

Coverage you can trust



Boston Mutual Life Insurance Company
2010 ANNUAL REPORT



Let Boston Mutual help take the worry out of providing security for your family
so you can focus on what matters most. . . *the small stuff.*

Statement of Ethical Market Conduct

For 119 years, Boston Mutual has been providing affordable insurance coverages for working people.

We are committed to the promises we have made to you, our customers.

TO PRESERVE THE TRUST YOU HAVE PLACED IN US, WE PLEDGE THE FOLLOWING:

- ◆ To safeguard the welfare of our customers;
- ◆ To retain professional, ethical, well-trained people to sell and service our products;
- ◆ To provide you with product information that is clear and honest;
- ◆ To ensure that our sales representatives offer products suited to your insurance needs and financial objectives;
- ◆ To adhere to all insurance laws and regulations;
- ◆ To deliver prompt, accurate, and courteous service;
- ◆ To respect the confidentiality of information you share with us;
- ◆ To resolve any dispute you may have with us quickly and fairly.

Boston Mutual is a proud supporter of the Life and Health Insurance Foundation for Education (LIFE).





Corporate Message

PAUL E. PETRY

Chairman, President & Chief Executive Officer



Each year, we pick a theme for our Annual Report. For the last five years we have selected from the animal kingdom and 2010 is no exception. In 2007, we stretched a little bit by selecting a piggy bank to represent the financial safety provided by Boston Mutual despite the financial meltdown that year. This year we are also stretching that animal kingdom a bit by selecting a “teddy bear” theme.

The teddy bear came out of an incident involving Theodore Roosevelt, who was President at the start of Boston Mutual’s 2nd decade. In 1902, the President was in Mississippi to settle a border dispute. Known to be an avid hunter, the President was taken on a hunting trip. The hunting that day was very poor so in an effort to please the President, his hosts captured a bear cub for the President to shoot. The President, a staunch conservationist, refused to shoot the defenseless bear. This incident was portrayed in a now famous cartoon which appeared in The Washington Post. The defenseless bear depicted in the cartoon was given the name “Teddy’s Bear”. A toy company began marketing bear toys which very quickly became known as “teddy bears”. Today, the teddy bear is still very popular and represents comfort and security. Many children (and some adults) over the years have become very attached to their favorite “teddy”.

Now, no one would ever mistakenly describe a life insurance policy as cute or cuddly, but the attributes of comfort and security would definitely apply. A life insurance policy and the other policies which we sell provide comfort and security to the individuals and families who are protected in the event of death, disability, accident or critical illness (depending on the policy purchased). Therefore, the teddy bear is an excellent reminder to all of us of the comfort and security Boston Mutual continues to provide many families in these uncertain times.

2010 was a year in which Boston Mutual lived up to its “teddy bear” ideal as we continued to provide some degree of comfort and security to over one million families.

The economy continues to recover from the worst recession in the last 70 years. However, that recovery has been a slow one. Unemployment still stands at about 9% and the turmoil in the Middle East threatens to increase the price of oil, which itself could stall the recovery or worse. Against this backdrop, Boston Mutual shone brightly once again, having a truly outstanding 2010.

HONESTY

Sales & Premiums

Total Sales declined 18% from last year's record amount in what could still be considered a good year. The bright spot in sales was in the General Agencies division which experienced a 66% increase. The biggest disappointment was in Group Stop Loss sales which understandably were hurt by the economy and the uncertainty of the future direction of healthcare.

Life sales in all three marketing areas (*Worksite under Peter Tillson, General Agencies under Tim Flannigan and Group under Paul Quaranto*) were strong. Total net premiums after reinsurance grew modestly.

Investment Income & Asset Values

Investment Income grew by over \$2 million. Boston Mutual's portfolio investment return dropped from 5.6% to 5.5%. This reflected the current low interest environment as the Federal Reserve wants to stimulate the recovery with low borrowing costs. Most analysts think that interest rates will remain low in the short term but must increase over time as a consequence of continued deficit spending by the Federal government. In either case, we will ensure the financial strength of the company by following our conservative investment standards. Our mortgage portfolio continued its enviable long-standing record of no defaults or even a late payment. Additionally, the company had no asset write-downs during 2010. Given the current economic

environment, both of these accomplishments are truly outstanding. Chief Investment Officer, Howard Neff, and his team continue to monitor our investments and take appropriate actions to keep the company "*more than safe*".

Total Benefits

We paid out about \$94 million in benefits to policyholders or their beneficiaries in 2010. This was slightly lower than in 2009 due to better mortality, especially in our Worksite and Group divisions. We maintain adequate reserves to handle fluctuations in death claims from year to year.

General Expenses

As we predicted last year, General Expenses decreased in 2010. However, we exceeded our goal for that decrease by over \$300 thousand, resulting in a \$1 million drop in expenses. We continue to monitor expenses, but we have expanded our IT resources as we invest in our future through technology.

Operating Gain

On an After Tax basis, the Operating Gain was \$11.6 million, a record amount for Boston Mutual. Pre-Tax Gain was nearly \$20 million and we paid over \$8 million in Federal taxes.

INTEGRITY

Assets

Assets increased by over \$54 million, ending the year over a billion dollars at \$1,049 million. At year end, bonds represented 70% of our invested assets. We have very few bonds rated below investment grade and our average bond rating is A+. Boston Mutual's mortgage portfolio, representing nearly 14% of our invested assets, continues to be very strong and reflects our conservative underwriting through the years. Our modest common stock portfolio, about 3% of our invested assets, including our New York subsidiary, gained over \$1.6 million in value in 2010 due to the favorable market conditions. Policy loans make up 12% and the balance is in Cash and Short Term Securities. We continue to monitor the financial health of all our investments and their ability to pay their obligations to us.

Surplus

Surplus increased by over \$10 million in 2010. This was less than last year's record amount, but still represented nearly a 10% growth in Surplus. All of our Surplus ratios and the Risk Based Capital ratios improved in 2010 maintaining Boston Mutual's "more than safe" margin which is always important but even more so in a "shaky economy".

Customer Service

We take pride in the customer service we deliver to you, our agents, our policyholders and our group certificate holders. Customer service to us goes beyond our Customer

Service Department which continues to do an outstanding job. We strive to have all our employees, including myself, deliver outstanding service. Personal service is more important than ever and does differentiate us, especially in a customer service world which has become highly automated. We also understand the benefits of having information and forms available 24/7 and have improved our Website to provide this. Our ability to blend convenience with personal service has been important in our success over the years and will continue to be important to our success in the future.

Troop Support

Since 2004, Linda Morris, an IT employee, and her home office team of volunteers have delivered "Care packages" to our troops in Iraq and Afghanistan. Linda has pledged to continue this effort as long as there are U.S. troops in those areas. The enthusiasm and financial support she continues to receive from our employees is very heartwarming and the response we get from the recipients of the Care packages is very gratifying. This represents, in a small way, an expression of our appreciation for the major sacrifices that the men and women in uniform make on our behalf.

TRUST

New York Subsidiary

The Life Insurance Company of Boston & New York had one of its best years in its fairly short history. Although premiums were essentially flat, Investment Income grew by 9% while expenses fell by over 10%. Operating Gain After Tax was \$2 million and Surplus grew by \$1.8 million finishing the year at \$15 million. Assets grew to \$84.8 million.

Board Changes

In 2010, Nils Peterson retired from the Board. Nils had been an important member of the Board since 1993. He served on the Finance Committee lending his expert investment advice throughout his tenure. We wish Nils all the best and thank him for his dedicated service to the Company.

Joining the Board and Finance Committee in 2010 was John Cook. John is a Managing Director at Seaward Management in Boston. We welcome John and look forward to his contributions to our Board.

Annual Report Dedication

On a sad note, we lost two loyal producers and good friends in 2010, Allan Crowson and Dan Smith. Allan Crowson was the co-founder of National Benefits Group of America in Tampa, Florida and had been with us since 1996. Dan Smith of Unified Capital Solutions had been with us since 2000. We will miss both Allan and Dan and dedicate this Annual Report to their memory.

Summary and Outlook for 2011

In 2010, we had a very successful year despite the economy. We expect this success to continue in the years to come. We look to 2011 with optimism as we hope the U.S. economy continues to improve. If it does or if it doesn't, we will be here as we have always been, providing comfort and security for over one million policyholders/certificate holders. Because of your ownership of our products, you can better focus on the "small stuff", like what kind of teddy bear to buy for your child, grandchild, spouse, or for yourself.

Paul C. Petry



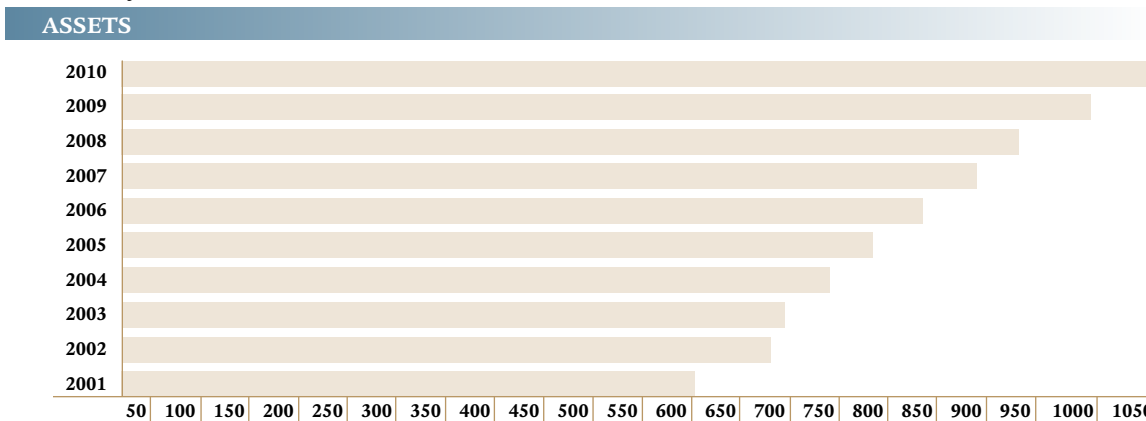
Balance Sheet

Dollars in Thousands

Year Ended December 31

ASSETS	2010	2009
Bonds	\$650,059	\$611,362
Preferred Stocks	0	0
Common Stocks	29,157	26,387
Mortgage Loans	127,011	131,014
Real Estate	4,387	4,698
Policy Loans	111,023	101,497
Cash & Short Term Securities	12,465	9,143
Premiums Deferred and Uncollected	44,179	44,404
Other Assets	70,629	66,772
TOTAL ADMITTED ASSETS	<u>\$1,048,910</u>	<u>\$995,277</u>

Millions of Dollars



Balance Sheet

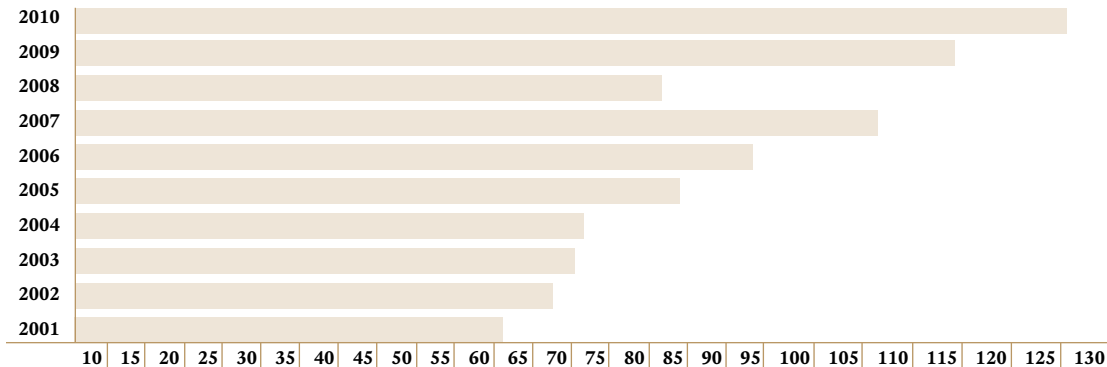
Dollars in Thousands

Year Ended December 31

LIABILITIES	2010	2009
Policy Reserves	\$837,082	\$795,736
Policy & Contract Claims	10,685	11,015
Deposit-Type Contracts	18,062	18,582
Other Policyholder Funds	2,818	2,793
Other Liabilities	51,866	49,844
Interest Maintenance Reserve (IMR)	3,352	3,186
Asset Valuation Reserve (AVR)	<u>6,262</u>	<u>5,975</u>
TOTAL LIABILITIES	930,127	887,131
SURPLUS	<u>118,783</u>	<u>108,146</u>
TOTAL LIABILITIES & SURPLUS	<u>\$1,048,910</u>	<u>\$995,277</u>

Millions of Dollars

ADJUSTED SURPLUS *(Surplus & AVR)*



Statement of Operations & Surplus

Dollars in Thousands

Year Ended December 31

INCOME

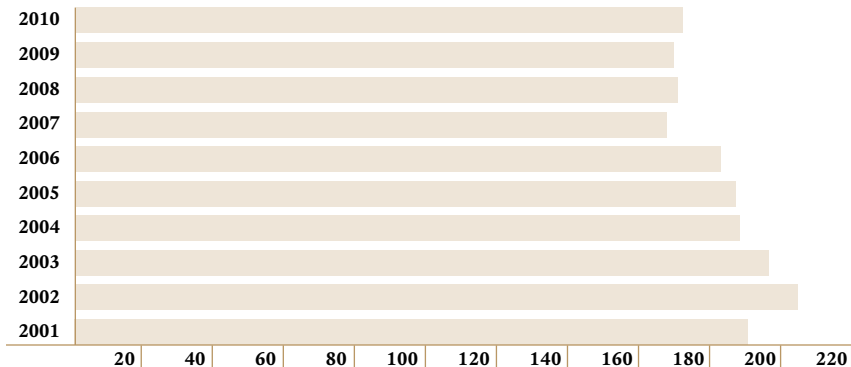
2010

2009

Premium Income	\$171,204	\$170,524
Net Investment Income	48,975	46,987
Other Income	<u>16,306</u>	<u>17,114</u>
TOTAL INCOME	<u>236,485</u>	<u>234,625</u>
POLICYHOLDER BENEFITS & EXPENSES		
Life Insurance Benefits	51,773	55,310
Accident & Health Benefits	13,282	13,782
Other Policy Benefits	28,523	28,080
Increase in Reserves	42,443	38,358
Commissions	35,731	36,793
General Expenses	36,732	37,813
Taxes Other Than Federal Income Taxes	7,567	6,711
Dividends to Policyholders	<u>687</u>	<u>1,072</u>
TOTAL BENEFITS & EXPENSES	<u>216,738</u>	<u>217,918</u>
GAIN FROM OPERATIONS	<u>\$19,747</u>	<u>\$16,707</u>

Millions of Dollars

PREMIUM INCOME



Statement of Operations & Surplus

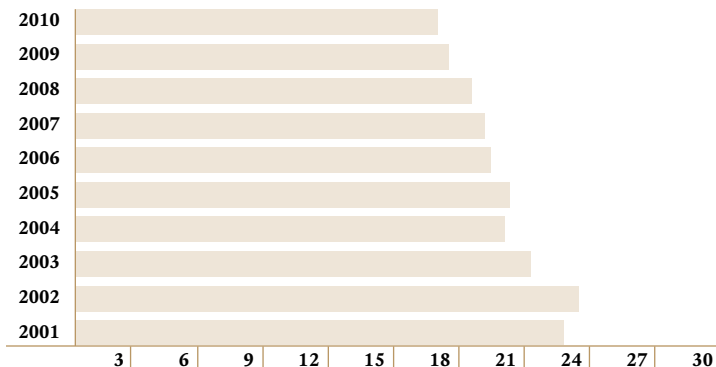
Dollars in Thousands

Year Ended December 31

SURPLUS	2010	2009
GAIN FROM OPERATIONS	\$19,747	\$16,707
Less Federal Income Tax	<u>8,146</u>	<u>6,323</u>
NET GAIN FROM OPERATIONS	11,601	10,384
Realized Capital Gain (loss)	1,458	1,377
Transfer (to)/from IMR	<u>(678)</u>	<u>(1,775)</u>
NET INCOME	12,381	9,985
Other Surplus Changes (Net)	(1,744)	20,439
Surplus Beginning of Year	<u>108,146</u>	<u>77,222</u>
SURPLUS AT END OF YEAR	<u>\$118,783</u>	<u>\$108,146</u>

Billions of Dollars

LIFE INSURANCE IN FORCE



Board of Directors

ANDREW L. ALA

President
Cargex Management, LLC



JOHN J. COOK, JR.

Managing Director
Seaward Management



HENRY T. GOLDMAN, Esq.

Attorney at Law
Law Office of Henry T. Goldman



THOMAS M. JOYCE, JR., Esq.

Attorney at Law
Joyce and Joyce

MARNIE W. MUELLER, PhD, CLU

Senior Vice President (*Retired*)
Connecticut Mutual Life Insurance Company



VINCENT M. O'REILLY, CPA

Distinguished Senior Lecturer
Carroll School of Management - Boston College



PAUL E. PETRY, FSA, CLU

Chairman, President & Chief Executive Officer



RICHARD P. QUINCY

President
Quincy & Company

Officers

PAUL E. PETRY, FSA, CLU

Chairman, President & Chief Executive Officer



ERIC J. BERNAZZANI

Vice President - *Technology, Operations & Service*



CHRISTINE T. COUGHLIN, CPA

2nd Vice President - *Treasurer*



TIMOTHY E. FLANNIGAN

Vice President - *General Agencies*



SUSAN J. GARDNER, CPA

2nd Vice President - *Controller*



WALTER J. GORSKI, Esq

Vice President - *General Counsel & Secretary*



LINDA M. IZZO

Vice President - *Human Resources & Individual Insurance Operations*

CLIFFORD A. LANGE, FSA, CLU

Vice President - *CFO & Chief Actuary*



FRANK E. MELO, CPA

2nd Vice President - *General Auditor*



HOWARD V. NEFF, JR.

Vice President - *Chief Investment Officer*



PAUL A. QUARANTO, JR.

Vice President - *Group Insurance*



PHILIP G. SULLIVAN, M.D.

Medical Director



FREDERICK C. THURSTON

2nd Vice President - *Chief Compliance Officer*



PETER S. TILLSON

Vice President - *Worksite Marketing*



Over a Century of Service

BOSTON MUTUAL LIFE INSURANCE COMPANY
120 Royall Street • Canton, Massachusetts 02021
800-669-2668 • Fax 781-770-0490 • www.bostonmutual.com