



TARGETED MARKET CONDUCT REPORT ON EXAMINATION

OF THE

BRIGHTHOUSE LIFE INSURANCE COMPANY

OF NEW YORK

AS OF DECEMBER 31, 2020

EXAMINER:

IJEOMA NDIKA

DATE OF REPORT:

SEPTEMBER 16, 2021

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Company	4
A. History	4
B. Territory and plan of operation	5
4. Market conduct activities	7
A. Advertising and sales activities	7
B. Underwriting and policy forms	7
C. Option to opt-out	9
5. Summary and conclusions	10

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

September 19, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32254, dated June 10, 2021, and annexed hereto, an examination has been made into the condition and affairs of Brighthouse Life Insurance Company of New York, hereinafter referred to as “the Company”. The Company’s home office is located at 285 Madison Avenue, New York, NY 10017. The examination was conducted remotely because of the COVID-19 pandemic.

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 findings and violations contained in this report are summarized below.

- The Company violated Section 51.6(e) of 11 NYCRR 51 (Insurance Regulation 60) by failing to furnish the superintendent with its Regulation 60 electronic procedures. (See item 4A of this report.)
- The Company violated Section 3201(b)(1) of the New York Insurance Law by using application forms and amendment application forms that were not filed with and approved by the superintendent, and by using policy forms in a manner that was not approved by the superintendent. (See item 4B-1 of this report.)
- The Company violated Section 243.2(b) 11 NYCRR 243 (Insurance Regulation 152) by failing to maintain the policy record that is necessary for reconstructing the solicitation, rating and underwriting of life policies. (See item 4B-2 of this report.)

2. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2018, to December 31, 2020.

The examination comprised a review of the Company's electronic application process and related market conduct activities.

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

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 New York and Wisconsin, 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 (“FMLIIC”) 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, FMLIIC changed its name to Brighthouse Life Insurance Company of New York (the “Company”). The Company is domiciled in the state of New York and licensed to transact insurance business only in New York.

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.

B. Territory and Plan of Operation

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 only licensed to transact business in New York. In 2020, 89.2% of life premiums and 99.4% of annuity considerations 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 2020:

<u>Life Insurance Premiums</u>		<u>Annuity Considerations</u>	
New York	89.2%	New York	99.4%
New Jersey	2.1	Florida	0.2
Florida	1.9	New Jersey	<u>0.2</u>
Connecticut	1.1		
California	<u>0.8</u>		
Subtotal	95.1%	Subtotal	99.8%
All others	<u>4.9</u>	All others	<u>0.2</u>
Total	<u>100.0%</u>	Total	<u>100.0</u>

The Company sells its major products through two primary distribution channels: Brokerage General Agency; and Selling Agreements. These channels are not affiliated with the reporting companies.

4. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's electronic application processes for life insurance and annuities to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's sales activities, solicitation and the replacement of insurance policies as part of the Company's electronic application process review.

Section 51.6(e) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) states:

“Both the insurer that issued the life insurance policy or annuity contract that is being replaced and the insurer replacing the life insurance policy or annuity contract shall establish and implement procedures to ensure compliance with the requirements of this Part. These procedures shall include a requirement that all material be dated upon receipt. Such insurers shall also designate a principal officer specifically responsible for the monitoring and enforcement of these procedures. All insurers covered under this Part shall furnish the superintendent with these procedures and the name and title of the designated principal officer by the effective date of this Part. Any changes in these procedures or the designated principal officer shall be furnished to the superintendent within 30 days of such change.”

A review of a sample of the Company's electronic application for annuity contracts revealed that in 24 out of 40 replacements (60%), the Company used electronic signatures to replace the annuity contract documents. However, the Regulation 60 procedures that the Company used to replace annuity products electronically were not filed with the superintendent.

The Company violated Section 51.6(e) of 11 NYCRR 51 (Insurance Regulation 60) by failing to furnish the superintendent with its Regulation 60 electronic procedures.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms as part of the Company's electronic application process review.

1. Section 3201(b)(1) of the New York Insurance Law states, in part:

“No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law. . . .”

The examiner’s review of a sample of 33 life applications processed electronically revealed that in 26 instances (78.8%), the Company used policy form EMED-48-07-NY that was not filed with and approved by the superintendent.

The examiner’s review of a sample of 105 annuity applications processed under the “Firelight System” revealed that the Company used electronic signatures to sign the applications but did not file the extension for approval of the electronic use of the forms and supplement applications with the superintendent for the following policy forms:

- Application form number SLS-APP-NY (10/16) used in 27 instances (25.7%);
- Application form number VA-APP-NY (11/17) used in 29 instances (27.6%); and
- Supplement application form number NYGLWBSUPP (12/17) used in 22 instances (21%).

Furthermore, the review of the 105 annuities also revealed that in 3 instances (2.9%), the Company utilized a policy form “Amendment of Application” that was not filed with and approved by the superintendent.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using application forms and amendment application forms that were not filed with and approved by the superintendent, and by using policy forms in a manner that was not approved by the superintendent.

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

“Except as otherwise required by law or regulation, an insurer shall maintain:
 (1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. Policy records need not be segregated from the policy records of other states as long as they are maintained in accordance with the provisions of this Part. A separate copy need not be maintained in an individual policy record, provided that any data relating to a specific contract or policy can be retrieved pursuant to section 243.3(a) of this Part. A policy record shall include: . . .

(iv) other information necessary for reconstructing the solicitation, rating, and underwriting of the contract or policy.”

The examiner’s review of a sample of 33 policies issued with telephone applications revealed that in 3 cases (9.1%), the Company failed to maintain the telephone voice recordings for the telephone applications.

The Company violated Section 243.2(b) 11 NYCRR 243 (Insurance Regulation 152) by failing to maintain the policy record that is necessary for reconstructing the solicitation, rating and underwriting of life policies.

C. Option to Opt-Out

The examiner verified that the applicants had an opportunity to opt out of the electronic process as required by Section 309 of the New York State Technology Law.

5. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
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Respectfully submitted,

I. Ndika

Ijeoma Ndika
Senior Insurance Examiner

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

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

I. Ndika

Ijeoma Ndika

Subscribed and sworn to before me
this 19th day of October, 2022
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. 32254

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:*

IJEOMA NDIKA

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 10th day of June, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

