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**IN THE MATTER OF THE PROPOSED ACQUISITION OF CONTROL OF
NEW ENGLAND LIFE INSURANCE COMPANY BY BRIGHTHOUSE FINANCIAL,
INC. AND BRIGHTHOUSE HOLDINGS, LLC**

DOCKET NO. F2017-01

DECISION AND ORDER

I. Introduction

Brighthouse Financial, Inc. and Brighthouse Holdings, LLC of Delaware (“the Applicants”) seek approval of their proposed acquisition (“Proposed Acquisition”) of control of New England Life Insurance Company (“NELICO”), a Massachusetts-domiciled stock insurer, pursuant to M.G.L. c. 175, § 206B and 211 CMR 7.00 *et seq.*

A. The Applicants

In 2016, in preparation for the Proposed Acquisition, MetLife Inc. (“MetLife”), a publicly traded Delaware holding company, created two wholly-owned subsidiaries, Brighthouse Financial Inc. and Brighthouse Holdings, LLC, as part of a plan of broad corporate restructuring. As part of that restructuring, MetLife intends to transfer a substantial portion of its retail life insurance and annuity operations to the Applicants. In furtherance of that goal, the Applicants are seeking approval to acquire control of NELICO, now a MetLife subsidiary.

B. The Domestic Insurer

NELICO is a Massachusetts-domiciled stock insurer that does not currently write new business but has in-force a varied book of business including variable and universal life insurance policies, fixed and variable annuities, participating and non-participating traditional

life insurance policies, pension products, group life and disability policies, and a small block of health insurance policies.

II. Procedural History

On October 14, 2016, in accordance with M.G.L. c. 175, § 206B and 211 CMR 7.00 *et seq.*, the Applicants submitted to the Division a “Form A” application, “Statement Regarding the Acquisition of Control of or Merger With A Domestic Insurer, New England Life Insurance Company,” with accompanying exhibits (the “Application”). The Commissioner of Insurance (“Commissioner”) designated a Working Group of staff members of the Division of Insurance (“Division”) to review and evaluate the Proposed Acquisition on behalf of policyholders and the insuring public. The Working Group was led by Robert Macullar, Director of Financial Surveillance and Insurance Licensing, and included representatives of the Division’s Financial Surveillance, Financial Examinations, and Legal Units.

The Applicants submitted amendments to their Application on February 3, 2017 and on May 1, 2017, which contained additional exhibits, including the financial and organizational conditions of the Applicants.¹ On May 15, 2017, the Working Group deemed the Application complete.

Pursuant to M.G.L. c. 175, § 206B(d)(1), the Commissioner must hold a public hearing on the Proposed Acquisition at which the companies, any person to whom notice was sent, and “any other person whose interest may be affected . . . have the right to present evidence, examine and cross-examine witnesses, offer oral and written arguments therewith, and . . . conduct discovery proceedings . . .” The Commissioner appointed Kristina Gasson, Counsel to the Commissioner, to serve as Presiding Officer for the hearing. The Presiding Officer did not participate in the Working Group’s review or analysis of the Application and related materials.

The Applicants waived their right to a minimum 20-day notice of hearing, as permitted under M.G.L. c. 175, § 206B(d)(2). On May 15, the Division issued a Notice of Public Hearing (“Notice”) that scheduled the hearing in this matter for May 25, 2017. The Notice was posted on the Division’s website on May 17, 2017 and mailed in hard copy directly to individuals who requested notification of Division proceedings. The Notice appeared in *The Boston Globe* and

¹ These exhibits included a Transition Services Agreement, Master Separation Agreement, Form of Registration Rights Agreement, Term Loan Agreement, Revolving Credit Agreement, and a list of Proposed Directors and Executive Officers of NELICO.

The Wall Street Journal on May 18, 2017 and informed the public that information about the Applicants' Proposed Acquisition of NELICO was available for inspection at the Division. Any person whose statutory interests may be affected by the proceeding, or to whom the Notice was sent, was advised to submit to the Division, by May 21, 2017, a written Notice of Intent to Participate at the hearing. No person or entity filed a Notice of Intent to Participate, or sought discovery relative to the Proposed Acquisition. The Applicants submitted pre-filed testimony of their witnesses, Anant Bhalla and John McCallion, on May 24, 2017. On that same date, the Working Group submitted pre-filed testimony of Robert Macullar.

III. The Public Hearing

The hearing commenced on May 25, 2017 at 10:00 a.m. at the offices of the Division. Peter S. Rice, Esq. of DLA Piper, LLP Alison J. Tam, Esq. of Wilkie, Farr & Gallagher, LLP, and Jay Klein, Counsel for Metlife, represented the Applicants. Cara Toomey, Counsel to the Commissioner, represented the Division's Working Group at the hearing.

Anant Bhalla, Chief Financial Officer of Brighthouse Financial Inc., provided testimony on behalf of the Applicants. He testified in considerable detail on the transactions relating to the separation of the Applicants from MetLife and the current status of those transactions with regulatory authorities. Mr. Bhalla also stated that the Applicants' opinion that the Proposed Acquisition complies with the statutory standards for approval.

John McCallion, Executive Vice President and Treasurer of MetLife, provided additional testimony on behalf of the Applicants in support of the Proposed Acquisition. Mr. McCallion testified that he held a lead role in MetLife's Separation Management Office since July 2016 and described both MetLife and NELICO's book of business and detailed the restructuring process. Mr. McCallion provided additional detail to clarify information regarding transfers of assets, mutual rights, and assumptions of liabilities. He testified that key members of MetLife's senior management team will manage NELICO's business following the Proposed Acquisition. Mr. McCallion confirmed that if the proposed transaction is approved, NELICO will be able to tailor product design and risk management decisions to the U.S. retail market and to focus its financial resources and operational capacity on its customers and policyholders.

Robert Macullar, Director of Financial Surveillance and Insurance Licensing, provided testimony on behalf of the Working Group regarding its view of the Proposed Acquisition. Mr.

Macullar testified that NELICO does not currently write new business, but administers in-force variable and universal life insurance policies, fixed and variable annuities, participating and non-participating traditional life insurance policies, pension products, group life and disability policies, and a small block of health insurance policies. Mr. Macullar stated that the Working Group reviewed the Form A Application and Exhibits, including the Master Separation Agreement between MetLife and the Applicants, plans of operations, financial projections, and relevant “Form 10” registration with the U.S. Securities and Exchange Commission (“SEC”). Mr. Macullar noted that the Proposed Acquisition is one of a series of transactions toward the ultimate goal of separating Brighthouse Financial from MetLife.²

Mr. Macullar concluded his testimony by addressing each of the seven standards articulated in M.G.L. c. 175, § 206B(d)(1). He testified that the Working Group, after reviewing the Form A Application and related materials had not noted any matters that would lead to an adverse determination relative to any of the standards set forth in the statute. He also noted that the Applicants have sought approval from regulators in Delaware and New York, which are pending. For that reason, the Working Group recommended that any final order issued in this matter be conditioned upon the Applicants’ receipt of those approvals. Additionally, Mr. Macullar testified that the Working Group was recommending that any final order issued in this matter impose upon the Applicants an ongoing obligation to provide information about the progress of the transactions until the final consummation of the Proposed Acquisition.

IV. Analysis of the Proposed Acquisition

The Commissioner must approve the Proposed Acquisition unless he finds that such approval would result in any of the conditions set forth in subsections (i) through (vii) of M.G.L. c. 175, § 206B(d)(1) (“Section 206B(d)(1)” or “§206B(d)(1)”). Each of those conditions will be addressed in turn.

² The related ancillary transactions include five Form D Submissions filed with the Division pursuant to M.G.L. c. 175, § 206C(n) and a request for an extraordinary dividend from NELICO made pursuant to M.G.L. c. 175, § 206C(r). Mr. Macullar testified that the Commissioner has thus far issued three approvals pursuant to M.G.L. c. 175, § 206C (e)(2). As these transactions were beyond the scope of this hearing, Mr. Macullar noted that testimony at the hearing related to the ancillary transactions is included for completeness only.

A. The Proposed Acquisition Satisfies the Requirements of § 206B(d)(1)(i)

Section 206B(d)(1)(i) requires the domestic insurer, after the change of control, to be able to satisfy the licensing requirements required to write the lines of insurance that it currently writes. NELICO does not currently write new business but is licensed to continue administering its in-force block of life insurance, annuities and health and disability insurance. Mr. Bhalla testified that, after the Proposed Acquisition, NELICO will continue to satisfy the applicable licensing criteria under Massachusetts law. He stated that following the transaction NELICO's capital and surplus will continue to be well in excess of the minimum requirements under Massachusetts law and it will maintain the statutory deposit required under Massachusetts law. Mr. Bhalla testified that NELICO will continue to be managed by trustworthy personnel and a board of directors who will comply with state laws.

The Working Group included Division staff from its Financial Surveillance and Financial Examination Units and the Office of the General Counsel. The Financial Surveillance Unit's responsibilities include oversight of company licensing. Mr. Macullar testified that the Working Group, after its review, had not noted any matters that would lead to an adverse determination with respect to the standards set out in §206B(d)(1).

For these reasons, we find that §206B(d)(1)(i) does not present an obstacle to approval of the Proposed Acquisition.

B. The Proposed Acquisition Satisfies the Requirements of §206B(d)(1)(ii)

Section 206B(d)(1)(ii) requires that the acquisition not have the effect of lessening competition or creating a monopoly in the Massachusetts insurance market. Mr. Bhalla testified that the Proposed Acquisition involves the separation of two currently affiliated parties rather than the consolidation of existing competitors that could reduce the choices available to consumers seeking to purchase insurance in Massachusetts or otherwise have a negative effect on competition in the Commonwealth. Because NELICO does not currently write new business in Massachusetts, the transaction will not substantially lessen competition or tend to create a monopoly in Massachusetts.

Mr. Macullar testified that the Working Group, after its review, had noted no matters that would support an adverse determination with respect to the standards set out in §206B(d)(1).

For these reasons, we find that §206B(d)(1)(ii) does not present an obstacle to approval of the Proposed Acquisition.

C. The Proposed Acquisition Satisfies the Requirements of §206B(d)(1)(iii)

Subsection (iii) of §206B(d)(1) requires that the financial condition of the acquiring company is such that the acquisition will not jeopardize the financial stability of the domestic insurer or prejudice the interests of the policyholders. Mr. Bhalla testified that the Applicants are strongly capitalized, pointing out that their interim capitalization, before completing the entire transaction showed, for their insurance subsidiaries, a Risk Based Capital (“RBC”) ratio of approximately 525 percent. After all steps in the transaction are completed, the final statutory capitalization is expected to result in a RBC ratio in excess of 600 percent. Mr. Bhalla pointed out, as well, that the Applicants have investment grade or financial strength ratings from multiple nationally recognized rating agencies that take into account the entire transaction.

He testified that he expects the Applicants will have access to capital markets to raise funds for their business plans, and provide financial flexibility for their business operations. That access will provide their major subsidiaries, including NELICO, with access to additional sources of future capital. In addition, Mr. Bhalla pointed out that the Applicants have a diversified, high-quality investment portfolio managed by a team of seasoned professionals. He further noted that the Applicants have a strong risk management culture and practices, pointing to their practices with respect to their variable annuity business. In addition, Applicants will have a senior management committee in place that is responsible for reviewing all material financial risks, with the goal of protecting statutory capital by mitigating the effects of severe market disruptions and other on economic events on their business.

Mr. Macullar testified that the Working Group, after its review, had noted no matters that would support an adverse determination with respect to the standards set out in §206B(d)(1).

For these reasons, we find that §206B(d)(1)(iii) does not present an obstacle to approval of the Proposed Acquisition.

D. The Proposed Acquisition Satisfies the Requirements of §206B(d)(1)(iv)

Subsection (iv) of §206B(d)(1) requires that the terms of the offer or agreement of acquisition not be unfair or unreasonable to policyholders of the domestic insurer. Mr. Bhalla testified that the terms of the Proposed Acquisition are not unfair or unreasonable to NELICO’s policyholders, who will continue to have insurance from a sound, stable insurer that is owned by a financially strong parent with an experienced management team. He further stated that the

existing terms and conditions of NELICO policies will not change, and that NELICO and the producer that placed the policy or contract will continue to be responsible for policy and contract servicing. NELICO's claims administration practices are not expected to change, and claims will be processed consistent with applicable statutes and regulations. The testimony of both Mr. Bhalla and Mr. McCallion support the Applicants' belief that the Proposed Acquisition will benefit NELICO because the Applicants will focus on insurance sales at a retail level that will allow them to increase responsiveness to the needs of consumers.

Mr. Macullar testified that the Working Group had noted no matters that would support an adverse determination with respect to the standards set out in §206B(d)(1).

For these reasons, we find that that §206B (d)(1)(iv) does not present an obstacle to approval of the Proposed Acquisition.

E. The Proposed Acquisition Satisfies the Requirements of §206B(d)(1)(v)

Subsection (v) of §206B(d)(1) requires that the acquiring party not be contemplating any material changes in the business of the domestic insurer that would be unfair and unreasonable to policyholders, or otherwise would not be in the public interest. Mr. Bhalla testified that the Applicants have no current plans to liquidate NELICO, to sell its assets, or to merge it or make any other material changes that are unfair or unreasonable to NELICO's policyholders against the public interest. He further testified that NELICO will be run by a seasoned management team. Mr. Bhalla reiterated that services to policyholders will continue to be provided on a consistent basis. The Applicants intend to manage NELICO's in-force business actively and, in the future, may consider offering additional product choices to in-force policyholders. Mr. Macullar testified that the Working Group, after its review, noted no matters that would lead to an adverse determination with respect to any of the standards in §206B(d)(1).

For these reasons, we find that §206B(d)(1)(v) does not present an obstacle to approval of the Proposed Acquisition.

F. The Proposed Acquisition Satisfies the Requirements of §206B(d)(1)(vi)

Subsection (vi) of §206B(d)(1) requires that the competence, experience and integrity of those who will control the operations of the domestic insurer post-acquisition are sufficient to support a conclusion that the Proposed Acquisition will be in the interest of NELICO's policyholders and of the insuring public. Both Mr. Bhalla and Mr. McCallion testified that the Applicants will be continue to be managed by key members of the team that has managed

MetLife's retail business for several years. Those members include the Chief Executive Officer, Chief Financial Officer, and General Counsel. As a group, the management team has both decades of experience in the insurance industry and strong educational backgrounds. Their biographical information was provided to the Working Group for its review.

Mr. Macullar testified that the Working Group, after its review, noted no matters that would lead to an adverse determination with respect to any of the standards in §206B(d)(1).

For these reasons, we find that §206B(d)(1)(vi) does not present an obstacle to approval of the Proposed Acquisition.

G. The Proposed Acquisition Satisfies the Requirements of §206D(d)(1)(vii)

Finally, subsection (vii) of §206B(d)(1) requires that the acquisition not be hazardous or prejudicial to the insurance buying public. Mr. Bhalla testified that the Applicants believe that the Proposed Acquisition will not be hazardous or prejudicial to the insurance buying public, because it will allow the Applicants to focus their financial resources and their operations on serving customers in their core United States markets. For that reason, the Applicants will develop increased responsiveness to policyholder and customer needs. He noted that the separation of product manufacturing and proprietary distribution will enable the Applicants to focus in providing products and insurance expertise to policyholders. Mr. Bhalla again pointed to the continuation of services to current policyholders, the Applicants' strong financial condition, and the availability of a seasoned management team as factors that will protect the interests of the insurance buying public.

Mr. Macullar testified that the Working Group, after its review, noted no matters that would lead to an adverse determination with respect to any of the statutory standards.

Accordingly, for these reasons we find that §206B(d)(1)(vii) does not present an obstacle to approval of the Proposed Acquisition.

V. Conditions for Approval

Mr. Macullar testified that the Working Group noted that the Applicants, in addition to seeking the approval of the Proposed Acquisition from the Massachusetts Commissioner of Insurance is also seeking approval or, if appropriate, notice of non-disapproval, from insurance regulators in New York and Delaware. The Working Group therefore recommended that, if the Commissioner determines that the Proposed Acquisition should be approved, final approval be

conditional upon the Applicants' receipt of requested approvals or notices of non-disapproval from the New York and Delaware regulators and any conditions prescribed therein.

It also recommended that any final order impose on the Applicants ongoing obligations to provide information to the Working Group about the progress of the Proposed Acquisition or other transactions under review in New York and Delaware until their closing dates.

Because the Proposed Acquisition of NELICO is one facet of a series of multi-jurisdictional transactions, Applicants are ordered to advise the Working Group promptly of the progress of proceedings in each jurisdiction and the final resolution of each of those proceedings. The Applicants shall promptly submit to the Working Group any material change to the information provided to the Division in connection with any aspect of the Massachusetts proceeding. After the Working Group has reviewed any such submission, it may request that the docket be reopened to permit such information and any testimony thereon to be entered into the record. The approval of the Proposed Acquisition is specifically contingent upon receiving approval from the States of New York and Delaware of transactions involving the Applicants.

VI. Conclusion

We find and conclude, for all of the reasons set forth above, that the proposed Acquisition of Control of the New England Life Insurance Company, a Massachusetts domiciled insurer, by Brighthouse Financial, Inc. and Brighthouse Holdings, LLC complies with the requirements of M.G.L. c. 175, § 206B and is not prejudicial to the policyholders or to the insuring public. The Division hereby authorizes the Proposed Acquisition, subject to the conditions in Section V of this decision.

SO ORDERED.

Dated: June 22, 2017

Kristina A. Gasson
Presiding Officer

Approved this 22nd day of June, 2017

Gary D. Anderson
Acting Commissioner of Insurance