NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

BRIGHTHOUSE LIFE INSURANCE COMPANY OF NY

CONDITION:	DECEMBER 31, 2018
DATE OF REPORT:	MARCH 12, 2021

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EXAMINER:	ROSHANAK FEKRAT

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August 26, 2021

The Honorable Shirin Emami
Acting Superintendent of Financial Services
New York, New York 10004

Shirin Emami:

In accordance with instructions contained in Appointment No. 32020, dated December 6, 2019, and annexed hereto, an examination has been made into the condition and affairs of Brighthouse Life Insurance Company of NY, hereinafter referred to as the "Company," at its administrative office located at 11225 North Community House Road, Charlotte, North Carolina 28277. The Company's home office is located at 285 Madison Avenue, New York, New York 10017.

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, recommendation, and comment 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 asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During this review it was noted that the Company did not test the ceded variable annuity business. The Company has agreed to perform such testing and to strengthen reserves in a manner acceptable to the Department. This increased the Company's gross reserves, reserve credit and supporting collateral in the amount of $318 million as of June 30, 2020. The examiner recommends that the Company continue to perform testing of the ceded variable annuity business as agreed upon with the Department. (See item 7 of this report)
- The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the National Association of Insurance Commissioners (NAIC), are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. (See item 8 of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the *NAIC 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 National Association of Insurance Commissioners ("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 Delaware Department of Insurance in accordance with the Handbook guidelines, through the NAIC's Financial Exam Electronic Tracking System. Delaware served as the lead state with participation from the states of Massachusetts and New York. Since the lead and participating states are all accredited by the NAIC, all 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's ultimate parent, Brighthouse Financial, Inc. ("BHF"), has an internal audit department and a separate financial control department which was given the task of assessing the internal control structure of the Company 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 financial condition violation contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

3. DESCRIPTION OF COMPANY

A. History

The Company was originally incorporated as a stock life insurance company under the laws of New York on December 31, 1992, under the name First Xerox Life Insurance Company, and was licensed and commenced business on March 12, 1993.

In April 1993, Wausau Underwriters Life Insurance Company, a stock life insurance company domiciled in Wisconsin and licensed to write business in Wisconsin and New York, was merged with and into the Company; the Company was the surviving corporation. In May 1995, the Company and its then direct parent, Xerox Financial Services Life Insurance Company, were purchased by General American Life Insurance Company ("GALIC"). In June 1995, the names of the Company and its immediate parent were changed to First Cova Life Insurance Company and Cova Financial, respectively.

In January 2000, GenAmerica Financial Corporation, the parent of GALIC, and its holdings, including Cova Financial and First Cova Life Insurance Company, were acquired by Metropolitan Life Insurance Company ("MLIC"), which then became a subsidiary of MetLife, Inc. ("MetLife") following MetLife's demutualization in April 2000. In February 2001, the names of the Company and its immediate parent were changed to First MetLife Investors Insurance Company ("FMLI") and MetLife Investors Insurance Company ("MLIIC"), respectively.

In December 2002, GALIC sold Cova Corporation, the parent of MLIIC, to MetLife. On October 1, 2004, the Company was also sold to MetLife, by its parent, MLIIC, at which time the Company became a direct subsidiary of MetLife. Initial resources of $6,501,272, consisted of common capital stock of $2,000,000, including 200,000 shares of common stock with a par value of $10 per share, and additional paid in and contributed surplus of $4,501,272.

On January 12, 2016, MetLife announced its plan to pursue the separation of a substantial portion of its U.S. retail business (the "Separation"). Additionally, on July 21, 2016, MetLife announced that the separated business would be rebranded as "Brighthouse Financial."

Effective March 6, 2017, and in connection with the Separation, FMLI changed its name to Brighthouse Life Insurance Company of NY (the "Company"). The Company is domiciled in the state of New York and licensed to transact insurance business only in New York. The Company offers a range of individual annuities and individual life insurance products in New

York. The annuities segment consists of a variety of variable, fixed, index-linked, and income annuities. The life insurance segment consists of a variety of universal life insurance, conversion whole life, and term products.

Until the completion of the Separation on August 4, 2017, Brighthouse Financial, Inc. ("BHF") was a wholly-owned subsidiary of MetLife. MetLife undertook several actions, including an internal reorganization involving its U.S. retail business (the "Restructuring"), to include the Company and certain affiliates in the separated business. In connection with the Restructuring, effective April 29, 2017, following receipt of applicable regulatory approvals, MetLife contributed the Company and certain affiliated reinsurance companies to Brighthouse Life Insurance Company ("BLIC"), resulting in the Company becoming a direct wholly-owned subsidiary of BLIC. Subsequently, on April 29, 2017, MetLife contributed BLIC and certain affiliated companies to Brighthouse Holdings, LLC ("BH Holdings"), resulting in the Company becoming an indirect wholly-owned subsidiary of BH Holdings. On July 28, 2017, MetLife contributed BH Holdings to BHF (the "Contribution Transactions"), resulting in the Company becoming an indirect wholly-owned subsidiary of BHF. On August 4, 2017, MetLife completed the Separation through a distribution of 96,776,670 of the 119,773,106 then outstanding shares of BHF common stock, representing 80.8% of MetLife's interest in BHF, to the holders of MetLife common stock.

As of December 31, 2018, the Company had capital stock of $2,000,000, gross paid in and contributed surplus of $395,327,949, and total surplus of $277,205,684 net of unassigned funds.

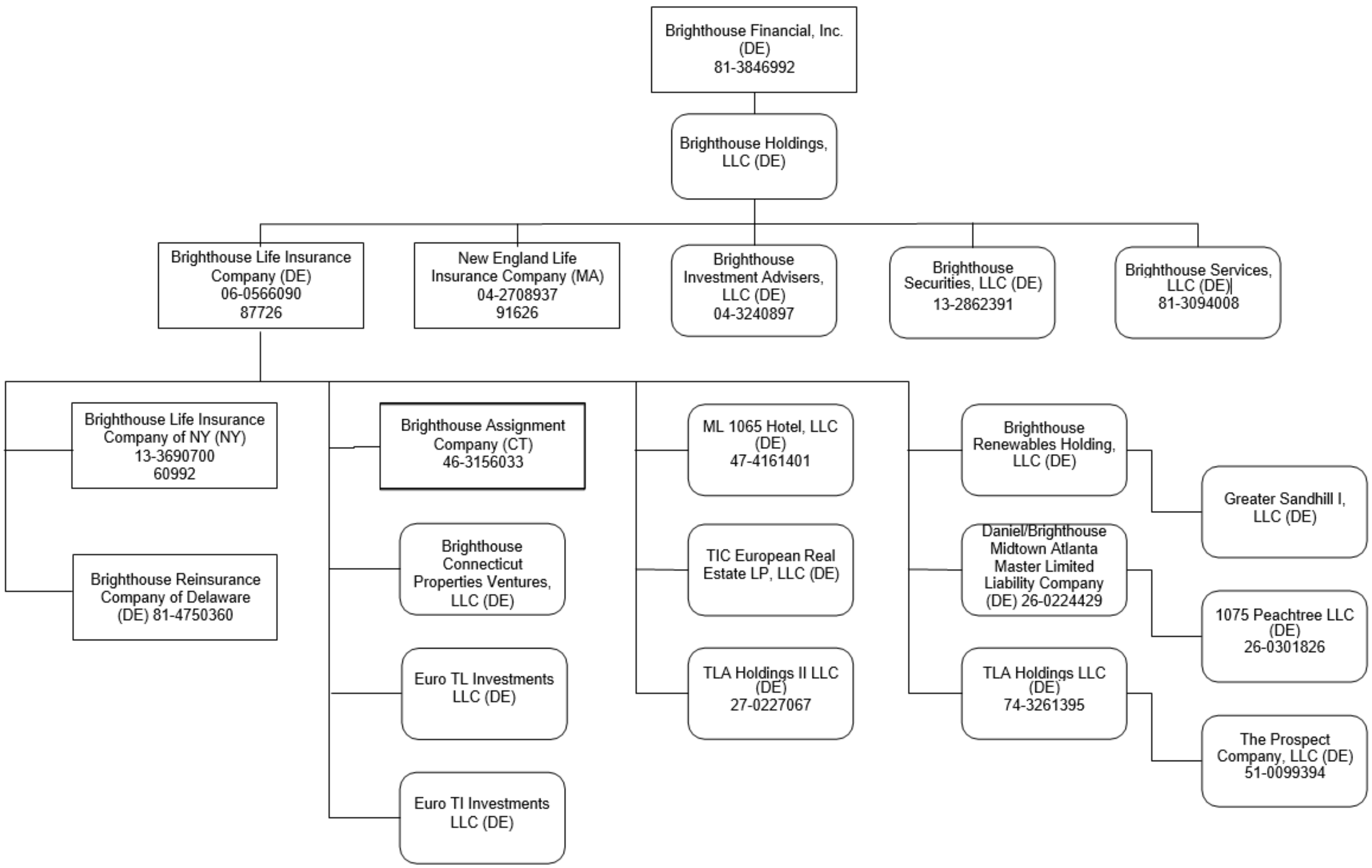
On June 14, 2018, MetLife divested its remaining shares of BHF common stock.

B. <u>Holding Company</u>

The Company is a wholly-owned subsidiary of BLIC, a Delaware life insurance company. BLIC is in turn a wholly-owned subsidiary of Brighthouse Holdings LLC ("BHL"), a Delaware holding company. The ultimate parent of the Company is Brighthouse Financial, Inc. ("BHF"), a Delaware company.

C. Organizational Chart

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



D. Service Agreements

The Company had 23 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 File No. 30948[(1)]	12/31/2002 (terminated 08/04/2017)	MLIC	The Company, and certain other affiliates of MLIC	Broad range of services rendered including facilities and equipment provided, as requested by the Company as deemed necessary to its operations	2014 $(10,456,580) 2015 $(19,549,966) 2016 $(14,418,255) 2017 $ 0
Service Agreement File No. 30949[(1)]	01/01/2003 (terminated 08/04/2017)	MetLife Group, Inc.	The Company, and certain other affiliates of MetLife Group, Inc.	Provides personnel upon the request of the Company, as deemed necessary to its operations	2014 $(16,705,273) 2015 $(12,989,457) 2016 $ (9,181,370) 2017 $ 0
Administrative Service Agreement File No. 34859[(2)]	01/01/2006	MLIC	The Company	Administers the Company's retained asset account supplemental contract liabilities	2014 $0 2015 $0 2016 $0 2017 $0 2018 $0
Investment Management Agreement[+, (3)]	10/01/2000 (terminated 05/13/2015)	MLIC	The Company	Investment management services to the Company's general account	2014 $(1,077,035) 2015 $ 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
Marketing and Servicing Agreement File No. 42858 **	01/01/2010	MLIC	The Company	Distribution and service certain fixed life insurance products issued by the Company	2014 $(30,948,908) 2015 $ (257,100) 2016 $ 0 2017 $ 0 2018 $ 0
Global Services Agreement File No. 48990 and File No. 48991 [(1)]	06/16/2014 (terminated 08/04/2017)	MetLife International Holdings, Inc.	The Company, and certain other affiliates of MetLife International Holdings, Inc.	Broad range of services rendered including facilities and equipment provided as requested by the Company as deemed necessary to its operations	2014 $ 0 2015 $(158,116) 2016 $(227,214) 2017 $ 0
Global Services Agreement File No. 40647[(1)]	01/01/2007 (terminated 08/04/2017)	MetLife Services and Solutions, LLC	The Company, and certain other affiliates of MetLife Services and Solutions, LLC	Specified services including facilities and equipment, as requested by the Company as deemed necessary to its operations	2014 $(232,611) 2015 $(319,718) 2016 $(176,917) 2017 $ 0
Services Agreement File No. 41016	07/01/2008 (terminated 08/04/2017)	The Company	MetLife Investors Distribution Company	Certain administrative services to holders of variable life and annuity contracts issued by the Company	2014 $10,094,291 2015 $10,515,094 2016 $11,782,597 2017 $ 1,809,976

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 Underwriter and Selling Agreement	01/01/2001 (terminated 08/04/2017)	MetLife Investors Distribution Company	The Company	Principal underwriter for fixed and variable annuities and variable life insurance issued by the Company	2014 $ (1,801) 2015 $ (60,224) 2016 $(40,185,539) 2017 $ (3,154,293)
Marketing and Servicing Agreement File No. 42859	01/01/2010	New England Life Insurance Company ("NELICO")	The Company	Distribution and service certain fixed life insurance products issued by the Company	2014 $(1,443,482) 2015 $ (13,420) 2016 $ (5,207) 2017 $ (3,184) 2018 $ (2,759)
Marketing Agreement File No. 40456[4]	01/01/2006 (terminated 08/04/2017)	Metropolitan Property & Casualty Insurance Company	The Company	Marketing of certain universal life and term life insurance products issued by the Company through its contract agency sales force	2014 $0 2015 $0 2016 $0 2017 $0
Marketing Agreement [4]	01/01/2006 (terminated 08/04/2017)	MetLife Auto & Home Insurance Agency, Inc.	The Company	Marketing of certain universal life and term life insurance products issued by the Company through its contract agency sales force	2014 $0 2015 $0 2016 $0 2017 $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
Common Paymaster Agreement File No. 38147	01/01/2008	BLIC	The Company	Preparation and distribution of compensation payments to insurance producers	2014 $(3,301,775) 2015 $(3,212,236) 2016 $(2,678,220) 2017 $(2,760,204) 2018 $(1,160,443)
Master Affiliate Services and Facilities Agreement File No. 53722	01/01/2017	Brighthouse Services, LLC	The Company	Provide a broad range of services and make available its personnel and facilities to the Company	2017 $(37,965,745) 2018 $(30,857,194)
Principal Underwriting and Distribution Agreement File No. 54059	03/06/2017	Brighthouse Securities, LLC	The Company	Wholesale distributor, principal underwriter and servicer of certain variable registered fixed, fixed, and privately placed annuity contracts and variable, fixed and privately placed insurance policies issued by the Company	2017 $(41,108,259) 2018 $(61,016,546)
Participation Agreement File No. 54014[(5)]	03/06/2017	Brighthouse Securities, LLC Brighthouse Funds Trust I Brighthouse Funds Trust II	The Company	Sell interests in the funds to fund certain variable life and variable annuity contracts	2017 $0 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
Rule 12b-1 Plan Payments Agreement File No. 54014	03/06/2017	The Company	Brighthouse Securities, LLC	Certain distribution and shareholder services to holders of variable life and annuity contracts issued by the Company	2017 $10,423,540 2018 $12,301,238
Investment Management Agreement File No. 53678(6)	01/01/2017 (terminated 02/05/2019)	MetLife Investment Advisors, LLC	The Company	Investment management services for the Company's general account assets	2017 $(2,768,857)
Investment Management Agreement File No. 53680(6)	01/01/2017 (terminated 02/05/2019)	MetLife Investment Advisors, LLC	The Company	Investment management services for certain separate accounts of the Company	2017 $0
Investment Finance Services Agreement File No. 53676(6)	01/01/2017 (terminated 10/01/2018)	MetLife Investment Advisors, LLC	The Company	Investment finance and reporting services for the Company's general account assets	2017 $0
Investment Finance Services Agreement File No. 53677(6)	01/01/2017 (terminated 10/01/2018)	MetLife Investment Advisors, LLC	The Company	Investment finance and reporting services for certain separate accounts of the Company	2017 $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
Intercompany Liquidity Facility Agreement File No. 55003(7)	10/06/2017	All parties, including the Company	All parties, including the Company	Agreement with BHF and certain of its non-insurance company subsidiaries to provide short-term liquidity within and across the combined group of companies, whereby each company can lend to or borrow from each other company	2017 $0 2018 $0
Investment Management Agreement File No. 56625(8)	11/30/2018	Brighthouse Services, LLC	The Company	Investment management and investment supervisory services	2018 $0

*Amount of Income or (Expense) Incurred by the Company.

Notes: Consistent with the amended and restated annual statement of the Company for the fiscal year ended December 31, 2016 submitted to the Department on September 5, 2017, although previously non-disapproved by the Department as affiliate transactions, agreements between the Company and MetLife entities that were not part of BHF following the Separation are no longer considered affiliate transactions following separation.

+As disclosed by MLIC during the 2013 examination of the Company (formerly known as FMLI), this agreement was not filed by MLIC because the Company was a subsidiary of MLIC on the date of execution.

**Appears to have terminated on or around January 1, 2016 based on Form B filing history.

1) Agreement replaced by agreement Department File No. 53722 on January 1, 2017.
2) MLIC does not receive compensation for these services. The services are effectively bundled together with an associated reinsurance agreement, as MLIC only provides these services as

long as the reinsurance agreement is in effect. Accordingly, the agreement references the reinsurance agreement for payment purposes.

3) No amounts were paid in 2015, since services were provided and billed under MLIC's service agreement with the Company under Department File No. 30948.
4) No Company products were sold by life licensed auto and home insurance agents during the years listed in the table.
5) There is no compensation paid under this agreement, since this is the agreement under which the Company's separate accounts become investors in Brighthouse Funds Trust I and II. See Rule 12b-1 Plan Payments Agreement, Department File No. 54014 for compensation.
6) The services under Department File numbers 53676 and 53677 were effectively bundled together with those provided under the investment management agreements, Department File numbers 53678 and 53680, for operational ease of billing.
7) No amounts are reported for either 2017 or 2018, as there were no borrowings or loans.
8) No amounts are reported for 2018, as no investment management services were provided in 2018 under the agreement.

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

E. Management

The Company's By-Laws provide that the board of directors shall be comprised of not less than 7 and not more than 18 directors. Directors are elected for a period of one year at the annual meeting of stockholders. As of December 31, 2018, the board of directors consisted of seven members. Meetings of the board are held quarterly.

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

Name and Residence	Principal Business Affiliation	Year First Elected
Kimberly A. Berwanger Hoboken, New Jersey	Director Brighthouse Financial, Inc.	2016
Norse N. Blazzard* Southwest Ranches, Florida	Director Retired	1992
David W. Chamberlin Tampa, Florida	Director Brighthouse Financial, Inc.	2016
Richard A. Hemmings* Naples, Florida	Director Retired	1992

Name and Residence	Principal Business Affiliation	Year First Elected
Conor E. Murphy Charlotte, North Carolina	Chairman of the Board Brighthouse Financial, Inc.	2017
Mayer Naiman + Cedarhurst, New York	Director Brighthouse Financial, Inc.	2017
Richard C. Pearson* San Marino, California	Director Retired	2002

*indicates director is independent
+indicates director is a resident of the State of New York

In September 2019, Norse N. Blazzard retired from the board and was replaced by Douglas A. Rayvid.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were mostly well attended, and that most directors attended the majority of meetings.

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

Name	Title
Conor E. Murphy	President and Chief Executive Officer
D. Burt Arrington	Vice President and Secretary
Jin S. Chang	Vice President and Treasurer
Lynn A. Dumais	Vice President and Chief Financial Officer
Jeffery P. Halperin*	Vice President and Chief Compliance Officer

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

In November 2019, Jin S. Chang resigned from the Company. In December 2019, Janet M. Morgan replaced Jin S. Chang as Vice President and Treasurer. The other officers listed above remain in office today.

F. Books and Records

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

"Every domestic insurer . . . . 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 …. "

Section 243.1(c) of 11 NYCRR 243 (Insurance Regulation 152) states:

"Durable Medium' means a medium for maintaining a record where the properties of such medium provide reasonable assurances against tampering with the information contained in the original and degradation of any reproduction generated, and where the reproduction is an exact copy of the original. The medium may include paper; facsimile; or photographic, micrographic, magnetic, optical, mechanical or electronic media."

Section 243.2 of 11 NYCRR 243 (Insurance Regulation 152) states, in part:

"(a) In addition to any other requirement contained in Insurance Law Section 325, any other Section of the Insurance Law or other law, or any other provision of this Title, every insurer shall maintain its claims, rating, underwriting, marketing, complaint, financial, and producer licensing records, and such other records subject to examination by the superintendent, in accordance with the provisions of this Part.

Section 243.3 of 11 NYCRR 243 (Insurance Regulation 152) states, in part:

"(a)(1) Records and indices of records required to be maintained under this Part may be maintained in any durable medium….
(3) Upon transfer of an original record to a durable medium, the insurer may destroy the original record after assuring that all information contained in the original record, including signatures, handwritten notations, or pictures, is contained in the durable medium."

On February 6, 2020, the examiner visited the Company's home office located at 285 Madison Avenue, New York, NY to inspect the books and records maintained at the Company's office. The physical inspection revealed that the Company did not maintain any of its financial records in a durable medium for the examination period at its home office. The missing financial records included the annual statements, quarterly statements, general ledger, transaction registers, subsidiary ledger transaction detail (investment, claims, etc.), cash books, and detailed workpapers supporting the quarterly and annual statements for the examination period.

In addition, the Company did not maintain copies of the exhibits or materials presented during the meetings of:

A. The board of directors on:
   1) March 27, June 27 and September 12, 2019;
   2) March 21, March 27, June 28, October 17 and December 17, 2018;
   3) November 8, 2017; March 22, May 11, August 10 and October 26, 2017;
   4) February 19, May 19, September 29 and December 8, 2016;
   5) March 24, July 22, October 23 and December 8, 2015; and
   6) February 20, May 15, October 10, and December 11, 2014.

B. The audit committee on:
   1) May 9, June 27, August 7 and September 12, 2019;
   2) March 21, March 27, May 10, June 28, August 9, October 17, November 7 and December 17, 2018;
   3) March 22, May 11, August 10, October 26 and November 8, 2017;
   4) February 19, May 19 and December 8, 2016;
   5) March 24, May 18, July 22, October 23 and December 8, 2015; and
   6) February 20, May 14, May 15, 2014, October 10 and December 11, 2014.

Furthermore, there were no minutes for the executive or the investment committees for the period under examination.

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

The examiner recommends that the Company establish procedures to ensure that its books of account are maintained in a durable medium, at all times, in its home office.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life, 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 only in the state of New York. In 2018, 90.9% of the life premiums, 98.8% of annuity considerations, and 100% of deposit type funds were received from New York. Policies are written on a 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		Annuity Considerations	
New York	90.9%	New York	98.8%
New Jersey	1.8	New Jersey	0.5
Connecticut	1.5	Connecticut	0.3
Florida	1.3	Pennsylvania	0.1
California	0.7	Florida	0.1
Subtotal	96.2%	Subtotal	99.8%
All others	3.8	All others	0.2
Total	100.0%	Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2018, the Company had $1,150,000 (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 a confirmation received from the state of Georgia, the Company reported a special deposit of $35,000 in Schedule E – Part 3 of the Company's 2018 filed annual statement.

B. Direct Operations

The Company writes life insurance, annuities, and deposit type contracts. All policies are written on a nonparticipating basis.

The Company distributes annuity and life insurance products through a diverse network of independent distribution partners. The Company's partners include national and regional brokerage firms, banks, independent financial planners, independent marketing organizations and other financial institutions and financial planners, in connection with the sale of its annuity products, and general agencies, financial advisors, brokerage general agencies and financial intermediaries, in connection with the distribution of its life insurance products.

C. Reinsurance

Effective January 1, 2001, the Company ceded, on a quota share basis, 90% of its liabilities on certain fixed annuity contracts to MLIC. Effective November 1, 2016, the Company recaptured all of its reinsurance ceded under the agreement.

Effective February 1, 2004, the Company ceded, on a coinsurance basis, a quota share of the risks associated with certain term polices and associated riders, to MLIC. Effective May 1, 2017, pursuant to a commutation agreement dated May 5, 2017, the Company recaptured all of the risks ceded under the agreement.

Effective July 1, 2004, the Company ceded, on a yearly renewable term ("YRT") basis, a quota share of the risks associated with certain single life policies and associated riders, to MLIC. Effective May 1, 2017, pursuant to a commutation agreement dated May 5, 2017, the Company recaptured all of the risks ceded under the agreement.

Effective January 19, 2005, NELICO, the Company, MetLife Investors USA Insurance Company ("MLI-USA"), MetLife Investors Insurance Company ("MLI-MO"), MetLife Investors Insurance Company of California ("MLI-CA") ceded, on a YRT basis, a quota share of the risks associated with certain single and joint life policies and associated riders, to MLIC. Effective November 9, 2006, MLI-CA merged with and into MLI-MO. Effective November 14, 2014, MLI-USA and MLI-MO merged with and into MetLife Insurance Company USA ("MLUSA") and thereby, all of the liabilities, duties and obligations of MLI-USA and MLI-MO under the agreement were assumed by MLUSA. Pursuant to a commutation agreement dated May 5, 2017, NELICO, MLUSA and the Company recaptured from MLIC all the risks ceded under the agreement.

Effective December 31, 2009, the Company ceded on a coinsurance with funds withheld basis, a percentage of the liabilities of certain level premium term life insurance products, net of other reinsurance, to MetLife Reinsurance Company of Vermont ("MRV"). The agreement was recaptured effective December 27, 2016.

Effective October 25, 2010, the Company and MLI-USA ceded, on a YRT basis, a quota share of the risks associated with certain single life policies and associated riders, to MLIC. Effective November 14, 2014, MLI-USA merged with and into MLUSA. Effective May 1, 2017, pursuant to a commutation agreement dated May 5, 2017, between MLIC, MLUSA and the Company, MLUSA and the Company recaptured all of the risks ceded under the agreement.

Effective August 1, 2014, the Company entered into YRT agreements with five non-affiliated reinsurers covering certain single life policies and associated riders issued on or after August 1, 2014.

Effective November 1, 2014, the Company ceded to MLIC, on a coinsurance basis and modified coinsurance basis, 100% of its in-force and newly issued variable annuity contracts ("VA Modco Agreement"), excluding all variable annuity contracts that the Company ceded to Exeter Reassurance Company, Ltd. ("Exeter") pursuant to the Automatic Reinsurance Agreement, effective December 1, 2004. Effective January 1, 2017, pursuant to the Assignment and Novation Agreement, MLIC assigned, transferred and conveyed, by novation, all of its rights, obligations, duties, and liabilities under the VA Modco Agreement to MLUSA.

Effective May 1, 2017, the Company ceded to BLIC, on a YRT basis, a quota share of the risks associated with certain single and joint life policies and associated riders.

Effective May 1, 2017, the Company ceded to BLIC, on a coinsurance basis, 100% of the risks associated with Premier Accumulator Universal Life insurance policies and associated riders issued on and after May 1, 2017.

Effective September 17, 2018, the Company ceded to Athene Annuity & Life Assurance Company, on a coinsurance basis, 80% of the risks associated with certain fixed rate annuity policies and associated riders issued on and after September 17, 2018. To date, no business has been ceded under this agreement, as the Company has not sold any covered annuity policies.

Effective October 1, 2019, the Company ceded to Swiss Re Life & Health America Inc., on a 90% quota share with partial funds withheld, the risks associated with a closed block of level term life insurance policies written by the Company between January 1, 2004, and December 31, 2014, and associated riders.

As of December 31, 2018, the Company had reinsurance treaties in effect with 15 non-affiliated companies, of which 13 were authorized or accredited, and two affiliated companies, of which one was authorized and accredited. The Company's life and annuity business is reinsured on a coinsurance basis and yearly renewable term basis. Reinsurance is provided on an automatic basis and facultative basis.

The maximum retention limit for individual life contracts is $100,000. The total face amount of life insurance ceded as of December 31, 2018, was $39,986,973,965, which represents 85% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $502,104,192, was supported by letters of credit, trust agreements and funds withheld.

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	$6,244,493,209	$7,484,357,199	$1,239,863,990
Liabilities	$6,120,100,400	$7,205,151,515	$1,085,051,115
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	320,327,949	395,327,949	75,000,000
Unassigned funds (surplus)	(197,935,140)	(118,122,265)	79,812,875
Total capital and surplus	$ 124,392,809	$ 279,205,684	$ 154,812,875
Total liabilities, capital and surplus	$6,244,493,209	$7,484,357,199	$1,239,863,990

The majority (66%) of the Company's admitted assets, as of December 31, 2018, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2018, exclusive of separate accounts, were mainly comprised of bonds (78%) and mortgage loans on real estate (16.8%).

The majority (95.1%) of the Company's bond portfolio, as of December 31, 2018, was comprised of investment grade obligations.

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	
Year	Issued	In Force	Issued	In Force
2014	$ 0	$17,806	$282,974	$55,422,325
2015	$ 0	$17,756	$ 0	$52,999,630
2016	$ 0	$16,206	$ 0	$50,732,786
2017	$11,729	$27,903	$495,725	$48,482,014
2018	$21,245	$49,151	$484,537	$46,672,920

The Company did not write group life during the period under examination.

Prior to Separation from MetLife, the Company suspended issuance of whole life insurance products from 2014 to 2016. The Company stopped taking applications for term life insurance products beginning in late 2013 through 2016, but due to underwriting process timing and exceptions, some policies became effective in early 2014. Subsequent to Separation from MetLife, the Company began writing limited sales of term life, non-participating whole life, and universal life insurance products without secondary guarantees.

The ordinary lapse ratio for each of the years under examination was 4.9% in 2018, 5.4% in 2017, 4% in 2016, 4.4% in 2015, and 4.4% in 2014.

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	57,084	55,154	53,038	50,718*	49,828
Issued during the year	770	595	616	2,114	3,797*
Other net changes during the year	(2,700)	(2,711)	(2,936)	(3,004)	(3,275)*
Outstanding, end of current year	55,154	53,038	50,718	49,828*	50,350*

*The amounts with an asterisk differ from the corresponding amounts reported in the exhibits of the annual statements due to correction of annual statement filings.

The increase in the number of ordinary annuities issued in 2017 and the substantial increase in 2018 reflect the Company's shift in strategy to introduce the Shield product to serve customers and distribution partners. The shift was implemented to produce positive statutory distributable cash flows on an accelerated basis compared to the Company's legacy products.

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	$(22,545,449)	$(20,196,381)	$(128,107,853)	$(16,678,167)	$(16,646,469)
Individual annuities	33,466,333	36,054,865	40,293,105	40,649,953	53,014,882
Supplementary contracts	(623,980)	1,091,046	1,181,480	(2,154,343)	1,506,439
Total ordinary	$ 10,296,904	$ 16,949,530	$ (86,632,268)	$ 21,817,443	$ 37,874,852
Total	$ 10,296,904	$ 16,949,530	$ (86,632,268)	$ 21,817,443	$ 37,874,852

During 2014, the loss in supplementary contracts was due to tax expenses exceeding pre-tax gains from variable annuity products considerations and the net investment income. Moreover, in 2014, the loss in total ordinary life insurance was attributable to the initial settlement with the Company's former affiliate MLIC due to reinsurance recaptured for variable annuities including guaranteed minimum benefit. In addition, the Company discontinued sales of term life insurance policies in 2014.

During 2015, the loss in ordinary life insurance was due to aging of the block of business driving a higher increase in reserves. In the same year, the gain for supplementary contracts was attributable to increased considerations on variable annuity products. The total ordinary gain was driven by higher net investment income and lower expenses compared to the prior period. Moreover, the total ordinary gain was also attributable to decreased expenses due to the discontinued sales of term life insurance policies.

During 2016, the loss in ordinary life insurance was attributable to the recapture of the reinsurance treaty with MLIC due to the Separation. The gain in supplementary contracts was attributable to increased considerations from the variable annuity products. The total ordinary loss in 2016 was attributable to the recapture of the reinsurance treaty with MLIC due to the Separation.

During 2017, the loss in ordinary life insurance was due to prior year impact of the reinsurance recapture with MLIC, partially offset by the on-going impact of the newly non-reinsured term life block. In the same year, the net gain in individual annuities was due to income from non-variable bonds and mortgage loans. The loss in supplementary contracts in 2017 was due to tax expenses exceeding pre-tax gains from variable annuity considerations. The total ordinary gain in 2017 was due to an increase in income from bonds and mortgage loans, and the prior year reinsurance recapture from MLIC that was partially offset by higher consulting expenses due to the Separation.

During 2018, the increase in individual annuities net gain was due to higher separate account earnings in the Company’s Shield product. In the same year, the increase in supplementary contracts net gain was due to increased considerations from variable annuity products. The increase in total ordinary income in 2018 was due to higher earnings in its Shield product that was partially offset by the non-reinsured term life insurance block of business.

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 combined statutory basis statements of financial position of the Company as of December 31st 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	$1,863,283,896
Mortgage loans on real estate:	
First liens	393,791,921
Other than first liens	8,000,000
Cash, cash equivalents and short-term investments	88,402,858
Derivatives	29,641,085
Other invested assets	6,086,434
Receivable for securities	160,855
Deposits in connection with investments	833,272
Investment income due and accrued	16,412,964
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	2,520,901
Deferred premiums, agents' balances and installments booked but deferred and not yet due	(239,724)
Reinsurance:	
Amounts recoverable from reinsurers	15,810,332
Other amounts receivable under reinsurance contracts	94,633,133
Net deferred tax asset	3,660,681
Guaranty funds receivable or on deposit	300,000
Receivables from parent, subsidiaries and affiliates	4,925,356
Advance ceded premiums	6,565,337
Receivable from former affiliates	2,719,505
Miscellaneous	286,022
From separate accounts, segregated accounts and protected cell accounts	$4,946,562,371
Total admitted assets	$7,484,357,199

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$2,138,356,292
Liability for deposit-type contracts	17,797,169
Contract claims:	
Life	913,818
Premiums and annuity considerations for life and accident and health contracts received in advance	1,085,507
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	132,298,219
Commissions to agents due or accrued	3,961,079
General expenses due or accrued	983,360
Transfers to separate accounts due or accrued	(20,490,884)
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,167,121
Current federal and foreign income taxes	2,683,564
Amounts withheld or retained by company as agent or trustee	162,431
Remittances and items not allocated	6,878,659
Miscellaneous liabilities:	
Asset valuation reserve	14,690,677
Reinsurance in unauthorized companies	10,220,438
Payable to parent, subsidiaries and affiliates	4,795,893
Derivatives	429,619
Payable for securities	10,111,725
Cash collateral received on derivatives	23,581,000
Miscellaneous	1,967,995
From Separate Accounts statement	4,853,557,833
Total liabilities	$7,205,151,515
Common capital stock	$ 2,000,000
Surplus notes	$ 395,327,949
Unassigned funds (surplus)	(118,122,265)
Surplus	$ 277,205,684
Total capital and surplus	$ 279,205,684
Total liabilities, capital and surplus	$7,484,357,199

D. Condensed Summary of Operations

	2014	2015	2016	2017	2018
Premiums and considerations	$(4,178,853,806)	$ 57,812,984	$1,291,852,676	$294,218,329	$470,818,007
Investment income	41,409,229	53,495,565	58,083,189	84,914,384	86,655,852
Net gain from operations from Separate Accounts	0	0	0	7,432,534	85,572,004
Commissions and reserve adjustments on reinsurance ceded	4,337,495,696	(247,486,547)	(246,306,319)	(343,122,280)	(367,723,894)
Miscellaneous income	155,342,525	153,809,959	184,193,566	147,040,871	145,529,287
Total income	$ 355,393,644	$ 17,631,961	$1,287,823,112	$190,483,838	$420,851,256
Benefit payments	$ 340,880,299	$ 74,776,953	$ 90,198,155	$167,229,195	$192,018,149
Increase in reserves	82,338,246	73,622,670	1,317,046,064	(5,971,701)	(7,630,091)
Commissions	35,652,336	33,587,400	31,156,442	42,114,203	54,474,963
General expenses and taxes	59,053,710	40,305,294	34,887,168	45,682,489	49,677,789
Increase in loading on deferred and uncollected premiums	(1,572,070)	24,714	741,675	44,026	559,642
Net transfers to (from) separate accounts	(250,573,293)	(225,949,551)	(228,976,018)	(94,245,697)	93,447,135
Miscellaneous deductions	8,814,038	10,053,234	181,645,112	6,773	30
Total deductions	$ 274,593,266	$ 6,420,714	$1,426,698,598	$154,859,288	$382,547,617
Net gain (loss) from operations	$ 80,800,378	$ 11,211,247	$ (138,875,486)	$ 35,624,550	$ 38,303,639
Federal and foreign income taxes Incurred	70,503,474	(5,738,283)	(52,243,218)	13,807,107	428,787
Net gain (loss) from operations before net realized capital gains	$ 10,296,904	$ 16,949,530	$ (86,632,268)	$ 21,817,443	$ 37,874,852
Net realized capital gains (losses)	337,921	244,392	(658,085)	348,538	(19,097,272)
Net income	$ 10,634,825	$ 17,193,922	$ (87,290,353)	$ 22,165,981	$ 18,777,580

The increase in premiums from 2014 to 2015 was due to an increase in premiums related to the impact of the inception of the new variable annuity modified coinsurance (“VA Modco”) treaty with MLIC effective November 1, 2014 offset by a decrease in lower premiums due to the discontinuance of the Company’s term life products in December 2014. The increase in premiums and annuity considerations from 2015 to 2016 was primarily due to the recapture of certain Single Premium Deferred Annuity (“SPDA”) previously reinsured with MLIC effective November 2016. The decrease in premiums and annuity considerations from 2016 to 2017 was primarily due to the recapture of reinsurance agreements from MLIC and MRV in 2016 and the decrease was partially offset by an increase in premiums from variable annuity Shield product sales. The increase in premiums and annuity considerations from 2017 to 2018 was attributable to higher first-year premiums related to the Shield product sales that began in March 2017, partially offset by a decrease in renewals due to the discontinuance of the traditional life insurance products.

The increase in net gain from operations in separate accounts from 2017 to 2018 was due to an increase in earnings from its Shield products, derived from premiums, interest credited, and net investment income, partially offset by reserves and surrenders.

The increase in investment income from 2016 to 2017 was primarily due to an increase in income from bonds and mortgage loans. The increase in income was also attributable to an increase in average invested assets partially offset by a decline in yields.

The decrease in commissions and reserve adjustment on reinsurance ceded from 2014 to 2015 was attributable to the inception of the VA Modco treaty with MLIC effective November 1, 2014. The increase in commissions from 2016 to 2017 was due to a release of the deferred gain associated with the recapture of the VA Modco treaty and the establishment of the new deferred gain from the VA Modco novation to the Company. The decrease in the reserve adjustment on reinsurance ceded from 2016 to 2017 was primarily related to the recaptured reinsurance agreements from affiliates in 2016.

The decrease in benefit payments from 2014 to 2015 was attributable to lower net VA death benefits.

The increase in benefit payments from 2016 to 2017 was due to higher death benefits as a result of increased claim volume and severity and the increase in death benefits for deferred annuities driven by ceded death benefits on recaptured MLIC SPDA.

The increase in benefit payments from 2017 to 2018 was due to higher annuity benefits paid on annuity contracts with a life insurance benefit and an increase in surrenders of a large block of 10-year fixed deferred annuities as guaranteed rates declined significantly.

E. Capital and Surplus Account

	2014	2015	2016	2017	2018
Capital and surplus, December 31, prior year	$124,392,809	$297,447,214	$320,674,701	$195,824,216	$294,298,287
Net income	$ 10,634,825	$ 17,193,922	$(87,290,353)	$ 22,165,981	$ 18,777,580
Change in net unrealized capital gains (losses)	643,456	620,871	28,363	(139,839)	(10,987,750)
Change in net unrealized foreign exchange capital gain (loss)	257,071	(355,093)	(4,483)	(1,176,849)	(423,704)
Change in net deferred income tax	46,942,547	(2,814,137)	(883,612)	(28,284,481)	(932,676)
Change in non-admitted assets and related items	(61,541,138)	8,290,632	4,175,283	33,848,014	(5,368,339)
Change in liability for reinsurance in unauthorized companies	1,380,932	(48,005)	18,155	(60,745)	(9,988,347)
Change in reserve valuation basis	826,238	361,602	0	0	0
Change in asset valuation reserve	(3,587,311)	(2,506,517)	(4,251,629)	(2,838,160)	(427,454)
Surplus adjustments:					
Paid in	0	0	0	75,000,000	0
Change in surplus as a result of Reinsurance	177,497,785	(7,253,625)	(36,272,440)	(260,130)	(5,741,913)
Prior period adjustment	0	9,737,837	(369,769)	220,280	0
Net change in capital and surplus for the year	$173,054,405	$ 23,227,487	$(124,850,485)	$ 98,474,071	$(15,092,603)
Capital and surplus, December 31, current year	$297,447,214	$320,674,701	$195,824,216	$294,298,287	$279,205,684

The increase in capital and surplus in 2014 was attributable to the initial settlement with MLIC to reinsure recaptured variable annuities including the guaranteed minimum benefit guarantees from Exeter. The increase in capital and surplus in 2015 was attributable to net income resulting from higher investment income, lower expenses, and a prior period adjustment due to a modification to the mortality assumptions used to calculate reserves for certain term and universal life contracts ceded to affiliates. The decrease in capital and surplus in 2016 was due to net losses resulting from the recapture of reinsurance treaties with MLIC as a part of the Separation. The increase in capital and surplus in 2017 was attributable to a $75,000,000 capital contribution received from BLIC. The decrease in capital and surplus in 2018 was driven by derivative losses and understated unauthorized reserve collateral, partially offset by net income.

Changes in net unrealized capital gains (losses) and changes in net unrealized foreign exchange capital gains were attributable to the strengthening of the US Dollar ("USD") against the Euro and British Pound received on currency swaps in 2015 and 2016, which was partially offset by a decrease in an exchange of bonds holdings. In 2017, losses were attributable to the USD weakening against the Euro and British Pound resulting from currency swaps, partially offset by favorable exchanges on bond holdings. The decrease in 2018 was attributable to losses on equity option positions utilized to hedge Shield annuities and unfavorable exchanges on bond holdings due to the strengthening of USD against Euro and British Pound.

Changes in deferred income taxes were attributable to changes in deferred tax assets from 2015 through 2018. The changes in 2014 were attributable to changes in deferred taxes for reserves and reinsurance. The changes in 2015 were attributable to a decrease in reserves and ceding commissions, which were partially offset by an increase in Deferred Acquisition Costs ("DAC") and investments. The decrease in 2016 was attributable to a decrease in ceding commissions, deferred and uncollected premiums, partially offset by an increase in policyholders' reserves, investments and DAC. The decrease in 2017 was attributable to lower non-admitted assets, deferred and uncollectible premiums, DAC, and ceding commissions. The decrease in 2018 was due to a decrease in Net Operating Losses carryforward, ceding commissions, and credit carryforwards, partially offset by an increase in policy reserves.

Changes in non-admitted assets and related items for 2014, 2015, and 2016, are attributable to a decrease in admitted deferred tax assets. The changes for 2017 and 2018 are due to an increase in admitted deferred tax assets and disallowed interest maintenance reserve and admitted deferred taxes, respectively.

Changes in liability for reinsurance in unauthorized companies were due to a change in the collateral backing reserves credits in 2014, 2015, and 2017. The increase in 2018 was due to the understatement of the reserve estimate used for BLIC's reserve credit collateral, which caused an increase in the liabilities for reinsurance in unauthorized companies in the Company's financial statements that was offset in surplus.

The increase in Asset Valuation Reserves ("AVR") in 2014 was primarily due to unrealized capital gains on derivatives as well as the other than mortgage loans category building to maximum during the year from a zero beginning balance. The increase in 2015 was due to the normal course of business activities. The increase in 2016 was due to an increase in bond and mortgage purchases. The decrease in 2017 was due to an increase in realized gains for cash and short term investments, new sales of the Shield product guaranteed separate accounts, and unrealized gains in mortgage loans. The change in 2018 compared to the change in 2017 was primarily due to the sales activity for the new Shield product, which led to an increase in bond purchases.

The change in surplus as a result of reinsurance in 2014 was due to an increase in initial settlement with MLIC to reinsure the variable annuities with minimum benefit guarantees recaptured from Exeter. The decreases in 2015, 2017, and 2018 were due to decreases in amortized deferred gains on variable annuity treaties. The decrease in 2016 was due to the amortization of deferred gains from the recapture of certain SPDA contracts that were previously reinsured by MLIC, as well as a recapture of level term business that was reinsured by MRV.

The prior period adjustment in 2015 was due to modification in the mortality assumptions used in the calculation of reserves for certain ceded term and universal life insurance policies and the correction of historical reinsurance settlement activity associated with these products, partially offset by a correction of an error related to call center expenses shared among the Company's affiliates. The prior period adjustment in 2016 was due to certain separate account distribution fees shared between the Company's affiliates. The prior period adjustment in 2017 was due to allocation of third-party sales bonuses between the Company's affiliates.

7. RESERVES

The Department conducted a review of the reserves as of December 31, 2018. This review included an examination of the asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During this review it was noted that the Company did not test the ceded variable annuity business. The Company has agreed to perform such testing and to strengthen reserves in a manner acceptable to the Department. This increased the Company’s gross reserves, reserve credit and supporting collateral in the amount of $318 million as of June 30, 2020.

The examiner recommends that the Company continue to perform testing of the ceded variable annuity business as agreed upon with the Department.

8. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the National Association of Insurance Commissioners (NAIC), are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

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.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 1505(d) of the New York Insurance Law by failing to notify the superintendent in writing of its intention at least 30 days prior to entering into a service agreement with NELICO whereby the Company would be receiving services on a regular or systematic basis. The Company indicated that the agreement has not been used since 2012 and will not be used going forward.

10. SUMMARY AND CONCLUSIONS

Following are the violation, recommendations, and comment 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.	17
B	The examiner recommends that the Company establish procedures to ensure that its books of account are maintained in a durable medium, at all times, in its home office.	17
C	The examiner recommends that the Company continue to perform testing of the ceded variable annuity business as agreed upon with the Department.	35

Respectfully submitted,

Roshanak Fekrat

Roshanak Fekrat, CFE
Global Insurance Enterprises, Inc.

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

Roshanak Fekrat, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

Roshanak Fekrat

Roshanak Fekrat

Subscribed and sworn to before me
this 30th day of September, 2021

Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

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. 32020

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, 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:

ROSHANAK FEKRAT
(GLOBAL INSURANCE ENTERPRISES, INC.)

as a proper person to examine the affairs of the

BRIGHTHOUSE LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as she 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 6th day of December 2019

LINDA A. LACEWELL
Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU