



Best's Credit Rating Effective Date

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Analytical Contacts

Frank Walko
Financial Analyst
Frank.Walko@ambest.com
+1(908) 439-2200 Ext. 5072

Jacqalene Lentz, CPA
Director
Jacqalene.Lentz@ambest.com
+1(908) 439-2200 Ext. 5762

Information

- [Best's Credit Rating Methodology](#)
- [Guide to Best's Credit Ratings](#)
- [Market Segment Outlooks](#)

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

The Savings Bank Mutual Life Insurance Company of Massachusetts

AMB #: 006696 | **NAIC #:** 70435 | **FEIN #:** 04-3117253

Ultimate Parent: AMB # 006696 -
The Savings Bank Mutual Life Insurance Company of Massachusetts

Best's Credit Ratings

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable Action: Affirmed

Issuer Credit Rating (ICR)

a
Excellent
Outlook: Stable Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Rationale

Balance Sheet Strength: **Very Strong**

- The overall balance sheet strength of The Savings Bank Mutual Life Insurance Company of Massachusetts (SBLI) benefits from a very strong level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), and overall good credit quality of invested assets.
- SBLI's quality of capital is qualitatively impacted by extensive use of reinsurance for XXX reserve changes, use of captive reinsurers and financial leverage, which AM Best considers manageable.
- Invested assets are generally of good credit quality, with no direct exposure to commercial mortgages. SBLI has elevated allocations in NAIC-2 bonds and Schedule BA assets.
- The cash flows of SBLI show positive results per the New York Seven (NY7) and other in-house scenarios.

Operating Performance: **Adequate**

- Generally positive and stable earnings trends in recent years, although COVID-19 mortality has partially offset earnings.
- Earnings have been historically supported by good mortality experience and favorable persistency.
- Premium growth, mainly driven by term life sales, is relatively lower than the life industry average. Annuity sales have been modest in 2021, although the company will market annuities when interest rates are favorable.
- Net investment income increased in 2021, mainly due to dividend income from a subsidiary. Investment net yields increased modestly in 2021.

Business Profile: **Neutral**

- SBLI's product offerings, mainly ordinary life products, are generally of lower risk on the AM Best product creditworthiness and risk continuum.
- SBLI has some geographic concentration as about a third of direct premiums written are generated from the state of Massachusetts. AM Best notes that the company has made progress over the past several years to diversify its premiums geographically.
- While SBLI is experienced in the term life insurance market and has a strong marketing niche, the company faces heavy competition in the term life insurance market, which can be highly commoditized, from larger insurers and new entrants.
- SBLI has relatively diverse distribution platforms, and it continues to work on forging and maintaining partnerships to expand its marketing reach. In addition, SBLI has demonstrated some innovative capabilities to expand market reach.

Enterprise Risk Management: **Appropriate**

- Embedded conservative risk management culture, where the product portfolio, underwriting guidelines and investment strategy are managed to within narrow risk tolerances.
- SBLI uses an ERM scorecard, which is the main tool with both qualitative and quantitative metrics.
- Uses cash flow testing for NY7 scenarios as well as additional deterministic scenarios. Risk-adjusted capital analysis and monitoring also include using 50 stochastically generated scenarios.
- Risk areas covered include investment, market, underwriting, operational and strategic.

Outlook

- The stable outlooks for SBLI reflect AM Best's expectations that its rating fundamentals will remain unchanged in the intermediate term. Risk-adjusted capitalization, as measured by BCAR, is expected to remain at the very strong level. Operating performance is expected to remain adequate and supported by prudent underwriting and reserving.

Rating Drivers

- A negative rating action could occur if there is a decline in operating performance.
- A negative rating action could occur if the company's risk-adjusted capitalization, as defined by Best's Capital Adequacy Ratio, deteriorates.



Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	44.2	22.2	13.3	11.4

Source: Best's Capital Adequacy Ratio Model - L/H, US

Key Financial Indicators USD (000)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Assets:							
General Account	3,559,568	3,519,432	3,563,519	3,486,756	3,407,592	3,066,542	3,032,422
Total	3,559,568	3,519,432	3,563,519	3,486,756	3,407,592	3,066,542	3,032,422
Liabilities:							
Net Life Reserves	2,129,598	2,178,914	2,193,871	2,185,635	2,174,779	1,988,403	1,991,950
Net Accident & Health Reserves	342	...	189	...	...	...	6
Liability for Deposit Contracts	307,782	310,973	307,932	311,830	289,436	192,256	197,977
Asset Valuation Reserve	28,017	29,030	31,792	30,388	26,935	22,211	26,596
Other General Account	891,393	801,205	823,146	771,879	722,539	661,873	613,371
Total	3,357,132	3,320,122	3,356,931	3,299,732	3,213,689	2,864,743	2,829,900
Total Capital and Surplus	202,436	199,310	206,588	187,025	193,902	201,799	202,523
Net Income	11,822	15,764	33,717	38,555	24,295	39,075	46,761
Net Premiums Earned	28,461	56,516	130,593	146,387	310,504	128,144	140,501
Net Investment Income	50,705	54,188	116,992	103,943	103,172	105,240	109,377

Source: BestLink® - Best's Financial Suite

Key Financial Ratios (%)	6-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Operating Return on Revenue	11.6	11.3	11.0	10.2	4.9	13.0	7.6	8.9
Operating Return on Capital and Surplus	11.6	16.0	17.1	16.6	11.9	19.8	11.5	15.3
Net Investment Yield	3.0	3.3	3.5	3.2	3.4	3.7	3.8	3.5
Pre-Tax Investment Total Return	2.6	3.5	3.7	3.1	3.2	2.5	2.3	3.0

Source: BestLink® - Best's Financial Suite

Leverage (%)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
General Account Liabilities to Capital and Surplus	16.6	16.7	16.2	17.6	16.6	14.2	14.0
Higher Risk Assets to Capital and Surplus:							
All Other Higher Risk Assets	145.9	146.6	144.0	156.8	108.9	94.8	97.4

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Current Liquidity (%)	93.0	93.7	92.8	93.7	94.7	96.1	94.7
Net Operating Cash Flow USD (000)	-20,383	1,518	22,383	33,923	190,023	37,874	-9,984

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

The balance sheet strength assessment of SBLI is 'very strong'. The company's risk-adjusted capitalization as defined by the Best Capital Adequacy Ratio is assessed as 'very strong'. Quality of capital is somewhat impacted by the use of captive reinsurers, high use



Balance Sheet Strength (Continued...)

of reinsurance and some financial leverage. Invested assets are generally of good credit quality, but allocations to high risk assets (Schedule BA assets and below investment grade bonds) are elevated. Liquidity is good, supported by strong overall liquidity metrics. Remutualization in 2017 has enabled SBLI to have a less complex capital structure. Most of its insurance reserves are in ordinary life insurance, with some fixed annuity reserves.

Capitalization

Risk-adjusted capitalization as defined by the Best Capital Adequacy Ratio (BCAR) is assessed as 'very strong' and supportive of its insurance, investment and business risks. SBLI's statutory capital and surplus increased to \$207 million in 2021, up from \$187 million in 2020. Earnings and unrealized gains on investments were partially offset by amortization of inforce gains. SBLI's capital and surplus declined in 2020 due to the amortization of its inforce life business and remaining write-down of a wholly owned captive, partially offset by organic earnings. Statutory capital and surplus for 2020 and 2019 is \$187 million and \$194 million. Unrealized losses in SBLI Re were partially offset by organic earnings. AM Best notes that future organic earnings and reserve releases from its maturing block of XXX business reinsured to captives will also contribute to future surplus growth

Quality of capital is impacted by SBLI's extensive use of captive reinsurance solutions to support XXX reserving, which is expected to decline over time as the company's new business uses principles based reserving practices. Financial leverage and interest coverage ratios are within the guidelines for its ratings.

As part of SBLI's remutualization process, a surplus note was issued in 2017 for \$57.3 million, used to buy out its bank shareholders, which has made the company's capital structure more transparent. AM Best notes that the surplus note interest is relatively higher than dividends paid to previous shareholders, as there was some pressure from the shareholders to continue to increase the dividend. The surplus note structure better aligns the capital requirements with the policyholders. Also impacting quality of capital is SBLI's extensive use of reinsurance and securitizations to fund non-economic term life reserves to manage its risk-adjusted capital levels.

Capital Generation Analysis USD (000)	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Beginning Capital and Surplus	206,588	187,025	187,025	193,902	201,799	202,523	225,618
Net Operating Gain	11,813	15,453	33,622	31,657	23,639	40,047	24,561
Net Realized Capital Gains (Losses)	9	310	95	6,899	657	-972	22,200
Net Unrealized Capital Gains (Losses)	-5,888	3,430	5,858	-10,259	-8,503	-31,465	-59,352
Net Change in Paid-In Capital and Surplus	...	...	...	...	...	...	18,108
Stockholder Dividends	...	...	...	...	...	...	-1,840
Other Changes in Capital and Surplus	-10,086	-6,908	-20,011	-35,174	-23,689	-8,334	-26,772
Net Change in Capital and Surplus	-4,152	12,285	19,563	-6,877	-7,897	-723	-23,095
Ending Capital and Surplus	202,436	199,310	206,588	187,025	193,902	201,799	202,523
Net Change in Capital and Surplus (%)	-2.0	6.6	10.5	-3.5	-3.9	-0.4	-10.2
Net Change in Capital and Surplus (5 yr CAGR)	...	...	-1.7	...	...	...	...

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

SBLI's investment asset allocations through year-end, 2021 include bonds (88%); BA Assets (6%), with the balance in stocks, real estate, cash & short-term and policy loans. SBLI does not have any direct mortgage holdings, although some is in bond holdings and Schedule BA assets. High risk asset allocations are elevated, comprised mostly of high yield bonds and Schedule BA assets.

Bond allocations are mostly investment grade, but NAIC-2 allocations have increased in recent years as management has sought to improve investment returns. The bond portfolio's unrealized gain/loss position has declined with the rise in interest rates in 2022, but offset by the company's strong liquidity capability and intent to hold bonds to maturity. Mortgage-backed securities comprise less than 7% of total bond holdings in 2021. SBLI continues to increase its private placement allocations, which have doubled over the past five years..

Stock holdings in recent years included modest allocations to preferred and affiliated holdings. Common stock allocations increased modestly in early 2020 as SBLI purchased common equities as the financial markets declined due to the COVID-19 pandemic. In 2020

Balance Sheet Strength (Continued...)

and 2021, SBLI sold nearly all of its unaffiliated public equity holdings. Lastly, the company holds Federal Home Loan Bank of Boston stock that provides the company access to additional liquidity and the potential for earning incremental investment spreads.

Composition of Cash and Invested Assets	6-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Total Cash and Invested Assets USD (000)	3,358,049	3,316,515	3,349,589	3,286,783	3,191,759	2,863,976	2,824,857
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	0.1	3.1	2.6	2.5	6.4	...	3.1
Bonds	90.2	87.9	87.5	88.1	86.5	93.8	89.6
Stocks	1.7	1.8	1.8	2.5	1.6	1.2	1.2
Other Invested Assets	7.8	7.0	7.7	6.6	5.2	4.6	4.8
Total Unaffiliated	99.7	99.7	99.7	99.7	99.7	99.7	98.7
Investments in Affiliates	0.4	0.3	0.4	0.3	0.4	0.4	1.4
Non-Admitted	-0.1	-0.1	...	-0.1	...	-0.1	-0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	0.2	0.5	...	0.1	0.1	6.6
Government Agencies and Municipal Bonds	4.5	5.5	9.3	9.6	1.4	8.8
Industrial and Miscellaneous Bonds	4.2	19.7	18.4	22.3	3.7	9.2
Hybrid Securities	...	0.2	0.1	...	...	5.5
Total Bonds	8.9	25.9	27.9	32.0	5.3	9.0

Source: BestLink® - Best's Financial Suite

Bonds - Distribution by Issuer	Year End - December 31				
	2021	2020	2019	2018	2017
Bonds USD (000)	2,931,896	2,895,441	2,761,056	2,687,330	2,530,496
US Government (%)	0.8	0.2	0.3	0.2	0.3
Foreign Government (%)	0.1	...	...	...	...
Foreign - All Other (%)	10.7	9.8	9.4	12.0	12.9
State, Municipal & Special Revenue (%)	30.2	34.8	40.6	45.9	42.3
Industrial & Miscellaneous (%)	57.8	54.9	49.6	41.9	44.5
Hybrid Securities (%)	0.4	0.3	0.2	...	...
Total Bonds (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

SBLI has sufficient reserves as is demonstrated by its cash flow testing results.

Operating Performance

SBLI has reported positive but fluctuating statutory earnings over the past several years, which are the result of favorable mortality and persistency. While SBLI has experienced some Covid-19 mortality, its impact after reinsurance has been modest. While most of the Covid-19 mortality has come from older policyholders with low face amount whole life policies, there have been claims from a younger demographic with higher face amounts from holding term life policies.



Operating Performance (Continued...)

SBLI reported statutory net income of \$33.7 million in 2021, compared to \$38.6 million in 2020. The main drivers of lower net income include lower net premiums due to lower annuity and BOLI sales, higher death claims, in part due to Covid-19, and realized gains in 2020 from the sale of common equities. Partially offsetting factors include higher net investment income from dividends received from a wholly owned subsidiary, lower annuity and surrender benefits.

Statutory net income for 2020 and 2019 are \$38.6 million and \$24.3 million. Lower premiums were reported in 2020 due to lower fixed annuity sales, as SBLI stopped selling its MYGA product due to unfavorable interest rates. Other contributing factors include lower death benefits, lower surrenders, and less new business strain. Partially offsetting factors include higher general expenses related to transitioning to remote work and increased loading of deferred premiums.

In 2019, statutory net income declined to \$24.3 million, from \$39.1 million in 2018. The main drivers of the decline was new business strain related to growth and an increase in mortality. Earnings in 2018 included lower death benefits, lower surrenders and amortization of in-force gains. 2017 earnings included realized capital gains on the disposition of the equity portfolio. Most of the earnings are driven from its ordinary life line of business.

Premium growth historically has come from its ordinary life line of business, but compound annual growth rates for direct written premiums are low compared to the life industry average. Sales declined slightly in 2021, driven by individual term, whole life and BOLI. Traditional whole life sales declined, and fixed annuity sales were modest. In 2020, overall premiums declined significantly as the company introduced a multi-year guaranteed annuity in 2019, which generated very favorable sales. Due to the low interest rates as a result of the COVID-19 pandemic, the company stopped sales of this product.

Investment income increased in 2021, largely due to a dividend paid to SBLI from a subsidiary, higher investment net yields and a larger asset base. Statutory investment yields for SBLI are lower compared to the life industry average. SBLI may be challenged to maintain spreads on its multi-year guaranteed annuities (MYGA) which originally offered crediting rates of 4%, but is partially offset by favorable commission terms.

The interest paid on the surplus notes issued has the benefit of locking in capital costs, and SBLI won't have to be concerned with raising dividends to shareholders in future years.

SBLI has the ability to use net operating loss carry forwards from operating losses related to the captive reinsurers to offset future earnings, since all the companies are included in the federal income tax filings. XXX reserves are expected to decline in SBLI's VT Re captive after hitting their peak reserve levels.

Year End - December 31

Net Operating Gain By LOB USD (000)	2021	2020	2019	2018	2017
Individual Life	26,738	30,785	21,804	32,793	18,237
Group Life	-35	-102	13	7	-51
Individual Annuities	7,049	2,174	3,058	6,073	6,413
Accident & Health	434	...	...	11	1
Other Lines of Business	-565	-1,201	-1,236	1,164	-38
Total	33,622	31,657	23,639	40,047	24,561

Source: BestLink® - Best's Financial Suite

Year End - December 31

Accident & Health Statistics	2021	2020	2019	2018	2017
Net Premiums Written USD (000)	129	...	...	...	...
Net Premiums Earned USD (000)	129	...	...	...	1
Claims and Cost Containment Ratio (%)	...	...	...	-99.9	...
Expense Ratio (%)	...	...	...	...	35.1
Combined Ratio (%)	...	...	...	-99.9	35.1
Underwriting Results USD (000)	129	...	...	11	1

Source: BestLink® - Best's Financial Suite



Business Profile

The Savings Bank Mutual Life Insurance Company of Massachusetts (SBLI), domiciled in the state of Massachusetts, markets term life, whole life and bank owned life insurance (BOLI) and individual annuities. SBLI is currently licensed in 48 states and the District of Columbia. SBLI has earned a reputation for being a provider of low cost life insurance, particularly term insurance, and individual annuities, where it maintains a prominent market share despite operating in a highly competitive environment.

The main objectives of the company's long-term geographic, product, and marketing strategy are to maintain its cost advantages through growth by using selective distribution channels, testing new markets before committing major investment, maintaining a focus on direct marketing and e-commerce, and considering the prudent diversification of compatible products. Distribution is through three main channels: Direct, Aggregators and Independent. The direct channel is through SBLI's own sales agents. Aggregators are direct marketers, while the independent channel is comprised of agents, brokers and independent marketing organizations. SBLI continues to work with a number of key partners, such as Afficiency, Plum, and ECA, which are expected to produce meaningful life insurance and annuity sales over the medium term.

2021 direct written premiums by product include Term (81%), Whole Life (6%), BOLI (4%). Annuity sales comprised about 4% of direct written premiums. SBLI introduced a multi-year guaranteed annuity (MYGA) in 2019, and accounted for over a third of total direct premiums in 2019. SBLI restricted sales of the MYGAs in 2020 due to less than favorable interest rates. SBLI does have some product and geographic concentration exposure. From a product perspective, 80% of direct written premiums are related to term life insurance. In regards to geographic concentration exposure, about 40% of direct written premiums are generated from the Commonwealth of Massachusetts.

SBLI's main product is its guaranteed level premium term life product with various duration choices. SBLI has multi-class underwriting for its level premium term life products offering several underwriting classes. Additionally, the company offers yearly renewable term life products. All term life products have a convertibility provision to whole life, and have an alternative universal life conversion option. SBLI's permanent ordinary life products include whole life, limited payment life and single premium life. SBLI offers two different types of children's life insurance products: a term life insurance product designed to cover a child for a specific period of time and a whole life insurance plan that covers a child for his/her entire life as long as premiums are paid when due. Waiver of premium is available on ordinary life insurance policies. There is no statutory limit on policy amounts with amounts over \$500,000 on any one life reinsured.

SBLI also offers both single premium immediate and deferred fixed annuity contracts both on a qualified or non-qualified basis. The single premium deferred annuity is available for \$5,000 or more. To further broaden its product portfolio and diversify its net premium income sources, SBLI markets Bank Owned Life Insurance (BOLI). BOLI is a single-premium whole life product used by banks to fund executive benefits. BOLI premium has experienced significant growth in recent periods and is expected to generate an average of \$20 million in annual premium. SBLI is also qualified to bid on SPIA for the Massachusetts and Connecticut Lottery business.

In 2019, SBLI introduced a multi-year guaranteed annuity (MYGA) originally with crediting rates of 4%, which are now lower, of which nearly \$200 million was sold. Due to unfavorable interest rates as a result of the economic impact from the COVID-19 pandemic, only about \$20 million of MYGA sales were generated before the company stopped selling this product in March, 2020. Despite the relatively generous crediting rate and current lower interest rates, spreads will be moderate, and are partially offset by lower commission costs on the product.

SBLI management continually looks for ways to expand its marketing reach and product offerings through the use of technology, and is emphasizing a culture of innovation throughout all levels of the organization.

	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	
2021 By Line Business									
Ordinary Life	349,947	95.9	...	...	234,440	100.0	115,507	88.4	33.0
Credit Life	5	...	...	...	...	...	5	...	100.0
Individual Annuities	14,458	4.0	...	...	...	...	14,458	11.1	100.0
Individual Accident & Health	658	0.2	...	...	34	...	623	0.5	94.8
Total	365,068	100.0	...	...	234,475	100.0	130,593	100.0	35.8

Source: BestLink® - Best's Financial Suite

Business Profile (Continued...)

Year End - December 31

Geographic Breakdown by Direct Premiums Written and Deposit-Type Contracts USD (000)

	2021	2020	2019	2018	2017
Massachusetts	142,609	153,834	163,541	157,255	163,935
California	20,236	20,340	26,190	17,188	16,748
Texas	20,121	14,137	23,078	13,920	11,674
Florida	18,003	14,727	38,583	11,747	11,639
New Jersey	17,276	17,376	37,706	15,156	15,236
Top 5 States	218,245	220,413	289,098	215,266	219,231
All Other	136,557	130,748	233,557	122,631	125,685
Total	354,802	351,162	522,655	337,896	344,916
Geographic Concentration Index	0.18	...	...	...	...

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

SBLI's enterprise risk management program and its capabilities are appropriate given its risk profile. SBLI promotes a conservative approach to risk which is used in product development, underwriting and investment strategy. Risk is measured and reported on the basis of event likelihood and corporate impact.

SBLI follows the Committee of Sponsoring Organizations (COSO) model. This model is made up of five parts: the control environment, risk assessment, control activities, information & communications and monitoring activities. These functions are performed at the various levels within the organization and also cover operations, reporting and compliance activities. Like the COSO Model, SBLI uses a 'three lines of defense' model.

In recent years, SBLI has adopted an approach where there are several relatively small 'agile teams' for various corporate functions, which are expected to complete tasks in relatively shorter time.

Senior Management incorporates risk management in its decision-making process. The Audit/ERM Committee and the Board of Directors have oversight responsibility at an enterprise level. This committee reviews each risk with the controls the company has put in place to mitigate the risk, and creates a risk-based audit program for each business unit. Audit/ERM audits each business unit in accordance with the approved audit plan.

SBLI meets on a quarterly basis via the Internal Risk Committee and senior management meets regularly to discuss and evaluate risks. The major risk categories covered by SBLI are Underwriting, Market, Investment, Operational and Strategic. Risk management objectives include identifying potential and perceived risks on an enterprise-wide basis; assess, evaluate and measure risk with a focus on event likelihood and corporate impact; and develop action plans accordingly. Product pricing and underwriting is monitored on a regular basis, and has resulted in improved mortality and persistency trends.

For information technology (IT) planning and project management, the company maintains and updates a road map regarding various projects covering areas such as digital planning, products, back office, infrastructure and corporate. The company is building out its Cyber risk capabilities through defense-in-depth, education, managed solutions and continuous improvement.

SBLI's ESG activities are evolving. The company identified with what they consider the most impactful issues, and are in the process of addressing them. The company is in the early stages of making their office complex more environmentally friendly, and it will take some time to realize these benefits.

Reinsurance Summary

SBLI uses reinsurance for capital management, funding redundant reserves and to manage risk. Aside from using its wholly owned captive reinsurers, highly rated reinsurers are also used. Reinsurance use is high, as indicated by high reinsurance leverage ratios relative to the life industry.

Enterprise Risk Management (Continued...)

SBLI also has two wholly owned captives: SBLI Re, LLC and SBLI VT Re, LLC.

SBLI Re, LLC is domiciled in Vermont, and was opened for level term new business from January 1, 2015 to December 31, 2019. Reinsurance is funds withheld coinsurance at 3%, and financing is through a credit-linked note at a net cost of 1%. The term length is 30 years and maximum facility size is \$325 million. At December 31, 2021, volume is \$18 billion and statutory reserves are \$302 million.

SBLI VT Re, LLC is also domiciled in Vermont, and closed to new business at year-end, 2014. Level term business reinsured was issued from January 1, 2001, to December 31, 2004, and September 1, 2007, and December 31, 2014. Reinsurance is funds withheld coinsurance at 4%. Financing is through a credit linked note at a net cost of 1.55% until April 1, 2026, and 1% thereafter. The length of time is 30 years and maximum facility size is \$675 million. As of December 31, 2021 volume is \$43 billion while statutory reserves are \$1.2 billion.

During the fourth quarter of 2014, SBLI-MA completed a reinsurance transaction that recaptured all of the in-force business from SBLI Re, LLC back into SBLI-MA. This block of business was then combined with a block currently at SBLI-MA, (containing all level term business from December 18, 2013, to December 31, 2014), which was then ceded to SBLI VT Re, LLC. SBLI VT Re, LLC terminated its letter of credit financing with UBS AG as of September 30, 2014, which was replaced by the issuance of a surplus note to NNLI VT Holdings, LLC, a Vermont domiciled limited liability company, which purchased the surplus note in exchange for a Rated NAIC Bond. The effective date of these transactions was October 1, 2014 and the transactions were closed on December 18, 2014.

During 2015, the Company completed a reinsurance transaction that ceded all of the level term life business from January 1, 2015, to December 31, 2017, to SBLI Re, LLC. This transaction received approval from the State of Vermont Department of Financial Regulation on September 28, 2015. A Surplus Note was issued to NNLI RNB2 Holdings, LLC, a Vermont domiciled limited liability company, which purchased the surplus note in exchange for a Rated NAIC Bond. This entire restructuring was approved by the Commonwealth of Massachusetts Division of Insurance on November 16, 2015. The effective date of these transactions was October 1, 2015, and the transactions were closed on December 11, 2015. The Company received approval in January 2018, to extend this agreement to include policies issued through December 31, 2019.

Prior to August 31, 2007, the Company reinsured primarily Term and Whole Life policies above the per-life retention limits, with various third party reinsurance companies. The first reinsurance agreement was entered in 1996 and additional agreements were implemented as needed for varying retention limits and pool agreements in the course of business. Third party reinsurers have included Generali, Swiss Re Life & Health of America, Scottish Re U.S., Transamerica Life Insurance Company, and RGA Reinsurance Company.

Environmental, Social & Governance

SBLI's Environmental, Social and Governance activities are predominantly centered on governance and to a lesser extent, social. While its environmental programs are evolving, the company is in the early stages of making its corporate space more environmentally friendly.



Financial Statements

	6-Months		Year End - December 31			
	2022		2021		2020	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	2,440	0.1	88,180	2.5	81,931	2.3
Bonds	3,028,523	85.1	2,931,896	82.3	2,895,441	83.0
Preferred and Common Stock	57,872	1.6	62,777	1.8	82,204	2.4
Other Invested Assets	269,214	7.6	266,736	7.5	227,207	6.5
Total Cash and Invested Assets	3,358,049	94.3	3,349,589	94.0	3,286,783	94.3
Premium Balances	108,345	3.0	107,046	3.0	115,991	3.3
Net Deferred Tax Asset	17,061	0.5	16,396	0.5	17,853	0.5
Other Assets	76,113	2.1	90,489	2.5	66,129	1.9
Total General Account Assets	3,559,568	100.0	3,563,519	100.0	3,486,756	100.0
Total Assets	3,559,568	100.0	3,563,519	100.0	3,486,756	100.0
Net Life Reserves	2,129,598	59.8	2,193,871	61.6	2,185,635	62.7
Net Accident & Health Reserves	342	...	189	...	...	...
Liability for Deposit Contracts	307,782	8.6	307,932	8.6	311,830	8.9
Asset Valuation Reserve	28,017	0.8	31,792	0.9	30,388	0.9
Other Liabilities	891,393	25.0	823,146	23.1	771,879	22.1
Total General Account Liabilities	3,357,132	94.3	3,356,931	94.2	3,299,732	94.6
Total Liabilities	3,357,132	94.3	3,356,931	94.2	3,299,732	94.6
Unassigned Surplus	145,116	4.1	149,268	4.2	129,705	3.7
Other Surplus	57,320	1.6	57,320	1.6	57,320	1.6
Total Capital and Surplus	202,436	5.7	206,588	5.8	187,025	5.4
Total Liabilities, Capital and Surplus	3,559,568	100.0	3,563,519	100.0	3,486,756	100.0

Source: BestLink® - Best's Financial Suite

Income Statement USD (000)	6-Months		Year End - December 31	
	2022	2021	2021	2020
Net Premiums Earned:				
Individual Life	...	...	115,507	124,797
Group Life	...	...	5	...
Individual Annuities	...	...	14,458	21,586
Accident & Health	...	...	623	...
Other Lines of Business	...	...	...	4
Total Net Premiums Earned	28,461	56,516	130,593	146,387
Net Investment Income	50,705	54,188	116,992	103,943
Other Income	22,350	26,278	57,954	59,565
Total Revenue	101,515	136,982	305,539	309,895
Policy Benefits	14,336	67,866	159,190	170,278
Commissions and Expense Allowances	21,299	9,107	20,134	18,486
Insurance and Other Expense	45,126	34,540	74,231	70,312
Dividends to Policyholders	8,941	10,016	18,361	19,163
Pre-Tax Net Operating Gain	11,813	15,453	33,622	31,657
Net Operating Gain	11,813	15,453	33,622	31,657
Net Realized Capital Gains	9	310	95	6,899
Net Income	11,822	15,764	33,717	38,555

Source: BestLink® - Best's Financial Suite



Statement of Operating Cash Flows USD (000)	6-Months		Year End - December 31	
	2022	2021	2021	2020
Net Premiums Collected	54,280	57,792	131,760	141,552
Net Investment Income	52,726	56,643	122,924	109,510
Other Income Received	11,243	16,402	35,543	31,550
Total Collected Operating Revenue	118,248	130,837	290,226	282,612
Net Benefits and Loss Related Payments	67,800	75,893	163,893	135,498
Commissions and Other Expenses Paid	61,378	43,420	84,595	79,122
Dividends to Policyholders	9,452	10,006	19,356	34,069
Total Paid Expenses and Transfers	138,631	129,319	267,844	248,689
Net Operating Cash Flow	-20,383	1,518	22,383	33,923

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

[A.M. Best's Stress Liquidity Ratio for U.S. Life Insurers, 05/26/2022](#)

[Best's Credit Rating Methodology, 11/13/2020](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

[Evaluating U.S. Surplus Notes, 10/13/2017](#)

[Scoring and Assessing Innovation, 03/05/2020](#)

[Understanding BCAR for U.S. and Canadian Life/Health Insurers, 05/26/2022](#)

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