

Coverage you can trust



Life Insurance Company of Boston & New York  
2010 ANNUAL REPORT



Let Life Insurance Company of Boston & New York help take the worry out of providing security for your family so you can focus on what matters most... *the small stuff.*



## Corporate Message

**PAUL E. PETRY**

*President & Chairman of the Board*



*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 the Life Insurance Company of Boston & New York 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 when he was President of the United States. 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 a case of death, disability or accident (depending on the policy purchased). Therefore, the teddy bear is an excellent reminder to all of us of the comfort and security Life Insurance Company of Boston & New York provides to many families in these uncertain times.*

*2010 was a year in which the Company lived up to this “teddy bear” ideal as we continued to provide some degree of comfort and security to many New York 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, Life Insurance Company of Boston & New York shone brightly once again, having a truly outstanding 2010.*

## HONESTY

### Sales & Premiums

Total Sales declined 9% from last year's record amount in what could still be considered a very good year. Total premiums grew by 4.5%.

### Investment Income & Asset Values

Investment Income grew by nearly \$350 thousand. The Company'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. Additionally, the company had no asset write-downs during 2010.

Given the current economic environment, 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*".

## INTEGRITY

### Total Benefits

We paid out about \$8.5 million in benefits to policyholders or their beneficiaries in 2010. This was slightly less than in 2009 due to better mortality from our Worksite policyholders. We maintain adequate reserves to handle fluctuations in death claims from year to year.

### General Expenses

General Expenses decreased by 12% in 2010. We continue to monitor expenses but despite this drop, 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 \$2.0 million, the second best in Life of Boston & New York's short history. Pre-Tax Gain was \$3 million.

### Assets

Assets increased by over \$7 million, ending the year at nearly \$85 million. At year end, bonds represented 74% of our invested assets. We have very few bonds rated below investment grade and our average bond rating is A+. Policy loans makes up 22% and the balance of our assets 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.

## TRUST

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### Surplus

Surplus increased by \$1.8 million in 2010. This was greater than last year and represented a 14% growth in Surplus. All of our Surplus ratios and the Risk Based Capital ratios improved in 2010 maintaining Life of Boston & New York'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 me, 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 Web site 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.

### 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 to and security for our policyholders/certificateholders. 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*



LIFE INSURANCE COMPANY OF  
**BOSTON & NEW YORK**

## Balance Sheet

*Dollars in Thousands*

*Year Ended December 31*

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
Bonds	\$58,558	\$53,504
Preferred Stocks	0	0
Policy Loans	17,708	15,764
Cash & Short Term Securities	2,857	1,628
Premiums Deferred and Uncollected	2,285	1,708
Other Assets	<u>3,346</u>	<u>4,667</u>
<b>TOTAL ADMITTED ASSETS</b>	<b>\$84,754</b>	<b>\$77,271</b>

## Statement of Operations & Surplus

*Dollars in Thousands*

*Year Ended December 31*

<b>INCOME</b>	<b>2010</b>	<b>2009</b>
Premium Income	\$15,326	\$14,663
Net Investment Income	4,104	3,754
Other Income	<u>2,124</u>	<u>2,195</u>
<b>TOTAL INCOME</b>	<b><u>21,554</u></b>	<b><u>20,612</u></b>
<b>POLICYHOLDER BENEFITS &amp; EXPENSES</b>		
Life Insurance Benefits	\$2,279	\$2,371
Accident & Health Benefits	672	607
Other Policy Benefits	2,516	2,576
Increase In Reserves	5,962	6,121
Commissions	4,356	4,453
General Expenses	2,089	2,367
Taxes Other Than Federal Income Taxes	<u>666</u>	<u>586</u>
<b>TOTAL BENEFITS &amp; EXPENSES</b>	<b><u>18,540</u></b>	<b><u>19,081</u></b>
<b>GAIN FROM OPERATIONS</b>	<b>\$3,014</b>	<b>\$1,531</b>
Federal Income Tax Expense ( <i>credit</i> )	<u>981</u>	<u>463</u>
<b>NET GAIN FROM OPERATIONS</b>	<b><u>2,033</u></b>	<b><u>1,068</u></b>

## Balance Sheet

*Dollars in Thousands*

*Year Ended December 31*

<b>LIABILITIES</b>	<b>2010</b>	<b>2009</b>
Policy Reserves	\$66,368	\$60,406
Policy & Contract Claims	845	845
Other Liabilities	<u>2,500</u>	<u>2,795</u>
TOTAL LIABILITIES	\$69,713	\$64,046
Stockholder's Equity	<u>15,041</u>	<u>13,225</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDER'S EQUITY</b>	<b><u>\$84,754</u></b>	<b><u>\$77,271</u></b>

## Analysis of Stockholder's Equity

*Dollars in Thousands*

*Year Ended December 31*

<b>STOCKHOLDER'S EQUITY</b>	<b>2010</b>	<b>2009</b>
NET GAIN FROM OPERATIONS	\$2,033	\$1,068
Net Realized Capital Gains trans. to IMR	1	(44)
Increase in Asset Valuation Reserve	(42)	(3)
Change in Non-admitted Assets	(208)	762
Deferred Federal Income Tax	31	(102)
Stockholder's Equity Beginning of Year	<u>13,225</u>	<u>11,544</u>
<b>STOCKHOLDER'S EQUITY AT END OF YEAR</b>	<b><u>\$15,040</u></b>	<b><u>\$13,225</u></b>

*A copy of the complete financial statements as audited by Ernst & Young LLP is available upon your request.*

## Board of Directors

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PAUL E. PETRY, FSA, CLU

Chairman, President & Chief Executive Officer  
*Boston Mutual Life Insurance Company*



CHRISTINE T. COUGHLIN, CPA

Second Vice President & Treasurer  
*Boston Mutual Life Insurance Company*



RICHARD D. LEWIS

Partner (*Retired*)  
*Ernst & Young, LLP*



LEO C. McKENNA

*Financial Advisor to Corporations & Individuals*



FRANK E. MELO, CPA

Second Vice President & General Auditor  
*Boston Mutual Life Insurance Company*

MARNIE W. MUELLER, PhD, CLU

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



JOHN J. MURPHY, JR.

Managing Partner  
*Murphy & Partners, L.P.*



TIMOTHY L. PORTER, ESQ.

Chief Client Relationship Counsel  
*Proskauer Rose, LLP*



THOMAS H. SCHWARZ

Managing Director (*Retired*)  
*Schwarz Executive Search*

# Officers

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PAUL E. PETRY, FSA, CLU

President & Chairman of the Board



CHRISTINE T. COUGHLIN, CPA

Secretary & Assistant Treasurer



SUSAN J. GARDNER, CPA

Controller



WALTER J. GORSKI, ESQ.

Assistant Secretary



NORA E. HOFFMAN

Assistant Treasurer



CLIFFORD A. LANGE, FSA, CLU

Vice President & Actuary



FRANK E. MELO, CPA

Treasurer

HOWARD V. NEFF, JR.

Chief Investment Officer



PAUL A. QUARANTO, JR.

Vice President - *Group Insurance*



PHILIP G. SULLIVAN, M.D.

Medical Director



FREDERICK C. THURSTON

Chief Compliance Officer



PETER S. TILLSON

Vice President - *Worksite Marketing*

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- SALES OFFICES -

JEFF ERVING

Senior Regional Vice President - *Worksite Marketing*

800 · 475 · 5225



Employee Benefit Sales Support - *Group Insurance*

877 · 213 · 8644

# Statement of Ethical Market Conduct

Life Insurance Company of Boston & New York provides affordable insurance coverages to 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.

*Life Insurance Company of Boston & New York is a proud supporter of the  
Life and Health Insurance Foundation for Education (LIFE).*





*Coverage you can Trust*

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WORKSITE MARKETING REGIONAL SALES

800-475-5225