



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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February 13, 2008

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Honorable Commissioners:

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

BOSTON MUTUAL LIFE INSURANCE COMPANY

at its home office located at 120 Royall Street, Canton, Massachusetts, 02021-1098. The following report thereon is respectfully submitted.

BOSTON MUTUAL LIFE INSURANCE COMPANY

SCOPE OF EXAMINATION

The Boston Mutual Life Insurance Company (hereinafter referred to as the “Company”) was last examined as of December 31, 2001, 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, 2002, through December 31, 2006, 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 established by the Financial Condition (E) Committee of the NAIC 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. The principal focus of the examination was as of December 31, 2006, and the year 2006 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, treatment of policyholders 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 Ernst & Young LLP (“E&Y”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for the calendar years 2002 through 2006. A review and use of the Certified Public Accountants’ work papers was made to the extent deemed appropriate and effective.

Representatives from the firm of Deloitte Consulting, LLP, were engaged to complete certain agreed upon procedures, including a review and evaluation of the adequacy of the Company’s policy reserves as of December 31, 2006.

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, 2001. It was determined that the Company had satisfactorily addressed all reported issues. There were no comments or recommendations made for the current examination.

BOSTON MUTUAL LIFE INSURANCE COMPANY

HISTORY

General

The Company 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, a New York domiciled insurance company. The Company also owns all of the outstanding stock of Boston Mutual Management Corporation, which in turn owns all the outstanding stock of Boston Mutual Life Insurance Agency, Boston Mutual Real Estate Corporation, and Employee Security of Massachusetts, Inc. The Company is the lead company of Boston Mutual Group, which includes all of the previously mentioned entities.

Growth of the Company

The growth of the Company for the years 2002 through 2006 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>Net Premiums</u>		<u>Total Losses and Benefits</u>
		<u>Written</u>	<u>Surplus</u>	
2002	\$ 687,317,881	\$ 205,724,416	\$ 63,746,471	\$ 167,195,106
2003	698,038,875	196,244,690	65,742,279	156,783,983
2004	747,124,777	188,945,762	67,238,093	155,878,642
2005	788,179,452	188,872,609	79,416,423	147,316,749
2006	841,513,744	184,722,176	89,410,572	149,840,487

MANAGEMENT

Annual Meeting

In accordance with the bylaws, the Annual Meeting of the Company is held on the third Wednesday of April in each year at the Company's principal office in Canton, Massachusetts , or

BOSTON MUTUAL LIFE INSURANCE COMPANY

at such place, date and time as the Board of Directors shall otherwise fix. Twelve Members of the Company (every person holding a life policy, annuity or pure endowment contract issued by the Company is considered a Member) present in person or by proxy shall constitute a quorum at any Annual Meeting and a lesser number may adjourn from time-to-time. The minutes indicate that a quorum was obtained at each annual meeting held during the examination period.

Board of Directors

The bylaws provide that the Board of Directors shall have the immediate governance, direction and control of all of the affairs and business of the Company except as otherwise provided by the Articles of Incorporation, the Massachusetts General Laws or by a valid policyholder vote. The Board of Directors shall consist of not fewer than seven nor more than fifteen Directors with the number determined at each Annual Meeting by resolution of the Members. Each Director holds office for a term of four years. Vacancies in the Board through death, resignation, or any other cause may be filled by vote of the Board at any regular or special meeting.

At December 31, 2006, the Board was comprised of nine Directors, which is in compliance with the Company's bylaws.

Directors duly elected and serving at December 31, 2006, with address and business affiliations, follows:

<u>Term Expires</u>	<u>Director</u>	<u>Business Affiliation</u>
2009	Andrew L. Ala Orlando, FL	President CARGEX Management, LLC
2008	Henry T. Goldman, Esq. Newton Highlands, MA	Attorney at Law Kirkpatrick & Lockhart Preston Gates Ellis, LLP
2007	Thomas M. Joyce, Jr., Esq. Beverly, MA	Counselor at Law Joyce & Joyce
2009	Richard D. Lewis Cape Elizabeth, ME	Partner (Retired) Ernst & Young LLP
2010	Giles E. Mosher, Jr. Wellesley, MA	Vice Chairman, Emeritus Bank of America
2008	Marnie W. Mueller Hartford, CT	Consultant Retired Senior Vice President, Connecticut Mutual
2010	Nils P. Peterson Swampscott, MA	Chief Investment Officer (Retired) Harvard Management Company
2007	Paul E. Petry, FSA, CLU Osterville, MA	Chairman, President and CEO Boston Mutual Life Insurance Co.
2007	Richard P. Quincy Westwood, MA	President Quincy & Company

BOSTON MUTUAL LIFE INSURANCE COMPANY

The bylaws do not specify the number of meetings to be held during a year. The minutes of the Board of Directors meetings indicated that meetings were held five times per year in 2002 and 2003. In 2004, 2005 and 2006, Board of Directors meetings were held four times per year. At any meeting of the Board, a majority of the Board shall constitute a quorum for the transaction of business. The minutes indicated that a quorum was met at all meetings held during the examination period.

The Board of Directors appoints an Executive Committee, Finance Committee, and Auditing Committee in accordance with the bylaws. The purpose and membership of each committee at December 31, 2006, follows.

Executive Committee

The Executive Committee is comprised of four Directors empowered to act on behalf of the Board. The committee is charged with the duty to act for the Board of Directors in regard to all matters requiring immediate Board action arising between regular meetings of the Board of Directors, except as provided by law, and shall report any action taken by them to the next regular meeting of the Board. Directors serving on this committee at December 31, 2006, are as follows:

Paul E. Petry, FSA, CLU
Henry T. Goldman, Esq.
Thomas M. Joyce, Jr., Esq.
Giles E. Mosher, Jr.

Finance Committee

The Finance Committee is comprised of six Directors empowered to act on behalf of the Board. The committee is charged with the duty to invest funds of the Company, and may, in accordance with the statutes of the Commonwealth of Massachusetts, buy, sell, exchange, collect or otherwise deal in stocks, bonds, notes, mortgages, securities, real or personal property or other property, or any interest therein. It shall have general charge of the financial transactions of the Company and shall report its actions to the Board of Directors at the next regular meeting of the Board at which is feasible to do so. Directors serving on this committee at December 31, 2006, are as follows:

Paul E. Petry, FSA, CLU
Andrew L. Ala
Richard D. Lewis
Giles E. Mosher, Jr.
Nils P. Peterson
Richard P. Quincy

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Auditing Committee

The Auditing Committee is comprised of four Directors empowered to act on behalf of the Board. The committee is charged with the duty to supervise examination of the books and accounts of the Company and of its securities and other assets. Directors serving on this committee at December 31, 2006, are as follows:

Richard D. Lewis
Henry T. Goldman, Esq.
Thomas M. Joyce, Jr., Esq.
Richard P. Quincy

Other committees appointed by the Board were the Salary Committee, Finance Subcommittee, Mortgage Rating Subcommittee, and Insurance Operations Committee.

Officers

The bylaws of the Company provide that the officers of the Company shall be a Chairman of the Board, President, one or more Vice Presidents, Treasurer, Clerk, Secretary, one or more Medical Directors, and such other officers as the Board of Directors may from time-to-time deem necessary or proper to the transaction of business of the Company. The same person may hold the office of the Chairman of the Board and President. The bylaws state that at the first meeting of the Board following the Annual Meeting of the Company, the Directors shall choose by ballot, from their own number, a President and Chairman of the Board. The Directors shall also choose by ballot a Secretary, a Treasurer, and a Clerk of the Corporation, who need not be members of the Board. At any meeting of the Board, the Directors may elect, from their own number or not, as they see fit, such other officers they deem proper. 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, 2006, follow:

<u>Name</u>	<u>Title</u>
Paul E. Petry, FSA, CLU	Chairman, President and Chief Executive Officer
Eric J. Bernazzani, CNE	Vice President, Information Technology
Timothy E. Flannigan	Vice President, General Agency
A. Michael Foster, FSA, MAAA	Vice President & Actuary & CFO (retired 12/31/2006)
Clifford A. Lange, FSA CLU	Vice President, CFO & Chief Actuary (effective 1/1/2007)
Walter J. Gorski, Esq.	Vice President, General Counsel, Secretary & Clerk
Howard V. Neff, Jr.	Vice President, Chief Investment Officer
Paul A. Quaranto, Jr.	Vice President, Group Insurance
Peter S. Tillson	Vice President, Worksite Marketing
Frank E. Melo, CPA	Second Vice President & Auditor
Christine T. Coughlin, CPA	Second Vice President & Treasurer
Susan J. Gardner, CPA	Second Vice President & Controller
Philip G. Sullivan, M.D.	Medical Director
Linda M. Izzo	Vice President, Client Services (effective 1/1/2007)

BOSTON MUTUAL LIFE INSURANCE COMPANY

Conflict of Interest Procedures

The Company has adopted a policy statement pertaining to conflict-of-interest in accordance with Question 17 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 2006 Annual Statement.

Corporate Records

Articles of Incorporation and Bylaws

The bylaws and Articles of Incorporation and amendments thereto were read. There were no changes to the bylaws or Articles of Incorporation since the prior examination.

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 the Massachusetts General Laws Chapter 175 Sections 180M through 180Q.

Board of Directors Minutes

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

The minutes of the April 16, 2003, Board of Directors meeting noted that the prior Report of Examination as of December 31, 2001, was reviewed and accepted by the Board.

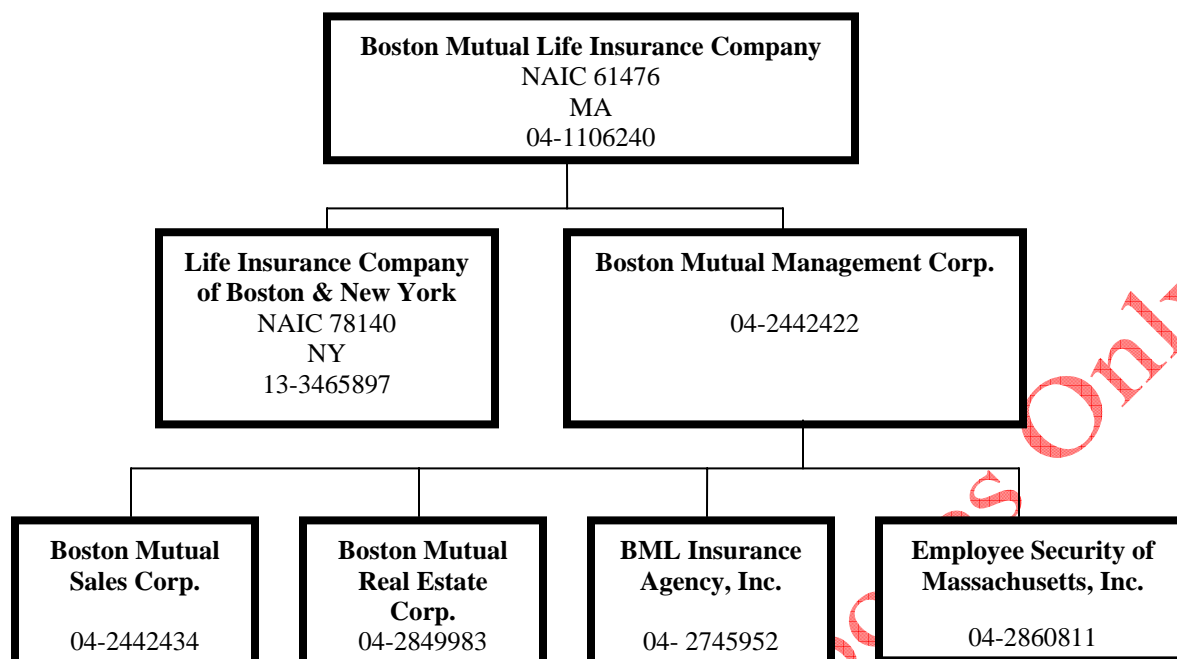
AFFILIATED COMPANIES

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 six entities, including one insurance and five non-insurance corporations.

Organization Chart

An organization chart of Boston Mutual Life Insurance Company and subsidiaries is presented below.

BOSTON MUTUAL LIFE INSURANCE COMPANY



Acquisitions, Mergers, Disposals and Other Transactions

None.

Transactions and Agreements with Subsidiaries and Affiliates

Management & Service Agreement

The Company provides and receives certain accounting, management and other services to and from its affiliates. Fees charged for these services are agreed upon by the parties from time-to-time.

Cost Sharing Arrangement

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

Tax Sharing Agreement

The Company participates in a tax allocation agreement with its eligible subsidiaries. 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. Inter-company balances between the Company and Life Insurance Company of Boston & New York are settled within 30 days of the filing of the applicable estimated or actual consolidated federal corporate income tax return with the Internal Revenue Service except when a refund is due the Company,

BOSTON MUTUAL LIFE INSURANCE COMPANY

in which case, the Company may defer payment to Life Insurance Company of Boston & New York to within 30 days of receipt of such refund. All settlements shall be in cash or securities eligible as investments for Life Insurance Company of Boston & New York, at market value.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer consistent with MGL c.175 s.60. The aggregate limit of liability exceeds the NAIC suggested minimum as well as Massachusetts General Law requirements.

The Company has further protected its interests and properties 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, 2006.

PENSION AND INSURANCE PLANS

The Company offers various insurance plans, including group and family life, dental and health coverage, short-term and long-term disability, and personal accident insurance to all eligible employees.

The Company offers two Savings and Investment Plans under section 401(k) of the Internal Revenue Code. The plans, which are defined contribution plans, cover substantially all employees and agents of the Company. Eligible employees and agents become qualified to participate in a plan on the first day of the month following six months of employment.

Substantially all of the Company's eligible employees and agents participate in a noncontributory defined benefit pension plan. The Company provides a non-qualified pension plan for individuals in the defined benefit plan limited by the Internal Revenue Code. In addition, the Company participates in a non-qualified Executive Supplementary Pension Plan for certain individuals of the Company. Fidelity Investments Institutional Operations Company, Inc., an independent consultant, reviews the pension fund annually. At December 31, 2006, the pension fund was fully funded. All pension fund information is disclosed in the Notes to the Financial Statements in the Company's Annual Statement.

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STATUTORY DEPOSITS

The statutory deposits of the Company as of December 31, 2006, were as follows:

<u>Location</u>	<u>Description of Deposit</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Florida	US Treasury Bond 6.625% due 2027	\$ 350,000	\$ 404,176	\$ 426,563
Georgia	US Treasury Bond 6.625% due 2027	50,000	57,739	60,938
Kansas	US Treasury Bond 6.25% due 2030	100,000	110,318	119,125
Kentucky	US Treasury Bond 6.625% due 2027	500,000	577,394	609,375
Massachusetts	US Treasury Bond 6.625% due 2027	1,650,000	1,905,402	2,010,938
New Mexico	US Treasury Bond 6.625% due 2027	165,000	190,540	201,094
North Carolina	US Treasury Bond 6.25% due 2030	400,000	441,271	476,500
Oklahoma	US Treasury Bond 6.25% due 2030	165,000	182,024	196,556
Puerto Rico	US Treasury Bond 6.625% due 2027	1,000,000	1,154,789	1,218,750
Virginia	US Treasury Bond 6.25% due 2030	55,000	60,675	65,519

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting Practices

Policy forms were approved by the Division. The majority of the policy forms are standard and are produced by the Company's IT department.

Territory and Plan of Operations

The Company is licensed to write insurance business in 49 states, as well as the District of Columbia, and Puerto Rico. The Company is not licensed in New York, but transacts business in that state through its wholly owned subsidiary, Life Insurance Company of Boston & New York, a New York domiciled insurance company.

The Company's principal lines of business are offered through a portfolio of group life, individual life, and group accident & health related products, which are provided primarily to low and middle-income markets. The Company distributes its insurance products through worksite marketing specialists, district and general agencies, independent agents and brokers.

BOSTON MUTUAL LIFE INSURANCE COMPANY

The Company has added a few new products since the last examination. The most significant new product is the Accident product which is sold through Worksite Marketing. General Agencies also began selling an individual disability income product which is marketed in conjunction with Tower Insurance Services. Additionally, the Company has a number of joint marketing arrangements with other insurance companies where the Company does not have any risk, but receives a fee for selling those products.

Advertising and Sales Material

The Company uses brochures and trade journals to advertise its insurance products. Advertising and sales materials used during the examination period were reviewed. No misleading advertising was noted.

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 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>
2002	\$ 1,128,020
2003	796,707
2004	475,543
2005	877,163
2006	896,913

CAPITAL & SURPLUS

On December 4, 2002, the Company issued a 30 year surplus note with a face amount of \$10,000,000 paying a variable interest rate (the 3 month LIBOR rate + 4%; 9.370% at December 31, 2006) pursuant to Rule 144A under the Securities Act of 1933. The surplus note was issued for cash, with interest payable on March 4, June 4, September 4 and December 4. Interest and principal amounts are only payable upon prior approval of the Commissioner of Insurance of the Commonwealth of Massachusetts. Interest of \$911,375, \$724,683 \$545,114, \$536,922 and \$0 was paid during 2006, 2005, 2004, 2003 and 2002, respectively. No principal amounts were due or paid in the five year period 2002 through 2006. 100% of the issued and outstanding surplus note is held by U.S. Bank as trustee.

In the event of the rehabilitation, liquidation, conservation, dissolution, reorganization or supervision of the Company, the claims under the Surplus Note shall be paid out of any assets remaining after the payment of all policy claims and all senior indebtedness of the Company; provided, however, that the claims of any holder of a Surplus Note shall not be subordinated to the claims of any other holder of a Surplus Note.

BOSTON MUTUAL LIFE INSURANCE COMPANY

The payment by the Company of any principal of, and premium, if any, and interest on all Surplus Note shall, to the extent and in the manner set forth in the Indenture Agreement, be subordinated and junior in right of payment to the prior payment in full of all policy claims and senior indebtedness of the Company, whether outstanding at the date of the Indenture Agreement or thereafter incurred.

REINSURANCE

Ceded Reinsurance

On average, reinsurance agreements in place at the Company as of December 31, 2006, are more than 20 years in length. The general purpose of the ceded reinsurance program is to allow for the growth of the Company by additional capacity and protection of underwriting results and loss ratios. The Company's maximum retained risk by line of business is the following:

<u>Line of Business</u>	<u>Retention</u>
Individual Life	\$100,000 plus a \$10,000 corridor
Individual AD & D	\$20,000 plus a \$5,000 corridor
Group Life	\$97,500
Group AD & D	\$100,000

Short-term disability is 100% retained, long-term disability is 10% or less, and intermediate-term or "Worksite Short-term Disability" is 50% retained.

The Company transacts some of its reinsurance activities through reinsurance intermediaries. Reinsurance agreements utilizing intermediaries were reviewed for appropriate credit risk assumption provisions.

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

Assumed Reinsurance

In-Force Treaties

The majority of the assumed reinsurance activity is with the Company's wholly owned subsidiary, Life Insurance Company of Boston & New York. The Company has a nominal amount of assumed reinsurance business through retrocessions or mutual (pooled) arrangements for universal life products and short-term disability.

Life Insurance Company of Boston & New York serves as the marketing arm of the Company in New York. The Company is not licensed to transact business in New York. Individual life,

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group life, and group accident and health are the principal products offered by Life Insurance Company of Boston & New York. Approximately 9% of this wholly owned subsidiary's in-force business is assumed by the Company.

SUBSEQUENT EVENTS

On January 14, 2008, the Commissioner of Insurance of the Commonwealth of Massachusetts approved the Company paying off its Surplus Note no later than March 4, 2008.

ACCOUNTS AND RECORDS

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

The NAIC provides a questionnaire covering the evaluation of the controls in the Information Systems (IS) environment. The questionnaire was completed by the Company and reviewed by the examiners 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 2006 Annual Statement. No material exceptions were noted.

The books and records of the Company are audited annually by Ernst & Young LLP, independent Certified Public Accountants in accordance with 211 CMR 23.00. They expressed an unqualified opinion in each of the years.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed by the NAIC Accounting Practices and Procedures Manual which are the principal accounting practices and procedures promulgated by the National Association of Insurance Commissioners and the Commonwealth of Massachusetts Division of Insurance.

Statement of Assets, Liabilities, and Surplus and Other Funds, December 31, 2006;

Statement of Income for the Year Ended December 31, 2006;

Statement of Capital and Surplus for the Year Ended December 31, 2006;

Reconciliation of Capital and Surplus for the Five Year Period Ended December 31, 2006.

BOSTON MUTUAL LIFE INSURANCE COMPANY

Statement of Assets, Liabilities, Surplus and Other Funds December 31, 2006

	Per Company	Examination Change	Note	Per Examination
<u>Assets</u>				
Bonds	\$ 514,681,899	\$ 0		\$ 514,681,899
Stocks:				
Preferred stocks	3,340,746			3,340,746
Common stocks	19,213,714			19,213,714
Mortgage loans:				
First liens	127,092,766			127,092,766
Real estate:				
Properties held for the production of income	3,883,904			3,883,904
Policy loans	74,448,588			74,448,588
Cash	188,780			188,780
Short-term investments	4,494,595			4,494,595
Other invested assets	13,709,934			13,709,934
Subtotals, cash and invested assets	761,054,926			761,054,926
Investment income due and accrued	9,725,748			9,725,748
Premiums and considerations:				
Uncollected premiums in the course of collection	4,327,388			4,327,388
Deferred premiums booked but deferred and not yet due	41,832,262			41,832,262
Reinsurance ceded:				
Amounts recoverable from reinsurers	3,020,266			3,020,266
Other amounts receivable under reinsurance contracts	3,504,169			3,504,169
Net deferred tax asset	6,040,685			6,040,685
Guaranty funds receivable or on deposit	137,500			137,500
Electronic data processing equipment and software	16,471			16,471
Receivable from parents, subsidiaries and affiliates	39,833			39,833
Aggregate write-ins for other than invested assets	11,814,496			11,814,496
Total Assets	\$ 841,513,744	\$ 0		\$ 841,513,744

BOSTON MUTUAL LIFE INSURANCE COMPANY

Statement of Assets, Liabilities, Surplus and Other Funds December 31, 2006

	Per Company	Examination Change	Note	Per Examination
<u>Liabilities and Surplus</u>				
Aggregate reserve for life policies and contracts	\$ 667,602,372	\$ 0	1	\$ 667,602,372
Aggregate reserve for accident and health policies	9,741,116		1	9,741,116
Liability for deposit type contracts	20,181,654		1	20,181,654
Policy and contract claims:				
Life	9,118,278		1	9,118,278
Accident and health	4,696,598		1	4,696,598
Policyholders' dividends and coupons due and unpaid	65,001			65,001
Provision for policyholders' dividends payable in following year:				
Dividends apportioned for payment	291,840			291,840
Dividends not yet apportioned	356,694			356,694
Premium and annuity considerations received in advance	2,219,017			2,219,017
Policy and contract liabilities not included elsewhere:				
Interest maintenance reserve	3,102,943			3,102,943
Commissions to agents due or accrued—life contracts and annuity contracts and accident and health	2,426,056			2,426,056
General expenses due or accrued	3,715,243			3,715,243
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,205,204			1,205,204
Current federal and foreign income taxes	663,211			663,211
Unearned investment income	47,616			47,616
Amounts withheld or retained by company as agent or trustee	5,422,784			5,422,784
Remittances and items not allocated	4,584,909			4,584,909
Miscellaneous liabilities:				
Asset valuation reserve	5,562,551			5,562,551
Reinsurance in unauthorized companies	767			767
Aggregate write-ins for liabilities	11,099,318			11,099,318
Total liabilities	752,103,172	0		752,103,172
Surplus notes	10,000,000			10,000,000
Aggregate write-ins for special surplus funds	5,500,000			5,500,000
Unassigned funds (surplus)	73,910,572			73,910,572
Total surplus	89,410,572			89,410,572
Total liabilities and surplus	\$ 841,513,744	\$ 0		\$ 841,513,744

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Statement of Income for the Year Ended December 31, 2006

	Per Company	Examination Change	Note	Per Examination
Premium and annuity considerations for life and accident and health policies and contracts	\$ 184,722,176	\$ 0		\$ 184,722,176
Net investment income	41,999,006			41,999,006
Amortization of interest maintenance reserve	777,534			777,534
Commissions and expense allowances on reinsurance ceded	12,508,430			12,508,430
Reserve adjustments on reinsurance ceded	(95,932)			(95,932)
Aggregate write-ins for miscellaneous income	1,099,954			1,099,954
Total income	241,011,168			241,011,168
Death benefits	64,467,564			64,467,564
Matured endowments	402,537			402,537
Annuity benefits	8,148			8,148
Disability benefits & benefits under accident and health policies	19,645,145			19,645,145
Surrender benefits and withdrawals for life contracts	20,977,424			20,977,424
Interest and adjustments on policy or deposit-type contracts funds	1,102,291			1,102,291
Increase in aggregate reserves for life and accident and health policies and contracts	43,237,378			43,237,378
Commissions on premiums, annuity considerations, and deposit-type contract funds	38,320,884			38,320,884
Commissions and expense allowances on reinsurance assumed	1,808			1,808
General insurance expenses	31,014,780			31,014,780
Insurance taxes, licenses and fees, excluding federal income taxes	6,891,141			6,891,141
Increase in loading on deferred and uncollected premiums	(63,276)			(63,276)
Aggregate write-ins for deductions	(66,215)			(66,215)
Total disbursements	225,939,609			225,939,609
Net gain from operations before dividends to policyholders and federal income taxes	15,071,559			15,071,559
Dividends to policyholders	896,913			896,913
Net gain from operations after dividends to policyholders and before federal income taxes	14,174,646			14,174,646
Federal income taxes incurred	6,684,805			6,684,805
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	7,489,841			7,489,841
Net realized capital gains or (losses) less capital gains tax and transferred to the IMR	(320,381)			(320,381)
Net income	\$ 7,169,460	\$ 0		\$ 7,169,460

BOSTON MUTUAL LIFE INSURANCE COMPANY

**Statement of Capital and Surplus
for the Year Ended December 31, 2006**

	Per Company	Examination Change	Note	Per Examination
Capital and surplus, December 31, 2005	\$ 79,416,423	\$ 0		\$ 79,416,423
Net income	7,169,460			7,169,460
Change in net unrealized capital gains (losses)	2,172,716			2,172,716
Change in net deferred income tax	1,612,480			1,612,480
Change in nonadmitted assets and related items	(1,923,320)			(1,923,320)
Change in liability for reinsurance in unauthorized companies	193,976			193,976
Change in reserve on account of change in valuation basis	1,109,851			1,109,851
Change in asset valuation reserve (increase) or decrease	(341,016)			(341,016)
Net change in capital and surplus for the year	9,994,149	0		9,994,149
Capital and surplus, December 31, current year	<u>\$ 89,410,572</u>	<u>\$ 0</u>		<u>\$ 89,410,572</u>

BOSTON MUTUAL LIFE INSURANCE COMPANY

Reconciliation of Capital and Surplus for the Five Year Period Ended December 31, 2006

	2006	2005	2004	2003	2002
Capital and surplus, December 31, prior year	\$ 79,416,423	\$ 67,238,093	\$ 65,742,279	\$ 63,746,471	\$ 54,964,156
Net income	7,169,460	7,977,494	4,230,492	201,347	(2,229,193)
Change in net unrealized capital gains (losses)	2,172,716	996,219	751,011	2,225,183	(281,274)
Change in net deferred income tax	1,612,480	2,732,517	7,162,208	(1,173,210)	559,225
Change in nonadmitted assets and related items	(1,923,320)	(2,440,260)	(7,045,669)	2,189,071	(614,224)
Change in liability for reinsurance in unauthorized companies	193,976	(194,743)	226,626	(15,103)	(211,523)
Change in reserve on account of change in valuation basis	1,109,851	3,107,985	0	0	(184,552)
Change in asset valuation reserve (increase) or decrease	(341,016)	(286,806)	(385,116)	(1,173,525)	2,001,811
Change in surplus notes	0	0	0	0	10,000,000
Aggregate write-ins for gains and losses in surplus	0	285,925	(3,443,738)	(257,956)	(257,956)
Net change in capital and surplus for the year	9,994,149	12,178,330	1,495,814	1,995,808	8,782,315
Capital and surplus, December 31, current year	<u>\$ 89,410,572</u>	<u>\$ 79,416,423</u>	<u>\$ 67,238,093</u>	<u>\$ 65,742,279</u>	<u>\$ 63,746,471</u>

BOSTON MUTUAL LIFE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1: Actuarial Items, Reserves and Liabilities:

In connection with the Division's examination of the Company and its 2006 Annual Statement, the services of Deloitte Consulting, LLP (the "Consulting Actuary") were retained to perform a detailed review of the Company's actuarial items, reserves, and claims liability. The Consulting Actuary verified that certain reserves reported by the Company as of December 31, 2006, comply with Massachusetts Valuation Law; appear reasonable, accurate and complete; and follow the guidelines established by the NAIC Statements of Statutory Accounting Principles.

In addition, the Consulting Actuary reviewed the Company's Cash Flow Testing (Asset Adequacy Analysis) for asset/liability risk to assure that adequate margins were present for the modeled business in all tested interest rate scenarios. The result of the asset adequacy analysis appears in the Company's 2006 Actuarial Opinion, which the Consulting Actuary reviewed for reasonableness. Business not modeled through cash flow testing was reviewed to assure that it was not sensitive to economic interest rate risk.

Additionally, the Consulting Actuary reviewed the reinsurance program, including specific ceded agreements with reserve credit taken. They also determined that Risk Based Capital amounts were reasonably stated and that methods and underlying assumptions were reasonable and appropriate.

Based upon the work performed by the Consulting Actuary and the conclusion detailed within the report of actuarial examination, it is concluded that the Company's Annual Statement actuarial reserves are properly calculated, in compliance with Massachusetts Valuation Law, follow the NAIC Statements of Statutory Accounting Principles, and set at a reasonable standard of conservatism.

BOSTON MUTUAL LIFE INSURANCE COMPANY

COMMENTS AND RECOMMENDATIONS

None noted.

CONCLUSION

The undersigned gratefully acknowledges the participation of the following members of the Massachusetts Division of Insurance in this examination:

Yvette P. Nelson-Smith
Steven C. Tsimitsos
Brian A. Knowlton

Insurance Examiner II
Insurance Examiner II
Insurance Examiner II

The undersigned also express their appreciation for the cooperation and courtesies extended by the officers and employees of the Company in the course of the examination.

Respectfully submitted,

Hilton A. Irizarry, CFE
Examiner-in-Charge
Commonwealth of Massachusetts

Kenneth R. Brenner, CFE, CPA
Supervising Examiner
Commonwealth of Massachusetts