



**THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS
REGULATION**

DIVISION OF INSURANCE

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

Woburn, Massachusetts

As of December 31, 2008

NAIC COMPANY CODE 70435

EMPLOYERS ID NO. 04-3117253

THE SAVINGS BANK LIFE INSURANCE COMPANY OF MASSACHUSETTS

TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	2
Status of Prior Examination Findings	2
History	3
Capital Stock	3
Dividends to Stockholders	4
Growth of Company	4
Management	5
Policyholders Protective Board	5
Board of Directors	6
Committees	7
Officers	9
Conflict of Interest	10
Corporate Records	10
Affiliated Companies	11
Organizational Chart	11
Transactions and Agreements with Subsidiaries and Affiliates	11
Fidelity Bond and Other Insurance	12
Pension and Insurance Plans	12
Statutory Deposits	13
Insurance Products and Related Practices	13
Territory and Plan of Operation	13
Treatment of Policyholders	13
Dividends to Policyholders	14
Reinsurance	14
Subsequent Events	15
Accounts and Records	15
Financial Statements	16
Statement of Assets, Liabilities, Surplus and Other Funds	17
Statement of Assets, Liabilities, Surplus and Other Funds	18
Summary of Operations	19
Capital and Surplus	20
Reconciliation of Capital and Surplus	21
Notes to Financial Statements	22
Conclusion	23



COMMONWEALTH OF MASSACHUSETTS

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DIVISION OF INSURANCE

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March 17, 2010

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Honorable Commissioners and Directors:

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

THE SAVINGS BANK LIFE INSURANCE COMPANY OF MASSACHUSETTS **Woburn, Massachusetts**

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

SCOPE OF EXAMINATION

The Savings Bank Life Insurance Company of Massachusetts, hereinafter referred to as (“SBLI” or “the Company”) was last examined as of December 31, 2003 under the association plan of the *National Association of Insurance Commissioners* (“NAIC”) by the Massachusetts Division of Insurance (“the Division”). The current association plan examination was also conducted by the Division, and covers the period from January 1, 2004 through December 31, 2008, including any material transactions and/or events occurring subsequent to the examination date as noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the NAIC Financial Condition (E) Committee using the NAIC’s new risk focused approach, as well as with the requirements of the NAIC Financial Condition Examiner’s Handbook, the examination standards of the Division and with Massachusetts General Laws (“M.G.L.”). The principal focus of the examination was 2008 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 bonds and other insurance, employees’ pension and benefits plans, disaster recovery plan, 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 23.00. The firm expressed unqualified opinions on the Company’s financial statements for the calendar years 2004 through 2008. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective. An independent certified public accounting firm, Ernst & Young LLP (“E&Y”), was retained by the Division to evaluate the adequacy of the statutory reserves reported by the Company as of December 31, 2008. An evaluation of the adequacy and effectiveness of the IT Systems controls was done to determine the level of reliance to be placed on summary information generated by the data processing systems.

For a summary of findings contained within this report, refer to the “Notes to Financial Statements” on page 22 of this report.

Status of Prior Examination Findings

The examination included a review to verify the current status of any exception conditions commented upon in the previous Report of Examination as of December 31, 2003. It was determined that the Company had satisfactorily addressed all of the exception condition comments.

HISTORY

General

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

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

At the close of business on December 31, 1991, the collective surplus of the 53 life insurance departments of savings and insurance banks was determined to be \$98.7 million. Chapter 178A required the Company to distribute to individual policyholders with policies in effect at the date of conversion an amount equal to the surplus it assumed on the effective date of conversion from the Savings Bank Life Insurance System. The distribution of the initial surplus was to be paid as additional annual dividends to eligible policyholders over a period of not less than eight nor more than twelve years with an additional payment of interest in the thirteenth year in accordance with the schedule in the Plan of Assumption prepared by the Company and filed with the Commissioner of Insurance. In accordance with the Plan of Assumption, the legislated method of the additional dividend distribution was intended to provide about 60% of the previously accumulated surplus to policyholders and about 40% of the previously accumulated surplus to shareholders. The distribution of additional annual dividends and interest was completed in 2005.

In 2007, the Company established a wholly-owned subsidiary, SBLI Re, Inc. (“SBLI Re”). SBLI Re is domiciled in the state of Arizona and holds a certificate of authority as a special purpose financial captive insurer. The Company purchased 250,000 shares of SBLI Re common stock at \$1.00 per share par value and contributed \$40,750,000 of additional paid-in capital. SBLI Re was incorporated in August 2007 and commenced business December 28, 2007.

Capital Stock

The Company’s enabling legislation authorized the issuance of 49 shares of Class A (voting) and 450,069 shares of Class B (non-voting) stock as of the close of business on December 31, 1991

for a total of 450,118 shares. The total paid in capital at the date of conversion was \$39,473,824 which was comprised of 450,118 shares of common stock with a par value of \$6 per share for a total paid in common capital stock of \$2,700,708 and \$36,773,116 of paid in and contributed surplus.

As of December 31, 2008, the authorized and outstanding capital stock of the Company consisted of 450,118 shares of common stock with a par value of \$6.00 per share; 6,397 shares were held as treasury stock and 443,721 were held by banks. No shares of capital stock have been retired. The capital stock of the Company amounted to \$2,700,708 at the examination date.

Dividends to Stockholders

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

2008	\$ 1,840,137
2007	1,840,137
2006	1,671,450
2005	1,671,450
2004	1,663,953

There were no declared but unpaid dividends as of December 31, 2008. In addition the Company did not declare or pay any extraordinary dividends during the examination period.

Growth of the Company

The growth of the Company for the years 2004 through 2008 is shown in the following schedule, which was prepared from the Company's annual statements, including any changes as a result of the examination.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Direct Premiums Written</u>	<u>Net Premiums Written</u>
2008	\$2,130,312,575	\$1,969,420,187	\$158,191,680	\$246,089,962	\$187,843,224
2007	2,055,984,914	1,856,004,159	197,280,047	266,577,501	221,895,074
2006	1,934,276,549	1,738,880,188	192,695,653	242,238,980	208,020,765
2005	1,809,138,230	1,616,124,651	190,312,871	231,218,323	203,927,248
2004	1,697,939,153	1,507,950,095	187,288,350	229,962,240	209,438,314

Management

Annual Meeting

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

Policyholders Protective Board

The Policyholders Protective Board ("PPB") was established by Section 9 of M.G.L. Chapter 178A and consists of seven members called Directors ("PPB Directors") who are appointed by the Governor and are policyholders of SBLI. Four PPB Directors cannot be corporators, trustees, directors, officers, employees, or agents of a bank, and must be qualified by training and experience in one of the following fields: business management, insurance, investments, accounting, or law. These four shall designate one of their number to serve as a Director of the Company. The three remaining PPB Directors shall be trustees, directors, officers, employees, or agents of a savings bank owning stock in the Company. No person who is an officer, employee, or agent of any life insurer other than the Company shall be eligible to serve on the PPB. A chairperson shall be designated by the Governor for a term of two years. The Directors of the Board shall review the financial operations of the Company on a continuing basis and make such recommendations to the Company as they deem appropriate to insure the ability of the Company to offer safe, low cost insurance. Copies of such recommendations shall be filed with the Commissioner and the executive office of Consumer Affairs and Business Regulation. PPB Directors serving on the Policyholders Protective Board at December 31, 2008, were as follows:

<u>PPB Director</u>	<u>Business Affiliation</u>
Paul E. Bulman, Chairman	Retired Bank President and Former Commissioner of Banks
Janet M. Pavliska, Vice Chairman	Former President and CEO, Bank Five for Savings
Robert S. Karam	President, Karam Financial Group
Paul J. McCarthy	Executive Vice President, Jobs for Massachusetts, Inc.
Glenn B. Merkel	Vice President, TD Banknorth
America Reis, Treasurer	Former Trustee, Fall River Five Cents Savings Bank
Joseph P. Walsh, Jr.	Former SBLI Actuarial and Operations Employee

Board of Directors

The bylaws provide that the business and affairs of the Company shall be managed by the Board of Directors except as otherwise provided by Statute or valid shareholder agreement. The Board of Directors shall consist of not fewer than twelve (12) or more than seventeen (17) Directors, including a Director who is also a member of the PPB.

At December 31, 2008 the Board was comprised of seventeen (17) Directors, which is in compliance with the Company bylaws.

Directors duly elected and serving at December 31, 2008, with business affiliations, follow:

<u>Director</u>	<u>Business Affiliation</u>
Gerald T. Mulligan, Chairman of Board	Chairman of the Board SBLI
Kevin G. Champagne	Former Director Sovereign Bank
Arthur R. Connelly	Chairman and Chief Executive Officer South Shore Savings Bank
Martin F. Connors, Jr.	President and Chief Executive Officer Rollstone Bank and Trust
Stephen G. Crowe	President and Chief Executive Officer Mountainone Financial Partners
J. Williar Dunlaevy	Chairman and Chief Executive Officer Legacy Banks
James D. Egan	Chairman Bank of Canton
William G. Gothorpe	President and Chief Executive Officer Dedham Institution for Savings
James Lavoie	Trustee Middlesex Savings Bank
William H. Mitchelson	Chairman Salem Five Cents Savings Bank
Michael D. O'Neill	Senior Vice President U. S. Trust
Harlan R. Pinkham	Trustee Hyde Park Savings Bank
Joseph A. Poirier	Director of Business Development Greenfield Savings Bank
Peter J. Segerstrom	President and Chief Executive Officer Winchester Savings Bank

Robert K. Sheridan	President and Chief Executive Officer SBLI
Robert V. Verdonck	Former President and Chief Executive Officer East Boston Savings Bank
Joseph P. Walsh, Jr.	Policyholders Protective Board Director, SBLI

The bylaws do not specify the number of meetings to be held during the year. The minutes of the Board of Directors meetings indicated that meetings were held eight times per year during the examination period. At any meeting of the Board, a majority of the Directors then in office shall constitute a quorum. The minutes indicated that a quorum was obtained at all meetings of the Board of Directors held during the examination period.

The Board of Directors appointed an Executive Committee, Audit Committee, Investment Committee, Compensation Committee, Nomination Committee and a Charitable Contributions Committee in accordance with the bylaws. The purpose and membership of each committee at December 31, 2008 follows:

Executive Committee

The Executive Committee is comprised of five Directors and one ex-officio member of the PPB empowered to act on behalf of the Board. The Committee is charged with the duty of the review and assessment of operations, financial results and performance of the Company and, when appropriate, develop policy initiatives for the Corporation. Any such initiatives shall be recommended to Directors for their consideration. Except for actions legally required to be approved by the Board of Directors and except for functions for which the Directors have legally delegated authority to act to other Committees, the Executive Committee in the intervals between meetings of the Board of Directors shall possess and may exercise all other powers which the Board may legally delegate with respect to the management and direction of the business and affairs of the Company. All material actions taken by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such actions and shall be subject to ratification, revision, alteration, or approval by the Board of Directors. Directors serving on this committee at December 31, 2008 were as follows.

Robert K. Sheridan, Chairman
Kevin G. Champagne
William H. Mitchelson
Gerald T. Mulligan
Peter J. Segerstrom
Paul E. Bulman, Policyholders Protective Board

Audit Committee

The Audit Committee is comprised of seven Directors and two ex-officio members of the PPB empowered to act on behalf of the Board. The Committee is charged with the duty of

independent oversight of the work of the Internal Auditor / Enterprise Risk Management (“ERM”), the independent certified public accounting firm retained by the Board of Directors and the operations of the Chief Financial Officer related to the preparation, auditing and publication of financial reports to regulatory authorities. The Audit Committee will review and exercise oversight of both the Annual Audit Plan of the outside public accounting firm and the Annual Internal Audit Plan developed by the Internal Auditor. The Committee receives quarterly reports from the Director of Internal Audit / ERM related to the Company’s ERM program. The reports include a Balanced Risk Scorecard and minutes from the Internal Risk Committee meetings. The Committee is responsible for knowing about and understanding both internal and external risks that can potentially impact the Company, and ensuring that these risks are managed to an optimal level. Directors serving on this committee at December 31, 2008 were as follows.

James D. Egan, Chairman
Arthur R. Connelly
Martin F. Connors, Jr.
James Lavoie
Michael D. O’Neill
Peter J. Segerstrom
Robert F. Verdonck
Paul J. McCarthy, Policyholders Protective Board
Joseph P. Walsh, Jr., Policyholders Protective Board

Investment Committee

The Investment Committee is comprised of seven Directors and two ex-officio members of the PPB empowered to act on behalf of the Board. The Committee is charged with the duty of providing assistance to the Directors in the review and monitoring of the actions taken by the Company’s investment staff to assure that such actions are consistent with the approved investment policies and procedures established by the Board of Directors. All investment transactions made by the Company’s investment staff are approved by the Investment Committee and ratified by the Board of Directors. Directors serving on this Committee at December 31, 2008 were as follows.

Harlan R. Pinkham, Chairman
Stephan G. Crowe
J. Williar Dunlaevy
Gerald T. Mulligan
Joseph A. Poirier
Peter J. Segerstrom
Robert K. Sheridan
Janet M. Pavliska, Policyholders Protective Board
Glenn B. Merkel, Policyholders Protective Board

Compensation Committee

The Compensation Committee is comprised of five Directors and two members of the PPB empowered to act on behalf of the Board. The Committee is charged with the duty of providing assistance and recommendations to the Board of Directors in their election of officers of the Company and in their approval of salary, benefit plans and other compensation of key officers and employees. Directors serving on this Committee at December 31, 2008 were as follows.

Kevin G. Champagne, Chairman
Arthur R. Connelly
William G. Gothorpe
William H. Mitchelson
Robert F. Verdonck
Americo Reis, Policyholders Protective Board
Robert S. Karam, Policyholders Protective Board

Charitable Contributions Committee

The Charitable Contributions Committee is comprised of the following voting members: three members of the Board including the President and Chief Executive Officer as Chairman of the Committee and two officers of the Company. The Committee shall review charitable contributions consistent with Company philosophy and Massachusetts law. No part of the net earnings of any such organization shall inure to the benefit of any private shareholder or individual. The Company's total contributions in any fiscal year shall not in the aggregate exceed one half of one percent of its capital and surplus at the end of the preceding fiscal year, unless approved by the shareholders. The members of this Committee at December 31, 2008 were as follows:

Robert K. Sheridan, Chairman
James D. Egan
William H. Mitchelson
William J. Gaffney, Jr. (Non-Director member)
James A. Morgan (Non-Director member)

Officers

The bylaws of the Company provide that the officers of the Company shall be a Chairman of the Board, a President, a Treasurer, a Secretary, and other officers as deemed necessary. Pursuant to the bylaws, the Board of Directors elects the officers of the Company at its annual meeting. Vacancies among the officers may be filled and new offices created and filled by the Board of Directors.

The elected officers and their respective titles at December 31, 2008 follow:

<u>Name</u>	<u>Title</u>
Gerald T. Mulligan	Chairman of the Board
Robert K. Sheridan	President and Chief Executive Officer
Octavio C. Bolivar	Senior Vice President and Chief Information Officer
Rosemarie G. Conneely	Senior Vice President – New Business and Underwriting
Paul M. Fergus, MD	Senior Vice President – Medical Director
William J. Gaffney, Jr.	Senior Vice President – Corporate Development
James P. Loring	Senior Vice President and Chief Financial Officer
May Lee Low	Senior Vice President and Chief Actuary
Terence P. O'Malley	Senior Vice President and General Counsel
James A. Morgan	Senior Vice President – CIO/Treasurer
Sandra L. Williams	Senior Vice President – Human Resources
Marybeth P. Leary	Assistant Vice President and Corporate Secretary

Conflict of Interest Procedures

The Company has adopted a policy statement pertaining to conflict of interest in accordance with Question 16 of the General Interrogatories of the Annual Statement. The Company has an established procedure for the disclosure to the Board of Directors of any material interest or affiliation on the part of any officer or director, which is in or is likely to conflict with his/her official duties.

Annually, each officer, director and responsible employee completes a questionnaire disclosing any material conflicts of interest. The completed questionnaires were reviewed, and no discrepancies were noted in the responses to the General Interrogatories regarding conflicts of interest as reflected in the Company's 2008 Annual Statement.

Corporate Records

Articles of Incorporation and Bylaws

The bylaws and Chapter 499 of the Acts of 1990, which was the enabling legislation that created The Savings Bank Life Insurance Company of Massachusetts and Chapter 178A, were read. Since the last examination, the bylaws were amended on April 23, 2007, increasing the number of members of the Board of Directors from sixteen to seventeen.

Disaster Recovery and Business Continuity

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

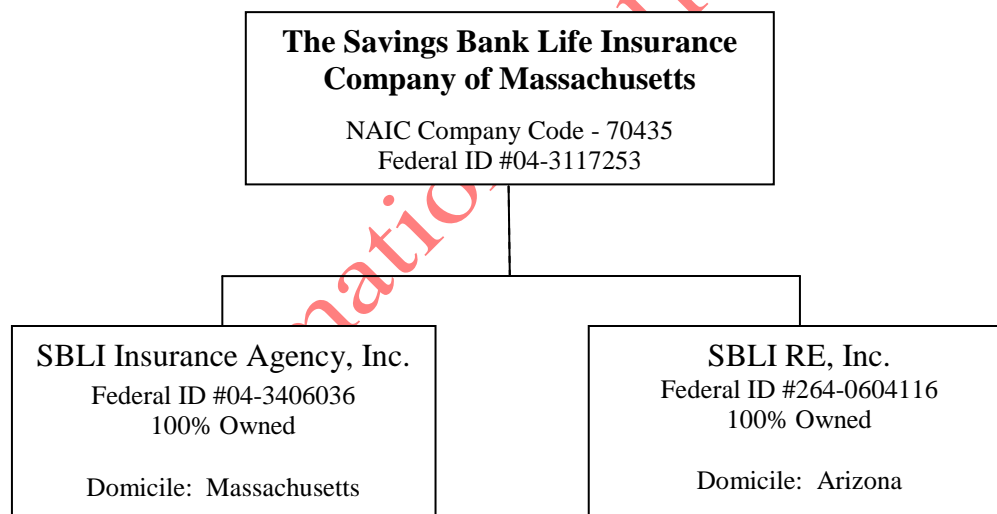
Board of Directors Minutes

The minutes of the Board of Directors and committee meetings for the period under statutory examination were read and indicated that all meetings were held in accordance with the Company bylaws and laws of the Commonwealth of Massachusetts. Activities of the committees were ratified at each meeting of the Board of Directors.

AFFILIATED COMPANIES

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

Organization Chart



Transactions and Agreements with Subsidiaries and Affiliates

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

Tax Sharing Agreement

The Company and SBLI Re have entered into a Tax Sharing Agreement which allocates consolidated income tax expense to SBLI Re as if SBLI Re filed a separate federal income tax return. In addition, the agreement allocates to the Company the tax benefit of SBLI Re's current net operating losses used in the consolidated federal income tax return. The Company is obligated to repay such tax benefit to the extent SBLI Re is able to recognize such net operating loss carryover deduction on a stand alone basis.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with M.G.L. c.175 s.60. The aggregate limit of liability exceeds the NAIC suggested minimum.

The Company has further protected its interests and property by policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts and was in force as of December 31, 2008.

PENSION AND INSURANCE PLANS

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

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

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

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

In 2006, the Company established a non-qualified deferred compensation plan for certain employees to supplement the benefits of the qualified 401(k) plan. The Company will make annual discretionary contributions to each participant's account, to age 65 or retirement. Participants are fully-vested after five years of service.

The Company provides group life insurance benefits for active and retired employees. The premiums charged and the projected year-end balance sheet liabilities are determined by the Company's actuarial department. The Company intends to fund the accumulated postretirement benefit obligation as benefits become due.

STATUTORY DEPOSITS

<u>Location</u>	<u>Description of Deposit</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Arizona	US Treasury Bond 8.125% due 2019	\$ 105,000	\$ 112,296	\$ 147,797
Georgia	US Treasury Bond 8.125% due 2019	30,000	39,304	51,729
Massachusetts	US Treasury Bond 8.125% due 2019	1,500,000	1,684,516	2,216,955
Nevada	US Treasury Bond 8.125% due 2019	200,000	224,592	295,594
New Mexico	US Treasury Bond 8.125% due 2019	100,000	112,296	147,797
North Carolina	US Treasury Bond 8.125% due 2019	500,000	561,479	738,985
Rhode Island	US Treasury Bond 8.125% due 2019	100,000	112,296	147,797
Tennessee	US Treasury Bond 8.125% due 2019	500,000	516,479	738,985
Virginia	US Treasury Bond 8.125% due 2019	200,000	224,592	295,594

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company has undergone significant geographical expansion during the examination period. As of December 31, 2003, the Company held licenses to conduct business in 14 states and the District of Columbia. On December 31, 2008 the Company was licensed to write business in 38 states and the District of Columbia. The Company's principal lines of business are ordinary individual life insurance policies, group life coverage, group creditor contracts, individual deferred fixed annuities and fixed immediate annuities. With the exception of group life, the Company's products are provided primarily to individual risks through both captive agents employed by the Company and outside brokers and banks.

Treatment of Policyholders – Market Conduct

During the financial examination of the Company, the Division's Market Conduct Department initiated a full-scope market conduct examination of the Company for the year ended December

31, 2008. The market conduct examination was called pursuant to authority in M.G.L. c. 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, in addition to 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 year ended December 31, 2008 will be issued and become available as a public document.

Dividends to Policyholders

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

<u>Year</u>	<u>Dividends to Policyholders</u>
2008	\$ 43,160,959
2007	44,637,032
2006	42,376,689
2005	50,563,030
2004	57,427,691

REINSURANCE

Ceded Reinsurance

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

The Company also has catastrophic reinsurance with Sirius International Insurance Corporation. If SBLI incurs a multiple life loss (more than ten lives) due to a single incident, then Sirius will

reimburse losses in excess of \$10,000,000, to a maximum claim limit of \$10,000,000. In 2009, the maximum limit was increased to \$20,000,000.

There are no guaranteed profit contracts, no portfolio reinsurance transfers and no residual liability under expired contracts.

Each treaty reviewed contained an insolvency clause in accordance with M.G.L. c.175 s.20A.

Assumed Reinsurance

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

SUBSEQUENT EVENTS

In January 2010, the Company reached a court approved settlement on a preliminary basis of the Goldstein class action lawsuit in the amount of \$15 million. In August of 1998, the class action suit was filed against SBLI by certain policyholders alleging that the Company was in violation of the special 12% surplus to reserve ratio limit contained in Section 141 of Chapter 175 M.G.L.

ACCOUNTS AND RECORDS

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

The NAIC provides a questionnaire covering the evaluation of the controls in the IT Systems environment. The questionnaire was completed by the Company and reviewed by the Division's Computer Audit Specialist who evaluated the adequacy of the information systems controls. No material deficiencies were noted.

The Company uses an automated general ledger system. Trial balances were traced from the general ledger and supporting documents to the 2008 Annual Statement. No material exceptions were noted.

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

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, 2008.

Statement of Assets, Liabilities, and Surplus and Other Funds as of December 31, 2008

Summary of Operations for the Year Ended December 31, 2008

Capital and Surplus for the Year Ended December 31, 2008

Reconciliation of Capital and Surplus for the Five-Year Period Ended December 31, 2008

For Information Purposes Only

The Savings Bank Life Insurance Company of Massachusetts
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2008

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Bonds	\$ 1,730,259,180		\$ 1,730,259,180	
Preferred stocks	34,767,208		34,767,208	
Common stocks	86,968,700		86,968,700	
First liens - mortgage loans on real estate	913,870		913,870	
Properties occupied by the company	2,303,776		2,303,776	
Cash	49,900,083		49,900,083	
Contract loans	75,614,755		75,614,755	
Other invested assets	3,981,131		3,981,131	
Receivable for securities	70,010		70,010	
Subtotals; cash and invested assets	1,984,778,713		1,984,778,713	
Investment income due and accrued	16,538,995		16,538,995	
Uncollected premiums and agents' balances in the course of collection	(720,600)		(720,600)	
Deferred premiums; agents' balances and installments booked but deferred and not yet due	97,626,691		97,626,691	(1)
Amounts recoverable from reinsurers	750,449		750,449	
Other amounts receivable under reinsurance contracts	4,796,168		4,796,168	
Current federal income tax recoverable and interest thereon	5,307,312		5,307,312	
Net deferred tax asset	17,937,162		17,937,162	
Electronic data processing equipment and software	725,025		725,025	
Receivables from parent; subsidiaries and affiliates	125,704		125,704	
Aggregate write-ins for other than invested assets	2,446,956		2,446,956	
Totals	<u>\$ 2,130,312,575</u>	<u>\$ 0</u>	<u>\$ 2,130,312,575</u>	

The Savings Bank Life Insurance Company of Massachusetts
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
As of December 31, 2008

	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Aggregate reserve for life contracts	\$ 1,667,633,244		\$ 1,667,633,244	(1)
Aggregate reserve for accident and health contracts	179,737		179,737	
Liability for deposit-type contracts	185,080,334		185,080,334	
Life (contract claims)	12,854,664		12,854,664	
Accident and health (contract claims)	25,000		25,000	
Policyholders' dividends	345,768		345,768	
Dividends apportioned for payment	26,540,264		26,540,264	
Dividends not yet apportioned	18,115,556		18,115,556	
Premiums and annuity considerations for life and accident and health contracts received in advance	75,142		75,142	
Interest maintenance reserve	1,042,231		1,042,231	
Commissions to agents due or accrued-life and annuity contract	611,515		611,515	
General expenses due or accrued	2,182,755		2,182,755	
Taxes; licenses and fees due or accrued	423,048		423,048	
Unearned investment income	1,907,215		1,907,215	
Amounts withheld or retained by company as agent or trustee	1,705,890		1,705,890	
Remittances and items not allocated	4,214,134		4,214,134	
Liability for benefits for employees and agents	5,440,900		5,440,900	
Asset valuation reserve	331,049		331,049	
Payable for securities	37,690,922		37,690,922	
Aggregate write-ins for liabilities	3,020,819		3,020,819	
Total liabilities	1,969,420,187		1,969,420,187	
Common capital stock	2,700,708		2,700,708	
Gross paid in and contributed surplus	36,773,116		36,773,116	
Unassigned funds (surplus)	121,678,132		121,678,132	
Less treasury stock at cost	(259,568)		(259,568)	
Total Surplus	158,191,680		158,191,680	
Total of common stock and surplus	160,892,388		160,892,388	
Total of liabilities; common stock and surplus	\$ 2,130,312,575	\$ 0	\$ 2,130,312,575	

The Savings Bank Life Insurance Company of Massachusetts
Summary of Operations
For the Year Ended December 31, 2008

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums and annuity considerations for life and accident and health contracts	\$ 187,843,224		\$ 187,843,224
Considerations for supplementary contracts with life contingencies	1,862,347		1,862,347
Net investment income	109,978,369		109,978,369
Amortization of Interest Maintenance Reserve	868,104		868,104
Commissions and expense allowances on reinsurance ceded	19,171,834		19,171,834
Aggregate write-ins for miscellaneous income	203,068		203,068
Totals	319,926,946		319,926,946
Death benefits	70,639,186		70,639,186
Matured endowments	540,320		540,320
Annuity benefits	5,508,331		5,508,331
Disability benefits and benefits under accident and health contracts	112,125		112,125
Surrender benefits and withdrawals for life contracts	51,506,659		51,506,659
Interest and adjustments on contract or deposit-type contract funds	7,479,732		7,479,732
Payments on supplementary contracts with life contingencies	934,269		934,269
Increase in aggregate reserves for life and accident and health contracts	82,519,433		82,519,433
Totals	219,240,055		219,240,055
Commissions on premiums; annuity considerations and deposit-type contract funds (direct business only)	10,411,844		10,411,844
General insurance expenses	45,184,178		45,184,178
Insurance taxes; licenses and fees; excluding federal income taxes	5,475,482		5,475,482
Increase in loading on deferred and uncollected premiums	(2,308,400)		(2,308,400)
Aggregate write-ins for deductions	5,696,806		5,696,806
Totals	283,699,965		283,699,965
Net gain from operations before dividends to policyholders and federal income taxes	36,226,981		36,226,981
Dividends to policyholders	43,160,959		43,160,959
Net gain/(loss) from operations after dividends to policyholders and before federal income taxes	(6,933,978)		(6,933,978)
Federal and foreign income taxes incurred	(4,426,985)		(4,426,985)
Net gain/(loss) from operations after dividends to policyholders and federal income tax	(2,506,993)		(2,506,993)
Net realized capital gains (losses) less capital gains tax of (\$0)	(26,087,211)		(26,087,211)
Net income / (loss)	\$ (28,594,204)	\$ 0	\$ (28,594,204)

The Savings Bank Life Insurance Company of Massachusetts

Capital and Surplus

For the Year Ended December 31, 2008

	As Reported by the Company	Examination Changes	Per Statutory Examination
Capital and surplus; December 31, 2007	\$ 199,980,755		\$ 199,980,755
Net income / (loss)	(28,594,204)		(28,594,204)
Change in net unrealized capital gains or (losses)	(17,617,716)		(17,617,716)
Change in net deferred income tax	9,556,493		9,556,493
Change in nonadmitted assets and related items	(15,466,187)		(15,466,187)
Change in asset valuation reserve	14,873,383		14,873,383
Dividends to stockholders	<u>(1,840,137)</u>		(1,840,137)
Net change in capital and surplus for the year	(39,088,368)		(39,088,368)
Capital and surplus; December 31, 2008	<u>\$ 160,892,388</u>	<u>\$ 0</u>	<u>\$ 160,892,388</u>

The Savings Bank Life Insurance Company of Massachusetts
Reconciliation of Capital and Surplus
For the Five Year Period Ended December 31, 2008

	2008	2007	2006	2005	2004
Capital and surplus, December 31, prior year	\$ 199,980,755	\$ 195,396,361	\$ 193,013,579	\$ 189,989,058	\$ 175,939,764
Net income / (loss)	(28,594,204)	8,708,182	8,496,184	10,141,789	9,753,199
Change in net unrealized capital gains or (losses)	(17,617,716)	(1,593,162)	3,345,260	(354,135)	1,600,388
Change in net deferred income tax	9,556,493	(5,492,094)	281,495	(3,886,252)	2,643,123
Change in nonadmitted assets	(15,466,187)	7,794,215	(3,690,654)	(92,454)	(467,141)
Change in asset valuation reserve	14,873,383	(2,993,110)	(4,629,053)	(1,111,977)	1,807,220
Change in treasury stock		500	251,000	(1,000)	249,500
Dividends to stockholders	(1,840,137)	(1,840,137)	(1,671,450)	(1,671,450)	(1,663,953)
Aggregate write-ins for gains and (losses) in surplus					126,958
Net change in capital and surplus for the year	(39,088,368)	4,584,394	2,382,782	3,024,521	14,049,294
Capital and surplus, December 31, current year	<u>\$ 160,892,388</u>	<u>\$ 199,980,755</u>	<u>\$ 195,396,361</u>	<u>\$ 193,013,579</u>	<u>\$ 189,989,058</u>

NOTES TO FINANCIAL STATEMENTS

Note 1: Actuarial Items, Reserves and Liabilities:

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

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

The consulting actuaries from E&Y reviewed the reserves for Individual Deferred Annuities. The deferred annuity block is comprised of single premium deferred annuity contracts with cash settlement options with future interest rate guarantees that range up to 5%. All contracts are funded through the general account and feature one year interest rate guarantees and limited cash surrender charge periods.

E&Y obtained information from the Company demonstrating its approach to calculating deferred premium assets associated with its mean method of reserving. In the prior examination, it had been noted that the Company recorded deferred premium assets equal to the valuation net premium even in situations where the gross premium was less than the valuation net premium and consequently reflected in the mean reserves. The Division however, prefers for a limitation on the deferred premium asset so as not to exceed the premium reflected within the mean reserve. E&Y's analysis of the information provided by the Company, indicates the Company now uses the method preferred by the Division. E&Y also analyzed information of the offset to deferred premiums for reinsurance ceded and observed that no overstatement in the net deferred premium is indicated.

CONCLUSION

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

The assistance rendered by the following Massachusetts Division of Insurance examiner who participated in this examination is hereby acknowledged:

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