabilities in its financial statements actuarially determined interest-discounted reserves that are calculated to meet future contractual obligations under outstanding policies and claims. The reserves are based on statutorily recognized methods, generally using prescribed morbidity and mortality tables and interest rates. These reserves include provisions for unearned premiums; future claims in excess of future premium (i.e. additional contract reserves); and future payment on claims that have been incurred, whether reported or not reported as of the valuation date (i.e. claim reserves including disabled life reserves and incurred-but-not-reported reserves). In addition, there is a reserve for claim settlement expenses on such future claim payments for incurred claims.

The additional contract reserves and claim reserves for the IDI product line were found to be computed in accordance with presently accepted actuarial methods. In the calculation of the IDI disabled life reserves, the Company uses claim termination assumptions that are more conservative than the prescribed morbidity standard. The procedures performed on the IDI reserves included a review of methodologies and assumptions, an analysis of reserve trends over the examination period of 2001-2005, and an independent recalculation of the additional contract reserves and disabled life reserves for a sample of active lives and open claims.

The Company began selling LTC policies in 2004. Due to the small size of the block as of December 31, 2005, the procedures performed on the additional contract reserves were limited to a review of methodologies and assumptions. No attempt was made to independently recalculate the reserves. The additional contract reserves for the LTC product line were generally found to be computed in accordance with presently accepted actuarial methods; however, the voluntary lapse rates assumptions did not meet minimum statutory standards. The resulting understatement in the LTC additional contract reserves was below the established materiality threshold and therefore did not require a reserve adjustment. Due to the immaturity of the block and the fact that no claims had been received as of December 31, 2005, no claim reserves were held on the LTC product line.

The individual life (term and universal life) reserves are calculated in accordance with NAIC model regulations and applicable state laws. Valuation mortality rates follow the appropriate minimums and valuation interest rates follow the appropriate maximum. Based on a review of the trends and features of the life products, the reserves for the life products are reasonable and appropriate. In addition to following statutorily prescribed assumptions and methods, there were no unexplainable unusual patterns in reserves over the examination period of 2001-2005.

The Company performs asset adequacy analysis testing to determine whether the assets supporting the statutory reserves are sufficient to meet the Company's obligations to its policyholders. The Company uses a combination of gross premium valuation and cash flow testing methods to perform asset adequacy testing. The gross premium valuation performed on the LTC block showed a negative result on a net of reinsurance basis which indicates the need for a premium deficiency reserve. Although the Company did not hold a premium deficiency reserve for LTC as of December 31, 2005, the amount of the required reserve was below the established materiality threshold and therefore a reserve adjustment was not necessary. Supporting documentation for the Company's asset adequacy analysis, which showed surplus margins across all scenarios on a company-wide basis, was reviewed and found to be sound and reasonable. Overall, the cash flow testing results of the Company reflects an overall sufficiency and is sufficient.

Based on the actuarial review, it was concluded that reserves are adequate and in aggregate meet or exceed minimum statutory standards, and, yielded no material exceptions. The reserves have been demonstrated to be calculated in an actuarially sound manner and to make adequate provision for claims and policy obligations. The overall methods and bases used comply with the laws and regulations of the Commonwealth of Massachusetts and make adequate provision for the Berkshire Life Insurance Company of America's contractual obligations.

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The assistance rendered by the following Division Examiners who participated in this examination is hereby acknowledged:

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Respectfully submitted,

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