



**THE COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CONSUMER AFFAIRS AND BUSINESS  
REGULATION**

**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF THE*  
NEW ENGLAND LIFE INSURANCE COMPANY**

**Boston, Massachusetts**

**As of December 31, 2007**

**NAIC GROUP CODE 0241**

**NAIC COMPANY CODE 91626**

**EMPLOYERS ID NO. 04-2708937**

# NEW ENGLAND LIFE INSURANCE COMPANY

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# COMMONWEALTH OF MASSACHUSETTS

## Office of Consumer Affairs and Business Regulation

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May 18, 2009

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Honorable Director and Commissioners,

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

### **NEW ENGLAND LIFE INSURANCE COMPANY** **Boston, Massachusetts**

at its financial operations located at 18210 Crane Nest Drive, Tampa, Florida 33647. The following report thereon is respectfully submitted.

New England Life Insurance Company

SCOPE OF EXAMINATION

New England Life Insurance Company, (hereinafter referred to as the "Company" or "NELICO") was last examined as of December 31, 2002 under the Association Plan of the National Association of Insurance Commissioners ("NAIC"). The current examination was conducted at the direction of, and under the overall management and control of the examination staff of the Massachusetts Division of Insurance (the "Division"), according to the Association Plan of the NAIC. The statutory examination was performed at the Company's financial operations office in Tampa, Florida. There was no zone participation for the current statutory examination.

This examination covers the period January 1, 2003 through December 31, 2007, including any material events noted subsequent thereto.

The examination was conducted in accordance with standards established by the NAIC Financial Condition (E) Committee as well as with the requirements of the NAIC Financial Condition Examiner's Handbook, the examination standards of the Division and with Massachusetts General Laws. The principal focus of the examination was 2007 activity; however, transactions both prior and subsequent thereto were reviewed as deemed appropriate.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bonds and other insurance, employees' pension and benefits plans, disaster recovery plan, and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly. Examination procedures included verification and evaluation of specific assets, determination of various liabilities, and a review of related matters, including income and disbursement items, corporate records, claim files, other records relating to the Company's operating practices, independent CPA, actuarial, and NAIC reports.

An actuarial review of December 31, 2007 statutory reserves and accrued retrospective premiums as reported by the Company was performed by William Hines, Fellow, Society of Actuaries ("FSA") and Member of the American Academy of Actuaries ("MAAA"), of Milliman, Inc., an independent consulting actuarial firm. The review was performed in support of this examination. There were no issues raised as a result of this review which would question the reasonableness or appropriateness of the methods and underlying assumptions used to determine the Company's statutory reserves as of December 31, 2007.

The adequacy and effectiveness of controls in the Company's information technology systems was reviewed by Division personnel and by information risk management consultants engaged from the independent firm of RSM McGladrey. This was done to evaluate the level of reliance to be placed on summary information generated by the Company's IT systems. The firm produced a Technology Review Memorandum documenting the procedures and summarizing its findings.

The Company is audited annually by Deloitte & Touche LLP ("D&T"), an independent certified public accounting firm, in accordance with 211 CMR 23.00. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2003 through 2007. A review and use of the Certified Public Accountants' work papers were made to the extent deemed appropriate and effective.

## New England Life Insurance Company

### Status of Prior Examination Findings

This examination included a review to verify the current status of any exception conditions noted in the prior Report of Examination. It was determined that the Company had satisfactorily addressed all prior examination exception conditions.

### HISTORY

Under the laws of the State of Delaware, the Company had organized and incorporated on September 12, 1980, as New England Pension and Annuity Company and it commenced business on December 30, 1980. On January 20, 1983, the Company changed its name to New England Variable Life Insurance Company and on January 31, 1983, the Board of Directors voted the Company's establishment and use of separate accounts. From its formation until August 30, 1996, the Company had been a wholly owned subsidiary of New England Mutual Life Insurance Company ("NEMLIC"), an insurer which had been domiciled in Massachusetts.

On August 30, 1996, NEMLIC merged with and into Metropolitan Life insurance Company ("MLIC"), which at that time was a mutual insurer domicile in the State of New York. Effective as of the merger date, to continue its existence without interruption, the Company elected to redomesticate as a Massachusetts corporation named "New England Life Insurance Company"; such redomestication and change of name had been approved on June 27, 1996, by the Massachusetts Commissioner of Insurance to be effective with the consummation of the parent company's merger. To enable the Company to perform many of the business activities conducted previously by NEMLIC, MLIC transferred to the Company immediately following the merger, assets with an aggregate value of approximately \$183 million. Such assets, which prior to merger had been assets of NEMLIC, included real and personal property, various intangible assets, stock of seven companies (formerly subsidiaries of NEMLIC), and cash of approximately \$128.4 million. Thus, at the date of merger and in conjunction with the MLIC-NEMLIC merger, certain companies that had been subsidiaries of NEMLIC became subsidiaries of the Company.

Additionally, the Company and MLIC entered into a Net Worth Maintenance Agreement dated August 30, 1996, whereby MLIC agreed without limitation as to an amount that it would cause the Company to have: (1) the greater of (a) a minimum capital and surplus of \$10.0 million or (b) the amount of capital and surplus necessary to prevent a Company Action Level Event from occurring with respect to the Company under Risk-Based Capital standards laws of Massachusetts, and (2) the liquidity necessary to enable the Company to meet its current obligations on a timely basis. The Company confirmed that this Agreement was still in force at the date of examination.

On April 7, 2000, in a process of demutualization, MLIC converted from a mutual life insurer to a stock life insurance company pursuant to an order by the New York Superintendent of Insurance and it became a wholly owned subsidiary of MetLife, Inc. ("MLI"), a Delaware corporation. At December 31, 2002, the Company was a wholly owned subsidiary of MetLife New England Holdings, Inc. (MNEH), which itself was a direct, wholly owned, holding company subsidiary of MLIC.

## New England Life Insurance Company

On April 12, 2003, MNEH was dissolved and the Company became the wholly-owned subsidiary of MLIC.

The Company, now a Massachusetts corporation in the stock form of organization, operates nationally as a life, accident and health insurance company. The Company is licensed in all fifty states and in the District of Columbia. The Company is authorized to write the following types of coverage: group and individual life insurance, group and individual annuities, group and individual accident and health insurance, individual variable life insurance, and individual variable annuities.

### Capital Stock

The Company has 50,000 authorized shares of \$125 par value of common stock and 20,000 shares have been issued and outstanding with an aggregate stated value of \$2,500,000. All of the outstanding shares are owned by MLIC.

At the beginning of the examination period, the Company has outstanding 200,000 shares of Series A Preferred Stock. This stock was redeemed. In 2003 and again in 2005, the Company reacquired 100,000 shares of this Series A Preferred Stock at a cost of \$100 million each year.

### Dividends to Stockholders

The only dividends paid during the examination period were to MetLife Credit Corporation on the preferred stock. Payments were as follows:

2003 - \$3,227,118  
2004 - 2,086,085  
2005 - 3,296,256

The Company received no stockholder dividends from any of its subsidiaries.

The following also indicates similar activities as events subsequent to the date of examination:

- The Company paid a cash dividend of \$94.4 million in June 2008 to MetLife

### Growth of the Company

The growth of the Company for the years 2003 through 2007 is shown in the following schedule, which was prepared from the Company's annual statements, including any changes as a result of the examination. All amounts are in thousands.

<u>Year</u>	<u>Admitted Assets (General Account)</u>	<u>Liabilities (General Account)</u>	<u>Capital and Surplus (Gen'l Acct)</u>	<u>Assets &amp; Liabilities (Separate Accounts)</u>	<u>Direct Premiums Written</u>	<u>Net Premiums Written</u>
2007	\$1,555,062	\$1,010,825	\$544,237	\$10,903,951	\$2,022,698	\$1,879,530
2006	1,510,732	1,075,919	434,812	10,504,721	1,899,523	1,709,262
2005	1,331,469	1,012,693	318,776	9,447,641	1,868,020	1,639,368
2004	1,326,638	954,261	372,377	8,707,454	1,914,231	1,695,677
2003	1,154,615	827,503	327,112	7,565,751	2,133,302	1,936,523

## New England Life Insurance Company

### Corporate Structure

The Company became part of the MetLife, Inc. insurance holding company system on August 30, 1996. Control of NELICO was acquired and is maintained by ownership of all of its voting stock.

### Corporate Records

Available minutes of the meetings of the Stockholder, the Board of Directors, and the previously formed Committees of the Board held throughout the examination period were reviewed. Over that period, votes and authorizations were found to be in order and the records indicated that the Company appeared to be conducting its affairs in compliance with its By-laws and the Laws of the Commonwealth of Massachusetts. The previous Examination Report was reviewed by the Directors.

### Disaster Recovery and Business Continuity

The By-laws of the Company were read. Although the Company does have comprehensive disaster recovery and business continuity plans, its By-laws do not contain explicit provisions for the continuity of operations in the event of a national emergency as detailed in Massachusetts General Law Chapter 175, Sections 180M through 180Q.

## MANAGEMENT

### Board of Directors

According to the Company's By-laws, the business of the Company shall be managed under the direction of the Directors who shall have and may exercise all the powers of the Company except as reserved solely to the stockholders by statute, by the Articles of Organization, or by the By-laws. At the annual meeting of stockholders, the stockholders shall fix the number of Directors at not less than seven nor more than twenty and shall elect the number of Directors so fixed. Each Director shall hold office until the next annual meeting of stockholders and thereafter until a successor is duly elected and qualified, or until he sooner dies, resigns, is removed, or becomes disqualified. Any Director who is an Officer of the Company or of an affiliate shall retire as a Director not later than the time he ceases to be such an Officer. Any Director who is not an Officer of the Company or of an affiliate shall retire as a Director not later than the next annual meeting of stockholders following his seventieth birthday, and shall be ineligible to serve as a Director after the date of such meeting. No Director need be a stockholder of the Company. The Directors may, by affirmative vote of a supermajority (sixty-five per cent) of the Directors then in office, elect one of their number as Chairman of the Board.

At December 31, 2007, the Company's Board of Directors consisted of the following seven persons:

#### Name of Director:

Michael Kevin Farrell

#### Business Affiliation:

Executive Vice President, MetLife  
Group, Inc. and Metropolitan Life  
Insurance Company

#### Residence:

New Vernon, NJ



## New England Life Insurance Company

Gene Lee Lunman	Senior Vice President, MetLife Group, Inc. and Metropolitan Life Insurance Company	Tolland, CT
William Joseph Mullaney	President, Institutional Business, MetLife, Inc., MetLife Group, Inc. and Metropolitan Life Insurance	Randolph, NJ
Catherine Amelia Rein	Senior Executive Vice President and Chief Administrative Officer, MetLife Inc., MetLife Group, Inc. and Metropolitan Life Insurance Company	New York, NY
Michael Joseph Vietri	Executive Vice President, MetLife Group, Inc. and Metropolitan Life Insurance Company	Naperville, IL
Lisa Merry Weber	President, Individual Business, MetLife, Inc., MetLife Group, Inc. and Metropolitan Life Insurance Company	Closter, NJ
William James Wheeler	Executive Vice President and Chief Financial Officer, MetLife, Inc., MetLife Group, inc. and Metropolitan Life Insurance Company	Scarsdale, NY

The By-laws do not specify the number of meetings to be held during a year. Regular meetings of the Directors may be held without call or notice at such places and times as the Directors may from time to time determine; a regular meeting of Directors may be held without call or notice immediately after and at the same place as the annual meeting of stockholders. Special meetings of the Directors may be held at any time and place designated in the call of the meeting, when called by the Chairman of the Board, the President, or the Secretary. At any meeting of the Directors, a supermajority of Directors then in office shall constitute a quorum; however, a lesser number may adjourn any meeting. The minutes indicated that a quorum was obtained for all meetings of the Directors held during the examination period.

### Committees

According to the Company's By-laws, the Directors may, by vote of a supermajority of the Directors then in office, elect from their number an executive committee and other committees and delegate to any such committee(s) some or all of the powers of the Directors except those which by statute, by the Articles of Organization, or by the By-laws, they are prohibited from delegating. As of December 31, 2007, there were no standing committees.

### Officers

According to the Company's By-laws, the officers of the Company shall be (i) a President, a Treasurer, a Clerk, and a Secretary, (ii) such other officers as the Directors from time to time may in their discretion elect or appoint, (iii) such senior vice presidents as the Board of Directors may in its discretion elect or appoint, and (iv) such other officers as the Chief Executive Officer may appoint. The President, the Treasurer, the Secretary, and the Clerk shall be elected annually by the Directors. The Chief Executive Officer shall be designated by the



## New England Life Insurance Company

affirmative vote of a supermajority of the Directors then in office. Generally, other officers may be elected or appointed by the Board of Directors (or appointed by the Chief Executive Officer) at any other time. Officers shall hold office until respective successors are chosen and qualified, unless a shorter period is specified by the terms of election or appointment, or until death, resignation, removal, or disqualification.

The By-laws state that the Chief Executive Officer, subject to the control of the Directors, shall have general charge and supervision of the Company's business. Generally, in addition to what is set forth in the By-laws, the powers and duties of each of the Company's officers are those commonly incident to the respective office and also as the Directors (or, as appropriate, the Chief Executive Officer) may from time to time designate.

The Company is organized by business units and has many officers, including presidents, vice presidents (including executive vice presidents, senior vice presidents, first vice presidents, second vice presidents, and assistant vice presidents), treasurers and assistant treasurers, and secretary and assistant secretaries, as well as other officers with titles of professional standing such as actuaries, counsels, et cetera. In the interest of brevity, only a few of the Company's many duly elected and appointed officers at December 31, 2007, are listed in the following table:

<u>Name of Officer:</u>	<u>Title:</u>
Lisa Merry Weber	Chairman of the Board, President and Chief Executive Officer
Joseph John Prochaska, Jr.	Executive Vice-President and Chief Operating Officer
Eric Thomas Steigerwalt	Senior Vice-President and Treasurer
Daniel Dean Jordan	Vice-President and Secretary
Gwenn L. Carr	Senior Vice President and Assistant Secretary
Brian Breneman	Senior Vice President
William D. Cammarata	Senior Vice President
Alan C. Leland	Senior Vice President

### Conflict of Interest

The Company has an established procedure for disclosure to the Board of Directors of any material interest or affiliation of any officer or director, which is likely to conflict with his or her official duties. Directors, officers, and responsible employees annually complete a questionnaire to disclose any such possible material conflicts of interest. The completed questionnaires were reviewed, and no discrepancies were noted in the responses.

### AFFILIATED COMPANIES

The Company is a member of an insurance holding company system as defined in Section 206 of Massachusetts General Laws Chapter 175 and is subject to the registration requirements thereof. During the examination period, the Company regularly filed Form B with the Division, pursuant to Regulation 211 CMR 7.00 and Section 206C of Massachusetts General Law Chapter 175. Ultimate control of the holding company system is held by MetLife, Inc., which is the direct parent company of Metropolitan Life Insurance Company, a New York insurance company.

New England Life Insurance Company

**2007 Organizational Chart**

At December 31, 2007, the Company's organizational hierarchy in pertinent part (excluding numerous other subsidiaries of MLI, the ultimate parent company of the entire group) was as follows:

MetLife, Inc.  
Metropolitan Life Insurance Company  
**New England Life Insurance Company**  
MetLife Advisers, LLC  
New England Securities Corporation

On October 31, 2006, the Board of Directors of Omega Reinsurance Corporation ("Omega") approved a Restructuring Plan ("Plan") which was also approved by NELICO and Omega's Common Stock shareholders. Under terms of the Plan, Omega terminated its reinsurance and retrocession agreements and redeemed all outstanding shares of Common Stock. On October 2, 2007, Omega was dissolved and all of its remaining assets and liabilities were assumed by NELICO.

**Transactions and Agreements with Subsidiaries and Affiliates**

The Company has numerous arrangements with its parents and affiliates. A brief summary of some key agreements follows.

**Tax Sharing Agreement**

- NELICO and MetLife, Inc. file a consolidated tax return. The consolidated companies have a tax allocation agreement which allocates tax liability in accordance with the Internal Revenue Code of 1986, as amended (as if separate returns were filed). Participants to the agreement receive reimbursement to the extent that their tax benefits result in a reduction of the consolidated tax liability.

**Services Agreements**

- The Company and MLIC had been parties to the Administrative Services Agreement with a Services Agreement Supplement. On November 20, 2000, the Company's Board of Directors approved the admission, effective as of January 1, 2001, of the Company to become a party to an existing Service Agreement, dated as of January 1, 1978, among MLIC and many of its other subsidiaries; the prior Administrative Services Agreement and its amendments between the Company and MLIC was terminated and the administrative activities and services of that prior Agreement were to be performed thereafter by MLIC pursuant to this latter MetLife Service Agreement. The MetLife Service Agreement addresses and includes: accounting, tax, and auditing services; legal services; actuarial services; employee benefit plans and personnel administration; sales services; software development services; electronic data processing operations; communications operations; investment services; business property; electronic data processing equipment; communications equipment; and security vaults.
- The Company and MLIC entered into a license agreement effective as of August 30, 1996, by which MLIC authorizes the use of the Metropolitan trademark under certain conditions. No amounts have

## New England Life Insurance Company

been required to be paid to MLIC by the Company for such use pursuant to the agreement and none are expected to be paid in the future.

### Investment Management Agreements

- MLIC, the Company, and certain of its investment management subsidiaries and affiliates are parties to several investment management agreements pursuant to which such affiliates provide investment advisory, portfolio management, consulting, distribution, and back-office services to the Company. Further, certain investment advisory services may be subcontracted to unaffiliated third parties. The service agreements usually address specific types of investment vehicles relative to sources of funds (such as stocks, bonds, private placements, mutual funds, or real estate) for investment of assets of the Company's general account or separate account funds or of assets of other companies which are parties to management agreements with the Company. Fees for such services are stipulated in the agreements, but generally are paid monthly or quarterly in arrears relative to the value of the respective subject portfolio of assets.

### Other

MLIC and NELICO entered into a Net Worth Maintenance Agreement dated as of August 30, 1996, whereby MLIC has agreed to maintain NELICO's statutory capital and surplus at a level which is the greater of (i) \$10 million, or (ii) that amount of capital and surplus necessary to prevent a Company Action Level Event from occurring with respect to NELICO under the Risk-Based Capital standard laws of The Commonwealth of Massachusetts. NELICO's statutory capital and surplus during the year 2007 exceeded both the requirements.

### FIDELITY BOND AND OTHER INSURANCE

With regard to its fidelity coverage, the Company is among other companies in the MetLife Group identified as Named Insured on a financial institution bond with an authorized Massachusetts insurer, consistent with Section 60 of MGL Chapter 175. The aggregate limit of liability exceeds the NAIC suggested minimum. The Company has further protected its interests and property by policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in Massachusetts and was in force as of December 31, 2007.

### PENSION AND INSURANCE PLANS

Effective January 1, 2001, employees of the Company became employees of MLIC and NELICO's old retirement plans and trusts were merged into the retirement plan and into the savings and investment plan of MLIC. The Company is allocated both pension and other post-retirement expenses from MLIC associated with benefits provided to its employees but has no legal obligation for benefits under these benefit plans.

# New England Life Insurance Company

## STATUTORY DEPOSITS

Statutory deposits of the Company were held by and pledged in favor of particular states. As of December 31, 2007, such deposits were as follows:

<u>State</u>	<u>Description of Deposit</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Fair Value</u>
Florida	Cash	NA	NA	\$ 100,000	\$ 100,000	\$ 100,000
Georgia	US Treasury Note	3.63	5/15/2013	50,000	48,912	50,311
Kansas	US Treasury Note	4.75	11/15/2008	130,000	129,811	131,422
Kentucky	US Treasury Note	4.25	8/15/2013	500,000	498,984	518,438
Massachusetts	US Treasury Note	3.625	5/15/2013	1,025,000	1,013,939	1,031,386
	US Treasury Note	4.50	4/13/2012	600,000	597,873	626,862
New Mexico	US Treasury Note	4.75	11/15/2008	10,000	9,985	10,111
	US Treasury Note	4.00	11/15/2012	100,000	99,830	102,706
North Carolina	US Treasury Note	4.75	11/15/2008	290,000	289,580	293,216
	US Treasury Note	4.00	11/15/2012	100,000	99,699	102,706
	US Treasury Note	4.00	11/15/2012	150,000	149,845	154,059
South Carolina	US Treasury Note	4.75	11/15/2008	230,000	229,665	232,551
Virginia	US Treasury Note	4.75	11/15/2008	80,000	79,884	80,887

## TERRITORY AND PLAN OF OPERATION

A review of the certificate of authority indicated that the Company is a corporation duly organized under the laws of the Commonwealth of Massachusetts as a life, accident and health insurer. The Company is authorized to write group and individual life insurance, group and individual annuities, group and individual accident and health insurance, individual variable life insurance, and individual variable annuities. The Company's business is written on a nationwide basis with sales activities conducted primarily through the distribution system of career agents assumed from NEMLIC in addition to MLIC's agency system and broker network. The agents

## New England Life Insurance Company

are paid commissions as described in their respective agency contracts and, where applicable, according to state limitations. All agency business is subject to certain applicable policy and risk retention limits and is reported to the Company's home office.

The Company is licensed in all 50 states and the District of Columbia.

The amount of life insurance in force and premium volume during the examination period was as follows (dollars in thousands):

Descriptions	2007	2006	Year End 2005	2004	2003
Life insurance in Force:					
Ordinary – whole	\$ 52,433	\$ 53,785	\$ 54,691	\$ 55,894	\$ 56,176
Ordinary – term	36,003	34,714	32,633	28,755	25,610
Group	298	363	525	564	685
TOTAL	\$ 88,734	\$ 88,862	\$ 87,848	\$ 85,213	\$ 82,471
Premium income:					
Ordinary life	553,456	607,937	584,714	559,758	601,978
Ordinary annuities	1,150,921	884,162	721,056	809,095	927,483
Group life	0	0	0	6,071	688
Group annuities	173,567	215,572	332,109	319,855	395,291
A&H group				(838)	9,379
A&H – other	1,586	1,592	1,490	1,735	1,702
TOTAL	\$ 1,879,530	\$ 1,709,262	\$ 1,639,369	\$ 1,695,676	\$ 1,936,521
Total Separate Accounts	\$ 10,903,951	\$ 10,504,721	\$ 9,447,641	\$ 8,707,453	\$ 7,565,751

The Company's primary business has been in the sale of annuity products. The Company has informed the Division of its future plans to stop selling life insurance products.

### TREATMENT OF POLICYHOLDERS – MARKET CONDUCT

#### Treatment of Policyholders – Market Conduct

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2007 through December 31, 2007. The market conduct examination was called pursuant to authority in M.G.L. c.175 s.4.

The market conduct examination is being conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Eide Bailly were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins.

The basic business areas that are being reviewed under this market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating; Claims, in addition to an assessment of the Company's internal control environment. Once this market conduct examination is completed a Report on the Comprehensive Market

## New England Life Insurance Company

Conduct Examination of the Company for the period January 1, 2007 through December 31, 2007 will be issued and become available as a public document.

### REINSURANCE

The Company's life and health insurance and annuity operations participate in reinsurance activities in order to limit losses, minimize exposure to large risks and provide additional capacity for future growth. The Company has reinsurance programs in effect with many reinsurers. The Company has managed its reinsurance activity to correspond with the expansion of both its product portfolio and sales volume. As shown in the following chart, the reinsurance program is not a significant function of the Company's overall operations (total premiums and annuity considerations for 2007):

Direct	\$2,022,698,341
Reinsurance assumed	13,097
Reinsurance ceded	<u>(143,181,602)</u>
Net Premiums	\$1,879,529,836

The most significant agreements entered into during the examination period are as follows:

There is an Automatic and Facultative Yearly Renewable Term (YRT) reinsurance program of the Metropolitan Life Insurance Company and affiliates including New England Life Insurance Company (NELICO) covering a variety of individual life products that are specified in Exhibit III of the agreements. The NELICO products include Guaranteed Level Term Life, Whole Life, Universal Life, Variable Universal Life and Variable Survivorship Universal Life, and the first coverage of NELICO policies was effective March 1, 2005.

The program provides coverage as follows:

- Policies on an Excess Reinsurance Basis, 90% of \$44,000,000 XS \$1,000,000.
- Policies on a First Dollar Reinsurance Basis, 90% of up to \$45,000,000.
- Exhibit III of the agreements specifies whether Excess or First Dollar basis applies.
- All of the NELICO policies are on an Excess Reinsurance Basis.

The reinsurance program is accomplished using separate reinsurance agreements with each of the reinsurers. These agreements are essentially the same except for the name of the reinsurer and the percentage participation shown in Exhibit I of each agreement. There have been some changes and amendments along the way. Effective January 1, 2007 two companies dropped off, two companies joined with agreements effective January 1, 2007, three companies changed their percent of participation, and one company continued at the same percentage.

The reinsurers and their percentage participation in the program are as follows:

	January 1, 2007 Through <u>December 31, 2007</u>	January 19, 2005 (3/1/05 for NELICO) through <u>December 31, 2006</u>
RGA Reinsurance Company (MO - Affiliate).....	25.0%	30.0%
Swiss Re Life & Health America, Inc. (CT).....	25.0%	17.5%
Munich American Reassurance Company (GA) .....	17.5%	20.0%



## New England Life Insurance Company

Transamerica Financial Life Ins Co (NY) .....	12.5%	Nil
Optimum Re Insurance Company (TX) .....	5.0%	5.0%
SCOR Life U.S. Re Insurance Co (TX) .....	5.0%	Nil
Scottish Re (U.S.) Inc. (DE) .....	Nil	10.0%
Hannover Life Reassurance Co of America (FL) .....	Nil	7.5%
Total .....	90.0%	90.0%

Effective December 31, 2007, the Company entered into a reinsurance agreement to cede an in-force block of business to MetLife Reinsurance Company of Vermont, an affiliate, on a 90% coinsurance with funds withheld basis. This agreement covers certain term policies issued by the Company in 2007 and to be issued in 2008.

The reinsurance agreements contained both an insolvency clause in accordance with Massachusetts General Law Chapter 175, Section 20A, and an errors and omissions clause to address errors found at a later date.

### ACCOUNTS AND RECORDS

The Company's accounting and record keeping are extensively automated; its primary accounting system handles all matters concerning policy maintenance. The Company maintains its records, ledgers, and accounts on a computerized accounting system. Annual statement entries were traced to the trial balance, the general ledger, and supporting documents. No material exceptions were noted.

The internal control structure was discussed with management through questionnaires and through a review of the workpapers of the Company's independent certified public accounting firm. No material deficiencies were noted. In addition, the Company's claims inventory and its in-force policy inventory were tested separately on a sample basis for completeness and accuracy. No material errors or exceptions were detected.

### FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division and the NAIC as of December 31, 2007:

- Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2007
- Summary of Operations for the Year Ended December 31, 2007
- Statement of Capital and Surplus as of December 31, 2007
- Reconciliation of Capital and Surplus for the Five Year Period ended December 31, 2007
- Notes to Financial Statements
- Statements of Assets, Liabilities and Surplus of the Separate Accounts as of December 31, 2007
- Summary of Operations of the Separate Accounts as of December 31, 2007
- Comments on Financial Statements of the Separate Accounts



# New England Life Insurance Company

## New England Life Insurance Company Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2007

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	\$ 769,049,675	\$ 0	\$ 769,049,675
Stocks:			
Preferred Stocks	47,295,026		47,295,026
Common Stocks	17,490,348		17,490,348
Mortgage Loans	1,634,845		1,634,845
Cash and short-term investments	34,395,235		34,395,235
Contract Loans	410,821,376		410,821,376
Other invested assets	133,162,252		133,162,252
Receivable for securities	41,295		41,295
Aggregate write-ins for invested assets	195,348		195,348
Subtotals, cash and invested assets	1,414,085,400		1,414,085,400
Investment income due and accrued	19,967,438		19,967,438
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	8,782,016		8,782,016
Deferred premiums, agents' balances and installments booked but deferred and not yet due	26,235,265		26,235,265
Reinsurance:			
Amounts recoverable from reinsurers	7,193,946		7,193,946
Other amounts receivable under reinsurance contracts	3,359,397		3,359,397
Current federal and foreign income tax recoverable and interest thereon	14,016,724		14,016,724
Net deferred tax asset	32,604,816		32,604,816
Guaranty funds receivable or on deposit	399,746		399,746
Electronic data processing equipment	20,998		20,998
Furniture and equipment, including health care delivery assets	-		-
Net adjustment in assets and liabilities due to foreign exchange rates	-		-
Receivable from parent, subsidiaries and affiliates	28,123,735		28,123,735
Healthcare and other amounts receivable	-		-
Aggregate write-ins for other than invested assets	272,643		272,643
Total assets excluding separate accounts, segregated accounts and protected cell accounts	1,555,062,124		1,555,062,124

New England Life Insurance Company

New England Life Insurance Company  
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)  
As of December 31, 2007

	As Reported by the Company	Examination Changes	Per Statutory Examination
<b>Assets</b>			
From separate accounts, segregated accounts and protected cell accounts	10,903,951,536		10,903,951,536
Total Assets	\$ 12,459,013,660	\$ 0	\$ 12,459,013,660

For Information Purposes Only

# New England Life Insurance Company

## New England Life Insurance Company Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2007

<b>Liabilities</b>	<b>As Reported by the Company</b>	<b>Examination Changes</b>	<b>Per Statutory Examination</b>
Aggregate reserve for life contract	\$ 1,169,400,839	\$ 0	\$ 1,169,400,839
Aggregate reserve for accident and health contracts	8,397,460		8,397,460
Liability for deposit-type contracts	4,911,451		4,911,451
Contract Claims:			
Life	15,275,875		15,275,875
Accident and Health	52,952		52,952
Policyholder dividends	39,137		39,137
Provision for policyholder's dividends and coupons payable in following calendar year - estimated	8,500,000		8,500,000
Premiums and annuity considerations for life and accident and health contracts received in advance	1,031,994		1,031,994
Contract liabilities not included elsewhere:			
Surrender values on canceled contracts	2,434,911		2,434,911
Other amounts payable on reinsurance including assumed and ceded	13,741,932		13,741,932
Commissions to agents due or accrued-life and annuity contracts	1,103,083		1,103,083
General expenses due or accrued	7,757,129		7,757,129
Transfers to Separate Accounts Due or Accrued	(371,940,102)		(371,940,102)
Taxes, Licenses and Fees	1,196,258		1,196,258
Current federal and foreign income taxes	-		-
Amounts withheld or retained by company as agent or trustee	71,323,989		71,323,989
Amounts held for agent's accounts	430,169		430,169
Remittances and items not allocated	7,115,663		7,115,663
Liability for benefits for employees and agents if not included above	30,674,582		30,674,582
Miscellaneous Liabilities:			
Asset valuation reserve	7,845,604		7,845,604
Funds held under reinsurance treaties with unauthorized reinsurers	21,983,324		21,983,324
Payable to parent, subsidiaries and affiliates	3,483,863		3,483,863
Aggregate write-ins for liabilities	6,065,447		6,065,447
Total liabilities excluding Separate Accounts business	1,010,825,559	-	1,010,825,559

# New England Life Insurance Company

## New England Life Insurance Company Statement of Assets, Liabilities, Surplus and Other Funds (Continued) As of December 31, 2007

	As Reported by the Company	Examination Changes	Per Statutory Examination
<b>Liabilities</b>			
From Separate Accounts Statement	10,903,951,536		10,903,951,536
Total Liabilities	<u>\$ 11,914,777,095</u>	<u>\$ 0</u>	<u>\$ 11,914,777,095</u>
Common Capital Stock	2,500,000		2,500,000
Aggregate write-in for other than special surplus funds	-		-
Surplus notes			
Gross paid in and contributed surplus	447,272,848		447,272,848
Aggregate write-ins for special surplus funds	-		-
Unassigned funds (surplus)	94,463,717		94,463,717
Less treasury stock, at cost	-		-
Surplus Total	<u>541,736,565</u>	<u>0</u>	<u>541,736,565</u>
Capital Stock and Surplus	<u>544,236,565</u>	<u>0</u>	<u>544,236,565</u>
Total Liabilities, Surplus, and Other funds	<u>\$ 12,459,013,660</u>	<u>\$ 0</u>	<u>\$ 12,459,013,660</u>

New England Life Insurance Company

New England Life Insurance Company  
Summary of Operations  
For the Year Ended December 31, 2007

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums and Annuity Considerations	\$ 1,879,529,836	\$ 0	\$ 1,879,529,836
Considerations for supplementary contracts	4,122,438		4,122,438
Net investment income	73,838,159		73,838,159
Amortization of interest maintenance reserve	(347,229)		(347,229)
Separate Accounts net gain from operations excluding unrealized gains or losses	15,804,026		15,804,026
Commissions and expense allowance on reinsurance ceded	(524,209)		(524,209)
Miscellaneous Income:			
Income from fees associated with investment	124,374,994		124,374,994
Aggregate write-ins for miscellaneous income	68,717,397		68,717,397
Subtotals	2,165,515,412	-	2,165,515,412
Death Benefits	84,944,897		84,944,897
Matured endowments	135,890		135,890
Annuity Benefits	41,088,768		41,088,768
Disability benefits and benefits under accident and health contracts	2,222,194		2,222,194
Coupons, guaranteed annual pure endowments and similar benefits	-		-
Surrender benefits and withdrawals for life contracts	1,815,337,815		1,815,337,815
Group conversions	-		-
Interest and adjustments on contract or deposit-type contract funds	2,849,187		2,849,187
Payments on supplementary contracts with life contingencies	3,871,169		3,871,169
Increase in aggregate reserves for life and accident and health contracts	(78,678,670)		(78,678,670)
Subtotal	1,871,771,250	-	1,871,771,250
Commissions on premiums, annuity considerations	86,451,139		86,451,139
Commissions and expense allowances on reinsurance assumed	4,296		4,296
General insurance expenses	194,541,400		194,541,400

New England Life Insurance Company

New England Life Insurance Company  
Summary of Operations (Continued)  
For the Year Ended December 31, 2007

	As Reported by the Company	Examination Changes	Per Statutory Examination
Insurance taxes, licenses and fees, excluding federal income taxes	15,557,222		15,557,222
Increase in loading on deferred and uncollected premiums	629,093		629,093
Net transfers to or (from) Separate Accounts net of reinsurance	(129,113,146)		(129,113,146)
Aggregate write-ins for deductions	379,863		379,863
Subtotal	2,040,221,117	-	2,040,221,117
Net gain from operations before dividends	125,294,295	-	125,294,295
Dividends to policyholders	7,201,172		7,201,172
Net gain from operations after dividends to policyholders and before federal income taxes	118,093,123	-	118,093,123
Federal and foreign income taxes incurred	(4,248,016)		(4,248,016)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	122,341,139	-	122,341,139
Net realized capital gains less capital gains tax	(691,897)		(691,897)
Net Income	\$ 121,649,242	\$ 0	\$ 121,649,242

New England Life Insurance Company

New England Life Insurance Company  
Capital and Surplus  
For the Year Ended December 31, 2007

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus as regards policyholders, December 31, 2006	\$ 434,812,471	\$ 0	\$ 434,812,471
Net income	121,649,242		121,649,242
Change in net unrealized capital gains or (losses)	5,399,393		5,399,393
Change in net unrealized foreign exchange capital gain (loss)	960,254		960,254
Change in net deferred income tax	(7,035,663)		(7,035,663)
Change in nonadmitted assets	9,106,175		9,106,175
Change in provision for reinsurance	2,198,716		2,198,716
Change in asset valuation reserve	(904,319)		(904,319)
Surplus Adjustment	(1,092,594)		(1,092,594)
Aggregate write-ins for gains and losses in surplus	(20,857,110)		(20,857,110)
Change in surplus as regards policyholders for the year	109,424,094		109,424,094
Surplus as regards policyholders, December 31, 2007	\$ 544,236,565	\$ 0	\$ 544,236,565



# New England Life Insurance Company

## New England Life Insurance Company Reconciliation of Capital and Surplus For the Five Year Period Ended December 31, 2007

	2007	2006	2005	2004	2003
Capital and surplus, December 31, prior year	\$434,812,471	\$318,775,646	\$372,376,791	\$327,111,886	\$360,433,867
Net income	121,649,242	109,416,093	50,005,108	72,612,708	48,909,269
Change in net unrealized capital gains or (losses)	5,399,393	(4,654,671)	56,677	(32,753,150)	(22,613,945)
Change in net unrealized foreign exchange capital gain	960,254	-			
Change in net deferred income tax	(7,035,663)	(9,813,204)	(14,186,095)	160,462,323	(991,681)
Change in nonadmitted assets	9,106,175	17,282,178	17,303,985	(151,019,527)	23,423,712
Change in provision for reinsurance	2,198,716	264,049	(2,462,766)	0	1,133,873
Change in asset valuation reserve	(904,319)	221,788	(1,021,798)	(1,951,364)	(1,637,913)
Capital changes; Paid in			(100,000,000)		(100,000,000)
Surplus Adjustment	(1,092,594)	3,320,592			
Dividends to Stockholders			(3,296,256)	(2,086,085)	(3,227,117)
Aggregate write-ins for gains and losses in surplus	(20,857,110)	-			21,681,821
Net change in capital and surplus for the year	109,424,094	116,036,825	(53,601,145)	45,264,905	(33,321,981)
Capital and surplus, December 31, current year	\$544,236,565	\$434,812,471	\$318,775,646	\$372,376,791	\$327,111,886

NOTES TO FINANCIAL STATEMENTS

ASSETS

At December 31, 2007, the net admitted assets reported by the Company totaled \$12,459,013,660, of which \$1,555,062,124 was in the Company's general account and \$10,903,951,536 was in its Separate Accounts. Following its commentary on general account items, this Report addresses the Company's Separate Accounts Statement.

LIABILITIES

NOTE 1:

Aggregate Reserve for Life Contracts	\$1,169,400,839
Aggregate Reserve for Accident and Health Contracts	8,397,460
Liability for Deposit - Type Contracts	4,911,451
Contract Claims: Life and Accident and Health	15,328,827

As part of the examination, the Division engaged the services of independent consulting actuaries of the firm of Milliman, Inc. to perform a review of the statutory reserves and related actuarial items of the Company as of December 31, 2007, and to verify that such liabilities comply with minimum statutory requirements.

The consulting actuaries provided the Division with a report, "Review of Statutory Reserves of New England Life Insurance Company as of December 31, 2007", summarizing the work performed and their findings as well as addressing the reasonableness of the actuarial assumptions and methodologies used in rendering the Company's 2007 Statement of Actuarial Opinion. A summary of conclusions from such actuarial report is presented herein and a copy of such actuarial report documenting the procedures and analyses used by the consulting actuaries has been retained in and as part of the workpapers of this examination.

In the actuarial report, the consulting actuaries stated: (i) they conducted their review with regard to the standards contained in all applicable laws and regulations of Massachusetts; (ii) in areas Massachusetts laws and regulations do not address certain specific issues, they reviewed the reserves against standards contained in regulations promulgated by the NAIC; and (iii) their review was conducted in a manner consistent with guidance provided by the NAIC in the NAIC Financial Condition Examiners Handbook.

After reviewing materials and data relative to the statutory reserves and related actuarial items and the Statement of Actuarial Opinion Based on an Asset Adequacy Analysis, the consulting actuaries concluded that, based on their review, they determined that, in all material aspects, the statutory reserves and related actuarial items reported by the Company as of December 31, 2007: are computed in accordance with presently accepted actuarial

standards consistently applied and are fairly stated in accordance with sound actuarial principles;

- are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions;
- meet the requirements of the insurance laws and regulations of Massachusetts, and meet the requirements of applicable NAIC regulations and guidelines;
- include provision for all actuarial reserves and related statement items that ought to be established.

The consulting actuaries stated they also determined that information provided and reviewed supports the Company's asset adequacy opinion that reserves and related actuarial items make adequate provision for the anticipated cash flows required by the contractual obligations and related expenses of the Company, although they did note that they did not independently determine the quality of the Company's current asset portfolio nor did they perform an independent audit of such asset portfolio.

New England Life Insurance Company

New England Life Insurance Company  
Statement of Assets and Liabilities for Separate Accounts  
As of December 31, 2007

	As Reported by the Company	Examination Changes	Per Statutory Examination
<b>Assets</b>			
Common Stocks	\$ 10,506,574,538	\$ 0	\$ 10,506,574,538
Other invested assets	416,510,712	-	\$ 416,510,712
Subtotal	10,923,085,250	-	10,923,085,250
Investment income due and accrued	38,572	-	38,572
Aggregate write-ins for other than invested assets	(19,172,286)	-	(19,172,286)
Total Assets	10,903,951,536	-	10,903,951,536
<b>Liabilities and Surplus</b>			
Aggregate reserve for life, annuity and accident and health contracts	10,531,857,073	-	10,531,857,073
Changes for investment management, administration and contract guarantees due or accrued	65,454	-	65,454
Investment expenses due or accrued	5,780	-	5,780
Aggregate write-ins for liabilities	148,581	-	148,581
Other transfers to general account due or accrued (net)	371,874,648	-	371,874,648
Total Liabilities	10,903,951,536	-	10,903,951,536
Surplus	-	-	-
Total Liabilities and Surplus	\$ 10,903,951,536	\$ 0	\$ 10,903,951,536

New England Life Insurance Company

New England Life Insurance Company  
Summary of Operations for Separate Accounts  
As of December 31, 2007

	As Reported by the Company	Examination Changes	Per Statutory Examination
<b>Transfers to Separate Accounts:</b>			
Net premiums and annuity considerations for life and accident and health contracts	\$ 1,496,400,607	\$ 0	\$ 1,496,400,607
Considerations for supplementary contracts with life contingencies	956,574	-	956,574
Sub-Totals	1,497,357,181	-	1,497,357,181
Net investment income and capital gains and losses	658,489,055	-	658,489,055
Totals	2,155,846,236	-	2,155,846,236
<b>Deduct:</b>			
Transfers from the Separate Account on account of contract benefits:			
Death benefits	14,230,542	-	14,230,542
Annuity benefits	30,494,368	-	30,494,368
Payments on supplementary contracts with life contingencies	2,233,150	-	2,233,150
Surrender benefits and withdrawal for life contracts	1,665,016,245	-	1,665,016,245
Transfers on account policy loans	85,614,053	-	85,614,053
Net transfer of reserves from (or to) Separate Accounts	(394,374,875)	-	(394,374,875)
Other transfers from the Separate Accounts:			
Changes in expense allowances recognized in reserve	(5,452,560)	-	(5,452,560)
Aggregate write-ins for other transfers from the Separate Accounts	229,074,717	-	229,074,717
Sub-totals	1,626,835,640	-	1,626,835,640
Fees associated with charges for investment management, administration and contract guarantees	124,374,998	-	124,374,998
Increase in aggregate reserve for life and accident and health contracts	404,635,598	-	404,635,598
Increase in liability for deposit-type contracts	-	-	-
Totals	\$ 2,155,846,236	\$ 0	\$ 2,155,846,236
Net gain from operations	-	-	-

COMMENTS ON FINANCIAL STATEMENTS OF THE SEPARATE ACCOUNTS

Investments and obligations associated with the Separate Accounts business are reported as assets and liabilities in the financial statement of the Separate Accounts. The Separate Accounts are not chargeable with liabilities that arise from other business of the Company. Assets of the Separate Accounts are subject to general account claims only to the extent that the value of such assets exceeds liabilities of the Separate Accounts. Assets are allocated among investment vehicles per instructions of policyholders from the premiums paid on variable insurance products issued by the Company. Investment income and realized and unrealized gains and losses on investments of the Separate Accounts accrue directly to contract holders and are not reflected in the Company's general account statement of operations and changes in surplus.

ACKNOWLEDGEMENT

Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Company to all the examiners and RSM McGladrey, Inc. during the course of the examination.

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John Turchi, CFE, CPCU  
Supervising Examiner and Examiner-in-Charge  
Commonwealth of Massachusetts  
Division of Insurance  
Representing Northeastern Zone, NAIC