REPORT on the TARGETED MARKET CONDUCT EXAMINATION OF

NEW ENGLAND LIFE INSURANCE COMPANY
NAIC Company Code: #91626

For the period January 1, 2007 through December 31, 2008
IN THE MATTER OF:  

NEW ENGLAND LIFE INSURANCE COMPANY  

DBR No. 10-084

Respondent.

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation ("Department") and the New England Life Insurance Company ("Respondent") as follows:

1. Pursuant to R.I. Gen. Laws § 27-71-7, the Department initiated a Market Conduct Examination ("Examination") in order to evaluate Respondent’s compliance with applicable R. I. Gen. Laws and Rhode Island Insurance Regulations.

2. The Examination was completed and a report was issued on April 29, 2010.

WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

The Examination concluded that Respondent failed in 30 of the 50 files reviewed, to fully comply with Rhode Island Insurance Regulation 29 Section 6(A)(2), which requires that the existing insurer be notified of the proposed replacement of their in force annuity contracts during the period under examination, from 1-1-07 through 12-31-08. The
Department and Respondent agree that Respondent will pay an administrative penalty of twenty-five thousand dollars ($25,000) as a result of this violation.

For the 30 violations detailed herein, Respondent is ordered to pay an administrative penalty of twenty-five thousand dollars ($25,000).

Department and Respondent hereby consent and agree to the foregoing on this 3rd day of June, 2010.

Department of Business Regulation  
By its Director,

[Signature]  
A. Michael Marques

Respondent,

[Signature]  
Kevin J. Paussan

Name  
Kevin J. Paussan

Print Name  
Vice President

Title
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Providence, Rhode Island

April 29, 2010

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Commissioner:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

NEW ENGLAND LIFE INSURANCE COMPANY
501 Boylston Street
Boston, MA 02116

Hereinafter referred to as the “Company”. The examination was conducted at the Department of Business Regulation, Insurance Division, 1511 Pontiac Ave., Bldg. 69-2, Cranston, Rhode Island.
FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R.I. Gen. Laws §27-71-7 and §27-71-15. The examination covered the period from January 1, 2007 through December 31, 2008, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Compliance with Rhode Island Insurance Regulation 12, Suitability in Annuity Transactions and Rhode Island Insurance Regulation 29, Life Insurance and Annuities Replacement. The lines of business reviewed were Individual Annuities and Individual Life Insurance.

The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer’s files.
PROFILE OF COMPANY

History

New England Life Insurance Company ("NELICO" or "the Company") was originally incorporated on September 12, 1980 in Delaware as New England Pension and Annuity Company. In 1983 it changed its name to New England Variable Life Insurance Company. NELICO was a stock subsidiary of New England Mutual Life Insurance Company ("NEML"). NEML was merged into Metropolitan Life Insurance Company ("MetLife") in August 1996. New England Variable Life Insurance Company became a subsidiary of MetLife, re-domiciled from Delaware to Massachusetts, and changed its name from New England Variable Life Insurance Company to New England Life Insurance Company. Subsequent to the merger, all new business is written by NELICO, which is based in Boston and conducts business in all 50 states and the District of Columbia. The Company’s functional and operational areas were consolidated with MetLife’s operations and by 2001 all NELICO employees outside of the agency system became MetLife employees.

NELICO offers variable and non-variable products, as well as traditional life, universal life and fixed annuities. Distribution is primarily through an agency system, with agents appointed by NELICO throughout the United States. In most cases, agents do not have exclusive contracts to sell NELICO products and generally sell products provided by MetLife affiliates and other carriers. In addition, there are selling agreements with some banks and broker-dealers including the following MetLife subsidiaries: Walnut Street Securities, Inc. MetLife Securities, Inc., New England Securities Corporation and Tower Square Securities, Inc.
Operations

The Company’s Rhode Island direct written premium for the year 2008 was as follows:

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<th>Line of Business</th>
<th>Written Premium</th>
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<td>Annuity Considerations</td>
<td>$34,937,322</td>
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</table>

Management

At December 31, 2008, the Officers of the New England Life Insurance Company were as follows:

Lisa M. Weber               President & Chief Executive Officer
Daniel D. Jordan            Vice President & Secretary
Eric T. Steigerwalt         Senior Vice President & Treasurer
Joseph J. Prochasha, Jr.    Executive Vice President & Chief Accounting Officer

At December 31, 2008, the Directors of the New England Life Insurance Company were as follows:

Michael K. Farrell          Ruth A. Fattori
Gene L. Lunman              William J. Mullaney
Michael J. Vietri           Lisa M. Weber
William J. Wheeler
Replacements

A review of the Company's replacement practices of life insurance and annuity contracts was conducted to determine whether the company was in compliance with Rhode Island Insurance Regulation 29, Replacement of Life Insurance and Annuities, for the period under examination.

The Company provided the examiner with a listing of 245 replacements of annuity contracts, which were processed for the period under examination. From this listing, a sample of 50 contracts was selected for review, based on established NAIC sampling criteria.

Of the 50 files reviewed in the sample, 30 files were found to be in violation of Rhode Island Insurance Regulation 29, sec. 6 (A)(2), due to the Company's failure to send the required letters to existing insurers notifying them of the proposed replacement of their in force annuity contracts, in accordance with Rhode Island Insurance Regulation 29.

Recommendation #1: It is recommended that the company revise its procedures for processing replacement business for annuity contracts to ensure that a separate replacement notification letter is sent to each existing insurer that may be affected by the proposed replacement, within five business days of receipt of a completed application indicating replacement, in accordance with Rhode Island Insurance Regulation 29, Section 6A(2).

Recommendation #2: It is recommended that the company begin sending the "Replacement Notification" letter developed by the company in January, 2010, to provide the existing insurer with advance notice of replacement of their annuity contract.
Recommendation #3: It is recommended that the company maintain a copy of the letter or other verification in the policy file for at least five years after the termination or expiration of the policy or contract, in accordance with Rhode Island Insurance Regulation 67, Sections 4 & 5.
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CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Respectfully submitted,

[Signature]
Dorothy E. Wendoloski, CFE
Senior Insurance Examiner
Rhode Island Insurance Division
Via Electronic Mail

May 28, 2010

Ms. Sharon K. Gordon
Chief Insurance Examiner
State of Rhode Island and Providence Plantations
Department of Business Regulation
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, RI 02920

Re: New England Life Insurance Company ("NELICO")
Targeted Market Conduct Examination

Dear Ms. Gordon:

This letter acknowledges receipt of the Market Conduct Examination Report for New England Life Insurance Company for the period ended December 31, 2008 and Consent Agreement.

Please be advised that the New England Life Insurance Company acknowledges the findings in the Report and has enhanced its existing procedure to send a separate replacement notification letter to each existing insurer that may be affected by the proposed replacement within five business days of receipt of a completed application indicating replacement in accordance with Rhode Island Insurance Regulation 29, Section 6A(2). Effective February 26, 2010, the Company began sending these letters to the existing insurers and copies of the letters are stored electronically and are available for review in accordance with Rhode Island Insurance Regulation 67, Sections 4 and 5.

As we have stated in our previous response to the Exceptions Letter, the Company believes that its transfer of existing contract assets request form met the notification requirements set forth in Rhode Island Insurance Regulation 29, Section 6A(2) since the form puts the existing insurer on notice of a proposed annuity replacement. However, as stated above, the Company has enhanced its procedures and now supplements the annuity transfer of existing contract assets request form through a separate notice letter to the existing insurer.

The Company is committed to doing business in an ethical and compliant manner and assures the Insurance Division that it has addressed all Recommendations and made
arrangements to issue a check to satisfy the administrative penalty outlined in the Consent Agreement. A signed copy of the Consent Agreement and check in the sum of $25,000 will be provided shortly.

Please feel free to contact me if you require additional information on this matter. It has been a pleasure working with you and Ms. Debra Wendoloski on this market conduct examination.

Very truly yours,

Robert F. DiLorenzo
Assistant Vice President
Corporate Ethics & Compliance