

Massachusetts Division of Insurance
Georgia Office of Insurance and Safety Fire Commissioner
Texas Department of Insurance
(collectively, the Lead Regulators)

May 15, 2008

To: The Chief Insurance Regulators of the Participating Jurisdictions –

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Guam, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Washington, and West Virginia

Re: Final Report on the Multi-State Regulatory Settlement Agreement (“RSA”) –
Boston Mutual Life Insurance Company

Pursuant to Massachusetts General Laws, Chapter 175, Section 4, the Lead Regulators have completed a limited scope multi-state examination of the market conduct affairs of the Boston Mutual Life Insurance Company (“Company”), a Massachusetts domestic insurer, as reported in an examination report dated February 27, 2006. The findings of the limited scope multi-state examination resulted in this RSA which required the Company, in part, to make full refunds to all former United States military policyholders who had policies in force beginning January 1, 2002 through April 30, 2005 and who subsequently lapsed or surrendered their policies within one year after the policy’s issuance. The RSA resulted in \$427,529 in refunds to 1,784 former policyholders located throughout the United States (See Exhibit A).

Refunds were initially mailed to former policyholders in August-September 2006. Two hundred one were un-cashed after the initial mailing was sent. The Company has undertaken rigorous efforts to locate these former policyholders due refunds. Such efforts included review of all Company documentation regarding addresses provided during underwriting or while the policies were in force and contacting the former policyholder at any such addresses noted. Further, the Company attempted to contact any known relatives, searched for information in publicly available databases, contacted agents and contacted the Department of Defense to locate current addresses. Despite these efforts, the Company has been unable to locate 104 former policyholders, representing \$25,301 (See Exhibit B). Therefore, to date, the Company has made refunds to 1,680 former policyholders totaling \$402,228. The Lead Regulators have attached a summary of the 104 former policyholders that notes the number of such policyholders in each state based upon the last known state of residence for each. In accordance with various states’ laws, the Company intends to escheat the refunds to the state of last known residence for any former policyholder who can not be located. If you have questions about former policyholders

last known to be a resident in your state, please contact Fred Thurston, Chief Compliance Officer, at the Company at 1-800-669-2668 ext. 422 or at Fred_Thurston@bostonmutual.com.

In addition, the RSA required significant changes to policies and practices for any future military sales including underwriting and sales practices, complaint procedures, producer supervision, management oversight and board of director oversight. Further, the required actions broadly encourage adherence to industry best practices in the Company's other lines of business.

To assess the Company's implementation of the RSA required actions, Rudmose & Noller Advisors, LLC (RNA), working under the direction of the Lead Regulators, completed an examination of the Company's efforts to comply with the required actions. The examination period was June 1, 2006 to November 30, 2007. RNA tested in accordance with the *NAIC Market Regulation Handbook* and the Interim Plan to Test Implementation of Required Actions dated January 2006, which was shared with all states that participated in the RSA. The testing procedures consisted of review and testing of internal audit reports; agent-related complaints; policyholder satisfaction surveys; sales, advertising, training materials; new business non-replacement applications; new business replacement applications; new agent appointments; and adverse underwriting notices. In addition to testing, the examination included monitoring of corporate governance and general management oversight. The Lead Regulators and RNA met with the Company's Board of Directors, the Audit Committee and Company management throughout the period to update them on the examination results. In such meetings, the Board of Directors, Audit Committee and Company management expressed strong support for, and agreement with, the Lead Regulators regarding the required actions.

The findings from the testing include the following:

- Internal audit procedures appear to be properly completed and reported to the Audit Committee in a timely manner.
- Agent-related complaints appear to be properly and timely addressed. Agents appear to be responding timely to the Company's request for information, or the Company is taking appropriate disciplinary action when an agent does not respond timely to its request.
- Advertising and training materials are appropriate and properly approved in accordance with the Company's policies and procedures.
- Needs assessment procedures are being performed and documented in accordance with the Company's policies and procedures.
- Adverse underwriting decisions are being properly provided to applicants according to statutory requirements.
- Replacement disclosure notices are provided to applicants; reduced commissions are paid on internal replacements, and notices to replacing carriers are timely.
- Newly appointed agents appear to have completed the first level of training prior to the Company accepting any sales from such agents.
- New agent candidates are approved prior to appointment in accordance with Company policy.
- Policyholder survey comments appear to be timely and fairly addressed.

The Lead Regulators have completed the examination of the Company's implementation of the RSA required actions. We conclude that the Company has effectively implemented the actions required under the RSA in a timely manner. Please feel free to contact any of the Lead Regulators, or Matthew C. Regan III, Director of Market Conduct, at the Massachusetts Division of Insurance at (617) 521-7306 or at matthew.c.regan@state.ma.us should you have any questions or comments concerning the Company or the RSA examination recently completed.

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Commissioner of Insurance

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