



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
BOSTON MUTUAL LIFE INSURANCE COMPANY

Canton, Massachusetts

As of December 31, 2021

NAIC GROUP CODE 00581

NAIC COMPANY CODE 61476

EMPLOYER ID NUMBER 04-1106240

Boston Mutual Life Insurance Company

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COMMONWEALTH OF MASSACHUSETTS
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MAURA HEALEY
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COMMISSIONER OF INSURANCE

KIM DRISCOLL
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April 30, 2023

The Honorable Gary D. Anderson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

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

BOSTON MUTUAL LIFE INSURANCE COMPANY

at its home office located at 120 Royall Street, Canton, Massachusetts 02021-1098. Due to the COVID-19 pandemic, the examination was conducted remotely. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Boston Mutual Life Insurance Company (“Company” or “BML”) was last examined as of December 31, 2016 by the Commonwealth of Massachusetts Division of Insurance (“Division”). The Division contracted Risk & Regulatory Consulting, LLC (RRC”) to conduct the current examination covering the five-year period from January 1, 2017, through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. RRC’s examination scope also included a review of information systems and information technology general controls (“ITGC’s”), and actuarially determined loss and loss adjustment expense reserves as of December 31, 2021.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by Ernst & Young LLP (“EY”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for the calendar years 2017 through 2021. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective.

The New York State Department of Financial Services concurrently conducted its examination of Life Insurance Company of Boston & New York that is domiciled in New York. The examination is the subject of a separate report.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings during the previous examination and there are no significant findings related to the current examination.

COMPANY HISTORY

General

BML is a Massachusetts domiciled company originally incorporated under the assessment laws of Massachusetts on August 18, 1891. The Company commenced business on February 15, 1892 under the name Boston Mutual Life Association. The new name, Boston Mutual Life Insurance Company, was adopted in 1899. When the Company was reorganized as a legal reserve company. In 1955, the Company expanded its operations by being licensed as an accident and health insurer. In 1968, the Company entered into the mutual fund business through a wholly-owned subsidiary, Boston Mutual Sales Corporation, for the distribution of mutual funds and other equity funds. The Company subsequently withdrew from the mutual fund business.

By 1988, the Company had expanded its geographical licensure to write insurance business in 49 states, as well as the District of Columbia and Puerto Rico. Although inactive, the Company is also licensed to write insurance business at United States defense installations in Europe. In 1989, the Company gained access to the State of New York market through a newly formed wholly-owned subsidiary, Life Insurance Company of Boston & New York ("LICOBNY"), a New York domiciled stock insurance company. Boston Mutual Life Insurance Agency, Inc. ("BMLI") is a Massachusetts for-profit corporation, formed by BML in 1982 to act as an insurance agent and broker. Royall Development, LLC ("Royall") is a Massachusetts limited liability company, formed by BML in 2015 to own, develop and finance, and otherwise deal in real estate. 66 Beacon Street, LLC is a Massachusetts limited liability company formed by BML in 2011 to own, develop and finance a commercial and residential building in the Beacon Hill section of Boston, Massachusetts and two condominiums at Blue Hill Commons in Canton, Massachusetts. Prior to 2021, the Company's investment in 66 Beacon Street was nonadmitted in accordance with SSAP No. 97. Beginning in 2021, the investment has been admitted in accordance with SSAP 40R, *Real Estate Investments*. SG 120, LLC ("SG") is a California single member limited liability corporation, formed in March 2020, which was formed to hold the Company's interest in land in Glendale, California. The property held by SG and interest in SG was sold in May 2021. BML is the lead company of the Boston Mutual Group, which includes all of the previously mentioned entities.

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Dividends to Policyholders

The Company issued the following dividends to policyholders during the period under examination:

2017	\$1,443,161
2018	1,634,689
2019	1,536,427
2020	1,673,092
2021	1,928,634

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors (“Board”) and its Committees for the period under examination were read, and they indicated that all meetings were held in accordance with the Company’s bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at meetings of the Board.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Company were reviewed. The bylaws indicate that the annual meeting of the Company for the election of Directors shall be held at the Company’s principal office in Canton, MA on the third Wednesday of April in each year. The articles of organization and the bylaws were not amended during the examination period, with the bylaws last amended on February 18, 2009.

Board of Directors

According to the bylaws, the Company's business shall be managed by a Board of Directors which may exercise all the powers of the Company, except as otherwise provided by the articles of incorporation, by law, or the bylaws. The number of Directors shall be fixed by resolution duly adopted from time to time by the Board of Directors. As of December 31, 2021, the Company’s Board of Directors consisted of the following individuals:

<u>Name of Director</u>	<u>Title</u>
Paul Anthony Quaranto, Jr.	Chairman, Chief Executive Officer and President
Catharine White O’Rourke	Associate Director-Development (Retired), Children’s Aid Society
Paul Edward Petry	Chairman (Retired), Boston Mutual Life Insurance Company

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Timothy Lawrence Porter	Chief Client Relationship Counsel (Retired), Proskauer Rose, LLP
Austin Thomas Lydon	Partner (Retired), Deloitte & Touche
Laurie Meryl Shahon	Founder and President (Retired), Wilton Capital Group
John James Cook, Jr.	Managing Director (Retired), Seaward Management
John Macomber Cornish	Partner, Choate, Hall & Stewart LLP
Henry Talberth Goldman	Principal, Law Office of Henry T. Goldman
Aurilee Anne Hawley	Director (Retired), Isabella Stewart Gardner Museum
Thomas Macken Joyce, Jr., Esq.	President, Joyce and Joyce
Richard Peter Quincy	President, Quincy & Company
Sherry Lynn Martin	Chief Operating Officer (Retired) Farm Bureau Life Insurance Company of Michigan (Retired), and Vice President (Retired) Farm Bureau Mutual Insurance Company of Michigan

Officers

Pursuant to the bylaws, officers of the Company shall be elected annually by the Board. The officers of the Company shall be a President, Treasurer, Secretary, and such other officers as the Board of Directors may from time to time determine. No officer need be a member or a Director. Any person may occupy more than once office of the Company at any time. Each officer elected by the Board shall have such powers and shall perform such duties as the Board of Directors may from time to time designate.

Officers and management of the Company as of December 31, 2021 were as follows:

<u>Name of Officers</u>	<u>Title</u>
Paul Anthony Quaranto, Jr. Grant David Ward	Chairman, Chief Executive Officer and President General Counsel and Secretary, Executive Vice President (“EVP”)
Peter Thomas Sullivan Paul Scott Painchaud Clifford Alan Lange Christine Theresa Coughlin	Vice President Finance, Controller and Treasurer Appointed Actuary EVP, Chief Financial Officer and Chief Actuary EVP Human Resources and Chief Diversity, Equity and Inclusion Officer
Jennifer Lynn Helms	EVP Customer Experience, Innovation, Projects & Technology
James Edward Jacobsen David Charles Mitchell Joseph William Sullivan	EVP Distribution and Underwriting EVP External Affairs & Corporate Communications EVP Chief Risk Officer, Enterprise Risk Management

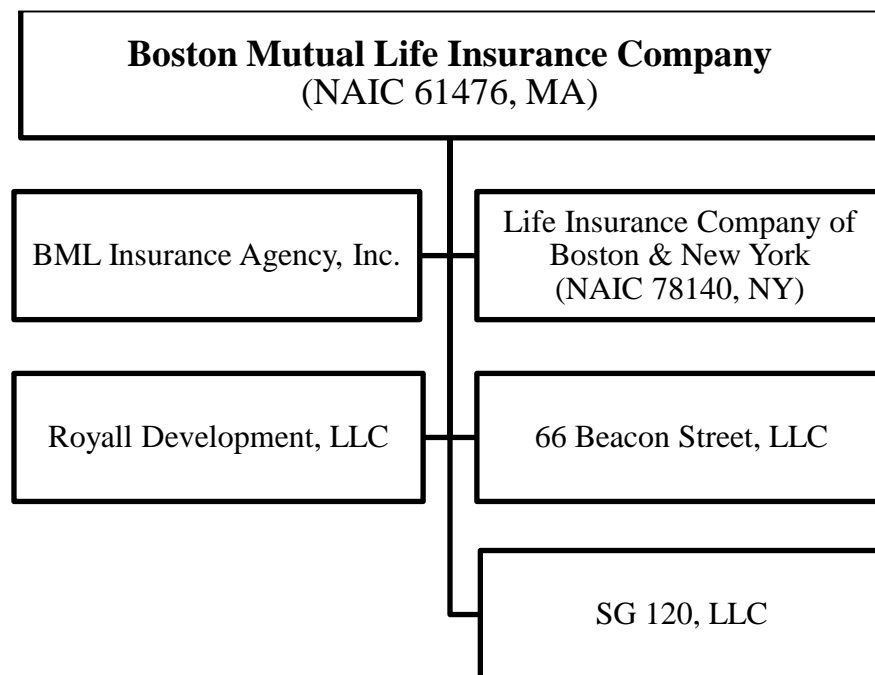
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<u>Name of Officers</u>	<u>Title</u>
Mary Theresa Tillson	EVP Operations

Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Laws, Chapter 175, Section 206C and 211 CMR 7.00. The Company is the “ultimate controlling person” of the group.

Organizational Chart



Transactions and Agreements with Subsidiaries and Affiliates

Administrative Services Agreements

The Company provides certain accounting, management, actuarial and other services to LICOBNY, BMLI, 66 Beacon, SG and Royall. Fees charged for these services are agreed upon by the parties.

Cost Sharing Arrangement

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The Company pays for various general and administrative expenses on behalf of certain subsidiaries and is repaid on a cost reimbursement basis

Tax Allocation Agreement

The Company participates in a tax allocation agreement with its subsidiaries, including LICOBNY. The allocation method is based upon the respective tax liability of each member computed as if a separate return were filed, in accordance with the Internal Revenue Code.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in 49 states, the District of Columbia and Puerto Rico, with the largest number of insurance risks written in Massachusetts, New Jersey, Pennsylvania and Georgia. The Company is not licensed in New York but transacts business in that state through its wholly-owned subsidiary, LICOBNY, a New York domiciled insurance company. BML is primarily dedicated to the low and middle-income markets. The Company sells individual life, individual accident and health, group life, and group accident and health products. BML sells through a variety of distribution channels such as worksite marketing specialists, personal producing general agencies, and independent agents and brokers. In 2021, the Company reported \$211 million of direct premium written, with \$44.5 million written in Massachusetts.

Treatment of Policyholders – Market Conduct

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination. During the claims test work, it was noted that the Company investigates and settles claims on a timely and fair basis.

REINSURANCE TRANSACTIONS

The significant reinsurance transactions and agreements in place at December 31, 2021 are as follows:

Assumed Reinsurance

The majority of the assumed reinsurance activity is with the Company's wholly-owned subsidiary, LICOBNY. Individual life, group life, and accident and health are the principal products offered by LICOBNY. Approximately 10% of LICOBNY's in-force life business is assumed by the Company.

The Company has a nominal amount of assumed reinsurance business through retrocessions or mutual (pooled) arrangements for universal life products and short-term disability.

Boston Mutual Life Insurance Company

Ceded Reinsurance

The Company has various reinsurance agreements in which blocks of business are reinsured in the ordinary course of business. All reinsurers are rated “A-” or better. The goals of the reinsurance program are to reduce volatility, share risk, have access to reinsurer’s expertise and resources, and have earlier access to trends due to larger more credible data sets of reinsurers. The Company is cognizant of the worksite risk where many insureds could be part of a single event and attempts to mitigate this risk through reinsurance.

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2021. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2021

Statement of Income for the Year Ended December 31, 2021

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2021

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Statement of Assets, Liabilities, Surplus and Other Funds

As of December 31, 2021

	Per Annual Statement
ASSETS	
Bonds	\$ 932,506,953
Common stocks	151,044,885
Mortgage loans on real estate: first liens	198,267,748
Real estate: properties held for production of income	15,815,995
Cash, cash equivalents and short-term investments	17,302,134
Contract loans	171,214,990
Other Invested Assets	6,478,349
Subtotals, cash and invested assets	<u>1,492,631,053</u>
Investment income due and accrued	17,620,735
Premiums and considerations	
Uncollected premiums and agents' balances in the course of collection	9,242,420
Deferred premiums and agents' balances and installments booked but deferred and not yet due	40,930,006
Reinsurance:	
Amounts recoverable from reinsurers	2,010,838
Other amounts receivable under reinsurance contracts	765,702
Current federal and foreign income tax recoverable and interest thereon	964,264
Net deferred tax asset	11,342,187
Guaranty funds receivable on deposit	486,124
Electronic data processing equipment and software	90,723
Receivable from parent, subsidiaries and affiliates	212,253
Aggregate write-ins for other than invested assets	57,663,015
Total Assets	<u><u>\$ 1,633,959,318</u></u>

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Statement of Assets, Liabilities, Surplus and Other Funds (Cont'd)

As of December 31, 2021

	Per Annual Statement
LIABILITIES	
Aggregate reserve for life contracts	\$1,201,053,672
Aggregate reserve for accident and health contracts	9,498,549
Liability for deposit-type contracts	16,980,123
Contract claims:	
Life	20,492,955
Accident and health	3,306,170
Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year-estimated amounts:	
Policyholders' dividends and refunds to members apportioned for payment	719,853
Policyholders' dividends and refunds to members not yet apportioned	879,820
Premiums and annuity considerations for life and accident and health contracts received in advance	1,093,727
Contract liabilities not included elsewhere:	
Interest maintenance reserve	15,734,008
Commissions and expense allowances payable on reinsurance assumed	2,182,672
General expenses due or accrued	5,519,119
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,295,611
Unearned investment income	757
Amounts withheld or retained by reporting entity as agent or trustee	8,684,030
Remittances and items not allocated	7,627,372
Miscellaneous liabilities:	
Asset valuation reserve	25,815,478
Payable for securities	87,966
Aggregate write-ins for liabilities	27,833,205
Total Liabilities	<u>1,349,805,088</u>
Aggregate write-ins for special surplus funds	5,500,000
Unassigned funds (surplus)	<u>278,654,230</u>
Surplus as regards policyholders	<u>284,154,230</u>
Total Liabilities, Surplus and Other Funds	<u><u>\$ 1,633,959,318</u></u>

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Statement of Income

For the Year Ended December 31, 2021

	Per Annual Statement
Premiums and annuity considerations for life and accident and health contracts	\$ 189,162,710
Net investment Income	71,369,068
Amortization of interest Maintenance Reserve	861,505
Commissions and expense allowances on reinsurance ceded	4,283,921
Reserve adjustments on reinsurance ceded	(428,461)
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	137,444
Total	<u>265,386,187</u>
Death benefits	89,918,905
Matured endowments	299,183
Annuity benefits	1,553
Disability benefits and benefits under accident and health contracts	11,414,826
Surrender benefits and withdrawals for life contracts	38,498,650
Interest and adjustments on contract or deposit-type contract funds	956,673
Increase in aggregate reserves for life and accident and health contracts	25,832,859
Totals	<u>166,922,650</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	26,604,523
Commissions and expense allowances on reinsurance assumed	6,074
General insurance expenses and fraternal expenses	51,107,035
Insurance taxes, licenses and fees, excluding federal income taxes	8,232,645
Increase in loading on deferred and uncollected premiums	365,616
Aggregate write-ins for deductions	(527,410)
Totals	<u>252,711,133</u>
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	12,675,054
Dividends to policyholders and refunds to members	<u>1,928,634</u>
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	10,746,420
Federal and foreign income taxes incurred	<u>(22,271)</u>
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	10,768,691
Net realized capital gains (losses) less capital gains tax	<u>26,754,625</u>
Net income(loss)	<u>\$ 37,523,316</u>

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Reconciliation of Capital and Surplus

	2021	2020	2019	2018	2017
Capital and surplus					
December 31, prior year	\$ 256,190,383	\$ 245,899,764	\$ 219,084,349	\$ 209,367,254	\$ 177,993,933
Net income/(loss)	37,523,316	(297,053)	18,105,397	13,935,019	13,929,133
Change in net unrealized capital gains (losses) less capital gains tax	(15,697,666)	9,219,886	18,734,837	(5,102,959)	6,308,921
Change in net deferred income tax	(1,517,055)	2,915,491	(3,446,373)	1,716,344	(29,204,191)
Change in non-admitted assets	10,417,790	(3,472,703)	6,159,534	(3,490,377)	40,062,432
Change in liability for reinsurance in unauthorized and certified	-	-	-	-	1,036,860
Change in asset valuation reserve	(4,516,033)	1,924,999	(12,737,982)	2,659,067	(759,834)
Aggregate write-ins for gains and losses in surplus	1,753,421	-	-	-	-
Change in surplus as regards policyholders for the year	27,963,773	10,290,620	26,815,413	9,717,094	31,373,321
Surplus as regards policyholders, December 31, current year	<u>\$ 284,154,156</u>	<u>\$ 256,190,383</u>	<u>\$ 245,899,764</u>	<u>\$ 219,084,349</u>	<u>\$ 209,367,254</u>

**ANALYSIS OF CHANGE IN FINANCIAL STATEMENTS RESULTING
FROM THE EXAMINATION**

There were no changes in the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1: Issues Noted During the Examination:

As a result of the examination, no issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

Note 2: Actuarial Items, Reserves and Liabilities:

The Division engaged the services of an independent consulting actuary from RRC to perform a review of the statutory reserves of the Company as of December 31, 2021.

Based on the procedures performed, the consulting actuary concluded that it appears that the aggregate net amounts which were reported by the Company met or exceeded the statutory minimums of the Commonwealth of Massachusetts. The reserves reported by the Company were deemed to be reasonable in light of the liabilities they support, and materially in compliance with Massachusetts laws.

RRC reviewed EY's, the Company's independent auditors, assessment of the reasonableness of the reported U.S. Statutory reserve calculations for BML. EY's actuarial team independently calculated the statutory reserve for a sample of policies as of the valuation date of December 31, 2021. EY concluded that the statutory reserves were between their threshold of + or - 2.5%. Hence, the reserves held by BML for these policies appeared to be reasonable. The Division's consulting actuary is comfortable with the results of EY's independent recalculation of reserves against the Company's booked reserves.

Furthermore, RRC reviewed the booked reserves reported by the Company as of December 31, 2021. No adjustments to reserves or surplus were indicated as a result of the actuarial portion of the examination. The assumptions used were generally found to be reasonable and met the requirements of the insurance laws and regulations of the state of Massachusetts. Additionally, the Consulting Actuary reviewed the Company's asset adequacy and cash flow testing ("CFT") results to determine if the Company's profitability is eroded in the low interest rate environment. Business not modeled through CFT was reviewed, and the Consulting Actuary is comfortable the CFT results would not be significantly impacted if they were included in the CFT model. The Consulting Actuary concluded that the CFT results are favorable in both increasing and decreasing rate environments and is satisfied with the overall results of CFT. The Consulting Actuary also concluded that the mortality CFT assumptions are reasonable based on actual Company experience.

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Note 3: Defined Benefit Pension Plan

As of December 31, 2007, the Company has frozen its qualified defined benefit pension plan. Substantially all the employees and the employee agents of the Company are covered by a qualified defined benefit pension plan. Benefits are based on the last ten years of the employee's years of services. The Company's makes contributions annually in amounts sufficient to fund the plans current service costs plus interest over a period of ten years. Contributions were \$590,000 in 2021. Following are the future estimated payments expected to be paid as indicated by year below:

2022	\$	4,939,000
2023		4,875,000
2024		4,841,000
2025		4,713,000
2026		4,669,000
2027-2031		<u>21,574,000</u>
Total	\$	45,611,000

SUBSEQUENT EVENTS

Following are the significant subsequent event changes after December 31, 2021:

- James Jacobsen left the Company in January 2022.
- Dave Martin was hired as Chief Information Officer in January 2022.
- Joshua Police was promoted to EVP Distribution and Business Development in March 2022.
- Jennifer Helms left the Company in February 2023.

SUMMARY OF RECOMMENDATIONS

There are no recommendations being made as part of this examination report.

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by RRC and the following examiners participating in this examination is acknowledged:

Carla Mallqui, Financial Examiner II
Guangping Wei, Financial Examiner III

Robert Dynan

Robert Dynan, CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance