



*Family Matters...
No Matter What*

Life Insurance Company of Boston & New York
2013 ANNUAL REPORT

The State of the Life Insurance Company of Boston & New York

It's a pleasure to be able to tell you that the Life Insurance Company of Boston & New York family is stronger than ever.

That's important to us and we know it's important to you. Because we believe that our continued success has a lot more to do with how we treat you, our policyholders, along with our producers than just about anything else we do.

We know, to each and every one of you, family matters. No matter what. You buy insurance to make sure your loved ones will be taken care of and you trust that we will be here to fulfill that promise.

It's also why our producers are so fiercely loyal to us. They know they'll always get the support and openness they need to be successful.

Family matters, no matter what. It's more than a tag line. It's what we believe. It's what we stand for. It's a core belief that has as much to do with our success as all of the important business decisions we have made.

And that's why we will continue to treat everyone we do business with the same way we'd treat our own families, no matter what.



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Corporate Message

PAUL A. QUARANTO, JR., MBA, LLIF
President



The Year in Review

For the first time in 15 years, Life Insurance Company of Boston & New York incurred an Operating Loss in 2013 resulting from a new Worksite Disability Income product introduced in 2012. Once the problem was identified, sales and enrollments of the product were discontinued. Otherwise, the company continued to perform very well.

Before highlighting the financial details, I want to mention something else that happened last year that will bear fruit in the upcoming year and for years to come.

It's the result of a project I initiated to capture the essence of what it means to be a member of the Life Insurance Company of Boston & New York family and to understand the values that make our family so strong. We discovered that the word "*family*" wasn't just a metaphor. It was the key. What makes us different is our attitude that everyone we deal with – from our policyholders to our producers – deserves to be treated the same way we'd treat our own family. With respect and compassion. With openness and tolerance. And most important, with a commitment to their well being.

Family matters, no matter what. It's our core value. And we believe, it's not only what makes us different, it's what makes us successful.

Sales & Premium Income

Sales increased by 83% and Premium Income by 27% in 2013. These increases were driven in large part by Worksite Disability Income sales.

We also had strong sales results with our Worksite Life and Accident products, along with our Association Disability Income product sold through our Group Division and Charles J. Sellers & Company. Sales and Premium Income, net of Worksite Disability Income, would have increased by 14% and 4% respectively. These are very good results when you consider the continued economic and competitive headwinds.

Family Matters...

Investment Income

The low interest rate environment continued in 2013, along with a lack of viable opportunities for new and maturing investments. We adhered to our disciplined investment approach by purchasing only investment grade securities. Our yield on invested assets dropped from 5.1% to 4.87%, but net investment income increased by 7% over last year.

The economy is showing some signs of improvement, but it does not appear that interest rates will rise significantly in the near future. In the meantime, we ensure the financial strength of Life Insurance Company of Boston & New York following our conservative investment standards.

Total Benefits

We paid out over \$10 million in benefits to policyholders or their beneficiaries in 2013.

In 2011, we began using Social Security data to identify deceased policyholders that we were not aware of. Their beneficiaries had not notified us, mainly because they were unaware of their role as beneficiary. To date, we have paid over \$1.2 million in death benefits from this continuing effort.

General Expenses

General Expenses rose by 15%, a fairly significant increase but still below our Premium Income growth rate. We committed considerable resources to finding a remedy for the Worksite Disability Income product; unfortunately, we were not able to find a viable one. We also worked on a new Worksite Critical Illness product that was introduced later in the year.

We continue to monitor expenses, but recognize the need to invest in our future. We balanced those objectives well again in 2013.

Operating Gain

Life Insurance Company of Boston & New York incurred \$1.7 million Pre-Tax and \$1.4 million After-Tax Operating Losses in 2013. As previously noted, the losses were driven by the Worksite Disability Income product, for which sales and enrollments have been discontinued.

Worksite Life and Accident and Group Insurance, including the Association Disability Income product, were all profitable in 2013.

Having addressed the Worksite Disability product situation and based on the solid financial results for the balance of the product portfolio, we are confident that Life Insurance Company of Boston & New York will return to profitability again in 2014.

Assets

Assets increased by over \$14 million ending the year at \$117 million. We had no significant asset issues in 2013. At year end, bonds represented 70% of invested assets. We have very few bonds below investment grade and our average bond rating is A+. Policy loans made up about 22% and the balance is in cash and short terms investments.

We continue to closely monitor all of our investments so we can confidently say “no matter what”.

No Matter What

Surplus

With a capital infusion from our parent company, surplus approached \$22 million at the end of 2013. This represents a \$3.5 million or 19% increase from a year ago. All of our surplus ratios continue to be very strong. We remain diligent in this regard; maintaining a “*safety first*” attitude. This takes on even more importance in times of economic uncertainty.

Board of Director Changes

In 2013, Richard D. Lewis retired from the Life Insurance Company of Boston & New York Board of Directors after eight years of service. Dick also served as the Chairman of our Audit Committee. We thank him for his service and dedication to the company.

The Board voted to add Vincent M. O’Reilly, CPA as a new member to fill Dick’s vacancy. Vin retired from Coopers & Lybrand having served as its Deputy Chairman and Chief Operating Officer and is currently on the staff at the Carroll Graduate School of Management at Boston College. He will also replace Dick as Chairman of the Audit Committee. We welcome Vin to our Board and thank him for his willingness to serve.



Summary

After 14 years of positive earnings, Life Insurance Company of Boston & New York did suffer a momentary setback in 2013. As disappointing as that was, we responded in a timely and appropriate manner to position ourselves for continued growth and future profit.

Equally important, we continue to be proud of the manner in which we have gone about conducting our business. *Family matters, no matter what...* it is who we are and why we will be successful. And, as with every strong family, you can be assured that we will continue to be there, delivering on our promises to you.

Sal A. Amato Jr.



Balance Sheet

<i>Dollars in Thousands</i>	<i>Year Ended December 31</i>	
ASSETS	2013	2012
Bonds	\$76,162	\$66,961
Preferred Stocks	0	0
Policy Loans	24,522	21,799
Cash & Short Term Securities	8,069	6,594
Premiums Deferred and Uncollected	3,937	3,217
Other Assets	<u>4,573</u>	<u>4,384</u>
TOTAL ADMITTED ASSETS	<u>\$117,263</u>	<u>\$102,955</u>

Statement of Operations & Surplus

<i>Dollars in Thousands</i>	<i>Year Ended December 31</i>	
INCOME	2013	2012
Premium Income	\$23,881	\$18,850
Net Investment Income	4,990	4,664
Other Income	<u>1,862</u>	<u>2,041</u>
TOTAL INCOME	<u>30,733</u>	<u>25,555</u>
POLICYHOLDER BENEFITS & EXPENSES		
Life Insurance Benefits	2,821	3,058
Accident & Health Benefits	4,773	1,283
Other Policy Benefits	3,497	3,169
Increase in Reserves	9,606	7,566
Commissions	7,486	4,795
General Expenses	3,408	2,952
Taxes Other Than Federal Income Taxes	832	762
TOTAL BENEFITS & EXPENSES	<u>32,424</u>	<u>23,585</u>
GAIN FROM OPERATIONS	<u>(\$1,691)</u>	<u>\$1,970</u>
Federal Income Tax Expense (<i>credit</i>)	(310)	586
NET GAIN FROM OPERATIONS	<u>(\$1,381)</u>	<u>\$1,384</u>

Balance Sheet

Dollars in Thousands

Year Ended December 31

LIABILITIES	2013	2012
Policy Reserves	\$89,530	\$79,924
Policy & Contract Claims	1,356	1,172
Other Liabilities	4,566	3,558
TOTAL LIABILITIES	\$95,452	\$84,654
Stockholder's Equity	<u>21,811</u>	<u>18,301</u>
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	<u>\$117,263</u>	<u>\$102,955</u>

Analysis of Stockholder's Equity

Dollars in Thousands

Year Ended December 31

STOCKHOLDER'S EQUITY	2013	2012
NET GAIN FROM OPERATIONS	(\$1,381)	\$1,384
Net realized Capital Gains trans. to IMR	(7)	(1)
Increase in Asset Valuation Reserve	(38)	(50)
Change in Non-Admitted Assets	(261)	(224)
Deferred Federal Income Tax	196	32
Capital Contribution	5,000	0
Stockholder's Equity Beginning of Year	18,301	17,160
STOCKHOLDER'S EQUITY AT END OF YEAR	<u>\$21,811</u>	<u>\$18,301</u>

Board of Directors

PAUL E. PETRY, FSA, CLU

Chairman & Chief Executive Officer
Boston Mutual Life Insurance Company

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PAUL A. QUARANTO, JR., MBA, LLIF

President & Chief Operating Officer
Boston Mutual Life Insurance Company

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CHRISTINE T. COUGHLIN, CPA

2nd Vice President - Treasurer
Boston Mutual Life Insurance Company

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JOHN R. FLORES, ESQ

Vice President - General Counsel & Secretary
Boston Mutual Life Insurance Company

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CLIFFORD A. LANGE, FSA, CLU

Vice President - Chief Financial Officer,
Chief Actuary & Chief Risk Officer
Boston Mutual Life Insurance Company

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MARNIE W. MUELLER, PHD, CLU

Senior Vice President (Retired)
Connecticut Mutual Life Insurance Company

JOHN J. MURPHY, JR.

Managing Partner
Murphy & Partners, L.P.

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VINCENT M. O'REILLY, CPA

Distinguished Senior Lecturer
Carroll School of Management - Boston College

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CATHARINE W. O'ROURKE

Associate Director
of Development (Retired)

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TIMOTHY L. PORTER, ESQ

Chief Client Relationship Counsel
Proskauer Rose, LLP (Retired)

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THOMAS H. SCHWARZ

Managing Director (Retired)
Schwarz Executive Search

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LAURIE M. SHAHON

President
Wilton Capital Group



Officers

PAUL E. PETRY, FSA, CLU

Chairman of the Board

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PAUL A. QUARANTO, JR., MBA, LLIF

President

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ERIC J. BERNAZZANI

Responsible Officer

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CHRISTINE T. COUGHLIN, CPA

Treasurer & Secondary
Intelligence/Information Officer

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STEPHEN G. EVANS

Auditor

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JOHN R. FLORES, ESQ

Vice President -
General Counsel & Secretary

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SUSAN J. GARDNER, CPA

Controller & Primary
Intelligence/Information Officer

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NORA E. HOFFMAN

Assistant Treasurer

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CLIFFORD A. LANGE, FSA, CLU

Vice President - *Chief Financial Officer,*
Chief Risk Officer & Actuary

DAVID C. MITCHELL, CLU

Vice President - *Group Sales*

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HOWARD V. NEFF, JR.

Senior Vice President -
Chief Investment Officer

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PAUL S. PAINCHAUD

Appointed Actuary

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PHILIP G. SULLIVAN, M.D.

Medical Director

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FREDERICK C. THURSTON

Chief Compliance Officer

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PETER S. TILLSON

Senior Vice President - *Worksite Marketing*

- SALES OFFICES -

JEFFREY S. ERVING

Senior Regional Vice President
Worksite Marketing
800-475-5225

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Employee Benefit Sales Support
Group Insurance
888-408-4355

Life Insurance Company

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 & Health
Insurance Foundation for Education (LIFE).

PROUD SUPPORTER



of Boston & New York



LIFE INSURANCE COMPANY OF BOSTON & NEW YORK

277 North Avenue – Suite 200 · New Rochelle, NY 10801

800-645-2317 · www.lifeofboston.com

WORKSITE MARKETING REGIONAL SALES

800-475-5225