

EXAMINATION REPORT
OF
BRIGHOUSE LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2018

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON EXAMINATION
OF
BRIGHTHOUSE LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2018

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro".

Trinidad Navarro
Insurance Commissioner

Dated this 5 day of June, 2020

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS	3
COMPANY HISTORY	3
CAPITALIZATION.....	5
DIVIDENDS	6
MANAGEMENT AND CONTROL	6
DIRECTORS	6
OFFICERS	7
CORPORATE RECORDS	7
INSURANCE HOLDING COMPANY SYSTEM	8
AGREEMENTS WITH AFFILIATES	10
TERRITORY AND PLAN OF OPERATION	13
REINSURANCE.....	13
FINANCIAL STATEMENTS	17
STATEMENT OF ASSETS	18
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS	19
SUMMARY OF OPERATIONS.....	20
SEPARATE ACCOUNT STATEMENT OF ASSETS, LIABILITIES AND SURPLUS	23
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION	24
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	24
SUBSEQUENT EVENTS	24
SUMMARY OF RECOMMENDATIONS	26

May 29, 2020

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 19.018, dated May 9, 2019, an examination has been made of the affairs, financial condition and management of

BRIGHTHOUSE LIFE INSURANCE COMPANY

hereinafter referred to as BLIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the administrative office of the Company located at 11225 North Community House Road, Charlotte, North Carolina 28277. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The last examination was conducted as of December 31, 2014, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2015 through December 31, 2018. Our examination was performed as part of the multi-state coordinated examination of the Brighthouse Financial Group (Group) of regulated entities, wherein Delaware is the lead state.

The examination was conducted concurrently with that of the Company's New York domiciled affiliate, Brighthouse Life Insurance Company of NY (BLICNY). To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware, as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Deloitte & Touche LLP (D&T). Certain work papers for D&T's 2018 audit of the Company and certain of its affiliates have been incorporated into the work papers of the examiners. The workpapers were utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was originally incorporated in the State of Connecticut on June 17, 1863 and commenced business on April 1, 1864, as The Travelers Insurance Company (Travelers). The Company was an operating entity of what later became the Travelers Corporation. The Company was party to the 1993 acquisition of Travelers Corporation by the Primerica Corporation to form the Travelers Group and the 1998 merger of Travelers Group and Citicorp to form Citigroup, Inc (Citigroup).

On July 1, 2005, the Company and certain Citigroup affiliates including Travelers Life and Annuity Company (TLAC), were acquired by MetLife, Inc. (MetLife). The acquisition made MetLife the largest individual life insurer in North America based on sales. On May 1, 2006, the Company's name was changed to MetLife Insurance Company of Connecticut (MICC). TLAC was renamed MetLife Life and Annuity Company (MLAC). MLAC was subsequently merged into the Company on December 7, 2007.

On November 14, 2014, the Company was redomesticated from the State of Connecticut to the State of Delaware and its name was changed to MetLife Insurance Company USA (MetLife USA). Concurrent with the redomestication, MetLife performed a corporate restructure of the Company and several affiliates via a corporate merger and dissolution. The principal purpose of the merger and dissolution was to provide increased transparency relative to MetLife's capital allocation and variable annuity risk management. Affiliated entities party to the merger and dissolution included: MetLife Investors USA Insurance Company (MLI-USA), MetLife Investors Insurance Company (MLIIC), and Exeter Reassurance Company, Ltd. (Exeter). Prior to the merger and dissolution, MLI-USA and MLIIC were United States domestic insurance companies that issued variable annuity products in addition to other products. Exeter was an offshore reinsurance subsidiary of MetLife that mainly reinsured guarantees associated with variable annuity products.

On January 12, 2016, MetLife announced its plan to pursue the separation of a substantial portion of its United States retail business and certain portions of its Corporate Benefit Funding segment (the Separation). Additionally, on July 21, 2016, MetLife announced that the separated business would be rebranded as "Brighthouse Financial." The business subject to the Separation and rebranding included MetLife's individual life and annuity operations and certain run-off business. On August 1, 2016, Brighthouse Financial, Inc. (BHF) was incorporated as a wholly owned subsidiary of MetLife to facilitate the Separation. Effective March 6, 2017, the Company changed its name from MetLife USA to BLIC in connection with the Separation.

Until the completion of the Separation on August 4, 2017, BHF remained a wholly owned subsidiary of MetLife. MetLife undertook several actions, including an internal

reorganization involving its United States retail business (the Restructuring) to include the Company and certain affiliates in the separated business. In connection with the Restructuring, effective April, 2017 MetLife contributed certain affiliated reinsurance companies (MetLife Reinsurance Company of Delaware (MrD), MetLife Reinsurance Company of South Carolina (MrSC), and MetLife Reinsurance Company of Vermont II (MrVII)) and BLICNY to the Company. The affiliated reinsurance companies were then merged into Brighthouse Reinsurance Company of Delaware (BRCD). On July 28, 2017, MetLife contributed Brighthouse Holdings, LLC (Brighthouse Holdings) to BHF, resulting in the Company becoming an indirect wholly owned subsidiary of BHF.

On August 4, 2017, MetLife completed the Separation by distributing 80.8% of its common stock ownership in BHF to the holders of MetLife common stock. At this time, BHF became a publicly traded company listed on the NASDAQ Stock Market, LLC (NASDAQ). On June 19, 2018, MetLife divested its remaining ownership of BHF common stock. As a result, MetLife and its subsidiaries and affiliates are no longer considered related parties of BHF.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 5,000 shares of capital stock divided into two classes, consisting of 4,000 shares of common stock, par value \$25,000 per share, and 1,000 shares of preferred stock, par value \$0.01 per share. As of December 31, 2018, the Company had 3,000 common shares issued and outstanding totaling \$75 million. All outstanding common shares of the Company are owned by Brighthouse Holdings. No shares of preferred stock had been issued as of December 31, 2018. As of December 31, 2018, the Company reported gross paid-in and contributed surplus of \$5.4 billion.

Additionally, the Company was capitalized with two surplus notes totaling \$400 million as of December 31, 2018. The outstanding surplus notes are both payable to Brighthouse Holdings in the amount of \$200 million each, after one of the notes that was originally issued to New England Life Insurance Company (NELICO) was subsequently transferred by NELICO to Brighthouse Holdings.

Dividends

The Company paid ordinary shareholder dividends during the examination period in the amounts of \$500 million and \$261 million for the years ended December 31, 2015 and December 31, 2016, respectively. The dividends for each year were authorized by the Company's Board of Directors (Board) and notice of the dividend declaration was properly provided to the Department as required by 18 *Del. C.* § 5004 (e).

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board. The Board shall consist of one or more members and the total number of directors shall be determined by the Board.

Each Director is elected annually by the stockholder and holds office for a term of one year or until his or her successor is duly elected and qualified, subject to such director's earlier death, resignation, disqualification or removal. Directors duly elected and serving as of December 31, 2018, were as follows:

<u>Name</u>	<u>Title</u>
Eric Thomas Steigerwalt	Chairman, President and Chief Executive Officer of BHF
Anant Bhalla ¹	Chief Financial Officer of BHF
Myles Joseph Lambert	Chief Distribution and Marketing Officer of BHF
John Lloyd Rosenthal	Chief Investment Officer of BHF
Conor Ernan Murphy	Chief Operating Officer of BHF

¹Subsequent to the examination period Anant Bhalla resigned from the Company's Board and was replaced by Edward Allen Spehar, Chief Financial Officer of BHF.

Officers

The Company's officers were elected in accordance with its bylaws during the period under examination. The bylaws require election of a Chief Executive Officer, a President, a Treasurer, a Secretary, and any Vice Presidents, Assistant Secretaries, Assistant Treasurers or other officers as may be appointed by the Board. Any number of offices may be held by the same person. The Company's primary officers serving as of December 31, 2018, were as follows:

<u>Name</u>	<u>Title</u>
Eric Thomas Steigerwalt	Chairman of the Board, President and Chief Executive Officer
Anant Bhalla ¹	Vice President and Chief Financial Officer
Daniel Burt Arrington	Vice President and Secretary
Jin Seung Chang ²	Vice President and Treasurer
Lynn Ann Dumais	Vice President and Chief Accounting Officer
Meredith Alicia Ratajczak ³	Vice President and Appointed Actuary

¹Subsequent to the examination period Anant Bhalla resigned as Vice President and Chief Financial Officer of the Company and was replaced by Vice President and Interim Chief Financial Officer, Conor Ernan Murphy. Conor Ernan Murphy was subsequently replaced by Edward Allen Spehar, Vice President and Chief Financial Officer.

²Subsequent to the examination period, Jin Seung Chang resigned as the Company's Vice President and Treasurer and was replaced by Janet Marie Morgan, Vice President and Treasurer.

³Subsequent to the examination period, Meredith Alicia Ratajczak resigned as the Company's Vice President and Appointed Actuary and an interim replacement was appointed.

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and

approval of Company transactions and events, including approval of investment transactions as required by 18 *Del. C.* § 1304. In addition, review of Company files found that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination as required by 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. BHF, the Company's ultimate parent company, was formed on August 1, 2016. BHF operated as a wholly owned subsidiary of MetLife from its inception until August 4, 2017 when a majority of MetLife's ownership in BHF was distributed to MetLife shareholders and BHF began trading on the NASDAQ as a separate public entity. MetLife remained an affiliate and the ultimate controlling party of BHF until June 19, 2018, when MetLife divested of its remaining ownership of BHF. As of December 31, 2018, one shareholder owned greater than 10% of BHF's outstanding common shares, however a disclaimer of affiliation was filed with and approved by the Department. As of December 31, 2018, BHF conducted its insurance and financial service operations through Brighthouse Holdings. The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2018:

<u>Company</u>	<u>Domicile</u>
Brighthouse Financial, Inc.	Delaware
Brighthouse Holdings, LLC	Delaware
Brighthouse Life Insurance Company	Delaware
Brighthouse Life Insurance Company of NY	New York
Brighthouse Reinsurance Company of Delaware	Delaware
New England Life Insurance Company	Massachusetts
Brighthouse Investment Advisors, LLC	Massachusetts
Brighthouse Securities, LLC	Delaware
Brighthouse Services, LLC	Delaware

The following is a description of the primary legal entities in the insurance holding company system followed by a summary of significant affiliated agreements:

- BLICNY, formerly First MetLife Investors Insurance Company, is domiciled in New York and licensed to write business in New York.
- BRCD is the combination of three former MetLife captive reinsurers including MrD, MrSC, and MrVII. These entities were merged with and into BRCD effective April 28, 2017. BRCD is licensed under the Special Purpose Financial Captive law adopted by several states including Delaware by 18 *Del. C.* § 6951. BRCD was formed to manage the Group's capital and risk exposures and to support various operations through the use of affiliated reinsurance arrangements and related reserve financing.
- NELICO has operated under the same name since its inception. NELICO is domiciled in Massachusetts and licensed to write business in all 50 states. NELICO is currently in run-off.
- Brighthouse Investment Advisers, LLC (Brighthouse Advisers), formerly MetLife Advisers, LLC, is an investment advisor to certain proprietary mutual funds that are underlying investments under BHF's and MetLife's variable insurance products.
- Brighthouse Securities, LLC (Brighthouse Securities) is registered as a broker-dealer with the Securities Exchange Commission, approved as a member of Financial Industry Regulatory Authority, Inc. and registered as a broker-dealer and licensed as an insurance agency in all required states.
- Brighthouse Services, LLC (Brighthouse Services) is an internal services and payroll company that provides services to BHF and its directly and indirectly owned subsidiaries.

Agreements with Affiliates

The following is a summary of the Company's significant affiliated agreements in force as of December 31, 2018:

- Master Affiliate Services and Facilities Agreement - Effective January 1, 2017, the Company entered into a Master Affiliate Services and Facilities Agreement with Brighthouse Services. In accordance with the agreement, Brighthouse Services provides a broad range of services (including, but not limited to, legal, marketing, human resources, general management, finance, actuarial, and systems and technology services) and makes available its personnel and facilities to the Company. The Company pays Brighthouse Services a market-based fee for such services, personnel and facilities.
- Investment Management Agreement - Effective November 19, 2018, the Company entered into an Investment Management Agreement with Brighthouse Services. In accordance with the agreement, Brighthouse Services provides investment management and investment supervisory services to the Company. The investment supervisory services include the authority to retain third-party investment managers on behalf of the Company. The Company pays fees to Brighthouse Services in accordance with the Master Affiliated Services and Facilities Agreement.
- Intercompany Liquidity Facility Agreement – Effective October 8, 2018, the Company entered into an Intercompany Liquidity Facility Agreement with BHF, certain BHF non-insurance company subsidiaries, and BRCD to provide short-term liquidity within and across the combined group of companies. In accordance with the agreement, each company can lend to or borrow from each other company subject to certain maximum

limits, for a term not more than 364 days. The borrowing and lending limit is 3% of the Company's admitted assets as of the previous year-end.

- Tax Sharing Agreement - Effective July 21, 2017, the Company entered into a Tax Sharing Agreement with BRCD and BLICNY. In accordance with the agreement, the Company and its directly owned life insurance and reinsurance companies (i.e. BRCD and BLICNY), will be included in the Company's consolidated federal income tax return. The Tax Sharing Agreement sets forth the methodology and procedures for allocating the consolidated Federal Income Tax Liability (Benefit) among the affiliates in a fair and equitable manner.
- Marketing and Servicing Agreement - Effective January 1, 2010, the Company entered into a Marketing and Servicing Agreement with NELICO. In accordance with the agreement, the Company granted NELICO the right to distribute and service certain fixed contracts of the Company's. NELICO contracts with licensed agents acceptable to the Company to sell the fixed contracts. The Company pays NELICO an amount equal to all direct and indirect expenses as determined reasonable and equitable.
- Principal Underwriting and Distribution Agreement - Effective March 6, 2017, the Company entered into a Principal Underwriting and Distribution Agreement with Brighthouse Securities. In accordance with the agreement, Brighthouse Securities has the exclusive right to be the distributor of certain variable, registered fixed, fixed, and privately placed annuity contracts and variable, fixed and privately placed life insurance policies issued by the Company. The Company pays Brighthouse Securities a fee equal to all expenses, direct and indirect, reasonably determined by Brighthouse Securities to be attributable to the underwriting and distribution services.

- Paymaster Agreement - Effective March 6, 2017, the Company entered into a Paymaster Agreement with Brighthouse Securities. In accordance with the agreement, the Company agreed to process compensation payments on behalf of Brighthouse Securities to retail broker dealers who distribute insurance products issued by the Company, NELICO and BLICNY. Brighthouse Securities reimburses BLIC, at cost, for all such services.
- Participation Agreements and Rule 12b-1 Plan Payments Agreement - Effective March 6, 2017, BLIC entered 1.) a Participation Agreement with Brighthouse Funds Trust I, Brighthouse Advisers and Brighthouse Securities; 2.) a Participation Agreement with Brighthouse Funds Trust II, Brighthouse Advisers and Brighthouse Securities; and 3.) a Rule 12b-1 Plan Payments Agreement with Brighthouse Securities. In accordance with the Participation Agreement(s), Brighthouse Securities agreed to sell to the Company, in accordance with applicable state and federal securities laws, interests in the Brighthouse Trust Funds Trust I and Trust II (Funds) to fund certain variable life and variable annuity contracts. The Funds agreed to redeem such interests at the Company's request. The Company does not pay any fees or other compensation under these agreements. In accordance with the Rule 12b-1 Plan Payments Agreement, the Company provides certain distribution and shareholder services on behalf of Brighthouse Securities to holders of variable life and annuity contracts issued by the Company. Brighthouse Securities pays to the Company fees equal to the Rule 12b-1 fees received by Brighthouse Securities from the Funds attributable to the assets underlying the variable life and annuity contracts issued by the Company.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was licensed to transact insurance business in the District of Columbia, Guam, Puerto Rico, the United States Virgin Islands, the Bahamas and all states except New York. The Company's wholly owned subsidiary, BLICNY, is licensed to transact insurance business in the State of New York.

Historically, the Company's product offerings have included variable life products, universal life products, traditional life products, including whole life and term life, individual disability insurance, long-term care insurance, variable annuities and fixed annuities. Currently, the Company offers annuities including fixed, fixed indexed, structured, income and variable annuities. The Company also currently offers life products including term life and universal life products.

The Company distributes its annuity and life insurance products through a diverse network of independent distribution partners. Partners include over 400 national and regional brokerage firms, banks, other financial institutions and financial planners, in connection with the sale of annuity products, and general agencies, financial advisors, brokerage general agencies and financial intermediaries, in connection with the distribution of life insurance products.

REINSURANCE

The Company assumes and cedes insurance risk utilizing reinsurance agreements with both affiliates and third parties. The Company reported direct, assumed and ceded premiums and annuity considerations for the years ended December 31, 2018, and the prior examination date of December 31, 2014, as follows:

	2018	% of Total Gross & Assumed Business	2014	% of Total Gross & Assumed Business
Direct Business	\$ 6,869,952,296	84%	\$ 7,627,498,546	149%
Reinsurance assumed (from affiliates)	198,370,118	2%	(1,519,351,607)	-30%
Reinsurance assumed (from non-affiliates)	1,157,228,784	14%	(992,810,057)	-19%
Gross direct and assumed business	<u>\$ 8,225,551,198</u>	<u>100%</u>	<u>\$ 5,115,336,882</u>	<u>100%</u>
Reinsurance ceded (to affiliates)	930,102,796	11%	815,988,875	16%
Reinsurance ceded (to non-affiliates)	1,167,585,562	14%	5,375,923,508	105%
Net direct and assumed business	<u>\$ 6,127,862,840</u>	<u>74%</u>	<u>\$ (1,076,575,501)</u>	<u>-21%</u>

The following is a summary of the Company's assumed and ceded reinsurance program including information related to the amount of insurance liability ceded or assumed under significant reinsurance contracts or with significant counterparties.

Assumed Reinsurance

The Company assumes business from both affiliates and third parties. Affiliated assumed reinsurance is primarily utilized by the Company in connection with BHF's overall capital management strategy. The Company assumed third-party reinsurance risks related to legacy transactions that are now in run-off, and actively assumes third-party reinsurance in connection with BHF's overall corporate product and distribution strategy. The Company's legacy assumptive reinsurance liabilities in force are related to an assumption reinsurance agreement with Metropolitan Tower Life Insurance Company (MetTower) for certain term life and universal life policies with secondary death benefit guarantees. Additionally, the Company actively assumes reinsurance business under an assumption reinsurance agreement with C.M. Life Insurance Company (C.M. Life), which is an affiliate of Massachusetts Mutual Life Insurance Company (MassMutual). Prior to the Separation, MetLife sold MetLife Premier Client Group (MPCG) to MassMutual. MPCG was MetLife's and the Company's proprietary distribution channel. In connection with the sale of MPCG, BHF entered into an agreement that

permits it to serve as the exclusive manufacturer for certain proprietary products that are offered through MassMutual’s career agent channel. BHF partnered with MassMutual to develop the initial product distributed under this arrangement, the Index Horizons fixed indexed annuity, and agreed on the terms of the related reinsurance between C.M. Life and the Company. The following is a summary of the Company’s assumed reinsurance by counterparty based on premiums and total reserve assumed as of December 31, 2018:

<u>Counterparty</u>	<u>Premiums</u>	<u>Total Reserve</u>	<u>Modified Coinsurance Reserve</u>
<u>Affiliates:</u>			
BLICNY	\$ 137,617,629	\$ 318,927,252	\$ 3,586,780,147
NELICO	20,668,939	393,189,622	2,235,748,918
Others ¹	216,243,320	-	-
Sub-total	<u>\$ 374,529,888</u>	<u>\$ 712,116,874</u>	<u>\$ 5,822,529,065</u>
<u>Non-Affiliates:</u>			
C.M. Life	\$ 1,118,201,424	\$ 1,308,818,708	\$ -
MetTower	39,015,986	3,189,441,713	-
Others	730,057,179	14,941,746	-
Sub-total	<u>\$ 1,887,274,589</u>	<u>\$ 4,513,202,167</u>	<u>\$ -</u>
Total	<u>\$ 2,261,804,477</u>	<u>\$ 5,225,319,041</u>	<u>\$ 5,822,529,065</u>

¹Includes premiums from General American Life Insurance Company in the amount of \$40.2 million offset by a de minimis amount of premium paid to MetTower. These entities were considered affiliates when premium was earned and unaffiliated after completion of the Separation.

Ceded Reinsurance

The Company cedes business to both affiliates and third parties in accordance with the overall BHF corporate strategy. Affiliated ceded reinsurance is utilized by the Company to manage capital and risk exposures associated with legacy lines of business that are now in run-off. The Company maintains third-party ceded reinsurance related to legacy lines of business that are now in run-off, and actively utilizes third-party ceded reinsurance in connection with BHF’s risk management efforts and in order to provide opportunities for growth and capital

management. The extent of each risk retained depends on the Company's evaluation of the specific risk, subject, in certain circumstances, to maximum retention limits based on the characteristics and relative cost of reinsurance. The Company has secured certain reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. The following is a summary of the Company's reinsurance ceded on life insurance, annuities, deposit funds and other liabilities by counterparty based on premiums and reserve credits taken as of December 31, 2018:

<u>Counterparty</u>	<u>Premiums</u>	<u>Reserve Credit Taken</u>	<u>Modified Coinsurance Reserve</u>
<u>Affiliates:</u>			
BRC D	\$ 713,532,543	\$ 19,727,788,624	\$ -
Others ¹	216,243,320	-	-
Sub-total	<u>\$ 929,775,863</u>	<u>\$ 19,727,788,624</u>	<u>\$ -</u>
<u>Non-affiliates:</u>			
MetLife Reinsurance Company of Vermont	\$ 466,879	\$ 2,373,014,265	\$ -
MetTower	195,408,711	1,632,915,018	-
MetLife	17,915,779	914,509,332	2,361,522,859
Others	730,057,179	1,443,478,312	27,418,403
Sub-total	<u>\$ 943,848,548</u>	<u>\$ 6,363,916,927</u>	<u>\$2,388,941,262</u>
Total	<u>\$ 1,873,624,411</u>	<u>\$ 26,091,705,551</u>	<u>\$2,388,941,262</u>

¹Includes premiums from MetTower, General American Life Insurance Company, MetLife and MetLife Reinsurance Company of Vermont in the amounts of \$140.3 million, \$56.9 million and \$18.8 million and \$207,093, respectively. These entities were considered affiliates when premium was earned and unaffiliated after completion of the Separation.

Additionally, the Company reinsures, through 100% quota share agreements, certain run-off long-term care and workers' compensation business that was originally written by Travelers. The Company's reinsurance recoverable balances related to the long-term care agreements are supported by trust accounts for the benefit of the Company as well as an indemnification agreement issued by Citigroup. The following is a summary of the Company's unaffiliated

reinsurance ceded on accident and health insurance liabilities by counterparty based on premiums and reserve credits taken as of December 31, 2018:

Counterparty	Premiums	Reserve Credit Taken
Genworth Life Insurance Company	\$ 160,371,903	\$ 4,366,138,987
Genworth Life Insurance Company of New York	59,647,336	2,377,241,876
Others	4,044,710	121,061,491
Total	\$ 224,063,949	\$ 6,864,442,354

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2018
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2018
- Summary of Operations for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2014 to December 31, 2018
- Separate Account Statement of Assets, Liabilities and Surplus as of December 31, 2018

Statement of Assets
As of December 31, 2018

	<u>Assets</u>	<u>Non admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 43,278,811,700		\$ 43,278,811,700
Preferred stocks	315,533,982		315,533,982
Common stocks	360,459,940	3,342,847	357,117,093
Mortgage loans on real estate	10,919,919,854		10,919,919,854
Real estate	1,055,192		1,055,192
Cash and cash equivalents	2,891,234,065		2,891,234,065
Contract loans	1,001,450,640		1,001,450,640
Derivatives	2,721,727,734		2,721,727,734
Other invested assets	2,584,886,024	18,013,625	2,566,872,399
Receivables for securities	58,148,313		58,148,313
Aggregate write-ins for invested assets	79,751,087		79,751,087
Subtotals, cash and invested assets	<u>\$ 64,212,978,531</u>	<u>\$ 21,356,472</u>	<u>\$ 64,191,622,059</u>
Investment income due and accrued	586,916,834		586,916,834
Uncollected premiums and agents' balances	97,072,965	6,897,598	90,175,367
Deferred premiums, agents' balances and installments booked but deferred and not due	63,055,730		63,055,730
Amounts recoverable from reinsurers	184,464,576		184,464,576
Funds held by or deposited with reinsured companies	6,521,308		6,521,308
Other amounts receivable under reinsurance companies	486,213,381		486,213,381
Current federal and foreign income tax recoverable	33,758,385		33,758,385
Net deferred tax asset	2,239,057,434	1,360,745,638	878,311,796
Guaranty funds receivable or on deposit	15,866,495		15,866,495
Receivable from parent, subsidiaries and affiliates	50,366,312		50,366,312
Aggregate write-ins for other than invested assets	21,309,446	2,752,064	18,557,382
Total assets excluding Separate Accounts	<u>\$ 67,997,581,397</u>	<u>\$1,391,751,772</u>	<u>\$ 66,605,829,625</u>
From Separate Accounts	<u>96,983,645,792</u>		<u>96,983,645,792</u>
Total Assets	<u><u>\$ 164,981,227,189</u></u>	<u><u>\$1,391,751,772</u></u>	<u><u>\$ 163,589,475,417</u></u>

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2018

		Notes
Aggregate reserve for life contracts	\$ 43,739,869,238	1
Aggregate reserve for accident and health contracts	73,912,666	1
Liability for deposit-type contracts	2,582,631,556	1
Contract claims: Life	190,360,551	1
Contract claims: Accident and health	1,144,656	1
Policyholders' dividends	(9,063,212)	
Policyholder dividends apportioned for payment	4,749,435	
Premiums and annuity considerations for life and accident and health contracts received in advance	2,391,200	
Other amounts payable on reinsurance assumed and ceded	824,444,436	
Interest Maintenance reserve	271,453,529	
Commissions to agents due or accrued-life and annuity contracts	80,155,562	
Commissions and expense allowance payable on reinsurance assumed	30,077,808	
General expenses due or accrued	24,589,438	
Transfers to Separate Account due or accrued (net)	(316,519,395)	
Taxes, licenses and fees due or accrued, excluding federal income taxes	26,563,238	
Unearned investment income	3,822,038	
Amounts withheld or retained by company as agent or trustee	13,486,487	
Amounts held for agents' account	287,540	
Remittances and items not allocated	147,028,375	
Asset valuation reserve	380,188,717	
Funds held under reinsurance treaties with unauthorized reinsurers	165,567,328	
Payable to parent, subsidiaries and affiliates	101,350,653	
Funds held under coinsurance	5,271,366,524	
Derivatives	2,155,311,096	
Payable for securities	21,437,621	
Payable for securities lending	3,648,505,211	
Aggregate write-ins for liabilities	1,459,687,605	
Total liabilities excluding Separate Accounts business	\$ 60,894,799,901	
From Separate Accounts Statement	95,963,848,056	
Total liabilities	\$ 156,858,647,957	
Common capital stock	\$ 75,000,000	
Surplus notes	400,000,000	
Gross paid in and contributed surplus	5,435,279,527	
Unassigned funds (surplus)	820,547,933	
Capital and Surplus	\$ 6,730,827,460	
Total liabilities, surplus and other funds	\$ 163,589,475,417	

Summary of Operations
For the Year Ended December 31, 2018

Premiums and annuity considerations for life and accident and health contracts	\$ 6,127,862,840
Considerations for supplementary contracts with life contingencies	156,012,612
Net investment income	2,696,313,490
Amortization of Interest Maintenance Reserve	25,355,199
Separate Accounts net gain from operations excluding unrealized gains or losses	841,578,019
Commissions and expense allowances on reinsurance ceded	190,168,920
Reserve adjustments on reinsurance ceded	(305,341,339)
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	2,449,388,659
Changes and fees for deposit-type contracts	316,553
Aggregate write-ins for miscellaneous income	598,839,805
Total revenue and other policyholder adjustments	<u>\$ 12,780,494,758</u>
Death benefits	\$ 607,929,140
Matured endowments	1,010,112
Annuity benefits	2,459,684,142
Disability benefits	9,595,975
Surrender benefits and withdrawals for life contracts	11,828,614,008
Interest and adjustments on contract or deposit-type contract funds	112,646,850
Payments on supplementary contracts with life contingencies	103,130,211
Increase in aggregate reserves for life and accident and health contracts	2,280,574,744
Total benefits and policyholder adjustments	<u>\$ 17,403,185,182</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 699,840,332
Commissions and expense allowances on reinsurance assumed	108,189,908
General insurance expenses	1,158,156,049
Insurance taxes, licenses and fees, excluding federal income taxes	75,408,903
	(1,829,936)
Net transfers to or (from) Separate Accounts net of reinsurance	(6,998,271,540)
Aggregate write-ins for deductions	(308,153,498)
Total selling general and other expenses	<u>\$ (5,266,659,782)</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 643,969,358
Dividends to policyholders	4,638,677
Net gain from operations after dividends to policyholders and before federal income taxes	<u>\$ 639,330,681</u>
Federal and foreign income taxes incurred	(159,426,527)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses	<u>\$ 798,757,208</u>
Net realized capital gains	(1,902,785,396)
Net income	<u><u>\$ (1,104,028,188)</u></u>

Reconciliation of Capital and Surplus

**For the Period from the Prior Examination
As of December 31, 2014, to December 31, 2018**

	Common Capital		Paid In & Contributed Surplus	Unassigned Funds (Surplus)	Total
	Stock	Surplus Notes			
December 31, 2014	\$ 75,000,000	\$ 750,000,000	\$ 1,576,169,638	\$ 3,640,357,827	\$ 6,041,527,465
Operations 2015 (1)	-	-	-	(1,099,513,748)	(1,099,513,748)
Paid in Surplus (2)	-	-	1,500,000,000	-	1,500,000,000
Dividends (3)	-	-	-	(500,000,000)	(500,000,000)
Operations 2016 (1)	-	-	-	(1,306,563,563)	(1,306,563,563)
Paid in Surplus (2)	-	-	-	-	-
Dividends (4)	-	-	-	(261,000,000)	(261,000,000)
Operations 2017 (1)	-	-	-	(819,991,245)	(819,991,245)
Paid in Surplus (5)	-	-	1,300,000,000	-	1,300,000,000
BLICNY Transaction (6)	-	-	103,000,000	-	103,000,000
BRCB Transaction (7)	-	-	636,830,850	-	636,830,850
Quasi-reorganization (8)	-	-	(430,720,961)	430,720,961	-
Surplus Notes (9)	-	(750,000,000)	750,000,000	-	-
Operations 2018 (1)	-	-	-	736,537,701	736,537,701
Paid in Surplus (2)	-	-	-	-	-
Surplus Notes (10)	-	400,000,000	-	-	400,000,000
December 31, 2018	<u>\$ 75,000,000</u>	<u>\$ 400,000,000</u>	<u>\$ 5,435,279,527</u>	<u>\$ 820,547,933</u>	<u>\$ 6,730,827,460</u>

(1) Operations may include: net income, change in unrealized capital gain/(losses), change in net unrealized foreign exchange, change in net deferred income tax, change in non-admitted assets, change in asset valuation reserve, change in surplus (contributed to) withdrawn from Separate Accounts, change in surplus in Separate Accounts, change in surplus as a result of reinsurance and change in aggregate write-ins.

(2) In February 2016, the Company requested and received approval from the Department to record a cash capital contribution as an admitted asset as of December 31, 2015 in an amount up to \$1.5 billion. The capital contribution was treated as a Type I subsequent event in accordance with Statutory Statement of Accounting Principles No. 72 *Surplus and Quasi-Reorganizations*.

(3) On May 13, 2015, the Company notified the Department of their intent to pay a \$500 million ordinary dividend. The dividend was paid in cash to the Company's former parent, MetLife, on May 28, 2015.

(4) On November 8, 2016, the Company notified the Department of their intent to pay a \$261 million ordinary dividend. The dividend was paid in cash to the Company's former parent, MetLife, on December 6, 2016.

(5) In 2017, the Company received four cash capital contributions from Brighthouse Holdings totaling \$1.3 billion. The capital contributions were provided in connection with the Separation.

(6) On April 28, 2017, the Company received a capital contribution from Brighthouse Holdings consisting of all of the issued and outstanding shares of BLICNY. The transaction was reported as an increase in paid in and contributed surplus in the amount of \$103 million.

(7) On April 28, 2017, the Company received a capital contribution from Brighthouse Holdings consisting of all of the issued and outstanding shares of MrD, MrSC and MrVII, which were subsequently merged into BRCD. The transaction was reported as an increase in paid in and contributed surplus in the amount of \$636.8 million.

(8) In late 2017, the Company requested and received approval from the Department to perform a quasi-reorganization in accordance with Statutory Statement of Accounting Principles No. 72 *Surplus and Quasi-Reorganizations* in order to set the Company's unassigned funds to zero in connection with the Separation from MetLife. The transaction resulted in an increase of negative unassigned funds to zero and a decrease in gross paid in and contributed surplus of \$430.7 million.

(9) On June 16, 2017, MetLife forgave the Company's obligation to pay outstanding principal in the amount of \$750 million under a \$750 million aggregate principal amount, 8.595% surplus note issued by the Company. As a result, the Company's gross paid in and contributed surplus increased \$750 million. In connection with the transaction, the Company paid a final discharge payment of \$12.2 million to MetLife representing all accrued and unpaid interest on the surplus notes.

(10) On September 28, 2018, the Company issued a \$200 million surplus note to Brighthouse Holdings in exchange for cash. On December 21, 2018, the Company issued a \$200 million surplus note to NELICO in exchange for bonds with a fair market value of \$172 million and \$28 million of cash. The note was subsequently transferred by NELICO to Brighthouse Holdings.

**Separate Account Statement of Assets, Liabilities and Surplus
As of December 31, 2018**

	General Account Basis	Fair Value Basis	Total
Bonds	\$ 6,144,090,154	\$ 1,490,292,354	\$ 7,634,382,508
Preferred stocks	-	131,330	131,330
Common stocks	17,690	86,817,507,777	86,817,525,467
Mortgage loans on real estate	2,233,364,458	6,002,824	2,239,367,282
Cash and cash equivalents	148,797,122	33,073,657	181,870,779
Short-term investments	-	1,363,612	1,363,612
Derivatives	10,133,389	4,055,281	14,188,670
Other invested assets	13,653,893	-	13,653,893
Aggregate write-ins for invested assets	6,373,720	-	6,373,720
Subtotals - Cash and Invested Assets	<u>\$ 8,556,430,426</u>	<u>\$ 88,352,426,835</u>	<u>\$ 96,908,857,261</u>
Investment income due and accrued	\$ 57,372,597	\$ 12,293,947	\$ 69,666,544
Receivables for securities	(681,905)	5,783,571	5,101,666
Aggregate write-ins for other than invested assets	(105,070)	125,391	20,321
Total Assets	<u><u>\$ 8,613,016,048</u></u>	<u><u>\$ 88,370,629,744</u></u>	<u><u>\$ 96,983,645,792</u></u>
Aggregate reserves for life, annuity and accident and health contracts	\$ 7,799,833,352	\$ 87,759,745,604	\$ 95,559,578,956
Liability for deposit type contracts	49,617,503	17,197,124	66,814,627
Interest Maintenance Reserve	(8,070,758)	-	(8,070,758)
Charges for investment management, administration and contract guarantees	-	489,595	489,595
Investment taxes, licenses and fees	-	(284)	(284)
Other transfers to General Account	(26,061,172)	342,090,972	316,029,800
Derivatives	6,594,242	19,766	6,614,008
Payable for securities	10,073,066	9,030,678	19,103,744
Aggregate write ins for liabilities	3,333,988	(45,620)	3,288,368
Total Liabilities	<u>\$ 7,835,320,221</u>	<u>\$ 88,128,527,835</u>	<u>\$ 95,963,848,056</u>
Unassigned funds	<u>777,695,827</u>	<u>242,101,909</u>	<u>1,019,797,736</u>
Total Liabilities and Surplus	<u><u>\$ 8,613,016,048</u></u>	<u><u>\$ 88,370,629,744</u></u>	<u><u>\$ 96,983,645,792</u></u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Company's financial statements as reported in its 2018 NAIC Annual Statement as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Aggregate reserve for life contracts	\$ 43,739,869,238
Aggregate reserve for accident and health contracts	73,912,666
Liability for deposit-type contracts	2,582,631,556
Contract claims: Life	190,360,551
Contract claims: Accident and health	1,144,656

The Department retained the actuarial services of INS Consultants Inc. (Consulting Actuary) to perform a risk-focused review of the Company's significant reserving and pricing activities. The Consulting Actuary assisted in review of the inherent risks, management oversight and other mitigating controls over the Company's actuarial processes and procedures. The Consulting Actuary performed an independent reserve analysis including an assessment of the Company's reserves for compliance with standard valuation laws, applicable NAIC Actuarial Guidelines and Model Regulations. The Consulting Actuary also reviewed the Company's asset adequacy analysis filed in accordance with the Actuarial Opinion Memorandum Regulation for the year ended December 31, 2018.

SUBSEQUENT EVENTS

Subsequent events were evaluated through May 29, 2020, the date that this examination report was available to be issued. Based on this evaluation, the following transactions were deemed material for disclosure in this examination report.

Significant Transactions

- In February 2019, the Company entered into a funding agreement program with the Federal Agricultural Mortgage Corporation and its affiliate, Farmer Mac Mortgage Securities Corporation (Farmer Mac). In accordance with the program, the parties may enter into funding agreements in an aggregate amount of up to \$500 million. The funding agreement program has a term ending on December 1, 2023. Funding agreements are issued by the Company to Farmer Mac in exchange for cash. In connection with each funding agreement, Farmer Mac will be granted liens on certain assets, including agricultural loans, to collateralize the Company's obligations under the funding agreements. Upon any event of default by the Company, Farmer Mac's recovery on the collateral is limited to the amount of the Company's liabilities to Farmer Mac.
- On March 25, 2019, the Company issued a surplus note in the amount of approximately \$412 million to Brighthouse Holdings in exchange for cash.
- On February 19, 2020, the Company declared a \$300 million ordinary cash dividend payable to Brighthouse Holdings. The dividend was paid on March 13, 2020.
- On February 20, 2020, the Company received a dividend in the form of cash and invested assets in the amount of \$600 million from BRCD, which was approved by the Department and recorded as a receivable to parent, subsidiaries and affiliates as of December 31, 2019.
- On March 30, 2020, the Company loaned \$100,000,000 to Brighthouse Holdings, as a short-term intercompany loan. The loan bears interest at a fixed rate of 2.5% and is due on June 30, 2020.

- On April 14, 2020, the Company declared a \$500 million ordinary cash dividend payable to Brighthouse Holdings. The dividend was paid on April 24, 2020.

Changes in Key Personnel

- Effective November 26, 2019, Jin Seung Chang resigned as the Company's Vice President and Treasurer and was replaced by Janet Marie Morgan.
- Effective April 1, 2020, Meredith Alicia Ratajczak resigned as the Company's Vice President and Appointed Actuary and an interim replacement was appointed. In compliance with 18 *Del. C.* § 305, the Department was advised that in the twenty-four months preceding Ms. Ratajczak's resignation there were no material disagreements related to the content of any Statement of Actuarial Opinion.

Other Significant Events

- During March of 2020, the World experienced a pandemic related to the COVID-19 virus. As of the date of this examination report, the Company had not quantified the impact of the pandemic on its financial condition. As of the date of this examination report, the Company was fully operational and providing services to its policyholders.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the Consulting Actuary, the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, D&T, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



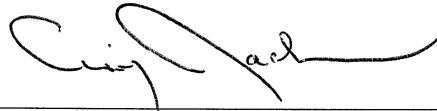
Craig Jackson, CPA, CFE
Examiner In-Charge
State of Delaware



Richard Palmatary, CPA, CFE
Supervising Examiner
State of Delaware

Brighthouse Life Insurance Company

I, Craig Jackson, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 19.018.

A handwritten signature in black ink, appearing to read "Craig Jackson", written in a cursive style.

Craig Jackson, CPA, CFE