

Report of Examination of
U.S. Financial Life Insurance Company
Cincinnati, Ohio

As of December 31, 2010

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Columbus, Ohio
May 18, 2012

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Ms. Taylor:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

U.S. Financial Life Insurance Company

an Ohio domiciled, stock, life insurance company hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2005. The Department’s current examination covered the period of January 1, 2006 through December 31, 2010. Representatives of the State of New York Insurance Department concurrently conducted an examination of AXA Equitable Life Insurance Company (“AXA Equitable”), and MONY Life Insurance Company (“MONY”), both affiliates.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For all years under examination, the Certified Public Accounting firm PricewaterhouseCoopers LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

Name	Principal Occupation
Kevin R. Byrne	Executive Vice President, Chief Investment Officer and Treasurer, AXA Equitable Life Insurance Company
Richard S. Dziadzio	Senior Executive Vice President, Chief Financial Officer, AXA Equitable Life Insurance Company
Charles A. Marino	Executive Vice President and Chief Actuary, AXA Equitable Life Insurance Company
Andrew J. McMahon	President, AXA Equitable Life Insurance Company
James A. Shepherdson, III	Senior Executive Vice President, AXA Equitable Life Insurance Company

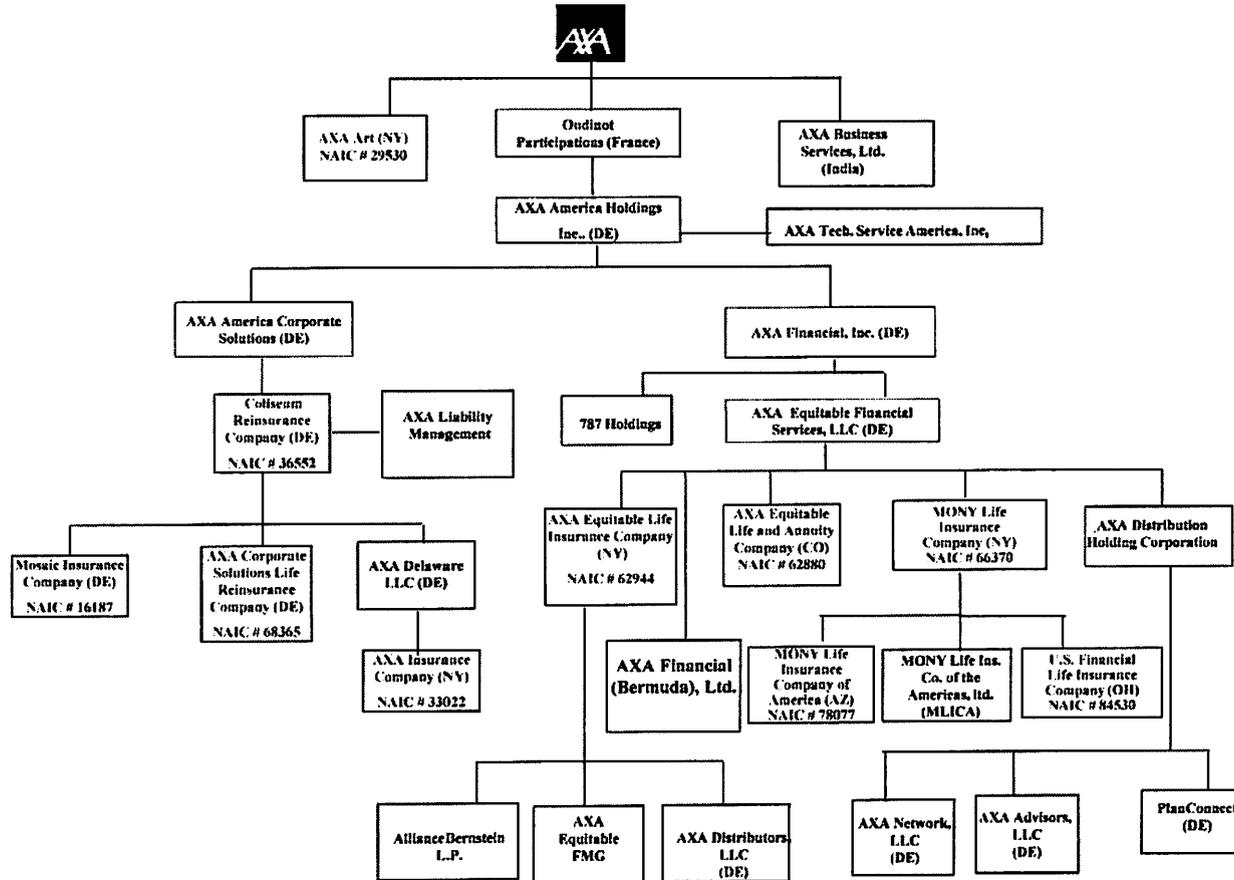
Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Richard S. Dziadzio	Chairman of the Board
Charles A. Marino	President, Chief Executive Officer and Chief Financial Officer
Kevin R. Byrne	Executive Vice President, Chief Investment Officer and Treasurer
William Casill	Senior Vice President and Actuary
Alvin H. Fenichel	Senior Vice President and Chief Accounting Officer
Keith E. Floman	Senior Vice President and Appointed Actuary
Gary W. Hirschcron	Senior Vice President
Anne M. Katcher	Senior Vice President and Actuary
Allen J. Zabusky	Senior Vice President and Controller

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. AXA, a French “*Société Anonyme*” is the ultimate controlling person within the holding company system. The simplified organization chart below illustrates the main U.S. operating companies in the AXA group as of February 2012:



Territory and Plan of Operations

Effective July 20, 2007, the Company ceased marketing new business and its administrative operations in Ohio were subsequently transferred to Syracuse, New York. Prior to the cessation of business, the Company focused on term and universal life products for individuals classified as special risks utilizing proprietary underwriting methodology. The Company’s products were primarily distributed through independent Brokerage General Agents and offered in forty-nine states (except New York) and the District of Columbia.

Reinsurance

All of the Company's term business issued since January 1, 1999, net of non-affiliated and AXA Equitable reinsurance, is reinsured through an affiliate, AXA Financial Bermuda, Ltd. ("AXA Bermuda"). As of 2008, the Company has not issued new business policies. In addition, the Company reinsures most of its interest-sensitive and term life insurance policies on an excess of retention basis, retaining up to a maximum of \$1.5 million of risk on any one person for individual products and \$2 million for last survivor products. For amounts in excess of those limits, reinsurance is ceded to non-affiliated reinsurers and AXA Equitable.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Operations

Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Capital and Surplus
December 31, 2010

Assets

Bonds	\$ 485,699,428
Preferred stocks	3,990,630
Cash and short-term investments	27,322,529
Contract loans	22,864,149
Receivables for securities	<u>3,003</u>
Subtotals, cash and invested assets	539,879,739
Investment income due and accrued	6,634,222
Uncollected premiums in the course of collection	213,631
Deferred premiums and installments booked but deferred and not yet due	1,581,244
Amounts recoverable from reinsurers	37,724,691
Other amounts receivable under reinsurance contracts	7,499,432
Net deferred tax asset	26,273,799
Guaranty funds receivable or on deposit	1,324,316
Miscellaneous receivable	<u>156,817</u>
Total assets	<u>\$ 621,287,891</u>

Statement of Assets, Liabilities, Capital and Surplus
December 31, 2010

Liabilities

Aggregate reserve for life contracts	\$ 492,666,906
Liability for deposit-type contracts	1,193,829
Life contract claims	4,112,539
Premiums and annuity considerations received in advance	1,049,569
Other amounts payable on reinsurance	37,530,006
Interest maintenance reserve	517,782
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,321,478
Current federal and foreign income taxes	4,790,844
Unearned investment income	709,392
Amounts withheld or retained by company as agent or trustee	849
Amounts held for agents' account	1,908,374
Remittances and items not allocated	676,856
Asset valuation reserve	810,915
Payable to parent, subsidiaries and affiliates	1,727,748
Miscellaneous liabilities	<u>288,197</u>
Total liabilities	<u>550,305,284</u>

Capital and Surplus

Common capital stock	4,050,000
Gross paid in and contributed surplus	246,285,723
Aggregate write-ins for special surplus funds	16,341,799
Unassigned funds	<u>(195,694,915)</u>
Total capital and surplus	<u>70,982,607</u>
Total liabilities, capital and surplus	<u>\$ 621,287,891</u>

Summary of Operations
As of December 31, 2010

Premiums and annuity considerations for life and accident and health contracts	\$ 53,183,445
Net investment income	26,445,566
Amortization of interest maintenance reserve	(8,881)
Commissions and expense allowances on reinsurance ceded	35,118,159
Miscellaneous receipts	<u>322,906</u>
Total	<u>115,061,195</u>
Death benefits	55,016,606
Annuity benefits	664,728
Disability benefits and benefits under accident and health contracts	26,493
Surrender benefits and withdrawals for life contracts	11,043,303
Interest and adjustments on contract or deposit-type contract funds	495,099
Increase in aggregate reserves for life and accident and health contracts	<u>9,490,085</u>
Total	76,736,314
Commissions on premiums and deposit-type contract funds	7,253,602
General insurance expenses	5,226,007
Insurance taxes, licenses and fees, excluding federal income taxes	5,113,320
Increase in loading on deferred and uncollected premiums	(76,648)
Miscellaneous deductions	<u>2,310</u>
Total	<u>94,254,905</u>
Net gain from operations before federal income taxes	20,806,290
Federal and foreign income taxes incurred	7,200,000
Net realized capital gains	<u>330,627</u>
Net income	<u>\$ 13,936,917</u>

Statement of Changes in the Capital and Surplus Account
(In thousands)

	2010	2009	2008	2007	2006
Capital and surplus, prior year end	\$70,561	\$48,411	\$45,431	\$39,802	\$49,541
Net income (loss)	13,937	16,700	(2,879)	(27,794)	(48,332)
Change in net deferred income tax	5,922	(6,784)	5,495	60,014	(767)
Change in non-admitted assets	(4,959)	6,952	(771)	(56,042)	(327)
Change in reserve on account of change in valuation basis, (increase) or decrease	(18,075)	(543)	(416)	(175)	(56,875)
Change in asset valuation reserve	(811)	0	1,551	(374)	(438)
Paid in	0	0	0	30,000	97,000
Change in surplus as a result of reinsurance	(2,988)	(3,121)	0	0	0
Additional admitted deferred tax asset	7,396	8,946	0	0	0
Net change in capital and surplus	422	22,150	2,980	5,629	(9,739)
Capital and surplus, current year end	\$70,983	\$70,561	\$48,411	\$45,431	\$39,802

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3907.14 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Aggregate Reserve for Life Contracts

The Company's Board of Directors appointed Keith Floman, FSA, MAAA, to render the Company's Statement of Actuarial Opinion in connection with the preparation of the Company's December 31, 2010 Annual Statement.

Peter A. Weber ASA, MAAA, Life Actuary with the Department, reviewed the Company's Actuarial Memorandum supporting the Actuarial Opinion. In addition, Mr. Weber performed supplemental procedures as he considered necessary. Based on his analysis, Mr. Weber determined that the reserves presented in the Company's 2010 Annual Statement are consistent with requirements in Ohio law.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2010, and is summarized as follows:

Total Admitted Assets	<u>\$621,287,891</u>
Liabilities	\$550,305,284
Capital and Surplus	<u>70,982,607</u>
Total Liabilities, Capital and Surplus	<u>\$621,287,891</u>

Subsequent Events

During 2011 and 2012, the Company's senior leadership team underwent several changes. Those changes impacting the Company's Directors and Officers are noted below:

Board of Directors

Kevin R. Byrne	Resigned as Director, effective September 15, 2011.
Richard Dziadzio	Resigned as Director, effective April 13, 2012.
James A. Shepherdson, III	Resigned as Director, effective February 1, 2011.
Bertrand Poupart-Lafarge	Elected as Director, effective December 1, 2011.
Nicholas B. Lane	Elected as Director, effective February 1, 2011.

The principal occupation of Mr. Lane is Senior Executive Vice President, AXA Equitable Life Insurance Company. The principal occupation of Mr. Poupart-Lafarge is Executive Vice President, Chief Investment Officer and Treasurer, AXA Equitable Life Insurance Company.

Officers

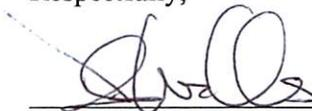
Richard Dziadzio	Resigned as Chairman of the Board, effective April 13, 2012.
Kevin R. Byrne	Resigned as Executive Vice President, Chief Investment Officer and Treasurer, effective September 15, 2011.
Alvin H. Fenichel	Retired as Senior Vice President and Chief Accounting Officer, effective April 30, 2012.
Gary W. Hirschcron	Resigned as Senior Vice President, effective June 1, 2011.
John C. Taroni	Elected as Vice President and Treasurer, effective September 15, 2011.
John C. Taroni	Resigned as Vice President and Treasurer and elected as Vice President and Treasurer, effective December 8, 2011.
Bertrand Poupart-Lafarge	Elected as Executive Vice President, Chief Investment Officer and Treasurer, effective December 8, 2011.

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Jyotika Patel, CPA; and Peter Weber, ASA, MAAA.

Respectfully,



Donnie G. Wells, CFE
Examiner in Charge
Office of Risk Assessment
Ohio Department of Insurance



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

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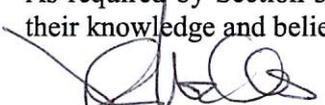
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Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2010.



Donnie G. Wells, CFE
Examiner in Charge

5/21/12
Date



Jeffrey K. Ebert, CFE
Assistant Chief Examiner

5/21/12
Date

State of Ohio
County of Franklin

Personally appeared before me the above named Donnie G. Wells personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 21 day of May, 2012.



(Notary Public) **ELIZABETH CHASE**
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 21 day of May, 2012.



(Notary Public) **ELIZABETH CHASE**
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires