NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

METROPOLITAN LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2018

DATE OF REPORT: JUNE 24, 2020

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EXAMINER: JEFFREY K. EBERT, CFE

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Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

June 24, 2020

The Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31909, dated March 26, 2019, and annexed hereto, an examination has been made into the condition and affairs of Metropolitan Life Insurance Company, hereinafter referred to as "the Company," at its office located at 18210 Crane Nest Drive, Tampa, FL 33647. The Company's home office is located at 200 Park Avenue, New York, NY 10166.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

## 1. EXECUTIVE SUMMARY

The material violation and comments contained in this report are summarized below.

- The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office. (See item 3F of this report.)
- The Department conducted a review of the reserves as of December 31, 2018. This review included an examination of the formulaic reserves calculated in accordance with 11 NYCRR 99 (Insurance Regulation 151). During the review the Department noted that the formulaic reserves for certain variable annuity policies with guaranteed living benefits incorporated revenue sharing in a manner inconsistent with the Department's interpretation of Insurance Regulation 151. The Company agreed to revise the formulaic reserves in a manner acceptable to the Department. (See item 6F of this report.)
- The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business. The Department, along with all insurance regulators and the NAIC, are closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effects of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole. (See item 7 of this report.)

## 2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2014, through December 31, 2018. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2018, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was called by the State of New York in accordance with the Handbook guidelines, through the NAIC's Financial Exam Electronic Tracking System. New York served as the lead state with participation from the states of California, Delaware, Nebraska, South Carolina and Texas. Since the lead and participating states are all accredited by the NAIC, the states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2014 through 2018, by the accounting firm of Deloitte & Touche, LLP ("Deloitte"). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department and a separate internal control unit that has been given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violation and recommendation contained in the prior financial report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

## 3. DESCRIPTION OF COMPANY

### A. History

The Company was incorporated as a stock life insurance company under the laws of New York on March 24, 1868, (in succession to National Travelers Insurance Company, incorporated May 1866), and commenced business on March 25, 1868. In 1915, the Company converted from a stock company to a mutual company, a company operated for the benefit of its policyholders.

On November 29, 1998, the Company announced that it would pursue conversion to a stock company from a mutual company through demutualization under Section 7312 of the New York Insurance Law. On February 18, 2000, the Company's policyholders approved the plan to convert to a stock company. The demutualization plan was approved by the Superintendent, and the Company demutualized on April 7, 2000, thereby converting back to a stock company on April 7, 2000, and becoming a wholly owned subsidiary of MetLife, Inc. ("MetLife").

Each policyholder's ownership interest in the Company was extinguished and each eligible policyholder received, in exchange for that interest, trust interests representing shares of common stock of MetLife held in the MetLife Policyholder Trust, cash or an adjustment to their policy values in the form of policy credits, as provided in the reorganization plan. On the date of demutualization, MetLife conducted an initial public offering of 202,000,000 shares of its common stock and concurrent private placement of an aggregate of 60,000,000 shares of its common stock at an offering price of $14.25 per share. The shares of common stock issued in the offerings were in addition to 494,466,664 shares of MetLife common stock distributed to the MetLife Policyholder Trust for the benefit of the policyholders of the Company in connection with the demutualization. On April 10, 2000, MetLife issued 30,300,000 additional shares of its common stock as a result of the exercise of over-allotment options granted to underwriters in the initial public offering.

On the date of demutualization, April 7, 2000, the Company established a closed block for the benefit of individual participating policyholders who are expected to receive ongoing dividend payments as part of their policies. The Company designated assets to the closed block in an amount that it reasonably expected would, together with revenue from the policies in the closed block, be sufficient to pay benefits and certain taxes and expenses of the closed block, and provide for the continuation of the then current dividend scales, if the experience underlying such dividend scales continued and for appropriate changes in such scales if the experience changed. These cash flows are expected to be sufficient to pay each policyholder, including the last surviving individual, a commensurate amount of cash flow for policyholder benefits and dividends.

The Company paid ordinary dividends of $812 million, $500 million, $719 million and $1.0 billion, in the form of cash, to MetLife on December 27, 2018, October 31, 2018, September 26, 2018 and March 19, 2018, respectively. The Company also paid an extraordinary dividend of $705 million, in the form of cash, on June 29, 2018. The Company paid ordinary dividends to MetLife of $523 million, $800 million and $1.2 billion, in the form of cash, on December 28, 2017, September 27, 2017 and May 22, 2017, respectively. On December 6, 2016, the Company distributed all of the issued and outstanding shares of the common stock of New England Life Insurance Company and General American Life Insurance Company to MetLife in the form of a non-cash extraordinary dividend in the amount of $981 million and $1.159 billion, respectively. The Company paid ordinary cash dividends of $1.1 billion, $1.0 billion and $1.5 billion on September 29, 2016, June 27, 2016 and March 15, 2016, respectively. The Company paid an ordinary dividend to MetLife of $889 million and $600 million in the form of cash on December 16, 2015 and June 29, 2015, respectively.

At December 31, 2018, the total face value and carrying value of surplus notes was $1,100,000,000. The Company paid $83 million in interest during 2018.

As of December 31, 2018, the Company had common capital stock of $4,944,667 and gross paid in and contributed surplus of $5,786,106,131.

B. Holding Company

The Company is a wholly-owned subsidiary of MetLife, a Delaware holding company. MetLife is one of the largest insurance and financial services companies in the United States and is recognized as a leader in the global life insurance and employee benefits markets. MetLife has consolidated assets of approximately $687.5 billion as of December 31, 2018. MetLife, through its subsidiaries, offers individual and group life insurance and annuities, voluntary benefits, accident and health insurance (“A&H”), endowment products, credit life, and retirement and savings products, property and casualty products and services to individuals, corporations and other institutions around the world. Products include variable life products, universal life products, traditional life products, including whole life and term life, individual disability insurance, variable and fixed annuities, mutual funds, a broad range of group insurance products, retirement products and services, asset management, and various property and casualty products.

MetLife is comprised of approximately 430 legal entities, many of which operate internationally. This structure includes 22 U.S. domestic insurance affiliates, and 39 foreign insurance affiliates operating in 25 different countries. The following operations represent the largest foreign operations across these segments: Asia: Japan; Latin America: Mexico and Chile; Europe, Middle East and Africa: Turkey, the Gulf region, and Poland.

An overview of merger and divestiture activity within MetLife during the examination period follows:

On November 14, 2014, MetLife Insurance Company of Connecticut ("MICC"), a wholly-owned subsidiary of MetLife, re-domesticated from Connecticut to Delaware, changed its name to MetLife Insurance Company USA ("MetLife USA") and merged with its subsidiary, MetLife Investors USA Insurance Company ("MLI-USA") and its affiliate, MetLife Investors Insurance Company ("MetLife Investors") and Exeter Reassurance Company, Ltd. ("Exeter"), a former offshore, reinsurance subsidiary of MetLife and affiliate of MICC (the "Mergers"). The surviving entity of the Mergers was MetLife USA.

On January 12, 2016, MetLife announced its plan to pursue the separation of a substantial portion of its former U.S. Retail segment, as well as certain portions of its former Corporate Benefit Funding segment and Corporate & Other (the "Separation"). MetLife subsequently re-segmented the business to be separated and rebranded it Brighthouse Financial ("BHF"). MetLife USA changed its name to Brighthouse Life Insurance Company ("Brighthouse Life") and First MetLife Investors Insurance Company ("FMLI") changed its name to Brighthouse Life Insurance Company of New York ("Brighthouse NY").

In July 2016, MetLife completed the sale to Massachusetts Mutual Life Insurance Company ("MassMutual") of its U.S. retail advisor force and certain assets and liabilities associated with the MetLife Premier Client Group, including all of the issued and outstanding shares of MetLife's affiliated broker-dealer, MetLife Securities, Inc., for $291 million. MassMutual assumed all of the liabilities related to such assets that arise or occur after the closing of the sale.

On December 6, 2016, the Company distributed all of the issued and outstanding shares of the common stock of New England Life Insurance Company ("NELICO") and General American Life Insurance Company ("GALIC") to MetLife in the form of a non-cash extraordinary dividend in the amount of $981 million and $1.159 billion, respectively.

Effective April 28, 2017 in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of common stock of each of Brighthouse Life and NELICO to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse Life and NELICO ceased to be subsidiaries of MetLife, Inc."

Effective April 28, 2017 in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of Brighthouse NY to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse NY ceased to be a subsidiary of MetLife, Inc.

On August 4, 2017, MetLife completed the separation of Brighthouse Financial, Inc. and its subsidiaries, including Brighthouse Life, NELICO, Brighthouse NY, Brighthouse Investment Advisors, LLC a captive reinsurance company, through a distribution of 96,776,670 shares of the 119,773,106 shares of Brighthouse Financial, Inc. common stock outstanding, representing 80.8% of those shares, to MetLife's common shareholders. MetLife retained the remaining ownership interest of 22,996,436 shares, or 19.2%, of Brighthouse Financial, Inc. common stock outstanding.

On January 16, 2018, MetLife announced its plan to merge Metropolitan Tower Life Insurance Company ("MTLIC") and GALIC. The surviving entity of the merger was MTLIC, which changed its state of domicile from Delaware to Nebraska. After receiving all regulatory approvals, the merger was completed on April 27, 2018.

On January 23, 2018, the U.S. Court of Appeals for the District of Columbia Circuit dismissed the Financial Stability Oversight Council ("FSOC") appeal of the district court's decision rescinding MetLife's designation as a systemically important financial institution ("non-bank SIFI"). As a result, MetLife non-bank SIFI designation remains rescinded and MetLife is not subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and the Federal Reserve Bank of New York and the Federal Deposit Insurance Corporation ("FDIC"), or to enhanced supervision and prudential standards.

In June 2018, MetLife divested its remaining shares of Brighthouse Financial, Inc. common stock in exchange for MetLife senior notes and Brighthouse Financial, Inc. was no longer considered a related party. At December 31, 2018, MetLife no longer held any shares of

Brighthouse Financial, Inc. for its own account; however, MetLife separate accounts whose investment strategy is to replicate the performance of an equity index may hold shares of Brighthouse Financial, Inc., to the extent that such shares are a component of the benchmark index.

In the fourth quarter of 2018, after receiving a no objection letter from the Department, MetLife implemented changes to how services and facilities are delivered to its domestic affiliates. Effective April 1, 2018, the Company entered into an Investment Management Agreement with its affiliate, MetLife Investment Advisors, LLC ("MLIA"), as part of an initiative to have MLIA replace the Company as provider of comprehensive investment services to MetLife's domestic operating entities (including the Company) and reducing other affiliates' dependency on the Company for the provision of these services (DFS non-disapproval for this agreement was obtained in the fourth quarter of 2017). MLIA is an indirect subsidiary of MetLife, Inc. Effective October 1, 2018, the Company also entered into a new Master Services and Facilities Agreement ("MSA") with its affiliate, MetLife Services and Solutions, LLC ("MSS"), to more efficiently share enterprise assets and services and to manage related expense allocations in a simpler manner. MSS is a direct subsidiary of MetLife Group, Inc.

An overview of the main U.S. domiciled insurers within the MetLife holding company system, other than the Company, follows:

American Life Insurance Company ("ALICO"), a wholly owned subsidiary of MetLife domiciled in Delaware, is subject to regulations by Delaware and is licensed to transact insurance business in Delaware, although it does not write business in Delaware or other states and territories of the United States.

Delaware American Life Insurance Company ("DelAm"), a wholly owned subsidiary of MetLife domiciled in Delaware and licensed to transact insurance business in, and is subject to regulation by, all 50 states and the District of Columbia. DelAm markets expatriate life, accidental death and dismemberment, medical, dental, vision, business travel medical, and long-term disability business on a group basis through its sales force and independent brokers and consultants. The focus of this business is on organizations with employees on international assignments. In addition to this direct business, DelAm enters into reinsurance agreements as a provider of reinsurance for some foreign insurance products issued by affiliates and third parties.

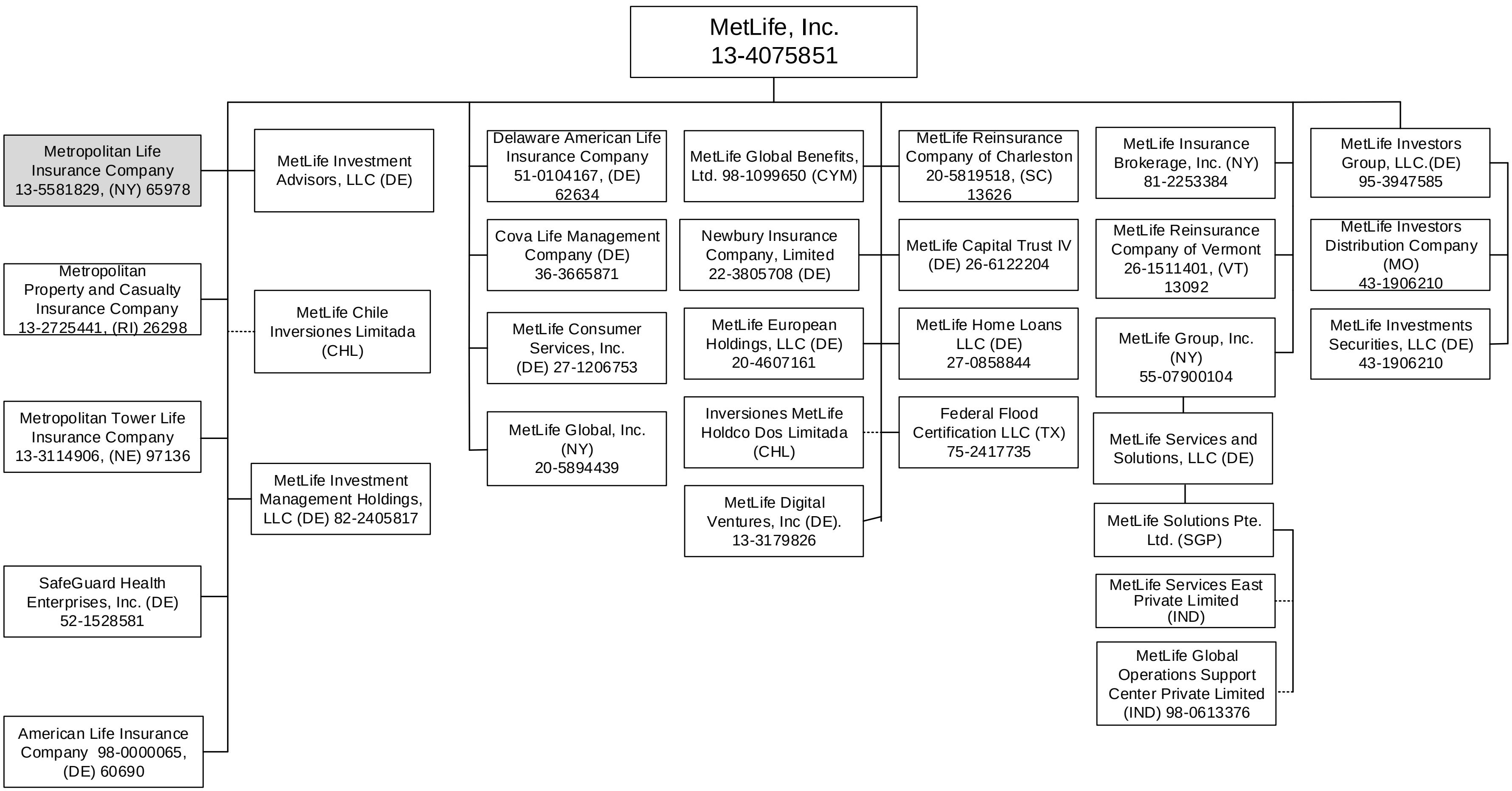
MetLife Reinsurance Company of Charleston ("MRC"), a wholly owned subsidiary of MetLife domiciled in the State of South Carolina, operates as a special purpose financial captive insurance company. MRC is established to support the risk and capital management of the Company via funding of non-economic reserves on a portion of the Company's closed block.

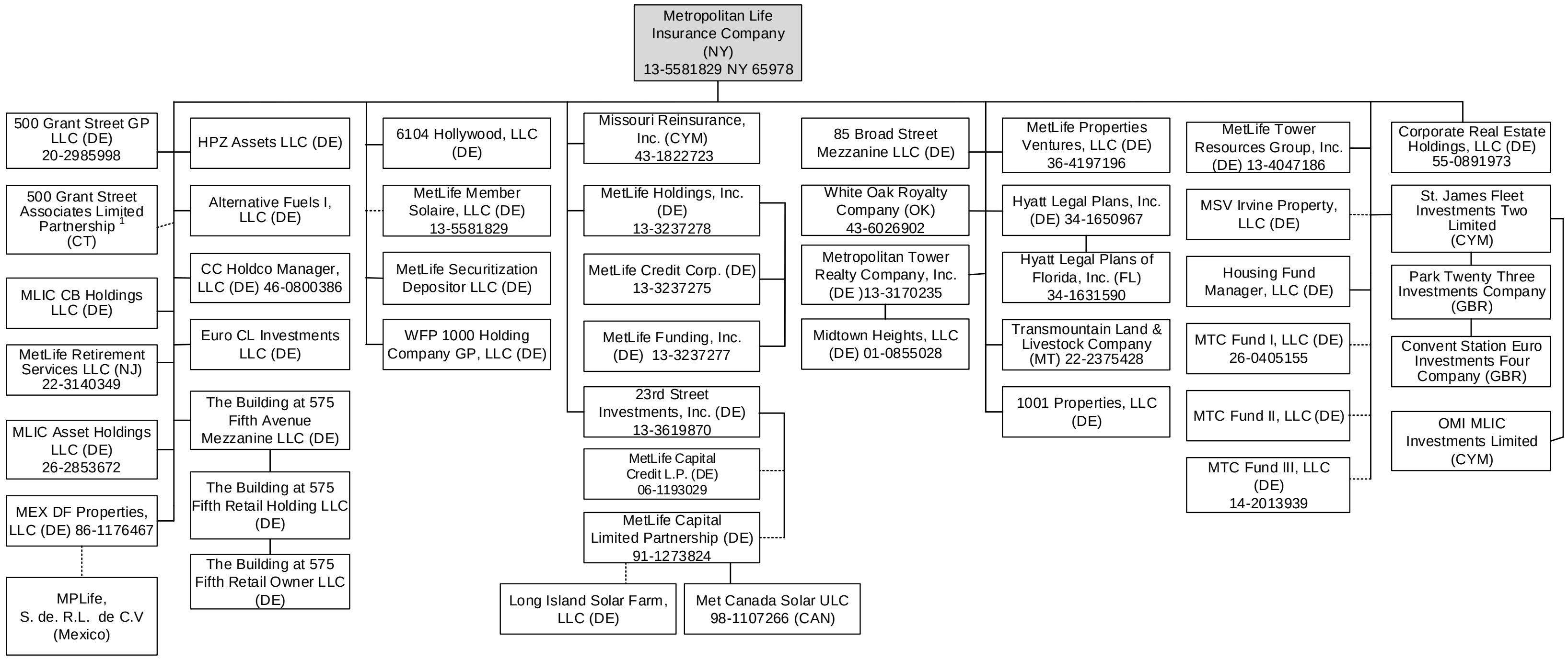
MetLife Reinsurance Company of Vermont ("MRV"), a wholly owned domestic subsidiary of MetLife domiciled in Vermont, operates as a special purpose financial captive insurance company to support the risk and capital management of the Company and Brighthouse Life. via funding of non-economic reserves on certain level premium term policies and certain universal life policies with secondary guarantees and death benefit guarantees.

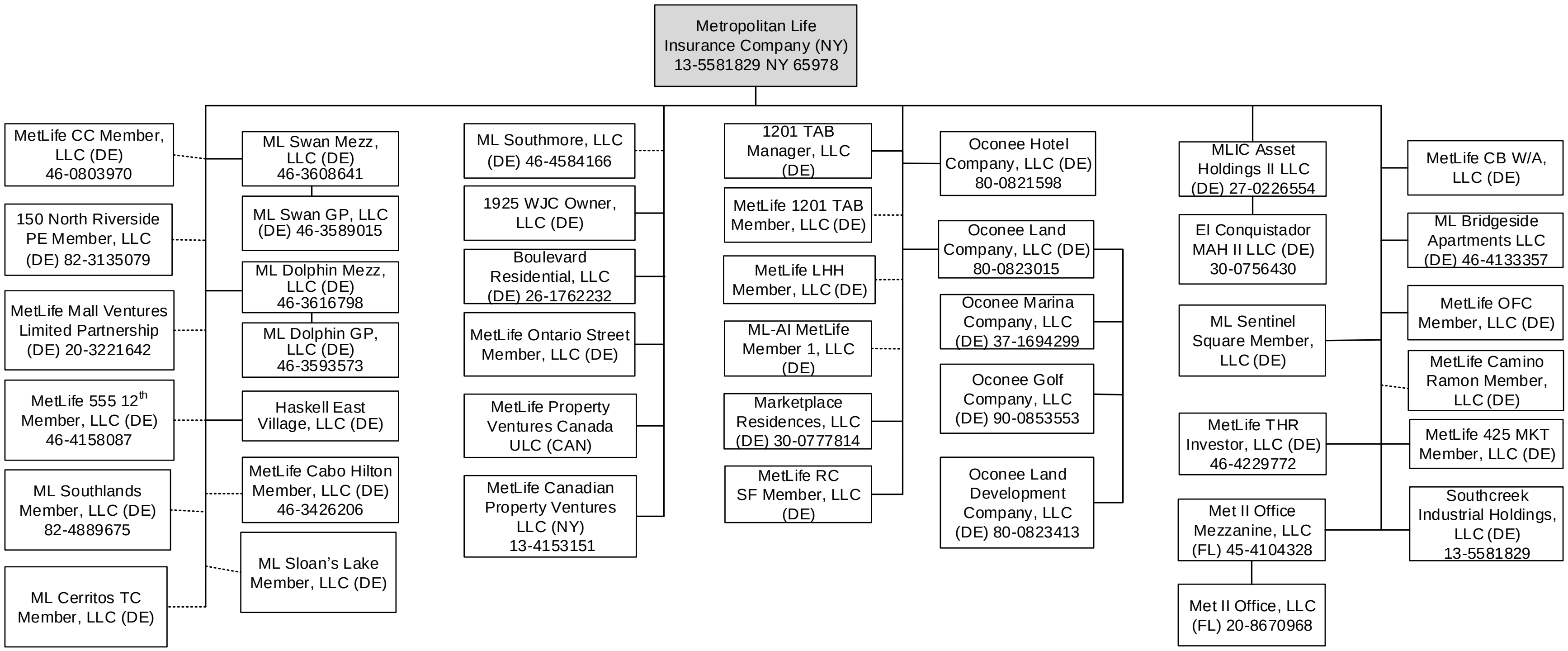
Metropolitan Property and Casualty Insurance Company ("Met P&C") is a wholly owned subsidiary of MetLife, domiciled in Rhode Island, which derives the majority of its business from underwriting full coverage personal automobile and homeowners insurance. In addition, Met P&C provides boat, commercial and personal excess liability coverages.

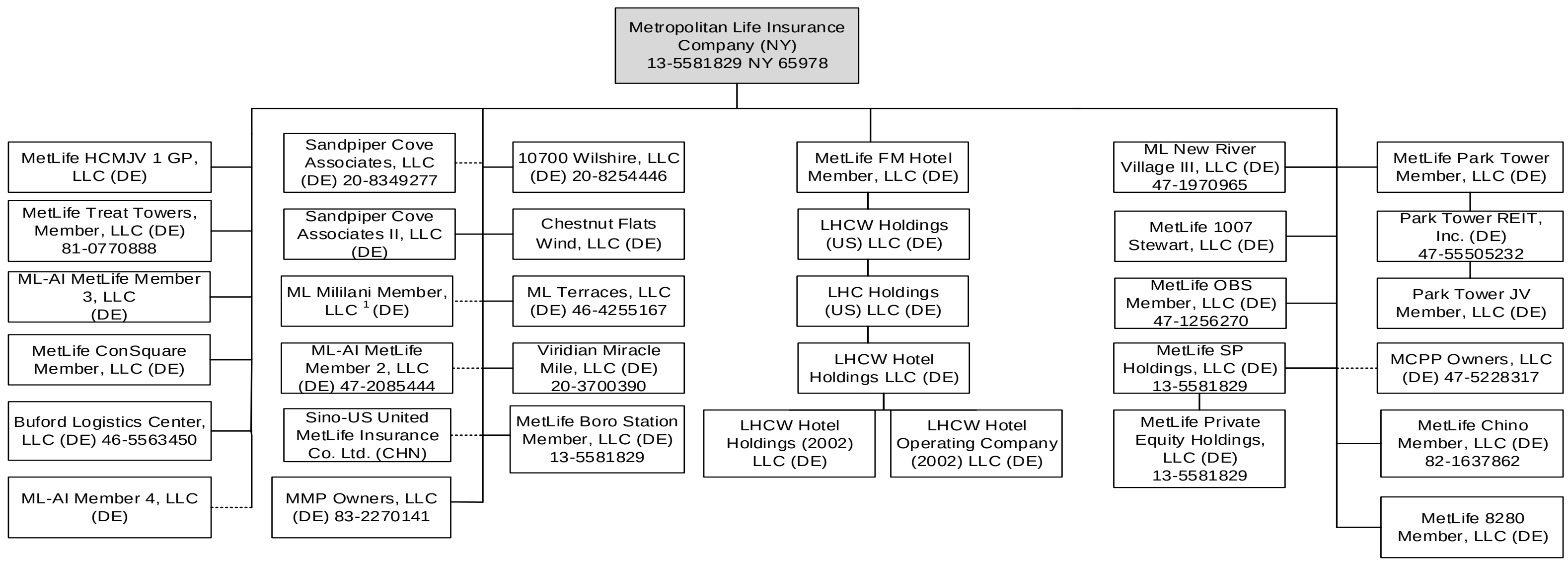
C. <u>Organizational Chart</u>

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2018 follows:




Metropolitan Life Insurance Company (NY) 13-5581829 NY 65978
500 Grant Street GP LLC (DE) 20-2985998
500 Grant Street Associates Limited Partnership 1 (CT)
MLIC CB Holdings LLC (DE)
MetLife Retirement Services LLC (NJ) 22-3140349
MLIC Asset Holdings LLC (DE) 26-2853672
MEX DF Properties, LLC (DE) 86-1176467
MPLife, S. de. R.L. de C.V (Mexico)
HPZ Assets LLC (DE)
Alternative Fuels I, LLC (DE)
CC Holdco Manager, LLC (DE) 46-0800386
Euro CL Investments LLC (DE)
The Building at 575 Fifth Avenue Mezzanine LLC (DE)
The Building at 575 Fifth Retail Holding LLC (DE)
The Building at 575 Fifth Retail Owner LLC (DE)
6104 Hollywood, LLC (DE)
MetLife Member Solaire, LLC (DE) 13-5581829
MetLife Securitization Depositor LLC (DE)
WFP 1000 Holding Company GP, LLC (DE)
Missouri Reinsurance, Inc. (CYM) 43-1822723
MetLife Holdings, Inc. (DE) 13-3237278
MetLife Credit Corp. (DE) 13-3237275
MetLife Funding, Inc. (DE) 13-3237277
23rd Street Investments, Inc. (DE) 13-3619870
MetLife Capital Credit L.P. (DE) 06-1193029
MetLife Capital Limited Partnership (DE) 91-1273824
Long Island Solar Farm, LLC (DE)
Met Canada Solar ULC 98-1107266 (CAN)
85 Broad Street Mezzanine LLC (DE)
White Oak Royalty Company (OK) 43-6026902
Metropolitan Tower Realty Company, Inc. (DE )13-3170235
Midtown Heights, LLC (DE) 01-0855028
MetLife Properties Ventures, LLC (DE) 36-4197196
Hyatt Legal Plans, Inc. (DE) 34-1650967
Hyatt Legal Plans of Florida, Inc. (FL) 34-1631590
Transmountain Land & Livestock Company (MT) 22-2375428
1001 Properties, LLC (DE)
MetLife Tower Resources Group, Inc. (DE) 13-4047186
MSV Irvine Property, LLC (DE)
Housing Fund Manager, LLC (DE)
MTC Fund I, LLC (DE) 26-0405155
MTC Fund II, LLC (DE)
MTC Fund III, LLC (DE) 14-2013939
Corporate Real Estate Holdings, LLC (DE) 55-0891973
St. James Fleet Investments Two Limited (CYM)
Park Twenty Three Investments Company (GBR)
Convent Station Euro Investments Four Company (GBR)
OMI MLIC Investments Limited (CYM)


Metropolitan Life Insurance Company (NY) 13-5581829 NY 65978
MetLife CC Member, LLC (DE) 46-0803970
150 North Riverside PE Member, LLC (DE) 82-3135079
MetLife Mall Ventures Limited Partnership (DE) 20-3221642
MetLife 555 12th Member, LLC (DE) 46-4158087
ML Southlands Member, LLC (DE) 82-4889675
ML Cerritos TC Member, LLC (DE)
ML Swan Mezz, LLC (DE) 46-3608641
ML Swan GP, LLC (DE) 46-3589015
ML Dolphin Mezz, LLC (DE) 46-3616798
ML Dolphin GP, LLC (DE) 46-3593573
Haskell East Village, LLC (DE)
MetLife Cabo Hilton Member, LLC (DE) 46-3426206
ML Sloan's Lake Member, LLC (DE)
ML Southmore, LLC (DE) 46-4584166
1925 WJC Owner, LLC (DE)
Boulevard Residential, LLC (DE) 26-1762232
MetLife Ontario Street Member, LLC (DE)
MetLife Property Ventures Canada ULC (CAN)
MetLife Canadian Property Ventures LLC (NY) 13-4153151
1201 TAB Manager, LLC (DE)
MetLife 1201 TAB Member, LLC (DE)
MetLife LHH Member, LLC (DE)
ML-AI MetLife Member 1, LLC (DE)
Marketplace Residences, LLC (DE) 30-0777814
MetLife RC SF Member, LLC (DE)
Oconee Hotel Company, LLC (DE) 80-0821598
Oconee Land Company, LLC (DE) 80-0823015
Oconee Marina Company, LLC (DE) 37-1694299
Oconee Golf Company, LLC (DE) 90-0853553
Oconee Land Development Company, LLC (DE) 80-0823413
MLIC Asset Holdings II LLC (DE) 27-0226554
El Conquistador MAH II LLC (DE) 30-0756430
ML Sentinel Square Member, LLC (DE)
MetLife THR Investor, LLC (DE) 46-4229772
Met II Office Mezzanine, LLC (FL) 45-4104328
Met II Office, LLC (FL) 20-8670968
MetLife CB W/A, LLC (DE)
ML Bridgeside Apartments LLC (DE) 46-4133357
MetLife OFC Member, LLC (DE)
MetLife Camino Ramon Member, LLC (DE)
MetLife 425 MKT Member, LLC (DE)
Southcreek Industrial Holdings, LLC (DE) 13-5581829


Metropolitan Life Insurance Company (NY) 13-5581829 NY 65978
MetLife HCMJV 1 GP, LLC (DE)
MetLife Treat Towers, Member, LLC (DE) 81-0770888
ML-AI MetLife Member 3, LLC (DE)
MetLife ConSquare Member, LLC (DE)
Buford Logistics Center, LLC (DE) 46-5563450
ML-AI Member 4, LLC (DE)
Sandpiper Cove Associates, LLC (DE) 20-8349277
Sandpiper Cove Associates II, LLC (DE)
ML Mililani Member, LLC 1 (DE)
ML-AI MetLife Member 2, LLC (DE) 47-2085444
Sino-US United MetLife Insurance Co. Ltd. (CHN)
MMP Owners, LLC (DE) 83-2270141
10700 Wilshire, LLC (DE) 20-8254446
Chestnut Flats Wind, LLC (DE)
ML Terraces, LLC (DE) 46-4255167
Viridian Miracle Mile, LLC (DE) 20-3700390
MetLife Boro Station Member, LLC (DE) 13-5581829
MetLife FM Hotel Member, LLC (DE)
LHCW Holdings (US) LLC (DE)
LHC Holdings (US) LLC (DE)
LHCW Hotel Holdings LLC (DE)
LHCW Hotel Holdings (2002) LLC (DE)
LHCW Hotel Operating Company (2002) LLC (DE)
ML New River Village III, LLC (DE) 47-1970965
MetLife 1007 Stewart, LLC (DE)
MetLife OBS Member, LLC (DE) 47-1256270
MetLife SP Holdings, LLC (DE) 13-5581829
MetLife Private Equity Holdings, LLC (DE) 13-5581829
MetLife Park Tower Member, LLC (DE)
Park Tower REIT, Inc. (DE) 47-55505232
Park Tower JV Member, LLC (DE)
MCPP Owners, LLC (DE) 47-5228317
MetLife Chino Member, LLC (DE) 82-1637862
MetLife 8280 Member, LLC (DE)

D. Service Agreements

The Company had 29 service agreements in effect with affiliates during the examination period.

| Type of Agreement and Department File Number | Effective Date | Provider(s) of Service(s) | Recipient(s) of Service(s) | Specific Service(s) Covered | Income/(Expense)* For Each Year of the Examination |
|---|---|---|---|---|---|
| Service Agreement | 01/01/1978 | The Company | Various subsidiaries | Certain common shared services, property, facilities and equipment as recipient may, from time to time request. | 2014 $47,455,418<br>2015 $44,873,639<br>2016 $62,142,391<br>2017 $37,985,962<br>2018 $ 4,369,924 |
| Service Agreement | 10/29/1992 | MetLife Investments Limited ("MIL") | The Company | MIL will provide investment advisory services to the Company and the Company will provide certain technical, administrative and managerial services to MIL. | 2014 $(10,889,749)<br>2015 $(21,144,583)<br>2016 $(16,187,903)<br>2017 $(17,837,938)<br>2018 $ (8,976,679) |
| Service Agreement<br><br>File No. 27550 | 04/01/2000 | The Company | MetLife, Inc. | Such common shared services and facilities as recipient may determine to be reasonably necessary. | 2014 $ 64,106,415<br>2015 $ 73,269,528<br>2016 $219,566,960<br>2017 $241,536,295<br>2018 $ 52,784,186 |
| Investment Management Agreement | 10/01/2000 | The Company | Brighthouse Life Insurance Company of NY (formerly known as First MetLife Investors Insurance Company) ("BLICNY") | The Company provided investment management services to the general account of the recipient. In consideration for these services, the Company received fees equal to all expenses, direct and indirect, reasonably and equitably determined by the Company, in accordance with Regulation 33. | 2014 $1,077,035<br>2015 $ 0<br>2016 $ 0<br>2017 $ 0<br>2018 $ 0 |
| Investment Management Agreement | 01/01/2001 | The Company | General American Life Insurance Company[7] ("GALIC") | The Company provided investment management services to the general account of the recipient. In consideration for these services, the Company received fees equal to all expenses, direct and indirect, reasonably and equitably determined by the Company, in accordance with Regulation 33. | 2014 $10,155,907<br>2015 $10,574,009<br>2016 $ 0<br>2017 $ 0<br>2018 $ 0 |

| Type of Agreement and Department File Number | Effective Date | Provider(s) of Service(s) | Recipient(s) of Service(s) | Specific Service(s) Covered | Income/(Expense)* For Each Year of the Examination |
|---|---|---|---|---|---|
| Investment Management Agreement | 05/01/2001 | The Company | New England Life Insurance Company ("NELICO") | The Company provided investment management services to the general account of the recipient. In consideration for these services, the Company received fees equal to all expenses, direct and indirect, reasonably and equitably determined by the Company, in accordance with Regulation 33. | 2014 $2,276,181<br>2015 $2,243,716<br>2016 $2,397,492<br>2017 $ 0<br>2018 $ 0 |
| Master Service Agreement<br><br>File No. 30948 | 12/31/2002 | The Company | Various non-subsidiary affiliates | Certain common shared services, facilities and equipment are requested by the recipient as deemed necessary to its operations. | 2014 $1,274,262,996<br>2015 $1,384,211,097<br>2016 $1,133,317,675<br>2017 $1,108,550,707<br>2018 $ 844,444,069 |
| Service Agreement<br><br>File No. 30949 | 01/01/2003 | MetLife Group, Inc. | The Company | Personnel, on an as needed basis, qualified to perform common shared services. | 2014 $(1,985,468,010)<br>2015 $(1,977,171,348)<br>2016 $(1,980,682,900)<br>2017 $(2,132,574,881)<br>2018 $(1,362,860,229) |
| Investment Personnel Services Agreement<br><br>File No. 30769 | 01/01/2003 | MetLife Group, Inc. | The Company | Personnel, on an as needed basis, qualified to perform investment management services. | Expenses for this agreement are included within reported expenses for service agreement File No. 30949 |
| Service Agreement<br><br>File No. 40647 | 01/01/2007 Amended 11/01/2008 Amended 06/01/2009 Amended 03/31/2010 Amended 10/31/2010 Amended 02/01/2011 Amended 05/09/2011 | MetLife Services and Solutions, LLC ("MSS") | The Company | Specified services to be rendered and facilities and equipment to be provided. | 2014 $(49,495,937)<br>2015 $(40,158,646)<br>2016 $(31,243,532)<br>2017 $(48,866,663)<br>2018 $(45,294,632) |

| Type of Agreement and Department File Number | Effective Date | Provider(s) of Service(s) | Recipient(s) of Service(s) | Specific Service(s) Covered | Income/(Expense)* For Each Year of the Examination |
|---|---|---|---|---|---|
| Investment Services Agreement | 01/02/2007 | MetLife Latin America Asesorias e Inversiones Limitada ("MetLife Latin America") | The Company | MetLife Latin America agrees to provide certain investment advisory services to the Company. | 2014 $(2,821,418)<br>2015 $(8,030,279)<br>2016 $(9,759,700)<br>2017 $(7,178,107)<br>2018 $(2,029,626) |
| Investment Management Agreement | 01/02/2007 | MetLife Investments Asia Limited ("MetLife Asia") | The Company | MetLife Asia agrees to provide the Company with certain investment advisory services. | 2014 $ (117,628)<br>2015 $(12,929,976)<br>2016 $(12,723,508)<br>2017 $ (6,993,725)<br>2018 $ 0 |
| Principal Underwriting Agreement<br><br>File No. 37191 | 05/01/2007 | MetLife Investors Distribution Company ("MLIDC") | The Company | MLIDC acts as the principal underwriter for variable annuities and variable life insurance issued by the Company. MLIDC receives an amount equal to all expenses, direct and indirect, reasonably and equitably determined by MLIDC to be attributable to the underwriting and distribution services provided by MLIDC to the Company. | 2014 $(317,278,631)<br>2015 $(354,652,823)<br>2016 $(280,873,966)<br>2017 $(119,408,047)<br><br>Principal Underwriting Agreement File No. 37191 was superseded on 10/01/2018 by Principal Underwriting Agreement File No. 56547, of which includes 2018 expenses for both agreements. |
| Common Paymaster Agreement<br><br>File No. 38147 | 01/01/2008 | Brighthouse Life Insurance Company (as successor by merger to MetLife Investors USA Insurance Company) ("BLIC") | The Company | BLIC is responsible for the preparation and distribution of compensation payments to insurance producers utilized by the other affiliate insurance companies. | 2014 $(51,209,167)<br>2015 $(62,380,429)<br>2016 $(57,158,491)<br>2017 $(37,933,019)<br>2018 $ (4,635,588) |
| Service Agreement<br><br>File No. 40927 | 10/01/2008 | The Company | MLIDC | The Company provides certain personal, shareholder and account maintenance services to MLIDC, and MLIDC pays to the Company an amount equal to certain Rule 12b-1 fees received by MLIDC from the funds underlying the variable contracts or policies issued by the Company. | 2014 $126,976,588<br>2015 $120,781,203<br>2016 $ 93,858,201<br>2017 $ 28,727,843<br>2018 $ 2,213,857 |

| Type of Agreement and Department File Number | Effective Date | Provider(s) of Service(s) | Recipient(s) of Service(s) | Specific Service(s) Covered | Income/(Expense)* For Each Year of the Examination |
|---|---|---|---|---|---|
| Investment Management Agreement | 12/08/2009 | The Company | OMI MLIC Investments Limited ("OMI") | The Company agrees to provide OMI with certain investment management and administrative services to OMI. | 2014 $5,361,213<br>2015 $5,267,318<br>2016 $6,466,846<br>2017 $5,373,829<br>2018 $1,111,023 |
| Marketing Agreement<br><br>File No. 42858 | 01/01/2010 | The Company | BLICNY | The Company agreed to distribute certain fixed life products issued by BLICNY. | 2014 $30,948,908<br>2015 $ 257,100<br>2016 $ 0<br>2017 $ 0<br>2018 $ 0 |
| Marketing Agreement | 01/01/2010 | The Company | GALIC | The Company agreed to distribute certain fixed contracts issued by General American Life Insurance Company. | 2014 $460,946<br>2015 $346,199<br>2016 $668,813<br>2017 $410,094<br><br>Expenses for 2018 for this agreement are included within expenses reported for Marketing Agreement File No. 44515 |
| Marketing Agreement<br><br>File No. 42861 | 01/01/2010 | The Company | BLIC | The Company agreed to distribute certain fixed insurance policies issued by BLIC. | 2014 $131,326,498<br>2015 $174,072,505<br>2016 $107,118,239<br>2017 $ 15,690,719<br>2018 $ 7,503,507 |
| Marketing and Servicing Agreement | 01/01/2010 | The Company | NELICO | The Company agreed to distribute certain fixed insurance policies issued by NELICO. | 2014 $ 0<br>2015 $ 0<br>2016 $764,383<br>2017 $571,455<br>2018 $341,623 |
| Marketing and Servicing Agreement | 01/01/2010 | NELICO | The Company | NELICO agreed to distribute certain fixed insurance policies issued by the Company. | 2014 $(6,687,597)<br>2015 $ (571,832)<br>2016 $(1,403,203)<br>2017 $ 0<br>2018 $ 0 |
| Marketing Agreement<br><br>File No. 44515 | 01/01/2011 | The Company | Metropolitan Tower Life Insurance Company ("MTL") | The Company agreed to distribute certain fixed life insurance products issued by MTL. | 2014 $1,127,974<br>2015 $1,189,465<br>2016 $1,089,889<br>2017 $1,050,942<br>2018 $1,329,784 |

| Type of Agreement and Department File Number | Effective Date | Provider(s) of Service(s) | Recipient(s) of Service(s) | Specific Service(s) Covered | Income/(Expense)* For Each Year of the Examination |
|---|---|---|---|---|---|
| Services Agreement<br><br>File No. 47905 | 11/01/2013 | The Company | MetLife Securities, Inc. ("MSI") | The Company agreed to provide certain personnel, shareholder and account maintenance services to MSI, and MSI agreed to pay to the Company an amount equal to (1) compensation paid directly to MSI by the third party mutual fund companies, and (2) compensation received by FASCore, LLC on behalf of MSI. | 2014 $14,503,648<br>2015 $11,380,023<br><br>MSI was sold to a third party in 2016 at which point it ceased to be an affiliate, thus there is no income from this agreement from 2016 through 2018. |
| Marketing and Servicing Agreement<br><br>File No. 49480 | 01/01/2015 | The Company | MetLife Digital Ventures, Inc. (formerly known as Enterprise General Agency, Inc. ("EGA")) | The Company sold and serviced insurance products issued by third-party insurance companies. In consideration of services provided by the Company, EGA pays the Company an amount equal to the total revenue received by the EGA for the sale of the third-party insurance products less the expenses incurred by the EGA in connection with the offering of such products. | 2014 $12,121,447<br>2015 $11,341,519<br>2016 $ 5,935,375<br>2017 $ 0<br>2018 $ 0 |
| Administrative Services Agreement<br><br>File No. 54886 | 08/04/2017 | The Company | Brighthouse Investment Advisers, LLC (former known as MetLife Advisers, LLC) ("Brighthouse Advisers") | The Company provides certain personal, shareholder and account maintenance services on behalf of Brighthouse Advisers, and Brighthouse Advisers pays the Company for such service fees based on a computation formula relating to Brighthouse Advisers income or loss attributable to each fund | 2017 $104,310,925<br>2018 $ 62,454,554 |
| Master Services and Facilities Agreement<br><br>File No. 55316 | 01/01/2018 | MSS | The Company | MSS provides the Company, on an interim basis, access to certain shared facilities, services performed by third party vendors and the use of certain intellectual property. | 2018 $(79,283,368) |
| Investment Management Agreement<br><br>File No. 54910 | 04/01/2018 | MetLife Investment Advisors, LLC ("MLIA") | The Company | Under this agreement, MLIA provides certain investment and portfolio management services to the Company. | 2018 $(262,695,863) |

| Type of Agreement and Department File Number | Effective Date | Provider(s) of Service(s) | Recipient(s) of Service(s) | Specific Service(s) Covered | Income/(Expense)* For Each Year of the Examination |
|---|---|---|---|---|---|
| Principal Underwriting Agreement<br><br>File No. 56547 | 10/01/2018 | MLIDC | The Company | MLIDC serves as a distributor and principal underwriter for certain insurance products issues by the Company. | 2018 $(90,977,275) |
| Master Services and Facilities Agreement<br><br>File No. 55552 | 10/01/2018 | MSS | The Company | Services rendered and facilities and equipment provided to the Company, as deemed necessary to its operations. | 2018 $(628,142,288) |

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven and not more than 30 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2018, the board of directors consisted of 12 members. Regular meetings of the board, in addition to the annual meeting, are held at such times and places, either within or without New York, as may be fixed from time to time by resolution of the board.

The 12 board members and their principal business affiliation, as of December 31, 2018, were as follows:

| Name and Residence | Principal Business Affiliation | Year First Elected |
|---|---|---|
| Cheryl W. Grise*<br>Branford, Connecticut | Retired Executive Vice President<br>Northeast Utilities Group | 2004 |
| Carlos M. Gutierrez*<br>Washington, District of Columbia | Co-Chairman<br>Albright Stonebridge Group | 2013 |
| Gerald L. Hassell*<br>Jupiter, Florida | Retired Chairman of the Board and Chief Executive Officer<br>Bank of New York Mellon | 2018 |
| David L. Herzog*<br>St. Albans, Missouri | Former Chief Financial Officer and Executive Vice President<br>American International Group | 2016 |

| Name and Residence | Principal Business Affiliation | Year First Elected |
|---|---|---|
| R. Glenn Hubbard*<br>New York, New York | Dean and Russell L. Carlson Professor of Finance and Economics, Graduate School of Business<br>Columbia University | 2007 |
| Steven A. Kandarian<br>Summit, New Jersey | Chairman, President and Chief Executive Officer<br>Metropolitan Life Insurance Company | 2011 |
| Edward J. Kelly, III*<br>Charlottesville, Virginia | Former Chairman, Institutional Clients Group<br>Citigroup Inc. | 2015 |
| William E. Kennard*<br>Dover, Delaware | Co-Founder and Non-Executive Chairman<br>Velocitas Partners, LLC | 2013 |
| James M. Kilts*<br>Greenwich, Connecticut | Founding Partner<br>Centerview Capital | 2005 |
| Catherine R. Kinney*<br>New York, New York | Retired President and Co-Chief Operating Officer<br>New York Stock Exchange, Inc. | 2009 |
| Diana L. McKenzie*<br>Alamo, California | Chief Information Officer<br>Workday, Inc. | 2018 |
| Denise M. Morrison*<br>Marco Island, Florida | Former President and Chief Executive Officer<br>Campbell Soup Company | 2014 |

*Not affiliated with the Company or any other company in the holding company system

On April 30, 2019, Steven A. Kandarian retired from the board and was replaced by Michel A. Khalaf on May 1, 2019. R. Glenn Hubbard was elected Chairman, replacing Steven A. Kandarian, effective May 1, 2019. On August 21, 2019, Mark A. Weinberger, formerly Global Chairman and Chief Executive Officer of EY was elected to the board of directors.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of the meetings.

The following is a listing of the principal officers of the Company as of December 31, 2018:

| Name | Title |
|---|---|
| Steven A. Kandarian | Chairman of the Board, President and Chief Executive Officer |
| Michel A. Khalaf | President of U.S. Business and Europe/Middle East/Africa |
| Kishore Ponnavolu | President of the Asia Region |
| Oscar A. Schmidt | President of Latin America |
| Stephen W. Gauster | Executive Vice President and General Counsel |
| Stephen J. Goulart | Executive Vice President and Chief Investment Officer |
| Esther S. Lee | Executive Vice President, Global Chief Marketing Officer |
| Martin J. Lippert | Executive Vice President and Head of Global Technology and Operations |
| John D. McCallion | Executive Vice President and Chief Financial Officer |
| William C. O’Donnell | Executive Vice President and Chief Accounting Officer |
| Susan M. Podlogar | Executive Vice President and Chief Human Resources Officer |
| Ramy Tadros | Executive Vice President and Chief Risk Officer |

Steve Kohler, Esq., Lead Compliance Analyst, Corporate Customer Relations is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).

On March 4, 2019, Tamara L. Schock replaced William C. O’Donnell as Executive Vice President and Chief Accounting Officer.

Effective May 1, 2019, Michel A. Khalaf was appointed President and Chief Executive Officer of MetLife, replacing Steven A. Kandarian; Marlene B. Debel replaced Ramy Tadros as Executive Vice President and Chief Risk Officer; and Ramy Tadros replaced Michel A. Khalaf as President of U.S. Business.

Bill Pappas was appointed to succeed Martin J. Lippert as Executive Vice President and Head of Global Technology and Operations.

F. Books and Records

Section 325(a) of the New York Insurance Law states, in part:

> "Every domestic insurer and every licensed United States branch of an alien insurer entered through this state shall, except as hereinafter provided, keep and maintain at its principal office in this state its charter and by-laws (in the case of a United States branch a copy thereof) and its books of account, and if a domestic stock corporation a record containing the names and addresses of its shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof, and if a domestic corporation the minutes of any meetings of its shareholders, policyholders, board of directors and committees thereof . . . . "

The physical inspection of the Company's books and records at its home office located at 200 Park Avenue, New York, New York revealed that the Company did not maintain complete copies of the Company's committees and board minutes and materials. Some minutes were available in hardcopy format while the rest of the minutes and materials were maintained in electronic format stored on a server located outside the state of New York.

The physical inspection of the Company's books and records also revealed that the Company did not maintain its general ledger, trial balance, transaction registers, subsidiary ledger transaction detail (investment, claims, and other records), cash books, and detailed workpapers supporting the annual and quarterly statements in a durable medium in the State of New York.

The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office.

## 4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all 50 states, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, the Northern Mariana Islands and Canada. Policies are written on a participating and non-participating basis.

The following tables show the percentage of direct premiums received by state, and by major lines of business, for the year 2018:

| Life Insurance Premiums | |
|---|---|
| New York | 14.3% |
| California | 9.8 |
| Texas | 8.1 |
| Michigan | 5.7 |
| Florida | 4.8 |
| Subtotal | 42.7% |
| All others | 57.3 |
| Total | 100.0% |

| Annuity Considerations | |
|---|---|
| Tennessee | 12.2% |
| California | 10.7 |
| Florida | 7.7 |
| Texas | 6.0 |
| New York | 4.8 |
| Subtotal | 41.4% |
| All others | 58.6 |
| Total | 100.0% |

| Accident and Health Insurance Premiums | |
|---|---|
| California | 10.9% |
| Texas | 9.4 |
| New York | 8.7 |
| Florida | 6.7 |
| Illinois | 5.3 |
| Subtotal | 41.0% |
| All others | 59.0 |
| Total | 100.0% |

| Deposit Type Funds | |
|---|---|
| Delaware | 60.5% |
| New York | 37.8 |
| District of Columbia | 1.3 |
| Pennsylvania | 0.4 |
| Subtotal | 100.0% |
| All others | 0.0 |
| Total | 100.0% |

A. Statutory and Special Deposits

As of December 31, 2018, the Company had $4,520,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. Per confirmations received from the states and territories which were reported in Schedule E of the 2018 filed annual statement, an additional $8,451,127 was being held by the states of Arkansas, Georgia, Nevada, New Mexico, North Carolina, Ohio, the Commonwealths of Massachusetts and Virginia and the territories of Guam, Puerto Rico and the Virgin Islands. Per confirmation received from Canada, which was also reported in Schedule E of the 2018 filed annual statement, common stocks, fixed income securities, cash and cash equivalents with adjusted carrying book value in the amount of $100,580,828 were being held at RBC Investor Services in compliance with Sections 582(1) and 611 of the Canadian Insurance Companies Act.

B. Direct Operations

The Company offers a wide variety of individual and group products on a participating and nonparticipating basis. Individual products offered by the Company include traditional whole and term life, universal and variable universal life, disability, as well as qualified and non-qualified variable and fixed annuities. The markets targeted for individual insurance include the middle-income, affluent and business owner markets.

Group products offered by the Company include group life (including term, universal and variable universal life), group accidental death and dismemberment, group and individual disability, group and individual dental, group vision, group critical illness, group accident, and group hospital indemnity). The markets targeted for group insurance include small, medium, and large employers, either as an integrated employee benefits package or as a stand-alone product offering.

Retirement and savings products offered by the Company include administrative services to sponsors of 401(k) and other defined contribution plans, and guaranteed interest products. The markets targeted for retirement and savings products include the small and midsize group markets. The Company offers a variety of guaranteed interest contracts and funding arrangements for qualified retirement and savings plans.

Prior to the sale of the Company's career agency force to MassMutual on July 1, 2016, the Company's sales operations were conducted through its career agency force, independent agents, financial institutions, affiliated broker/dealers, third party marketing organizations, including direct marketing efforts, affinity groups, and joint ventures. Major group products are sold primarily through the Company's Account Executives and other associates responsible for the sale of these products. The primary distribution channels for group health and welfare products, and group annuity products are brokers and consultants. The individual business distribution channels offer disability income.

C. Reinsurance

As of December 31, 2018, the Company had reinsurance treaties in effect with 43 non-affiliated companies, of which 27 were authorized or accredited, and with five affiliated companies, of which one was authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance, modified coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and or facultative basis.

The Company assumes 90% of the fixed annuities issued by several affiliates. On a case-by-case basis, the Company may retain up to $20 million per life and reinsure 100% of the amount in excess of the retention limits. The total face amount of life insurance ceded as of December 31, 2018 was $2,577,220,280,340, which represents 61.5% of the total face amount of life insurance in force. Reserve credit taken and other debits for reinsurance ceded to unauthorized companies, totaling $4,329,666,463 was supported by letters of credit, trust agreements, funds withheld, and/or other credits.

The total face amount of life insurance assumed as of December 31, 2018 was $454,261,889,327.

Effective January 1, 2014, MetLife Insurance Company of Connecticut and the Company entered into a Reinsurance Agreement whereby MICC ceded to the Company, on a modified coinsurance basis, all existing New York insurance policies and annuity contracts that include a separate account feature.

Effective April 1, 2015, the Company entered a catastrophic reinsurance agreement with MetLife Europe d.a.c. ("MetLife Europe") whereby the Company provides catastrophic protection of $1,575 million in excess of $225 million to MetLife Europe for exposures on specific clients in concentrated areas of London, United Kingdom. Effective April 1, 2016, this agreement was amended to (i) renew the coverage for an additional 14-month term, and (ii) increase the Company's coverage limit from $1,575 million to $2,575 million. Effective June 1, 2017, this agreement was amended and restated to include catastrophic coverage on lower layers for MetLife Europe's branches in France, Portugal and the United Kingdom ("UK"). The amended and restated agreement provides catastrophic protection of $50 million in excess of $25 million for France and Portugal and $2,775 million in excess of $25 million for UK.

Effective January 2, 2016, the Company entered into four reinsurance agreements to cede its liabilities under group non-participating term life insurance policies, including the liabilities it assumes from Servicemen's Group Life Insurance Plan. The reinsurers, Canada Life Assurance Company, New Reinsurance Company Limited, Nomura America USA Re Limited, and RGA Reinsurance Company (Barbados) Limited, assume 30%, 25%, 20% and 15%, respectively, and the Company retains 10% of its liabilities.

Effective May 1, 2017, the Company entered into a quota share reinsurance agreement with The TOA Reinsurance Company Limited to cede 90% of certain group voluntary accidental death and disability policies issued to Bank of America's US employees and their families.

Effective June 1, 2017, the Company entered into a catastrophic reinsurance agreement with MetLife Reinsurance Company of Bermuda ("MRB") whereby the Company provides catastrophic protection of $150 million in excess of $75 million for exposures in the UK and Middle East that MRB assumes under separate reinsurance agreements.

Effective February 1, 2004, FMLI ceded, on a coinsurance basis, a quota share of risks associated with certain term polices and associated riders, to the Company. Pursuant to a commutation agreement dated November 30, 2016 between the Company and FMLI, FMLI recaptured from the Company, effective May 1, 2017, all of the risks ceded under the agreement.

Effective February 1, 2004, MetLife Investors USA Insurance Company ("MLI-USA") ceded, on a coinsurance basis, a quota share of risks associated with certain term polices and associated riders, to the Company. MetLife Insurance Company USA ("MLUSA") assumed all the liabilities, duties and obligations of MLI-USA under the coinsurance agreement upon the merger of MLI-USA with and into MLUSA effective as of November 14, 2014. Pursuant to a commutation agreement dated November 30, 2016 between the Company and MLUSA, MLUSA recaptured from the Company, effective May 1, 2017, all of the risks ceded under the agreement.

Effective July 1, 2004, FMLI ceded, on a yearly renewable term ("YRT") basis, a quota share of risks associated with certain single life policies and associated riders, to the Company. Pursuant to a commutation agreement dated November 30, 2016 between the Company and FMLI, FMLI recaptured from the Company, effective May 1, 2017, all of the risks ceded under the agreement.

Effective July 1, 2004, MLI-USA ceded, on a YRT basis, a quota share of risks associated with certain single life policies and associated riders, to the Company. MLUSA assumed all the liabilities, duties and obligations of MLI-USA under the YRT agreement upon the merger of MLI-USA with and into MLUSA effective as of November 14, 2014. Pursuant to a commutation agreement dated November 30, 2016 between the Company and MLUSA, MLUSA recaptured from the Company, effective May 1, 2017, all of the risks ceded under the agreement.

Effective July 1, 2008, MLUSA ceded, on a YRT basis, a quota share of risks associated with certain single and joint life polices and associated riders, to the Company. Pursuant to a commutation agreement dated November 30, 2016 between the Company and MLUSA, MLUSA recaptured from the Company, effective May 1, 2017, all of the risks ceded under the agreement.

Effective October 25, 2010, FMLI and MLI-USA ceded, on a YRT basis, a quota share of risks associated with certain single life policies and associated riders, to the Company. MLUSA assumed all the liabilities, duties and obligations of MLI-USA under the YRT agreement upon the merger of MLI-USA with and into MLUSA effective as of November 14, 2014. Pursuant to a commutation agreement dated November 30, 2016 between the Company, MLUSA and FMLI, MLUSA and FMLI recaptured from the Company, effective May 1, 2017, all of the risks ceded under the agreement.

Effective December 9, 2013, MLI-USA ceded, on a YRT basis, a quota share of risks associated with certain single life policies and associated riders, to the Company. MLUSA assumed all the liabilities, duties and obligations of MLI-USA under the YRT agreement upon the merger of MLI-USA with and into MLUSA effective as of November 14, 2014. Pursuant to a commutation agreement dated November 30, 2016 between the Company and MLUSA, MLUSA recaptured from the Company, effective May 1, 2017, all of the risks ceded under the agreement.

## 5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

| | December 31, 2013 | December 31, 2018 | Increase (Decrease) |
|---|---|---|---|
| Admitted assets | $373,393,185,656 | $378,079,610,239 | $ 4,686,424,583 |
| Liabilities | $360,965,089,494 | $366,981,530,502 | $ 6,016,441,008 |
| Common capital stock | $ 4,944,667 | $ 4,944,667 | $ 0 |
| Surplus notes | 1,705,000,000 | 1,100,000,000 | (605,000,000) |
| Gross paid in and contributed surplus | 5,786,106,131 | 5,786,106,131 | 0 |
| Unassigned funds (surplus) | 4,932,045,364 | 4,207,028,939 | (725,016,425) |
| Total capital and surplus | $ 12,428,096,162 | $11,098,079,737 | $(1,330,016,425) |
| Total liabilities, capital and surplus | $373,393,185,656 | $378,079,610,239 | $ 4,686,424,583 |

The increase in admitted assets was attributable to an increase in general account assets due to increases in invested assets, partially offset by a decrease in separate account assets. The decrease in separate account assets was primarily driven by a shift from separate account backed guaranteed interest contracts ("GIC") to trust backed GICs.

The increase in liabilities was primarily due to an increase in the liability for deposit-type contracts resulting from an increase in the program size on funding agreement-backed commercial paper. Partially offsetting this increase was a decrease in separate account liabilities primarily driven by a shift from separate account backed GICs to trust backed GICs.

The Company's invested assets as of December 31, 2018, exclusive of separate accounts, were mainly comprised of bonds (59.9%), mortgage loans (23.6%) and other invested assets (7.3%).

The majority (92.1%) of the Company's bond portfolio, as of December 31, 2018, was comprised of investment grade obligations.

On September 29, 2014, the Company repaid a surplus note in cash at maturity in the amount of $217,000,000. On November 1, 2015, and November 8, 2015, with the approval of the Department, the Company repaid surplus notes in the amounts of $200,000,000 and $188,000,000, respectively.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

| | Individual Whole Life | | Individual Term | | Group Life | |
|---|---|---|---|---|---|---|
| Year | Issued | In Force | Issued | In Force | Issued & Increases | In Force |
| 2014 | $5,277,263 | $274,799,066 | $26,753,805 | $468,846,811 | $188,199,812 | $1,907,074,117 |
| 2015 | $3,438,390 | $267,869,688 | $17,531,644 | $462,901,594 | $142,602,633 | $2,003,152,735 |
| 2016 | $2,225,283 | $259,395,523 | $ 7,628,062 | $445,558,579 | $133,302,362 | $2,089,705,742 |
| 2017 | $ 867,931 | $224,683,662 | $ 998,166 | $200,560,253 | $246,378,873 | $2,438,153,623 |
| 2018 | $ 205,645 | $215,073,631 | $ 512 | $186,902,452 | $ 31,611,893 | $2,779,724,494 |

The decrease in individual whole life and term issued between 2014 and 2018 was primarily due to a decreasing focus on sales ahead of the BHF separation and the Company no longer selling individual life insurance post-separation.

The decrease in individual term in force between 2016 and 2018 was primarily due to the recapture of a yearly renewable term reinsurance treaty the Company previously assumed.

The decrease in group life issued between 2014 and 2015 and between 2017 to 2018 was primarily due to jumbo cases issued in 2014 and 2017, respectively, causing 2015 and 2018, respectively, to be lower in volume issued and 2014 and 2017 higher in volume issued.

The following has been extracted from the exhibits of annuities in the filed annual statements for each of the years under review:

Ordinary Annuities

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Outstanding, end of previous year | 855,785 | 925,997 | 886,832 | 777,981 | 673,155 |
| Issued during the year | 126,910 | 122,694 | 12,256 | 667 | 1,442 |
| Other net changes during the year | (56,698) | (161,859) | (121,107) | (105,493) | (67,468) |
| Outstanding, end of current year | 925,997 | 886,832 | 777,981 | 673,155 | 607,129 |

The decrease in ordinary annuities issued in 2016 as compared to 2015, and 2017 as compared to 2016, was primarily due to various products with sales discontinued in anticipation of the separation of the retail business. The increase in 2018 was primarily due to isolated sales situations, such as spousal continuations. The decrease in ordinary annuities other net changes in 2015 compared to 2014 was primarily due to reinsurance change impacts for deferred annuities and the separation of the retail business, including immediate annuities. The increase in 2016 compared to 2015 was primarily due to three treaties recaptured in anticipation of the separation of the retail business. The decrease in 2018 compared to 2017 was primarily due to immediate annuities being in run-off status.

Group Annuities

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Outstanding, end of previous year | 4,672 | 4,575 | 4,443 | 4,317 | 3,944 |
| Issued during the year | 64 | 45 | 43 | 45 | 41 |
| Other net changes during the year | (161) | (177) | (169) | (418) | (117) |
| Outstanding, end of current year | 4,575 | 4,443 | 4,317 | 3,944 | 3,868 |

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

| | Ordinary | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Outstanding, end of previous year | 448,975 | 437,911 | 429,161 | 419,745 | 404,208 |
| Issued during the year | 12,971 | 12,515 | 11,147 | 12,663 | 13,111 |
| Other net changes during the year | (24,035) | (21,265) | (20,563) | (28,200) | (29,457) |
| Outstanding, end of current year | 437,911 | 429,161 | 419,745 | 404,208 | 387,862 |

The decrease in ordinary accident and health insurance other net changes in 2017 compared to 2016 was primarily due to the Company stoppage of selling the majority of its retail individual disability business at the end of 2016.

| | Group | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Outstanding, end of previous year | 21,001,274 | 24,179,172 | 25,917,053 | 27,199,065 | 27,157,523 |
| Issued during the year | 3,634,443 | 3,704,068 | 5,697,804 | 6,674,656 | 2,372,946 |
| Other net changes during the year | (456,545) | (1,966,187) | (4,415,792) | (6,716,198) | (119,001) |
| Outstanding, end of current year | 24,179,172 | 25,917,053 | 27,199,065 | 27,157,523 | 29,411,468 |

The increase in group accident and health insurance issued in 2016 compared to 2015 was primarily due to jumbo cases issued.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Ordinary: | | | | | |
| Life insurance | $ 423,804,749 | $1,216,685,470 | $ 672,740,653 | $ 702,379,753 | $ 730,527,585 |
| Individual annuities | (34,793,693) | 604,530,903 | 502,495,167 | 1,008,472,798 | 379,192,905 |
| Supplementary contracts | 177,513,137 | 77,646,330 | 154,396,692 | 163,230,947 | 299,018,126 |
| Total ordinary | $ 566,524,193 | $1,898,862,703 | $1,329,632,511 | $1,874,083,498 | $1,408,738,616 |
| Industrial life | $ (18,753,470) | $ 19,287,009 | $ 15,007,010 | $ 17,861,070 | $ 19,330,946 |
| Credit life | $ 0 | $ 0 | $ 0 | $ 3,349 | $ 6,465 |
| Group: | | | | | |
| Life insurance | $ 60,878,546 | $ 112,101,365 | $ 170,818,346 | $ 298,658,202 | $ 377,338,510 |
| Annuities | 904,397,102 | 741,771,322 | 782,700,983 | 684,988,700 | 1,505,264,197 |
| Total group | $ 965,275,648 | $ 853,872,687 | $ 953,519,329 | $ 983,646,902 | $1,882,602,707 |
| Accident and health: | | | | | |
| Group | $ (81,549,891) | $ 932,079,882 | $ 288,312,440 | $ 131,878,616 | $ 467,545,149 |
| Other | 51,165,017 | 39,929,732 | 136,009,497 | 67,004,656 | 151,228,165 |
| Total accident and health | $ (30,384,874) | $ 972,009,614 | $ 424,321,937 | $ 198,883,272 | $ 618,773,314 |
| All other lines | $ 7,053,685 | $ 9,500,344 | $ 1,088,873 | $ 1,054,469 | $ 14,076,070 |
| Total | $1,489,715,182 | $3,753,532,357 | $2,723,569,660 | $3,075,532,560 | $3,943,528,118 |

The increase in ordinary life insurance in 2015 compared to 2014 was primarily due to favorable reinsurance activity and, higher net investment income, partially offset by the favorable reserve impacts in the prior year. The decrease in 2016 compared to 2015 was primarily due to lower net investment income and a fixed asset impairment, partially offset by favorable underwriting results and favorable reinsurance activity.

The increase in ordinary individual annuities in 2015 compared to 2014 was primarily due to favorable reinsurance activity, current reversal, and prior year impact of the provision of reserves related to the results of ordinary annuities cash flow testing, and higher net investment income, partially offset by an increase in rider related reserves. The increase in 2017 compared to 2016 was primarily due to the positive impact of reinsurance recaptures, an increase in variable annuity rider and Separate Account fees, coupled with the impact of lower expenses and lower commissions, partially offset by lower net investment income. The decrease in 2018 compared to 2017 was primarily due to unfavorable reinsurance activity, unfavorable annuity reserves, partially offset by favorable underwriting results and an increase in net investment income primarily due to a dividend received from a subsidiary.

The decrease in ordinary supplementary contracts in 2015 and the increase in 2016 were primarily due to an increase in tax expense primarily as a result of the recognition of tax uncertainties related to the U.S. tax treatment of taxes paid by a wholly owned UK investment subsidiary of the Company. The increase in ordinary supplementary contracts in 2016 compared to 2015 was primarily due to the previous year's increase in taxes explained above, partially offset by lower utilization of tax credits by the Company. The increase in 2018 was primarily due to an increase in net investment income.

The increase in credit life in 2017 compared to 2016 was primarily due to the effects of the Company starting to assume credit life from an affiliate in 2017. The increase in 2018 was primarily due to a decrease in reserves.

The increase in industrial life in 2015 compared to 2014 was primarily due to an increase in reserve adjustments on reinsurance ceded, higher miscellaneous income, partially offset by a lower decrease in reserves. The decrease in 2016 compared to 2015 was primarily due to an increase in reserve adjustments on reinsurance ceded, lower general insurance expenses more than offset by lower premiums, decrease in net investment income, a lower decrease in reserves and a higher Federal income tax expense.

The increase in group life insurance in 2015 compared to 2014 was primarily due to improved mortality in group term life and group universal life, and favorable reinsurance impacts. The increase in 2016 compared to 2015 was primarily, higher net investment income on currency and interest rate derivatives and lower operating expenses partially offset by unfavorable reinsurance impacts. The increase in 2017 compared to 2016 was primarily due to favorable reinsurance impacts and favorable underwriting results, partially offset by an increase in expenses driven by business growth, and lower net investment income. The increase in 2018 compared to 2017 was primarily due to the impact of business growth, favorable mortality, the impact of the release of a group term life deficiency reserve, increased net investment income, partially offset by higher general expenses and higher commissions driven by business growth.

The decrease in group annuities in 2015 compared to 2014 was primarily due to an increase in Federal income tax expense and the impact of 2014 refinements on certain insurance liabilities partially offset by an increase in net investment. The increase in 2018 compared to 2017 was primarily due to an increase in net investment income and favorable underwriting results, partially offset by a large pension risk transfer impact.

The increase in group accident and health insurance in 2015 compared to 2014 was primarily due to the net impact of long-term care reserve strengthening release in 2015, and favorable underwriting results, partially offset by higher operating expenses and commissions driven by growth in the business, coupled with an increase in the annual assessment under the Affordable Care Act (“ACA”). The decrease in 2016 compared to 2015 was primarily due to the net unfavorable impact of the 2015 release of long-term care reserve strengthening, as well as increases in commissions and general expenses driven by growth in the business. The decrease in 2017 compared to 2016 was primarily due to an increase in Federal income tax, unfavorable claims experience and higher benefit payments in the group long term care business, lower net income and increases in commissions, partially offset by favorable underwriting and lower insurance taxes, licenses and fees primarily due to the abatement of the ACA fee. The increase in 2018 compared to 2017 was primarily due to favorable underwriting results, driven by favorable morbidity in disability and accident and health businesses, as well as net investment income, partially offset by the reinstatement of the ACA annual fee, and an increase in commissions and general expenses driven by business growth.

The decrease in accident and health-other insurance in 2015 compared to 2014 was primarily due to an increase in Federal income tax partially offset by higher investment income. The increase in 2016 compared to 2015 was primarily due to favorable claims experience results in individual disability, critical illness and accident and hospital, coupled with favorable results in long-term care primarily driven by the impact of rate actions on premiums, as well as lapse rates. The decrease in 2017 compared to 2016 was primarily due to unfavorable claims experience and higher benefit payments in both the long-term care and individual disability businesses, partially offset by lower commissions and general expenses primarily due to the prior year discontinuance of sales in the individual disability business. The increase in 2018 compared to 2017 was primarily due to favorable refinements to reserves for long-term care, partially offset by unfavorable individual disability underwriting results.

The increase in all other lines in 2015 compared to 2014 was primarily due to lower insurance expenses. The decrease in 2016 compared to 2015 was primarily due to higher insurance expenses. The increase in 2018 compared to 2017 was primarily due to higher net investment income and lower insurance expenses.

## 6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2018, as contained in the Company's 2018 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2018, filed annual statement.

### A. Independent Accountants

Deloitte was retained by the Company to audit the Company's statutory basis statements of financial position as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

Deloitte concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

| | |
|---|---|
| Bonds | $143,473,588,205 |
| Preferred stocks | 433,505,482 |
| Common stocks | 1,829,430,914 |
| Mortgage loans – First liens | 56,110,021,960 |
| Mortgage loans – Other than first liens | 330,212,951 |
| Real estate – Properties occupied by the company | 60,020,256 |
| Real estate – Properties held for the production of income | 1,224,757,991 |
| Cash, cash equivalents and short term investments | 7,735,518,224 |
| Contract loans | 6,060,723,525 |
| Derivatives | 4,989,258,562 |
| Other invested assets | 17,175,832,005 |
| Receivables for securities | 22,156,737 |
| Cash collateral pledged on derivatives | 207,424,135 |
| Receivables for investments other than securities | 89,556,877 |
| Investment income due and accrued | 3,720,490,211 |
| Premiums and considerations: | |
| Uncollected premiums and agents' balances in the course of collection | 2,397,034,519 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 210,658,928 |
| Reinsurance: | |
| Amounts recoverable from reinsurers | 1,372,334,375 |
| Funds held by or deposited with reinsured companies | 5,229,447 |
| Other amounts receivable under reinsurance contracts | 766,370,601 |
| Amounts receivable relating to uninsured plans | 7,441,343 |
| Net deferred tax asset | 1,438,444,394 |
| Guaranty funds receivable or on deposit | 84,628,893 |
| Electronic data processing equipment and software | 70,006,054 |
| Receivables from parent, subsidiaries and affiliates | 36,636,392 |
| Value of company owned life insurance | 2,617,896,802 |
| Miscellaneous | 241,680,787 |
| Advance ceded premiums | 45,778,945 |
| Administrative service fees due and accrued | 21,791,844 |
| From Separate Accounts | 125,301,178,880 |
| Total admitted assets | $378,079,610,239 |

C. Liabilities, Capital and Surplus

| | |
|---|---|
| Aggregate reserve for life contracts | $106,515,073,534 |
| Aggregate reserve for accident and health contracts | 22,484,557,046 |
| Liability for deposit-type contracts | 62,654,466,895 |
| Contract claims: | |
| Life | 2,990,053,701 |
| Accident and health | 457,634,333 |
| Policyholders' dividends and coupons due and unpaid | (275,857,951) |
| Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts | |
| Dividends apportioned for payment | 765,791,201 |
| Premiums and annuity considerations for life and accident and health contracts received in advance | 285,846,835 |
| Contract liabilities not included elsewhere: | |
| Provisions for experience rating refunds | 64,962,486 |
| Other amounts payable on reinsurance including assumed and ceded | 2,489,130,253 |
| Interest maintenance reserve | 414,343,791 |
| Commissions to agents due or accrued | 58,891,781 |
| Commissions and expense allowances payable on reinsurance assumed | 7,312,144 |
| General expenses due or accrued | 104,661,752 |
| Transfers to Separate Accounts due or accrued | (399,878,890) |
| Taxes, licenses and fees due or accrued | 4,348,949 |
| Current federal and foreign income taxes | 775,331,272 |
| Unearned investment income | 23,565,398 |
| Amounts withheld or retained by company as agent or trustee | 251,274,237 |
| Amounts held for agents' account, including agents' credit balances | 36,639,660 |
| Remittances and items not allocated | 53,796,784 |
| Net adjustment in assets and liabilities due to foreign exchange rates | 25,446,952 |
| Liability for benefits for employees and agents if not included above | 1,198,971,856 |
| Miscellaneous liabilities: | |
| Asset valuation reserve | 2,641,014,875 |
| Reinsurance in unauthorized and certified companies | 15,325,557 |
| Funds held under reinsurance treaties with unauthorized and certified Reinsurers | 689,967,692 |
| Payable to parent, subsidiaries and affiliates | 222,189,275 |
| Funds held under coinsurance | 11,159,746,448 |
| Derivatives | 2,360,584,614 |
| Payable for securities | 375,927,198 |
| Payable for securities lending | 13,357,789,483 |
| Cash collateral received on derivatives | 4,467,226,972 |
| Amounts held for deferred benefits | 1,256,385,998 |
| Miscellaneous | 1,146,961,590 |
| Repurchase agreement liability | 1,001,010,958 |
| FEGLI contingency reserve | 868,043,100 |
| Legal contingency reserve | 652,788,261 |
| SGLI contingency reserve | 343,490,478 |
| Funding obligation for joint ventures | 123,921,441 |
| Interest payable on group annuity pensions | 87,219,302 |
| Liability for real estate capital improvements | 11,151,061 |

| | |
|---|---|
| FEGLI conversion pool funds | 7,857,978 |
| Postretirement benefit liability | 6,824,417 |
| Aviation reinsurance liability | 3,972,000 |
| From Separate Accounts statement | 125,195,767,785 |
| Total liabilities | $366,981,530,502 |
| Common capital stock | $ 4,944,667 |
| Surplus notes | 1,100,000,000 |
| Gross paid in and contributed surplus | 5,786,106,131 |
| Unassigned funds (surplus) | 4,207,028,939 |
| Surplus | 11,093,135,070 |
| Total capital and surplus | $ 11,098,079,737 |
| Total liabilities, capital and surplus | $378,079,610,239 |

D. Condensed Summary of Operations

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Premiums and considerations | $41,932,043,273 | $28,388,553,044 | $24,891,230,473 | $ 18,256,058,139 | $31,708,568,774 |
| Considerations for supplementary Contracts | 135,546,186 | 172,886,935 | 155,559,438 | 117,821,746 | 113,818,757 |
| Investment income | 11,016,947,762 | 11,602,159,389 | 10,776,067,881 | 10,211,513,153 | 11,961,541,895 |
| Amortization of IMR | 23,788,935 | (25,763,744) | (9,587,978) | (22,463,168) | (47,857,481) |
| Separate Accounts net gain from Operations | 97,408,595 | 21,092,857 | 24,645,777 | (56,953,520) | (167,627,477) |
| Commissions and reserve adjustments on reinsurance ceded | (1,374,040,882) | (1,026,722,835) | (3,041,547,535) | (1,293,975,024) | (1,348,884,153) |
| Miscellaneous Income | 1,163,320,778 | 1,651,527,137 | 1,690,037,379 | 1,657,777,736 | 1,659,164,462 |
| Total income | $52,995,014,647 | $40,783,732,783 | $34,486,405,435 | $ 28,869,779,062 | $43,878,724,777 |
| Benefit payments | $31,504,049,782 | $31,114,666,209 | $30,052,273,979 | $ 35,966,083,353 | $43,935,612,097 |
| Increase in reserves | 3,976,344,781 | 529,424,477 | (3,876,162,502) | (735,641,120) | 1,124,750,558 |
| Commissions | 996,225,615 | 712,392,811 | 723,588,979 | 450,581,347 | 665,615,311 |
| General expenses and taxes | 3,510,544,249 | 3,684,001,936 | 3,432,377,004 | 3,300,141,123 | 3,492,208,396 |
| Increase in loading on deferred and uncollected premium | 1,106,205 | (1,763,603) | (1,220,259) | (4,025,291) | (218,147) |
| Miscellaneous deductions | 10,580,001,893 | (647,732,210) | 208,130,165 | (14,672,531,487) | (9,654,338,556) |
| Total deductions | $50,568,272,525 | $35,390,989,620 | $30,538,987,366 | $ 24,304,607,925 | $39,563,629,659 |
| Net gain (loss) from operations | $ 2,426,742,122 | $ 5,392,743,163 | $ 3,947,418,069 | $ 4,565,171,137 | $ 4,315,095,118 |
| Dividends | 181,463,657 | 164,764,715 | 157,039,299 | 142,296,869 | 147,779,798 |
| Federal and foreign income taxes incurred | 755,563,283 | 1,474,446,091 | 1,066,809,110 | 1,347,341,708 | 223,787,202 |
| Net gain (loss) from operations before net realized capital gains | $ 1,489,715,182 | $ 3,753,532,357 | $ 2,723,569,660 | $ 3,075,532,560 | $ 3,943,528,118 |
| Net realized capital gains (losses) | (2,648,806) | (50,257,030) | 720,648,124 | (1,093,555,537) | (286,848,140) |
| Net income | $ 1,487,066,376 | $ 3,703,275,327 | $ 3,444,217,784 | $ 1,981,977,023 | $ 3,656,679,978 |

The decrease in premiums and considerations in 2015 compared to 2014 was primarily due to the impact of several prior years affiliated reinsurance, lower group annuity sales, partially offset by increases in group life and group health due to business growth. The decrease in 2017 was primarily due to a decrease in direct premiums driven by lower sales as a result of changes in the sales mix, as well as the impact of the discontinuance of sales of the Company's individual products, coupled with lower assumed premiums resulting from a prior year single premium deferred annuity recapture. The increase in 2018 was primarily due to an increase in direct premiums, higher sales of pension risk transfers, stable value products, and voluntary products coupled with higher assumed premiums the result of prior year reinsurance recaptures. These increases were partially offset by a decrease in funding agreement issuances, lower sales of specialized life insurance and structured settlement products, due to the impact of strong case sales in 2017, and lower ordinary life and annuity premiums due to run-off of the business.

The decrease in net gain from operations from separate accounts in 2015 was primarily due to prior period reduction of statutory reserves, partially offset by gains due to the launch of a shield structured annuity product with investment options linked to market indices. The decrease in net gain from operations from separate accounts in 2017 was primarily due to net cash outflows of certain book value separate accounts and an increase in reserves on separate account products. The increase in net gain from operations from separate accounts in 2018 was primarily due to a loss on a new book value separate account deal entered into with the Company.

The decrease in commissions and reserve adjustments on reinsurance ceded in 2015 was primarily due to the impact of the cession to an affiliate. The increase in 2016 and decrease in 2017 in commissions and reserve adjustments on reinsurance ceded were primarily related to offsetting reserve adjustments on reinsurance ceded due to the impact of the recapture of certain group life policies previously reinsured with an affiliate.

The increase in miscellaneous income in 2015 was primarily due to 2014 reinsurance recapture with affiliates and a prior year increase of a legal reserve, partially offset by the write-off of deferred gain of a 2014 reinsurance recapture with an affiliate.

The increase in benefit payments in 2017 and 2018 was primarily due to higher surrender benefits, mostly from separate account withdrawals in the stable value product, driven by a shift from separate account backed guaranteed interest contracts to trust backed guaranteed interest contracts. Also contributing to the increase was an increase in death benefits, mostly the result of lower ceded death claims in group life, and an increase in disability and accident and health benefits. Also driving the increase in 2018 was growth in the group life business, and an increase in annuity and accident and health benefits.

The decrease in reserves in 2015 was primarily due to decreases in group health policy reserves primarily driven by favorable current period one-time reserve impacts related to the long-term care business, ordinary life policy reserves due to lower ceded affiliated reserves following the 2014 recapture of business reinsured to Exeter, and in ordinary annuity policy reserves primarily due to lower reinsurance reserves from the new treaties with MetLife USA, FMLI and NELICO. The decrease in reserves in 2016 was primarily due to lower reinsurance reserves, partially, offset by increases in reserves, deposit funds, and other policy liabilities primarily the result of the impact of New York Special Considerations Letter reserve release in group health and the release of cash flow testing reserves in ordinary annuities, as well as growth in group annuities in 2016. The increase in reserves in 2017 was primarily due to increases in reinsurance reserves, partially offset by decreases in group annuity and ordinary annuity reserves as a result of lower growth. The increase in reserves in 2018 was primarily due to an increase in reinsurance reserves.

The decrease in commissions in 2015 and 2017 and the increase in commissions in 2018 were primarily due to reinsurance recaptures with affiliates.

The increase and decreases in loading on deferred and uncollected premiums from 2015 to 2018 were due to the net change in loading balances on the balance sheet.

The decrease in net transfers from separate accounts in 2015 was primarily due to decreases for group annuities primarily driven by transfer activity in structured risk solutions separate accounts and U.S. pension separate accounts, as well as ordinary annuities primarily related to lower premiums, higher surrenders and withdrawals, and a decrease in the separate account transfer of reserves from the general account. The increase in net transfers to separate accounts in 2016 was primarily due to increases in group annuities primarily driven by transfer activity in structured risk solutions separate accounts as a result of premium growth, offset by net transfers from separate accounts for ordinary annuities resulting from lower ordinary annuity sales.

The increase in net transfers from separate accounts in 2017 was primarily due to increases in net transfers from separate accounts for group annuities primarily driven by transfer activity in stable value separate accounts driven by surrenders related to the shift from separate account guaranteed interest contracts to trust owned guaranteed interest contracts, increases in net transfers for ordinary annuities was a result of lower premiums and higher surrenders, and increases in net transfers for group life was driven by higher surrenders.

The decrease in miscellaneous deductions in 2015 was primarily due to reserves transferred under reinsurance agreements due to assumed modified coinsurance adjustments on the new affiliated treaties. The increase in miscellaneous deductions in 2016 was primarily due to recapture fees. The decrease in 2017 and the increase in 2018 in miscellaneous deductions were primarily due to offsetting reserve adjustments on the treaty recapture with affiliates.

The increase in 2015 and decrease in 2016 in federal and foreign income taxes incurred were primarily due to the offsetting recognition of tax uncertainties related to the U.S. tax treatment of taxes paid by a wholly-owned UK investment subsidiary of the Company, partially offset by an increase in 2016 tax expense due to lower utilization of tax credits by the Company. The increase in 2017 in federal and foreign income taxes incurred was primarily due to the tax effect of the increase in gains from operations, higher tax adjustments related to reserves and investments, partially offset by the higher utilization of tax credits by the Company. The decrease in 2018 in federal and foreign income taxes incurred was primarily due to the impact of tax reform, as well as the tax benefits from a current year audit settlement.

The increase in net realized capital losses in 2015 was primarily due to net post-tax realized capital losses, primarily related to a current period income tax charge driven by the tax charge on gains from the sales of real estate and timing differences on the recognition of impairments for tax purposes, losses from impairments on real estate joint ventures, losses on common stock and derivatives, partially offset by net realized capital gains on changes in foreign currency exchange rates and from sales of real estate and real estate joint ventures. The increase in net realized capital gains in 2016 was primarily due to net post-tax realized gains related to an affiliated common stock gain, fixed maturity sales and changes in foreign currency exchange rates, partially offset by derivatives losses related to interest sensitive and equity sensitive derivatives and losses, impairments of common stocks, fixed maturities and mortgages. The increase in net realized capital losses in 2017 was primarily due to net derivative losses, impairments, mortgage loan and bond losses, partially offset by gains on sales of real estate joint venture properties and gains related to unhedged foreign currency exchange on maturing funding agreement liabilities. The decrease in net realized capital losses in 2018 was primarily due to net derivative losses primarily related to interest rate derivatives and foreign exchange transaction losses on mortgage loans, partially offset by investment gains on sales of bonds and real estate joint ventures.

E. Capital and Surplus Account

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Capital and surplus, December 31, prior year | $12,428,096,162 | $12,007,896,583 | $14,484,992,534 | $11,194,819,611 | $10,384,468,952 |
| Net income | $ 1,487,066,376 | $ 3,703,275,327 | $ 3,444,217,784 | $ 1,981,977,023 | $ 3,656,679,978 |
| Change in net unrealized capital gains (losses) | 733,516,051 | (553,028,627) | (1,635,019,731) | (1,686,289,010) | 1,342,971,253 |
| Change in net unrealized foreign exchange capital gain (loss) | 371,457,310 | 95,482,077 | 613,189,688 | (638,755,861) | (36,663,935) |
| Change in net deferred income tax | 531,850,379 | (564,782,061) | 5,654,759 | (997,577,838) | 350,674,893 |
| Change in non-admitted assets and related items | (492,938,187) | 771,239,259 | (753,357,915) | 607,802,696 | 725,748,249 |
| Change in liability for reinsurance in unauthorized and certified companies | 8,303,082 | (90,225,065) | 58,238,741 | 28,045,110 | 409,086 |
| Change in reserve on account of change in valuation basis | (373,497,734) | 191,054,265 | 63,000,000 | 0 | 0 |
| Change in asset valuation reserve | (925,442,773) | 668,255,272 | 600,930,674 | 85,624,120 | 811,711,045 |
| Surplus (contributed to) withdrawn from Separate Accounts during period | 44,221,909 | 4,895,735 | 22,416,689 | (19,812,869) | (187,510,341) |
| Other changes in surplus in Separate Accounts | (44,221,909) | (4,895,735) | (22,416,689) | 19,812,869 | 187,510,341 |
| Change in surplus notes | (217,000,000) | (388,000,000) | 0 | 0 | 0 |
| Cumulative effect of changes in accounting Principles | 0 | 10,632,767 | 0 | 0 | 0 |
| Change in surplus as a result of reinsurance | (148,290,077) | (36,448,765) | (37,403,124) | (36,339,471) | (36,339,471) |
| Dividends to stockholders | (821,000,000) | (1,489,000,000) | (5,740,200,000) | (2,523,000,000) | (3,736,402,009) |
| Prior period audit adjustment | 167,643,525 | 0 | 0 | 0 | 0 |
| Amortization of pension, postemployment, and postretirement unrecognized items | 86,073,650 | 36,314,200 | 15,384,200 | 0 | 0 |
| Special surplus fund for Patient Protection and Affordable Care Act | 81,305,395 | 80,391,220 | | 96,912,145 | 0 |
| Deferred gain on sale of real estate | 0 | 62,684,633 | 11,114,792 | (6,686,869) | (6,686,869) |
| Other surplus adjustments | 858,396 | 92,519 | | 0 | 0 |
| Settlement of forward transfer agreement with | | | | | 0 |
| Affiliate | 0 | 0 | 0 | 1,931,408,734 | 0 |

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Release of deferred gain on forward transfer Agreement | 0 | 0 | 0 | 0 | (2,577,000,000) |
| Swaps reclassified to RSAT's | 0 | 0 | 0 | 799,787,651 | 58,595,805 |
| Prior period adjustment | (65,326,411) | (72,276,770) | (15,748,232) | 11,384,914 | (39,192,621) |
| Miscellaneous | | | | | 43 |
| Prior period adjustment on group annuity pension liabilities | 0 | 0 | 0 | (438,000,000) | 0 |
| Unassigned funds (transfer) to special surplus Fund | (81,305,395) | (80,391,220) | 0 | (96,912,145) | 0 |
| Transition amortization of unfunded pension Liability | (93,197,652) | (95,928,300) | (15,384,200) | 0 | 0 |
| Transfer of pension/benefit plans to affiliate | 0 | 0 | | 0 | 90,402,834 |
| Transfer of deferred rent liability to affiliate | 0 | 0 | 0 | 0 | 68,144,198 |
| Net gain (loss) on pensions and postretirement Plans | (670,275,514) | 227,755,220 | 95,209,641 | 70,268,142 | 40,558,306 |
| Net change in capital and surplus for the year | $ (420,199,579) | $ 2,477,095,951 | $ (3,290,172,923) | $ (810,350,659) | $ 713,610,785 |
| Capital and surplus, December 31, current year | $12,007,896,583 | $14,484,992,534 | $11,194,819,611 | $10,384,468,952 | $11,098,079,737 |

The increase in change in net unrealized capital losses in 2017 was primarily due to loss changes related to the group wide restructuring of St. James Fleet Investments Two Limited ("St. James Fleet") affiliated common stock, partially offset by unrealized gains on bonds and mortgage loans.  The increase in change in net unrealized capital gains in 2018 was primarily due to a favorable change in the subsidiary valuation adjustment of St. James Fleet in connection with the dividend and capital stock repurchase, unrealized gains on derivatives, partially offset by unrealized losses on bonds and mortgage loans.

The decrease in change in net deferred income tax in 2017 was primarily due to an overall net decrease in gross deferred tax assets as a result of tax reform, partially offset by an increase in the tax credit carryforwards, reserves and investments as a result of operating activity.

The decrease in change in asset valuation reserve in 2018 was primarily due to the St. James Fleet transaction effecting both unrealized and realized gains and losses.

The increase in surplus contributed to separate accounts in 2018 and the offsetting amount in other changes in surplus in separate accounts was primarily due to pension risk transfer products.

The settlement of forward transfer agreement with an affiliate in 2017 was due to group wide restructuring of St. James Fleet affiliated common stock.

The release of deferred gain on forward transfer agreement in 2018 was due to deferred gain on forward transfer agreement of the St. James Fleet transaction.

The following St. James Fleet transaction effected realized gains (losses), unrealized gains (losses) and aggregate write ins for gains (losses) in surplus for 2017 and 2018.

The Company is invested in a structure referred to as "Metronome," a group of wholly owned investment subsidiaries formed to achieve certain investment strategies related to a portfolio of primarily foreign bonds. The structure currently affords the Company the benefit of enhanced security selection, as Metronome is not domiciled in the U.S., which facilitates investment in the international fixed income markets, in turn facilitating global portfolio and risk management objectives. The Company's investment is in common stock of St. James Fleet, the parent of the Metronome group.

(1) On December 27, 2017, the Company settled an existing forward transfer agreement with an affiliate, Park Twenty-Three Investments Company, pursuant to its terms. Park Twenty-Three Investments Company is a wholly owned subsidiary of St. James Fleet, a wholly-owned subsidiary of the Company. Under the forward transfer agreement, the Company purchased shares of an affiliate, OMI MLIC Investments Limited ("OMI"), at a predetermined fixed price of GBP 2,897 million (the equivalent of $3,882 million at the time of the restructuring), which was settled via book-entry in exchange for the repurchase by St. James Fleet of a certain number of its common shares from the Company.

(2) Subsequently, and in satisfaction of a commitment entered into prior to the effectuation of the forward transfer agreement, the Company then contributed the OMI shares to St. James Fleet in exchange for a new issuance of common stock from St. James Fleet in the amount of

$5,814 million. The forward transfer agreement settlement, subsequent contribution of OMI shares to St. James Fleet and related change in the subsidiary valuation of St. James Fleet, resulted in no change to surplus or to the number of shares of affiliated common stock held by the Company.

(3) On May 25, 2018, St. James Fleet declared a dividend of $1,544 million to the Company in the form of investments, which was recorded as an affiliated dividend in net investment income. Additionally, St. James Fleet repurchased a portion of its ordinary shares from the Company, using investments, for $3,356 million. After completing an analysis of St. James Fleet remaining net assets, the Company recorded an OTTI loss of $2,577 million in realized capital gains (losses). As a result of the material restructuring and the substantial completion of the intended purpose of the structure, the deferred gains of $2,577 million, which were historically recorded to surplus, related to the settlement of two forward transfer agreements were recognized as a gain in net income through realized capital gains (losses) in the amount of $2,577 million.

(4) After these transactions settled, St. James Fleet continues as a wholly owned subsidiary of the Company. The Company's investment in St. James Fleet is comprised of a cost basis of $789 million and a book or adjusted carrying value of $743 million at December 31, 2018. For the year ended December 31, 2018, the change in pre-tax unrealized capital gains (losses) was $(44) million.

## F. Reserves

The Department conducted a review of the reserves as of December 31, 2018. This review included an examination of the formulaic reserves calculated in accordance with 11 NYCRR 99 (Insurance Regulation 151). During the review the Department noted that the formulaic reserves for certain variable annuity policies with guaranteed living benefits incorporated revenue sharing in a manner inconsistent with the Department's interpretation of Insurance Regulation 151. The Company agreed to revise the formulaic reserves in a manner acceptable to the Department.

## 7. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus—COVID-19—was reported in Wuhan, China. The virus has subsequently spread to other parts of the world, including the United States. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, President Donald J. Trump declared the pandemic a national emergency. The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner.

The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business.

The Department, along with all insurance regulators and the NAIC, are closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effects of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole.

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and recommendation contained in the prior financial condition report on examination and the subsequent actions taken by the Company in response to each citation:

| Item | Description |
|---|---|
| A | The Company violated Section 1505(d)(3) of the New York Insurance Law by rendering certain services and facilities under two agreements with two of its affiliates on a regular and systematic basis and failing to notify the superintendent in writing of its intention to enter into the agreements at least thirty days prior to the consummation of each of the agreements. |
| | The Company filed new inter-affiliate services and facilities agreements pursuant to Section 1505(d)(3) of the New York Insurance Law. The agreements were subsequently non-disapproved by the Department. |
| B | The examiner recommends that the Company continue to compute and strengthen its reserves using the assumptions and methodology as agreed upon with the Department. |
| | The Company continued to compute and strengthen its reserves using the assumptions and methodology as agreed upon with the Department. |

## 9. SUMMARY AND CONCLUSIONS

Following are the violation and comments contained in this report:

| Item | Description | Page No(s). |
|---|---|---|
| A | The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office. | 23 |
| B | The Department conducted a review of the reserves as of December 31, 2018. This review included an examination of the formulaic reserves calculated in accordance with 11 NYCRR 99 (Insurance Regulation 151). During the review the Department noted that the formulaic reserves for certain variable annuity policies with guaranteed living benefits incorporated revenue sharing in a manner inconsistent with the Department's interpretation of Insurance Regulation 151. The Company agreed to revise the formulaic reserves in a manner acceptable to the Department. | 50 |
| C | The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business. The Department, along with all insurance regulators and the NAIC, are closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effects of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole. | 51 |

Respectfully submitted,

______________________________
Jeffrey K. Ebert, CFE
Risk & Regulatory Consulting, LLC

STATE OF OHIO )
)SS:
COUNTY OF FRANKLIN )

Jeffrey K. Ebert, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

______________________________
Jeffrey K. Ebert

Subscribed and sworn to before me

this 24 day of June 2020

NOTARY PUBLIC
STATE OF OHIO

DAVIDE SALTI
Notary Public, State of Ohio
My Comm. Expires 04/05/2022
Recorded in Franklin County

Respectfully submitted,

/s/
Mostafa Mahmoud
Principal Insurance Examiner

STATE OF NEW YORK )
)SS:
COUNTY OF NEW YORK )

Mostafa Mahmoud, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Mostafa Mahmoud

Subscribed and sworn to before me

this__________ day of ____________________

*APPOINTMENT NO. 31909*

*NEW YORK STATE*

# *DEPARTMENT OF FINANCIAL SERVICES*

*I, LINDA A. LACEWELL, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

***JEFFREY K. EBERT***
***(RISK & REGULATORY CONSULTING, LLC)***

*as a proper person to examine the affairs of the*

***METROPOLITAN LIFE INSURANCE COMPANY***

*and to make a report to me in writing of the condition of said*

***COMPANY***

*with such other information as he shall deem requisite.*

*In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York*

*this 26th day of March, 2019*

*LINDA A. LACEWELL*
*Acting Superintendent of Financial Services*

*By:*

*MARK MCLEOD*
*DEPUTY CHIEF - LIFE BUREAU*