UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___ to ___

Commission File Number: 000-55705

Brighthouse Life Insurance Company of NY

(Exact name of registrant as specified in its charter)

New York	**13-3690700**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
285 Madison Avenue, 14th Floor, New York, N.Y.	**10017**
(Address of principal executive offices)	*(Zip Code)*

(980) 365-7100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

At August 10, 2017, 200,000 shares of the registrant's common stock, $10 par value per share, were outstanding, all of which were indirectly owned by Brighthouse Financial, Inc.

REDUCED DISCLOSURE FORMAT

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is, therefore, filing this Form 10-Q with the reduced disclosure format.

Index to the Interim Condensed Financial Statements and Notes

Part I — Financial Information

Item 1. Financial Statements

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Interim Condensed Balance Sheets
June 30, 2017 (Unaudited) and December 31, 2016

(In thousands, except share and per share data)

	June 30, 2017	December 31, 2016
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $1,952,250 and $1,870,654, respectively)	$ 1,998,035	$ 1,878,514
Mortgage loans (net of valuation allowances of $1,703 and $1,775, respectively)	391,833	406,085
Other invested assets, at estimated fair value	7,012	8,656
Total investments	2,396,880	2,293,255
Cash and cash equivalents, principally at estimated fair value	33,676	18,583
Accrued investment income	16,532	16,626
Premiums, reinsurance and other receivables	529,022	354,939
Deferred policy acquisition costs and value of business acquired	100,638	85,173
Current income tax recoverable	48,017	57,736
Other assets	36,820	48,285
Separate account assets	4,896,953	4,758,449
Total assets	$ 8,058,538	$ 7,633,046
Liabilities and Stockholder's Equity		
Liabilities		
Future policy benefits	$ 642,674	$ 627,007
Policyholder account balances	1,218,835	1,202,350
Other policy-related balances	11,590	7,285
Payables for collateral under derivative transactions	7,774	8,942
Deferred income tax liability	197,682	219,839
Other liabilities	401,638	112,441
Separate account liabilities	4,896,953	4,758,449
Total liabilities	7,377,146	6,936,313
Contingencies, Commitments and Guarantees (Note 9)		
Stockholder's Equity		
Common stock, par value $10 per share; 200,000 shares authorized, issued and outstanding	2,000	2,000
Additional paid-in capital	340,931	340,931
Retained earnings	317,495	349,395
Accumulated other comprehensive income (loss)	20,966	4,407
Total stockholder's equity	681,392	696,733
Total liabilities and stockholder's equity	$ 8,058,538	$ 7,633,046

See accompanying notes to the interim condensed financial statements.

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Interim Condensed Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Six Months Ended June 30, 2017 and 2016 (Unaudited)

(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Premiums	$ (6,855)	$ 15,027	$ 2,375	$ 29,704
Universal life and investment-type product policy fees	26,056	25,680	51,851	51,237
Net investment income	20,543	13,133	41,951	26,733
Other revenues	(8,940)	(4,880)	(21,611)	(8,686)
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	—	—	—	(870)
Other net investment gains (losses)	366	(910)	(371)	(1,729)
Total net investment gains (losses)	366	(910)	(371)	(2,599)
Net derivative gains (losses)	16,422	98,611	(115,114)	148,651
Total revenues	47,592	146,661	(40,919)	245,040
Expenses				
Policyholder benefits and claims	(18,222)	27,244	(20,005)	39,198
Interest credited to policyholder account balances	9,710	9,678	19,384	20,390
Amortization of deferred policy acquisition costs and value of business acquired	6,778	33,509	(18,798)	47,204
Other expenses	13,378	13,198	31,600	28,538
Total expenses	11,644	83,629	12,181	135,330
Income (loss) before provision for income tax	35,948	63,032	(53,100)	109,710
Provision for income tax expense (benefit)	11,274	20,712	(21,200)	35,507
Net income (loss)	$ 24,674	$ 42,320	$ (31,900)	$ 74,203
Comprehensive income (loss)	$ 37,122	$ 62,821	$ (15,341)	$ 119,838

See accompanying notes to the interim condensed financial statements.

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Interim Condensed Statements of Stockholder’s Equity
For the Six Months Ended June 30, 2017 and 2016 (Unaudited)

(In thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance at December 31, 2016	$ 2,000	$ 340,931	$ 349,395	$ 4,407	$ 696,733
Net income (loss)			(31,900)		(31,900)
Other comprehensive income (loss), net of income tax				16,559	16,559
Balance at June 30, 2017	$ 2,000	$ 340,931	$ 317,495	$ 20,966	$ 681,392

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance at December 31, 2015	$ 2,000	$ 340,931	$ 258,985	$ 5,406	$ 607,322
Net income (loss)			74,203		74,203
Other comprehensive income (loss), net of income tax				45,635	45,635
Balance at June 30, 2016	$ 2,000	$ 340,931	$ 333,188	$ 51,041	$ 727,160

See accompanying notes to the interim condensed financial statements.

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Interim Condensed Statements of Cash Flows
For the Six Months Ended June 30, 2017 and 2016 (Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2017	**2016**
Net cash provided by (used in) operating activities	$ 69,277	$ 148,757
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	214,730	66,046
Mortgage loans	23,549	14,723
Purchases of:		
Fixed maturity securities	(297,186)	(130,744)
Mortgage loans	(8,474)	(19,850)
Cash received in connection with freestanding derivatives	1	5
Cash paid in connection with freestanding derivatives	—	(25)
Net change in short-term investments	(10)	6,496
Net change in other invested assets	2	28
Other, net	—	183
Net cash provided by (used in) investing activities	(67,388)	(63,138)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	82,626	21,443
Withdrawals	(68,254)	(89,747)
Net change in payables for collateral under derivative transactions	(1,168)	5,300
Net cash provided by (used in) financing activities	13,204	(63,004)
Change in cash and cash equivalents	15,093	22,615
Cash and cash equivalents, beginning of period	18,583	9,310
Cash and cash equivalents, end of period	$ 33,676	$ 31,925
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Income tax	$ 8	$ —

See accompanying notes to the interim condensed financial statements.

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Financial Statements (Unaudited)

1. Business, Basis of Presentation and Summary of Significant Accounting Policies

Business

"Brighthouse NY" and the "Company" refer to Brighthouse Life Insurance Company of NY, a New York domiciled life insurance company. Brighthouse Life Insurance Company of NY is a wholly-owned subsidiary of Brighthouse Life Insurance Company ("Brighthouse Insurance"), which is an indirect wholly-owned subsidiary of Brighthouse Financial, Inc. ("Brighthouse"). The Company markets and/or administers traditional life, universal life, variable annuity and fixed annuity products to individuals. The Company is licensed to transact business in the state of New York.

The Company is organized into two segments: Annuities and Life.

On January 12, 2016, MetLife, Inc. (MetLife, Inc., together with its subsidiaries and affiliates, "MetLife") announced its plan to pursue the separation of a substantial portion of its U.S. retail business (the "Separation"). Additionally, on July 21, 2016, MetLife, Inc. announced that the separated business will be rebranded as "Brighthouse Financial." Effective March 6, 2017, and in connection with the Separation, the Company changed its name from First MetLife Investors Insurance Company to Brighthouse Life Insurance Company of NY.

On October 5, 2016, Brighthouse, which until the completion of the Separation on August 4, 2017, was a wholly-owned subsidiary of MetLife, Inc., filed a registration statement on Form 10 (as amended, the "Form 10") with the U.S. Securities and Exchange Commission ("SEC") that was declared effective by the SEC on July 6, 2017. The Form 10 disclosed MetLife, Inc.'s plans to undertake several actions, including an internal reorganization involving its U.S. retail business (the "Restructuring") and include the Company and certain affiliates in the planned separated business, and distribute at least 80.1% of the shares of Brighthouse's common stock on a pro rata basis to the holders of MetLife, Inc. common stock. In connection with the Restructuring, effective April 2017, following receipt of applicable regulatory approvals, MetLife, Inc. contributed certain affiliated reinsurance companies and the Company to Brighthouse Insurance. On July 28, 2017, MetLife, Inc. contributed Brighthouse Holdings, LLC, an intermediate holding company to Brighthouse Financial, Inc., resulting in the Company becoming an indirect wholly-owned subsidiary of Brighthouse Financial, Inc. On August 4, 2017, MetLife, Inc. completed the Separation through a distribution of 96,776,670 of the 119,773,106 shares of the common stock of Brighthouse, representing 80.8% of MetLife Inc.'s interest in Brighthouse, to holders of MetLife, Inc. common stock.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the interim condensed financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's business and operations. Actual results could differ from these estimates.

Since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity.

The accompanying interim condensed financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2016 balance sheet data was derived from audited financial statements included in Brighthouse NY's Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Annual Report"), which include all disclosures required by GAAP. Therefore, these interim condensed financial statements should be read in conjunction with the financial statements of the Company included in the 2016 Annual Report.

Adoption of New Accounting Pronouncements

Effective January 1, 2017, the Company early adopted guidance relating to business combinations. The new guidance clarifies the definition of a business and requires that an entity apply certain criteria in order to determine when a set of assets and activities qualifies as a business. The adoption of this standard will result in fewer acquisitions qualifying as businesses and, accordingly, acquisition costs for those acquisitions that do not qualify as businesses will be capitalized rather than expensed. The adoption did not have an impact on the Company's financial statements.

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Effective January 1, 2017, the Company retrospectively adopted guidance relating to consolidation. The new guidance does not change the characteristics of a primary beneficiary under current GAAP. It changes how a reporting entity evaluates whether it is the primary beneficiary of a variable interest entities ("VIEs") by changing how a reporting entity that is a single decisionmaker of a VIE handles indirect interests in the entity held through related parties that are under common control with the reporting entity. The adoption of this new guidance did not have a material impact on the Company's financial statements.

Future Adoption of New Accounting Pronouncements

In March 2017, the Financial Accounting Standards Board ("FASB") issued new guidance on purchased callable debt securities (Accounting Standards Update ("ASU") 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities*). The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those years and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings. Early adoption is permitted. The ASU shortens the amortization period for certain callable debt securities held at a premium and requires the premium to be amortized to the earliest call date. However, the new guidance does not require an accounting change for securities held at a discount whose discount continues to be amortized to maturity. The Company is currently evaluating the impact of this guidance on its financial statements.

In November 2016, the FASB issued new guidance on restricted cash (ASU 2016-18, *Statement of Cash Flows (Topic 230): a consensus of the FASB Emerging Issues Task Force)*. The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a retrospective basis. Early adoption is permitted. The new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, the new guidance requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance does not provide a definition of restricted cash or restricted cash equivalents. The Company is currently evaluating the impact of this guidance on its financial statements.

In October 2016, the FASB issued new guidance on tax accounting for intra-entity transfers of assets (ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a modified retrospective basis. Early adoption is permitted in the first interim or annual reporting period. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Also, the guidance eliminates the exception for an intra-entity transfer of an asset other than inventory. The Company is currently evaluating the impact of this guidance on its financial statements.

In August 2016, the FASB issued new guidance on cash flow statement presentation (ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments)*. The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied retrospectively to all periods presented. Early adoption is permitted in any interim or annual period. This ASU addresses diversity in how certain cash receipts and cash payments are presented and classified on the statement of cash flows. The Company is currently evaluating the impact of this guidance on its financial statements.

In June 2016, the FASB issued new guidance on measurement of credit losses on financial instruments (ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*). The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The new guidance requires that an other-than-temporary impairment ("OTTI") on a debt security will be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but rather a reversal of the previous impairment and recognized through realized investment gains and losses. The guidance also requires enhanced disclosures. The Company has assessed the asset classes impacted by the new guidance and is currently assessing the accounting and reporting system changes that will be required to comply with the new guidance. The Company believes that the most significant impact upon adoption will be to its mortgage loan investments. The Company is continuing to evaluate the overall impact of the new guidance on its financial statements.

In January 2016, the FASB issued new guidance (ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*) on the recognition and measurement of financial instruments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the instrument-specific credit risk provision. The new guidance changes the current accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the fair value option that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. Additionally, there will no longer be a requirement to assess equity securities for impairment since such securities will be measured at fair value through net income. The Company has assessed the population of financial instruments that are subject to the new guidance and has determined that the most significant impact will be the requirement to report changes in fair value in net income each reporting period for all equity securities currently classified as available-for-sale (“AFS”) and to a lesser extent, other limited partnership interests and real estate joint ventures that are currently accounted for under the cost method. The population of these investments accounted for under the cost method is not material. The Company is continuing to evaluate the overall impact of this guidance on its financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, *Revenue from Contracts with Customers (Topic 606))*, effective for fiscal years beginning after December 15, 2017 and interim periods within those years. The guidance may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption. The new guidance will supersede nearly all existing revenue recognition guidance under U.S. GAAP; however, it will not impact the accounting for insurance and investment contracts within the scope of Financial Services insurance (Topic 944), leases, financial instruments and guarantees. For those contracts that are impacted, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. Given the scope of the new revenue recognition guidance, the Company does not expect the adoption to have a material impact on its revenues or statements of operations, with the Company’s implementation efforts primarily focused on other revenues on the statements of operations.

2. Segment Information

The Company is organized into two segments: Annuities and Life. In addition, the Company reports certain of its results of operations in Corporate & Other.

Annuities

The Annuities segment offers a variety of variable, fixed, index-linked and income annuities designed to address contractholders’ needs for protected wealth accumulation on a tax-deferred basis, wealth transfer and income security.

Life

The Life segment currently offers life insurance products and services, including term and universal life, designed to address policyholders’ needs for financial security and protected wealth transfer, which may be provided on a tax-advantaged basis.

Corporate & Other

Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, ancillary U.S. term life business sold direct to consumer and expenses associated with income tax audit issues.

Financial Measures and Segment Accounting Policies

Operating earnings is used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. The Company believes the presentation of operating earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business. Consistent with GAAP guidance for segment reporting, operating earnings is also the Company’s GAAP measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for net income (loss).

Operating earnings is a measure that focuses on our primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products.

2. Segment Information (continued)

The following are excluded from total revenues in calculating operating earnings:

- Net investment gains (losses);
- Net derivative gains (losses) except earned income on derivatives that are hedges of investments but do not qualify for hedge accounting treatment; and
- Amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees").

The following are excluded from total expenses in calculating operating earnings:

- Benefits and hedging costs related to GMIBs ("GMIB Costs");
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments"); and
- Amortization of deferred policy acquisition costs ("DAC") and value of business acquired related to: (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments.

The tax impact of the adjustments mentioned above are calculated net of the U.S. statutory tax rate, which could differ from the Company's effective tax rate.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the three months and six months ended June 30, 2017 and 2016. The segment accounting policies are the same as those used to prepare the Company's financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

The internal capital model is a MetLife developed risk capital model that reflects management's judgment and view of required capital to represent the measurement of the risk profile of the business, to meet the Company's long term promises to clients, to service long-term obligations and to support the credit ratings of the Company. It accounts for the unique and specific nature of the risks inherent in the Company's business. Management is responsible for the ongoing production and enhancement of the internal capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards. As such, the internal capital allocation methodology in the future may differ from MetLife's historical model.

The Company allocates equity to the segments based on the internal capital model, and aligns with emerging standards and consistent risk principles.

Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company's net investment income or net income (loss).

Net investment income is based upon the actual results within a specifically identifiable investment portfolio and is allocated to segments at a rate based upon each product's net GAAP liability, adjusted for allocated equity. Other costs are allocated to each of the segments based upon: (i) a review of the nature of such costs; (ii) time studies analyzing the amount of employee time incurred by each segment; and (iii) cost estimates included in the Company's product pricing.

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

2. Segment Information (continued)

Three Months Ended June 30, 2017	Operating Results: Annuities	Life	Corporate & Other	Total
	(In thousands)			
Pre-tax operating earnings	$ 9,733	$ 6,224	$ 2,897	$ 18,854
Provision for income tax expense (benefit)	2,223	2,179	890	5,292
Operating earnings	$ 7,510	$ 4,045	$ 2,007	13,562
Adjustments for:				
Net investment gains (losses)				366
Net derivative gains (losses)				16,422
Other adjustments to net income				306
Provision for income tax (expense) benefit				(5,982)
Net income (loss)				$ 24,674
Inter-segment revenues	$ (9,769)	$ (23,349)	$ (223)	
Interest revenue	$ 13,413	$ 4,856	$ 2,350	

Three Months Ended June 30, 2016	Operating Results: Annuities	Life	Corporate & Other	Total
	(In thousands)			
Pre-tax operating earnings	$ 1,600	$ 642	$ 3,173	$ 5,415
Provision for income tax expense (benefit)	(838)	186	1,047	395
Operating earnings	$ 2,438	$ 456	$ 2,126	5,020
Adjustments for:				
Net investment gains (losses)				(910)
Net derivative gains (losses)				98,611
Other adjustments to net income				(40,084)
Provision for income tax (expense) benefit				(20,317)
Net income (loss)				$ 42,320
Inter-segment revenues	$ (2,182)	$ (10,638)	$ (383)	
Interest revenue	$ 5,341	$ 4,385	$ 3,465	

2. Segment Information (continued)

Six Months Ended June 30, 2017	Operating Results			
	Annuities	Life	Corporate & Other	Total
	(In thousands)			
Pre-tax operating earnings	$ 21,787	$ 4,012	$ 5,567	$ 31,366
Provision for income tax expense (benefit)	5,259	1,405	1,700	8,364
Operating earnings	$ 16,528	$ 2,607	$ 3,867	23,002
Adjustments for:				
Net investment gains (losses)				(371)
Net derivative gains (losses)				(115,114)
Other adjustments to net income				31,019
Provision for income tax (expense) benefit				29,564
Net income (loss)				$ (31,900)
Inter-segment revenues	$ (19,814)	$ (33,249)	$ (620)	
Interest revenue	$ 28,870	$ 8,605	$ 4,635	

Six Months Ended June 30, 2016	Operating Results			
	Annuities	Life	Corporate & Other	Total
	(In thousands)			
Pre-tax operating earnings	$ 4,033	$ 4,217	$ 5,292	$ 13,542
Provision for income tax expense (benefit)	(1,383)	1,476	1,605	1,698
Operating earnings	$ 5,416	$ 2,741	$ 3,687	11,844
Adjustments for:				
Net investment gains (losses)				(2,599)
Net derivative gains (losses)				148,651
Other adjustments to net income				(49,884)
Provision for income tax (expense) benefit				(33,809)
Net income (loss)				$ 74,203
Inter-segment revenues	$ (3,134)	$ (20,370)	$ (774)	
Interest revenue	$ 10,884	$ 8,852	$ 7,117	

The following table presents total revenues with respect to the Company's segments, as well as Corporate & Other:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Annuities	$ 26,043	$ 29,419	$ 53,736	$ 59,162
Life	(1,664)	12,010	8,264	24,648
Corporate & Other	2,936	3,963	5,639	8,111
Adjustments	20,277	101,269	(108,558)	153,119
Total	$ 47,592	$ 146,661	$ (40,919)	$ 245,040

2. Segment Information (continued)

The following table presents total assets with respect to the Company's segments, as well as Corporate & Other, at:

	June 30, 2017	December 31, 2016
	(In thousands)	
Annuities	$ 6,910,318	$ 6,708,803
Life	671,913	342,592
Corporate & Other	476,307	581,651
Total	$ 8,058,538	$ 7,633,046

3. Insurance

Guarantees

As discussed in Notes 1 and 3 of the Notes to the Financial Statements included in the 2016 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. Guaranteed minimum accumulation benefits ("GMABs"), the non-life contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and the portion of certain GMIBs that do not require annuitization are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 5.

Information regarding the Company's guarantee exposure was as follows at:

	June 30, 2017		December 31, 2016	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(Dollars in thousands)			
Annuity Contracts (1), (2)				
Variable Annuity Guarantees				
Total account value (3)	$ 4,899,110	$ 4,063,828	$ 4,763,943	$ 3,969,485
Separate account value	$ 4,890,092	$ 4,062,291	$ 4,753,638	$ 3,968,482
Net amount at risk	$ 8,678 (4)	$ 177,819 (5)	$ 36,827 (4)	$ 209,926 (5)
Average attained age of contractholders	67 years	66 years	66 years	65 years

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(1) The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.

3. Insurance (continued)

(2) Includes direct business, but excludes offsets from hedging or reinsurance, if any. Therefore, the net amount at risk presented reflects the economic exposures of living and death benefit guarantees associated with variable annuities, but not necessarily their impact on the Company. See Note 5 of the Notes to the Financial Statements included in the 2016 Annual Report for a discussion of guaranteed minimum benefits which have been reinsured.

(3) Includes the contractholder's investments in the general account and separate account, if applicable.

(4) Defined as the death benefit less the total account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.

(5) Defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contractholders have achieved.

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

4. Investments

Fixed Maturity Securities Available-for-Sale

Fixed Maturity Securities Available-for-Sale by Sector

The following table presents the fixed maturity securities AFS by sector. Redeemable preferred stock is reported within U.S. corporate fixed maturity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS") (collectively, "Structured Securities").

	June 30, 2017					December 31, 2016				
		Gross Unrealized					Gross Unrealized			
	Amortized Cost	Gains	Temporary Losses	OTTI Losses	Estimated Fair Value	Amortized Cost	Gains	Temporary Losses	OTTI Losses	Estimated Fair Value
	(In thousands)									
Fixed maturity securities:										
U.S. corporate	$ 710,183	$ 28,663	$ 2,624	$ —	$ 736,222	$ 709,694	$ 20,400	$ 8,283	$ —	$ 721,811
U.S. government and agency	438,816	14,575	6,139	—	447,252	410,504	9,560	13,519	—	406,545
RMBS	255,152	4,615	1,673	—	258,094	238,676	2,033	2,322	—	238,387
Foreign corporate	244,748	4,600	4,949	—	244,399	237,412	2,998	8,070	—	232,340
CMBS	187,928	4,352	1,015	—	191,265	177,719	2,724	1,487	—	178,956
State and political subdivision	46,799	5,367	339	—	51,827	52,739	4,345	764	—	56,320
ABS	56,303	98	87	—	56,314	26,695	152	177	—	26,670
Foreign government	12,321	423	82	—	12,662	17,215	543	273	—	17,485
Total fixed maturity securities	$ 1,952,250	$ 62,693	$ 16,908	$ —	$ 1,998,035	$ 1,870,654	$ 42,755	$ 34,895	$ —	$ 1,878,514

The Company did not hold non-income producing fixed maturity securities at both June 30, 2017 and December 31, 2016.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at June 30, 2017:

	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities
	(In thousands)					
Amortized cost	$ 31,314	$ 387,861	$ 527,026	$ 506,666	$ 499,383	$ 1,952,250
Estimated fair value	$ 31,844	$ 397,887	$ 533,176	$ 529,455	$ 505,673	$ 1,998,035

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been presented in the year of final contractual maturity. Structured Securities are shown separately, as they are not due at a single maturity.

4. Investments (continued)

Continuous Gross Unrealized Losses for Fixed Maturity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity securities AFS in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position at:

	June 30, 2017				December 31, 2016			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(Dollars in thousands)							
Fixed maturity securities:								
U.S. corporate	$ 125,846	$ 2,104	$ 18,494	$ 520	$ 250,559	$ 6,667	$ 17,745	$ 1,616
U.S. government and agency	287,352	6,139	—	—	342,150	13,519	—	—
RMBS	105,946	1,611	7,998	62	137,470	2,089	6,822	233
Foreign corporate	67,701	2,296	12,575	2,653	129,093	3,541	22,965	4,529
CMBS	34,462	689	3,819	326	42,661	1,068	3,729	419
State and political subdivision	12,638	339	—	—	20,709	764	—	—
ABS	34,842	87	—	—	17,504	177	—	—
Foreign government	3,067	13	925	69	7,189	148	868	125
Total fixed maturity securities	$ 671,854	$ 13,278	$ 43,811	$ 3,630	$ 947,335	$ 27,973	$ 52,129	$ 6,922
Total number of securities in an unrealized loss position	134		25		203		35	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities

As described more fully in Notes 1 and 6 of the Notes to the Financial Statements included in the 2016 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

Current Period Evaluation

Based on the Company’s current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company’s current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired at June 30, 2017. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings, collateral valuation, interest rates and credit spreads, as well as a change in the Company’s intention to hold or sell a security that is in an unrealized loss position. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities decreased $18.0 million during the six months ended June 30, 2017 to $16.9 million. The decrease in gross unrealized losses for the six months ended June 30, 2017 was primarily attributable to narrowing credit spreads and decreasing longer-term interest rates.

At June 30, 2017, there were no gross unrealized losses on fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

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Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

4. Investments (continued)

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	June 30, 2017				December 31, 2016			
	Carrying Value		% of Total		Carrying Value		% of Total	
	(Dollars in thousands)							
Mortgage loans								
Commercial	$	271,639	69.3	%	$	286,002	70.4	%
Agricultural		121,897	31.1			121,858	30.0	
Subtotal		393,536	100.4			407,860	100.4	
Valuation allowances		(1,703)	(0.4)			(1,775)	(0.4)	
Total mortgage loans, net	$	391,833	100.0	%	$	406,085	100.0	%

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment

At both June 30, 2017 and December 31, 2016, the Company had no impaired mortgage loans and all mortgage loans were evaluated collectively for credit losses.

Valuation Allowance Rollforward by Portfolio Segment

The changes in the valuation allowance, by portfolio segment, were as follows:

	Six Months Ended June 30,											
	2017						2016					
	Commercial		Agricultural		Total		Commercial		Agricultural		Total	
	(In thousands)											
Balance, beginning of period	$	1,419	$	356	$	1,775	$	578	$	62	$	640
Provision (release)		(74)		2		(72)		107		—		107
Balance, end of period	$	1,345	$	358	$	1,703	$	685	$	62	$	747

4. Investments (continued)

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans was as follows at:

	Recorded Investment				
	Debt Service Coverage Ratios				
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total
	(Dollars in thousands)				
June 30, 2017					
Loan-to-value ratios:					
Less than 65%	$ 229,692	$ 32,294	$ —	$ 261,986	96.4%
65% to 75%	9,653	—	—	9,653	3.6
Total	$ 239,345	$ 32,294	$ —	$ 271,639	100.0%
December 31, 2016					
Loan-to-value ratios:					
Less than 65%	$ 259,711	$ 15,614	$ 999	$ 276,324	96.6%
65% to 75%	9,678	—	—	9,678	3.4
Total	$ 269,389	$ 15,614	$ 999	$ 286,002	100.0%

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans was as follows at:

	June 30, 2017		December 31, 2016	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in thousands)			
Loan-to-value ratios:				
Less than 65%	$ 120,978	99.2%	$ 119,974	98.4%
65% to 75%	919	0.8	1,884	1.6
Total	$ 121,897	100.0%	$ 121,858	100.0%

Past Due and Nonaccrual Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with all mortgage loans classified as performing at both June 30, 2017 and December 31, 2016. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial mortgage loans — 60 days and agricultural mortgage loans — 90 days. The Company had no past due and nonaccrual mortgage loans at both June 30, 2017 and December 31, 2016.

Mortgage Loans Modified in a Troubled Debt Restructuring

During both the three months and six months ended June 30, 2017 and 2016, there were no mortgage loans modified in a troubled debt restructuring.

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $3.3 million and $9.2 million at June 30, 2017 and December 31, 2016, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity securities AFS and the effect on DAC, deferred sales inducements (“DSI”) and future policy benefits, that would result from the realization of the unrealized gains (losses), are included in net unrealized investment gains (losses) in accumulated other comprehensive income (loss) (“AOCI”).

4. Investments (continued)

The components of net unrealized investment gains (losses), included in AOCI, were as follows:

	June 30, 2017	December 31, 2016
	(In thousands)	
Fixed maturity securities	$ 45,786	$ 7,862
Derivatives	3,570	4,718
Subtotal	49,356	12,580
Amounts allocated from:		
DAC and DSI	(17,100)	(5,800)
Deferred income tax benefit (expense)	(11,290)	(2,373)
Net unrealized investment gains (losses)	$ 20,966	$ 4,407

The changes in net unrealized investment gains (losses) were as follows:

	Six Months Ended June 30, 2017
	(In thousands)
Balance, beginning of period	$ 4,407
Unrealized investment gains (losses) during the period	36,776
Unrealized investment gains (losses) relating to:	
DAC and DSI	(11,300)
Deferred income tax benefit (expense)	(8,917)
Balance, end of period	$ 20,966
Change in net unrealized investment gains (losses)	$ 16,559

Concentrations of Credit Risk

There were no investments in any counterparty that were greater than 10% of the Company’s stockholder’s equity, other than the U.S. government and its agencies, at both June 30, 2017 and December 31, 2016.

Invested Assets on Deposit

Invested assets on deposit are presented below at estimated fair value for fixed maturity securities at:

	June 30, 2017	December 31, 2016
	(In thousands)	
Invested assets on deposit (regulatory deposits)	$ 1,545	$ 1,507

Variable Interest Entities

The Company has invested in legal entities that are VIEs. In certain instances, the Company may hold both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, it would be deemed to be the primary beneficiary or consolidator of the entity. The determination of the VIE’s primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party’s relationship with or involvement in the entity, an estimate of the entity’s expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity.

Consolidated VIEs

There were no VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at either June 30, 2017 or December 31, 2016.

4. Investments (continued)

Unconsolidated VIEs

The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary and which have not been consolidated were as follows at:

	June 30, 2017		December 31, 2016	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In thousands)			
Fixed maturity securities AFS:				
Structured Securities (2)	$ 491,441	$ 491,441	$ 444,013	$ 444,013
Foreign corporate	6,146	6,146	5,884	5,884
Total	$ 497,587	$ 497,587	$ 449,897	$ 449,897

(1) The maximum exposure to loss relating to fixed maturity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer.

(2) For these variable interests, the Company's involvement is limited to that of a passive investor in mortgage-backed or asset-backed securities issued by trusts that do not have substantial equity.

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Investment income:				
Fixed maturity securities	$ 16,990	$ 11,703	$ 34,582	$ 23,853
Mortgage loans	4,138	1,766	8,526	3,512
Policy loans	1	1	1	1
Cash, cash equivalents and short-term investments	76	27	113	47
Other	131	75	280	200
Subtotal	21,336	13,572	43,502	27,613
Less: Investment expenses	793	439	1,551	880
Net investment income	$ 20,543	$ 13,133	$ 41,951	$ 26,733

See "— Related Party Investment Transactions" for discussion of affiliated investment expenses.

4. Investments (continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

The components of net investment gains (losses) were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized — by sector and industry:				
U.S. and foreign corporate securities — by industry:				
Industrial	$ —	$ —	$ —	$ (870)
OTTI losses on fixed maturity securities recognized in earnings	—	—	—	(870)
Fixed maturity securities — net gains (losses) on sales and disposals	327	(894)	(972)	(1,692)
Total gains (losses) on fixed maturity securities	327	(894)	(972)	(2,562)
Equity securities — net gains (losses) on sales and disposals	—	6	—	6
Mortgage loans	52	(35)	35	(127)
Other	(13)	13	566	84
Total net investment gains (losses)	$ 366	$ (910)	$ (371)	$ (2,599)

Gains (losses) from foreign currency transactions included within net investment gains (losses) were $2 thousand and $546 thousand for the three months and six months ended June 30, 2017, respectively, and $41 thousand and $30 thousand for the three months and six months ended June 30, 2016, respectively.

Sales or Disposals and Impairments of Fixed Maturity Securities

Investment gains and losses on sales of securities are determined on a specific identification basis. Proceeds from sales or disposals of fixed maturity securities and the components of fixed maturity securities net investment gains (losses) were as shown in the table below.

	Three Months Ended June 30,			
	2017	2016	2017	2016
	Fixed Maturity Securities		Equity Securities	
	(In thousands)			
Proceeds	$ 27,783	$ 12,957	$ —	$ 183
Gross investment gains	$ 352	$ 107	$ —	$ 6
Gross investment losses	(25)	(1,001)	—	—
OTTI losses	—	—	—	—
Net investment gains (losses)	$ 327	$ (894)	$ —	$ 6

4. Investments (continued)

	Six Months Ended June 30,			
	2017	2016	2017	2016
	Fixed Maturity Securities		Equity Securities	
	(In thousands)			
Proceeds	$ 170,101	$ 29,849	$ —	$ 183
Gross investment gains	$ 1,015	$ 360	$ —	$ 6
Gross investment losses	(1,987)	(2,052)	—	—
OTTI losses	—	(870)	—	—
Net investment gains (losses)	$ (972)	$ (2,562)	$ —	$ 6

Related Party Investment Transactions

The Company receives investment administrative services from an affiliate. The related investment administrative service charges were $690 thousand and $1.38 million for the three months and six months ended June 30, 2017, respectively, and $429 thousand and $857 thousand for the three months and six months ended June 30, 2016, respectively.

5. Derivatives

Accounting for Derivatives

Freestanding Derivatives

Freestanding derivatives are carried on the Company’s balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses).

Hedge Accounting

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:

- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company’s earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item.

In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument’s effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

5. Derivatives (continued)

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).

Embedded Derivatives

The Company sells variable annuities and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses). If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent "excess" fees and are reported in universal life and investment-type product policy fees.

See Note 6 for information about the fair value hierarchy for derivatives.

Derivative Strategies

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.

Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter ("OTC") market. Certain of the Company's OTC derivatives are bilateral contracts between two counterparties ("OTC-bilateral"). The Company primarily uses foreign currency swaps.

5. Derivatives (continued)

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency swaps to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets denominated in foreign currencies.

In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in cash flow and nonqualifying hedging relationships.

Primary Risks Managed by Derivatives

The following table presents the primary underlying risk exposure, gross notional amount, and estimated fair value of the Company's derivatives, excluding embedded derivatives, held at:

		June 30, 2017			December 31, 2016		
		Gross Notional Amount	Estimated Fair Value		Gross Notional Amount	Estimated Fair Value	
	Primary Underlying Risk Exposure		Assets	Liabilities		Assets	Liabilities
		(In thousands)					
Derivatives Designated as Hedging Instruments:							
Cash flow hedges:							
Foreign currency swaps	Foreign currency exchange rate	$ 39,266	$ 3,810	$ 11	$ 33,930	$ 4,947	$ —
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Foreign currency swaps	Foreign currency exchange rate	16,299	3,202	1	14,063	3,709	—
Total		$ 55,565	$ 7,012	$ 12	$ 47,993	$ 8,656	$ —

Net Derivative Gains (Losses)

The components of net derivative gains (losses) were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Freestanding derivatives and hedging gains (losses) (1)	$ 61	$ 1,292	$ (146)	$ 2,174
Embedded derivatives gains (losses)	16,361	97,319	(114,968)	146,477
Total net derivative gains (losses)	$ 16,422	$ 98,611	$ (115,114)	$ 148,651

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and nonqualifying hedging relationships, which are not presented elsewhere in this note.

The Company recognized net investment income from settlement payments related to qualifying hedges of $133 thousand and $281 thousand for the three months and six months ended June 30, 2017, respectively, and $143 thousand and $267 thousand for the three months and six months ended June 30, 2016, respectively.

The Company recognized net derivative gains (losses) from settlement payments related to nonqualifying hedges of $74 thousand and $158 thousand for the three months and six months ended June 30, 2017, respectively, and $57 thousand and $120 thousand for the three months and six months ended June 30, 2016, respectively.

5. Derivatives (continued)

Nonqualifying Derivatives and Derivatives for Purposes Other Than Hedging

The amounts of net derivative gains (losses) from foreign currency exchange rate derivatives that were not designated or qualifying as hedging instruments were ($169) thousand and ($508) thousand for the three months and six months ended June 30, 2017, respectively, and $1.5 million and $2.5 million for the three months and six months ended June 30, 2016, respectively.

Cash Flow Hedges

The Company designates and accounts for foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated assets, as cash flow hedges, when they have met the requirements of cash flow hedging.

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net derivative gains (losses). For both the three months and six months ended June 30, 2017 and 2016, there were no amounts reclassified into net derivative gains (losses) related to such discontinued cash flow hedges.

There were no hedged forecasted transactions, other than the receipt or payment of variable interest payments, for both June 30, 2017 and December 31, 2016.

At June 30, 2017 and December 31, 2016, the balance in AOCI associated with foreign currency swaps designated and qualifying as cash flow hedges was $3.6 million and $4.7 million, respectively.

Gains (losses) deferred in AOCI related to foreign currency swaps were ($727) thousand and ($1.1) million for the three months and six months ended June 30, 2017, respectively, and $2.2 million and $2.0 million for the three months and six months ended June 30, 2016, respectively. For the three months ended June 30, 2017, the amounts the Company reclassified into net derivatives gains (losses) related to foreign currency swaps were not significant. For the six months ended June 30, 2017, the Company reclassified $1 thousand into net derivative gains (losses) related to foreign currency swaps. For both the three months and six months ended June 30, 2016, $5 thousand was reclassified into net derivative gains (losses) related to foreign currency swaps. For the three months ended June 30, 2017, the amounts the Company recognized in net derivative gains (losses) representing the ineffective portion of all cash flow hedges were not significant. For the six months ended June 30, 2017, $1 thousand was reclassified into net derivative gains (losses) representing the ineffective portion of all cash flow hedges. For both the three months and six months ended June 30, 2016, the amounts the Company recognized in net derivative gains (losses) representing the ineffective portion of all cash flow hedges were not significant.

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

At June 30, 2017, the Company expected to reclassify $394 thousand of deferred net gains (losses) on derivatives in AOCI to earnings within the next 12 months.

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting date after taking into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreements.

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.

See Note 6 for a description of the impact of credit risk on the valuation of derivatives.

5. Derivatives (continued)

The estimated fair values of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	June 30, 2017 Assets	June 30, 2017 Liabilities	December 31, 2016 Assets	December 31, 2016 Liabilities
	(In thousands)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$ 7,177	$ 12	$ 8,850	$ —
Total gross estimated fair value of derivatives (1)	7,177	12	8,850	—
Amounts offset on the balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the balance sheets (1)	7,177	12	8,850	—
Gross amounts not offset on the balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(12)	(12)	—	—
Cash collateral: (3)				
OTC-bilateral	(7,092)	—	(8,672)	—
Securities collateral: (4)				
OTC-bilateral	—	—	—	—
Net amount after application of master netting agreements and collateral	$ 73	$ —	$ 178	$ —

(1) At June 30, 2017 and December 31, 2016, derivative assets included income or (expense) accruals reported in accrued investment income or in other liabilities of $165 thousand and $194 thousand, respectively.

(2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.

(3) Cash collateral received is included in cash and cash equivalents or in short-term investments, and the obligation to return it is included in payables for collateral transactions on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At June 30, 2017 and December 31, 2016, the Company received excess cash collateral of $682 thousand and $270 thousand, respectively, and did not provide any excess cash collateral, which is not included in the table above due to the foregoing limitation.

(4) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at June 30, 2017, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At both June 30, 2017 and December 31, 2016, the Company did not receive or provide excess securities collateral.

The Company's collateral arrangements for its OTC-bilateral derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the collateral amount owed by that counterparty reaches a minimum transfer amount. In addition, the Company's netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody's Investors Service and Standard & Poor's Global Ratings 500 Index. If a party's credit or financial strength ratings, as applicable, were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party's reasonable valuation of the derivatives.

At both June 30, 2017 and December 31, 2016, the Company held no OTC-bilateral derivatives that were in a net liability position after considering the effect of netting agreements. The Company's collateral arrangements require both parties to be

5. Derivatives (continued)

fully collateralized, as such, the Company would not be required to post additional collateral as a result of a downgrade in its financial strength rating.

Embedded Derivatives

The Company issues certain products that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, GMABs and certain GMIBs; affiliated ceded reinsurance of guaranteed minimum benefits related to GMWBs, GMABs and certain GMIBs; and fixed annuities with equity-indexed returns.

The following table presents the estimated fair value and balance sheet location of the Company's embedded derivatives that have been separated from their host contracts at:

	Balance Sheet Location	June 30, 2017	December 31, 2016
		(In thousands)	
Embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$ 365,130	$ 379,297
Embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances	$ (36,699)	$ (23,740)
Fixed annuities with equity indexed returns	Policyholder account balances	386	—
Embedded derivatives within liability host contracts		$ (36,313)	$ (23,740)

The following table presents changes in estimated fair value related to embedded derivatives:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Net derivative gains (losses) (1), (2)	$ 16,361	$ 97,319	$ (114,968)	$ 146,477

(1) The valuation of direct guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were ($352) thousand and ($661) thousand for the three months and six months ended June 30, 2017, respectively, and $1.5 million and $3.2 million for the three months and six months ended June 30, 2016, respectively. In addition, the valuation of ceded guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were $3.8 million and $10.8 million for three months and six months ended June 30, 2017, respectively, and ($38.7) million and ($56.5) million for the three months and six months ended June 30, 2016, respectively.

(2) See Note 10 for discussion of affiliated net derivative gains (losses).

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

6. Fair Value

Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy are presented below at:

	June 30, 2017			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In thousands)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 685,527	$ 50,695	$ 736,222
U.S. government and agency	323,923	123,329	—	447,252
RMBS	—	240,474	17,620	258,094
Foreign corporate	—	211,113	33,286	244,399
CMBS	—	185,957	5,308	191,265
State and political subdivision	—	51,827	—	51,827
ABS	—	51,382	4,932	56,314
Foreign government	—	12,662	—	12,662
Total fixed maturity securities	323,923	1,562,271	111,841	1,998,035
Derivative assets: (1)				
Foreign currency exchange rate	—	7,012	—	7,012
Total derivative assets	—	7,012	—	7,012
Embedded derivatives within asset host contracts (2)	—	—	365,130	365,130
Separate account assets (3)	—	4,896,953	—	4,896,953
Total assets	$ 323,923	$ 6,466,236	$ 476,971	$ 7,267,130
Liabilities				
Derivative liabilities: (1)				
Foreign currency exchange rate	$ —	$ 12	$ —	$ 12
Embedded derivatives within liability host contracts (2)	—	—	(36,313)	(36,313)
Total liabilities	$ —	$ 12	$ (36,313)	$ (36,301)

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

6. Fair Value (continued)

	December 31, 2016			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In thousands)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 681,406	$ 40,405	$ 721,811
U.S. government and agency	289,186	117,359	—	406,545
RMBS	—	217,091	21,296	238,387
Foreign corporate	—	200,454	31,886	232,340
CMBS	—	173,763	5,193	178,956
State and political subdivision	—	56,320	—	56,320
ABS	—	21,736	4,934	26,670
Foreign government	—	17,485	—	17,485
Total fixed maturity securities	289,186	1,485,614	103,714	1,878,514
Derivative assets: (1)				
Foreign currency exchange rate	—	8,656	—	8,656
Total derivative assets	—	8,656	—	8,656
Embedded derivatives within asset host contracts (2)	—	—	379,297	379,297
Separate account assets (3)	—	4,758,449	—	4,758,449
Total assets	$ 289,186	$ 6,252,719	$ 483,011	$ 7,024,916
Liabilities				
Derivative liabilities: (1)				
Foreign currency exchange rate	$ —	$ —	$ —	$ —
Embedded derivatives within liability host contracts (2)	—	—	(23,740)	(23,740)
Total liabilities	$ —	$ —	$ (23,740)	$ (23,740)

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(1) Derivative assets are presented within other invested assets on the balance sheets and derivative liabilities are presented within other liabilities on the balance sheets. The amounts are presented gross in the tables above to reflect the presentation on the balance sheets.

(2) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables on the balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances on the balance sheets.

(3) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities. Separate account liabilities are set equal to the estimated fair value of separate account assets.

The following describes the valuation methodologies used to measure assets and liabilities at fair value. The description includes the valuation techniques and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy.

6. Fair Value (continued)

Investments

Valuation Controls and Procedures

On behalf of the Company and MetLife, Inc.’s Chief Investment Officer and Chief Financial Officer, a pricing and valuation committee that is independent of the trading and investing functions and comprised of senior management, provides oversight of control systems and valuation policies for securities, mortgage loans and derivatives. On a quarterly basis, this committee reviews and approves new transaction types and markets, ensures that observable market prices and market-based parameters are used for valuation, wherever possible, and determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. This committee also provides oversight of the selection of independent third-party pricing providers and the controls and procedures to evaluate third-party pricing. Periodically, the Chief Accounting Officer reports to the Audit Committee of MetLife, Inc.’s Board of Directors regarding compliance with fair value accounting standards.

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management’s knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as “consensus pricing,” represent a reasonable estimate of fair value by considering such pricing relative to the Company’s knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 9% of the total estimated fair value of Level 3 fixed maturity securities at June 30, 2017.

The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides were not material. This is, in part, because internal estimates of liquidity and nonperformance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management’s best estimate is used.

Securities

When available, the estimated fair value of these financial instruments is based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company’s securities holdings and valuation of these securities does not involve management’s judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, the market standard valuation methodologies rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs can be based in large part on management’s judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

6. Fair Value (continued)

The valuation of all instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Fixed Maturity Securities		
U.S. corporate and Foreign corporate securities		

	Valuation Approaches: Principally the market and income approaches.
	
	Key Inputs:
	• quoted prices in markets that are not active
	• benchmark yields; spreads off benchmark yields; new issuances; issuer rating
	• trades of identical or comparable securities; duration
	• Privately-placed securities are valued using the additional key inputs:
	  • market yield curve; call provisions
	  • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer
	  • delta spread adjustments to reflect specific credit-related issues
		Valuation Approaches: Principally the market approach.
		
		Key Inputs:
		• illiquidity premium
		• delta spread adjustments to reflect specific credit-related issues
		• credit spreads
		• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2
		• independent non-binding broker quotations

U.S. government and agency, State and political subdivision and Foreign government securities		
	Valuation Approaches: Principally the market approach. Key Inputs: • quoted prices in markets that are not active • benchmark U.S. Treasury yield or other yields • the spread off the U.S. Treasury yield curve for the identical security • issuer ratings and issuer spreads; broker-dealer quotes • comparable securities that are actively traded	• N/A
Structured Securities		

	Valuation Approaches: Principally the market and income approaches.
	
	Key Inputs:
	• quoted prices in markets that are not active
	• spreads for actively traded securities; spreads off benchmark yields
	• expected prepayment speeds and volumes
	• current and forecasted loss severity; ratings; geographic region
	• weighted average coupon and weighted average maturity
	• average delinquency rates; debt-service coverage ratios
	• issuance-specific information, including, but not limited to:
	  • collateral type; structure of the security; vintage of the loans
	  • payment terms of the underlying assets
	  • payment priority within the tranche; deal performance
		Valuation Approaches: Principally the market and income approaches.
		
		Key Inputs:
		• credit spreads
		• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2
		• independent non-binding broker quotations

Separate Account Assets (1)		
Mutual funds without readily determinable fair values as prices are not published publicly		
	Key Input: • quoted prices or reported net asset value “NAV” provided by the fund managers	• N/A

(1) Estimated fair value equals carrying value, based on the value of the underlying assets, including mutual funds.

Derivatives

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, or through the use of pricing models for OTC-bilateral. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. The valuation controls and procedures for derivatives are described in “— Investments — Valuation Controls and Procedures.”

6. Fair Value (continued)

The significant inputs to the pricing models for most OTC-bilateral derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

Most inputs for OTC-bilateral derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made when they are deemed more representative of exit value. Market liquidity, as well as the use of different methodologies, assumptions and inputs, may have a material effect on the estimated fair values of the Company's derivatives and could materially affect net income.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company's ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Freestanding Derivatives

Level 2 Valuation Approaches and Key Inputs:

This level includes all types of derivatives utilized by the Company. These derivatives are principally valued using the income approach.

Freestanding derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques. Key inputs are as follows:

Instrument	Foreign Currency Exchange Rate
Inputs common to Level 2 by instrument type	• swap yield curves • basis curves • currency spot rates • cross currency basis curves

Embedded Derivatives

Embedded derivatives principally include certain direct variable annuity guarantees and certain affiliated ceded reinsurance agreements related to such variable annuity guarantees. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

The Company issues certain variable annuity products with guaranteed minimum benefits. GMWBs, GMABs and certain GMIBs contain embedded derivatives, which are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the balance sheets.

The Company's actuarial department calculates the fair value of these embedded derivatives, which are estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk-free rates.

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc.'s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries as compared to MetLife, Inc.

Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees. These guarantees may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in nonperformance risk; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income.

The Company ceded to an affiliated reinsurance company the risk associated with certain of the GMIBs, GMABs and GMWBs described above. These reinsurance agreements contain embedded derivatives and are included within premiums, reinsurance and other receivables on the balance sheets with changes in estimated fair value reported in net derivative gains (losses). The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Approaches and Key Inputs:

Direct guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curves, currency exchange rates and implied volatilities. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observable limits of the swap yield curves and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance ceded on certain guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in "— Direct guaranteed minimum benefits" and also include counterparty credit spreads.

Transfers between Levels

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

There were no transfers between Levels 1 and 2 for assets and liabilities measured at estimated fair value and still held at both June 30, 2017 and December 31, 2016.

6. Fair Value (continued)

Transfers into or out of Level 3:

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at:

	Valuation Techniques	Significant Unobservable Inputs	June 30, 2017 Range			June 30, 2017 Weighted Average (1)	December 31, 2016 Range			December 31, 2016 Weighted Average (1)	Impact of Increase in Input on Estimated Fair Value (2)
Fixed maturity securities (3)											
U.S. corporate and foreign corporate	• Matrix pricing	• Offered quotes (4)	96	-	142	108	94	-	136	107	Increase
	• Market pricing	• Quoted prices (4)	74	-	111	98	75	-	110	97	Increase
RMBS	• Market pricing	• Quoted prices (4)	59	-	100	85	56	-	111	86	Increase (5)
CMBS	• Market pricing	• Quoted prices (4)					104	-	104	104	Increase (5)
Embedded derivatives											
Direct and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:									
		Ages 0 - 40	0%	-	0.09%		0%	-	0.09%		Decrease (6)
		Ages 41 - 60	0.04%	-	0.65%		0.04%	-	0.65%		Decrease (6)
		Ages 61 - 115	0.26%	-	100%		0.26%	-	100%		Decrease (6)
		• Lapse rates:									
		Durations 1 - 10	0.25%	-	100%		0.25%	-	100%		Decrease (7)
		Durations 11 - 20	2%	-	100%		2%	-	100%		Decrease (7)
		Durations 21 - 116	2%	-	100%		2%	-	100%		Decrease (7)
		• Utilization rates	0%	-	25%		0%	-	25%		Increase (8)
		• Withdrawal rates	0.25%	-	10%		0.25%	-	10%		(9)
		• Long-term equity volatilities	17.40%	-	25%		17.40%	-	25%		Increase (10)
		• Nonperformance risk spread	0.03%	-	0.47%		0.04%	-	0.57%		Decrease (11)

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(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.

(2) The impact of a decrease in input would have the opposite impact on estimated fair value. For embedded derivatives, changes to direct guaranteed minimum benefits are based on liability positions; changes to ceded guaranteed minimum benefits are based on asset positions.

(3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.

(4) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

(5) Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.

(6) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

6. Fair Value (continued)

(7) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(8) The utilization rate assumption estimates the percentage of contractholders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract's withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(9) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.

(10) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(11) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3 use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table.

Brighthouse Life Insurance Company of NY
(An Indirect Wholly-Owned Subsidiary of Brighthouse Financial, Inc.)

Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

6. Fair Value (continued)

The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fixed Maturity Securities		
	Corporate (1)	Structured Securities	Net Embedded Derivatives (2)
		(In thousands)	
Three Months Ended June 30, 2017			
Balance, beginning of period	$ 82,604	$ 30,327	$ 390,824
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	(8)	97	16,361
Total realized/unrealized gains (losses) included in AOCI	1,644	221	—
Purchases (5)	—	—	—
Sales (5)	(259)	(2,785)	—
Issuances (5)	—	—	—
Settlements (5)	—	—	(5,742)
Transfers into Level 3 (6)	—	—	—
Transfers out of Level 3 (6)	—	—	—
Balance, end of period	$ 83,981	$ 27,860	$ 401,443
Three Months Ended June 30, 2016			
Balance, beginning of period	$ 58,787	$ 13,430	$ 403,828
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	(7)	44	97,319
Total realized/unrealized gains (losses) included in AOCI	1,951	(4)	—
Purchases (5)	1,291	—	—
Sales (5)	(53)	(227)	—
Issuances (5)	—	—	—
Settlements (5)	—	—	(5,581)
Transfers into Level 3 (6)	—	—	—
Transfers out of Level 3 (6)	(1,600)	(4,561)	—
Balance, end of period	$ 60,369	$ 8,682	$ 495,566
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2017 (7)	$ 17	$ 115	$ 18,049
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2016 (7)	$ (7)	$ 44	$ 99,044

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Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

6. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed Maturity Securities		
	Corporate (1)	Structured Securities	Net Embedded Derivatives (2)
		(In thousands)	
Six Months Ended June 30, 2017			
Balance, beginning of period	$ 72,291	$ 31,423	$ 403,037
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	(14)	191	(114,968)
Total realized/unrealized gains (losses) included in AOCI	2,611	437	—
Purchases (5)	20,596	—	—
Sales (5)	(11,503)	(4,191)	—
Issuances (5)	—	—	—
Settlements (5)	—	—	113,374
Transfers into Level 3 (6)	—	—	—
Transfers out of Level 3 (6)	—	—	—
Balance, end of period	$ 83,981	$ 27,860	$ 401,443
Six Months Ended June 30, 2016			
Balance, beginning of period	$ 55,189	$ 13,862	$ 360,381
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	(903)	66	146,477
Total realized/unrealized gains (losses) included in AOCI	3,248	(74)	—
Purchases (5)	1,951	21	—
Sales (5)	(174)	(338)	—
Issuances (5)	—	—	—
Settlements (5)	—	—	(11,292)
Transfers into Level 3 (6)	2,921	—	—
Transfers out of Level 3 (6)	(1,863)	(4,855)	—
Balance, end of period	$ 60,369	$ 8,682	$ 495,566
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2017 (7)	$ 44	$ 217	$ (112,893)
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2016 (7)	$ (903)	$ 65	$ 150,243

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(1) Comprised of U.S. and foreign corporate securities.

(2) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.

(3) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses). Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income for net embedded derivatives are reported in net derivatives gains (losses).

(4) Interest accruals, as well as cash interest coupons received, are excluded from the rollforward.

(5) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.

(6) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

(7) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net embedded derivatives are reported in net derivative gains (losses).

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Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

6. Fair Value (continued)

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income and payables for collateral under derivative transactions. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the tables below are not considered financial instruments subject to this disclosure.

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

	June 30, 2017				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In thousands)				
Assets					
Mortgage loans	$ 391,833	$ —	$ —	$ 394,367	$ 394,367
Premiums, reinsurance and other receivables	$ 28,811	$ —	$ 5,000	$ 24,735	$ 29,735
Liabilities					
Policyholder account balances	$ 1,182,095	$ —	$ —	$ 1,258,049	$ 1,258,049
Other liabilities	$ 3,957	$ —	$ 3,957	$ —	$ 3,957

	December 31, 2016				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In thousands)				
Assets					
Mortgage loans	$ 406,085	$ —	$ —	$ 404,079	$ 404,079
Premiums, reinsurance and other receivables	$ 30,122	$ —	$ 2,095	$ 30,272	$ 32,367
Liabilities					
Policyholder account balances	$ 1,214,186	$ —	$ —	$ 1,283,338	$ 1,283,338
Other liabilities	$ —	$ —	$ —	$ —	$ —

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans

The estimated fair value of mortgage loans is primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk, or is determined from pricing for similar loans.

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, and have been classified as Level 3. The valuation is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.

6. Fair Value (continued)

Policyholder Account Balances

These policyholder account balances include investment contracts which primarily include fixed deferred annuities, fixed term payout annuities and total control accounts. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.

Other Liabilities

Other liabilities consist primarily of payable for securities purchased. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are equal to carrying values.

7. Equity

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI was as follows:

	Three Months Ended June 30, 2017		
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Total
	(In thousands)		
Balance, beginning of period	$ 5,725	$ 2,793	$ 8,518
OCI before reclassifications	20,198	(728)	19,470
Deferred income tax benefit (expense)	(7,070)	255	(6,815)
AOCI before reclassifications, net of income tax	18,853	2,320	21,173
Amounts reclassified from AOCI	(321)	1	(320)
Deferred income tax benefit (expense)	113	—	113
Amounts reclassified from AOCI, net of income tax	(208)	1	(207)
Balance, end of period	$ 18,645	$ 2,321	$ 20,966

	Three Months Ended June 30, 2016		
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Total
	(In thousands)		
Balance, beginning of period	$ 28,562	$ 1,978	$ 30,540
OCI before reclassifications	28,539	2,184	30,723
Deferred income tax benefit (expense)	(9,990)	(764)	(10,754)
AOCI before reclassifications, net of income tax	47,111	3,398	50,509
Amounts reclassified from AOCI	823	(5)	818
Deferred income tax benefit (expense)	(288)	2	(286)
Amounts reclassified from AOCI, net of income tax	535	(3)	532
Balance, end of period	$ 47,646	$ 3,395	$ 51,041

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Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

7. Equity (continued)

	Six Months Ended June 30, 2017		
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Total
	(In thousands)		
Balance, beginning of period	$ 1,340	$ 3,067	$ 4,407
OCI before reclassifications	25,658	(1,149)	24,509
Deferred income tax benefit (expense)	(8,981)	402	(8,579)
AOCI before reclassifications, net of income tax	18,017	2,320	20,337
Amounts reclassified from AOCI	966	1	967
Deferred income tax benefit (expense)	(338)	—	(338)
Amounts reclassified from AOCI, net of income tax	628	1	629
Balance, end of period	$ 18,645	$ 2,321	$ 20,966

	Six Months Ended June 30, 2016		
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Total
	(In thousands)		
Balance, beginning of period	$ 3,333	$ 2,073	$ 5,406
OCI before reclassifications	65,681	2,038	67,719
Deferred income tax benefit (expense)	(22,989)	(713)	(23,702)
AOCI before reclassifications, net of income tax	46,025	3,398	49,423
Amounts reclassified from AOCI	2,494	(5)	2,489
Deferred income tax benefit (expense)	(873)	2	(871)
Amounts reclassified from AOCI, net of income tax	1,621	(3)	1,618
Balance, end of period	$ 47,646	$ 3,395	$ 51,041

(1) See Note 4 for information on offsets to investments related to DAC and DSI.

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7. Equity (continued)

Information regarding amounts reclassified out of each component of AOCI was as follows:

AOCI Components	Amounts Reclassified from AOCI				Statement of Operations and Comprehensive Income (Loss) Locations
	Three Months Ended June 30,		Six Months Ended June 30,		
	2017	2016	2017	2016	
	(In thousands)				
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	$ 321	$ (885)	$ (983)	$ (2,556)	Net investment gains (losses)
Net unrealized investment gains (losses)	—	62	17	62	Net investment income
Net unrealized investment gains (losses), before income tax	321	(823)	(966)	(2,494)	
Income tax (expense) benefit	(113)	288	338	873	
Net unrealized investment gains (losses), net of income tax	208	(535)	(628)	(1,621)	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Foreign currency swaps	(1)	5	(1)	5	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	(1)	5	(1)	5	
Income tax (expense) benefit	—	(2)	—	(2)	
Gains (losses) on cash flow hedges, net of income tax	(1)	3	(1)	3	
Total reclassifications, net of income tax	$ 207	$ (532)	$ (629)	$ (1,618)	

8. Other Expenses

Information on other expenses was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Compensation	$ 3,458	$ 2,174	$ 6,337	$ 4,600
Pension, postretirement and postemployment benefit costs	—	211	—	421
Commissions	7,200	4,315	13,501	8,247
Volume-related costs	255	1,199	1,261	2,365
Affiliated expenses on ceded reinsurance	—	2,410	4,523	4,814
Capitalization of DAC	(3,776)	(1,333)	(5,968)	(2,394)
Premium taxes, licenses and fees	552	268	900	1,467
Professional services	838	265	1,918	585
Rent and related expenses	141	273	284	549
Other	4,710	3,416	8,844	7,884
Total other expenses	$ 13,378	$ 13,198	$ 31,600	$ 28,538

Affiliated Expenses

Commissions and capitalization of DAC include the impact of affiliated reinsurance transactions. See Note 10 for a discussion of affiliated expenses included in the table above.

9. Contingencies, Commitments and Guarantees

Contingencies

Litigation

Sales Practices Claims

Over the past several years, the Company has faced claims and regulatory inquiries and investigations, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products.

Summary

Various litigation, claims and assessments against the Company, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, investor, and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Company's net income or cash flows in particular quarterly or annual periods.

Commitments

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $1.6 million and $42 thousand at June 30, 2017 and December 31, 2016, respectively.

Commitments to Fund Private Corporate Bond Investments

The Company commits to lend funds under private corporate bond investments. The amounts of these unfunded commitments were $2.2 million at June 30, 2017. The Company did not have commitments to lend funds under private corporate bond investments at December 31, 2016.

Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties such that it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third-party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. Management believes that it is unlikely the Company will have to make any material payments under these indemnities, guarantees, or commitments.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company’s interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these indemnities in the future.

The Company had no liability for indemnities, guarantees and commitments at both June 30, 2017 and December 31, 2016.

10. Related Party Transactions

The Company has various existing relationships with MetLife for services necessary to conduct its activities.

Non-Broker-Dealer Transactions

The following table summarizes income and expense from transactions with MetLife (excluding broker-dealer transactions) for the periods indicated:

	Three Months Ended June 30,			
	2017	2016	2017	2016
	Income		Expense	
	(In thousands)			
MetLife	$ (27,060)	$ 142,439	$ (31,372)	$ (19,410)

	Six Months Ended June 30,			
	2017	2016	2017	2016
	Income		Expense	
	(In thousands)			
MetLife	$ (201,358)	$ 196,967	$ (42,077)	$ (31,893)

The following table summarizes assets and liabilities from transactions with MetLife (excluding broker-dealer transactions) at:

	June 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	(In thousands)			
MetLife	$ 493,927	$ 383,755	$ 322,394	$ 99,641

The material arrangements between the Company and MetLife are as follows:

Reinsurance Agreements

The Company enters into reinsurance agreements primarily as a purchaser of reinsurance for its various insurance products. The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

The Company has reinsurance agreements with its parent Brighthouse Insurance and certain MetLife, Inc. subsidiaries, including Metropolitan Life Insurance Company (“MLIC”) and MetLife Reinsurance Company of Vermont, all of which were related parties as of June 30, 2017.

Information regarding the significant effects of affiliated reinsurance included on the interim condensed statements of operations and comprehensive income (loss) was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Premiums				
Reinsurance ceded	$ (26,503)	$ (10,892)	$ (36,347)	$ (20,757)
Universal life and investment-type product policy fees				
Reinsurance ceded	$ (904)	$ (914)	$ (1,811)	$ (1,827)
Other revenues				
Reinsurance ceded	$ (12,256)	$ (7,254)	$ (27,900)	$ (13,907)
Policyholder benefits and claims				
Reinsurance ceded	$ (37,631)	$ (23,848)	$ (58,405)	$ (40,920)
Interest credited to policyholder account balances				
Reinsurance ceded	$ (76)	$ (93)	$ (156)	$ (154)
Amortization of deferred policy acquisition costs and value of business acquired				
Reinsurance ceded	$ (271)	$ (508)	$ (449)	$ (1,290)
Other expenses				
Reinsurance ceded	$ (1,930)	$ (261)	$ 711	$ (543)

Information regarding the significant effects of ceded affiliated reinsurance included on the interim condensed balance sheets was as follows at:

	June 30, 2017	December 31, 2016
	(In thousands)	

Assets				
Premiums, reinsurance and other receivables	$	489,260	$	321,868
Deferred policy acquisition costs and value of business acquired		(4,764)		(4,309)
Total assets	$	484,496	$	317,559
Liabilities				
Other liabilities	$	383,728	$	99,641
Total liabilities	$	383,728	$	99,641

The Company ceded risks to an affiliate related to guaranteed minimum benefit guarantees written directly by the Company. These ceded reinsurance agreements contain embedded derivatives and changes in their estimated fair value are included within net derivative gains (losses). The embedded derivatives associated with the cessions are included within premiums, reinsurance and other receivables and were $365.1 million and $211.2 million at June 30, 2017 and December 31, 2016, respectively. Net derivative gains (losses) associated with the embedded derivatives were $10.1 million and ($15.2) million for the three months and six months ended June 30, 2017, respectively, and $65.0 million and $87.0 million for the three months and six months ended June 30, 2016, respectively.

10. Related Party Transactions (continued)

The Company ceded 100% of certain variable annuities including guaranteed minimum benefit guarantees on a modified coinsurance basis to MLIC. In January 2017, the Company executed a novation and reassigned this reinsurance agreement with Brighthouse Insurance, as reinsurer. These transactions were treated as a termination of the existing reinsurance agreement with recognition of a loss and a new reinsurance agreement with no recognition of a gain or loss. These transactions resulted in an increase in other liabilities of $129.8 million. The Company recognized a loss of $84.4 million, net of income tax, as a result of these transactions. Certain contractual features of this agreement qualify as embedded derivatives, which are separately accounted for at estimated fair value on the Company's balance sheets. The embedded derivatives associated with the cession with MLIC are included within premiums, reinsurance and other receivables and were $0 and $168.1 million at June 30, 2017 and December 31, 2016, respectively. Net derivative gains (losses) associated with the embedded derivatives were $0 and ($125.1) million for the three months and six months ended June 30, 2017, respectively, and $93.8 million and $140.6 million for the three months and six months ended June 30, 2016, respectively.

In May, 2017, the Company recaptured from MLIC risks related to multiple life products under yearly renewable term and coinsurance agreements, previously issued by the Company. This recapture resulted in an increase in cash and cash equivalents of $25.6 million and a decrease in premiums, reinsurance and other receivables of $22.4 million. The Company recognized a gain of $2.1 million, net of income tax, as a result of reinsurance termination. Concurrent with the recapture from MLIC, the Company executed a reinsurance agreement with Brighthouse Insurance, as reinsurer to cede on a yearly renewable term basis risks related to multiple life products. The transaction resulted in an increase in premiums, reinsurance and other receivables of $24.7 million, an increase in other liabilities of $22.7 million a decrease in premiums of $22.7 million and a reduction in policyholder benefits and claims of $24.7 million. The Company recognized a gain of $1.3 million, net of income tax, as a result of the transaction.

Capital Support Arrangement

MetLife provides various capital support commitments and guarantees to the Brighthouse Financial, Inc. combined entities. Under this arrangement, MetLife has had a net worth maintenance agreement with the Company, pursuant to which MetLife agreed to cause the Company to meet specified capital and surplus levels and has guaranteed liquidity necessary to enable it to meet its current obligations on a timely basis. In connection with the Separation, this net worth maintenance agreement was terminated on August 4, 2017.

Investment Transactions

In the ordinary course of business, the Company transfers invested assets, primarily consisting of fixed maturity securities, to and from MetLife affiliates. See Note 4 for further discussion of the related party investment transactions.

Shared Services and Overhead Allocations

MetLife provides the Company certain services, which include, but are not limited to, executive oversight, treasury, finance, legal, human resources, tax planning, internal audit, financial reporting, information technology, distribution services and investor relations. The Company is charged for these services based on direct and indirect costs. When specific identification is not practicable, an allocation methodology is used, primarily based on sales, in-force liabilities, or headcount. For certain agreements, charges are based on various performance measures or activity-based costing, such as sales, new policies/contracts issued, reserves, and in-force policy counts. The bases for such charges are modified and adjusted by management when necessary or appropriate to reflect fairly and equitably the actual incidence of cost incurred by the Company and/or affiliate. Management believes that the methods used to allocate expenses under these arrangements are reasonable. Expenses incurred with MetLife related to these arrangements, recorded in other operating expenses, were $8.6 million and $16.3 million for the three months and six months ended June 30, 2017, respectively, and $5.1 million and $10.6 million for the three months and six months ended June 30, 2016, respectively.

Broker-Dealer Transactions

The Company accrues related party revenues and expenses arising from transactions with affiliated broker-dealers whereby such affiliated broker-dealers sell the Company's variable annuity and life products. The affiliated expense for the Company is commissions collected on the sale of variable products by the Company and passed through to the broker-dealer. The affiliated revenue for the Company is fee income from trusts and mutual funds whose shares serve as investment options of policyholders of the Company. Beginning in March 2017, Brighthouse Securities, LLC, a registered broker-dealer affiliate, began distributing certain of the Company's existing and future variable insurance products, and the MetLife broker-dealers discontinued such distributions.

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Notes to the Interim Condensed Financial Statements (Unaudited) — (continued)

10. Related Party Transactions (continued)

The following table summarizes income and expense from transactions with related broker-dealers for the periods indicated:

	Three Months Ended June 30,			
	2017	2016	2017	2016
	Fee Income		Commission Expense	
	(In thousands)			
Affiliated broker-dealers	$ 3,126	$ 2,430	$ 11,037	$ 7,599

	Six Months Ended June 30,			
	2017	2016	2017	2016
	Fee Income		Commission Expense	
	(In thousands)			
Affiliated broker-dealers	$ 5,980	$ 4,878	$ 16,966	$ 14,919

The following table summarizes assets and liabilities from transactions with affiliated broker-dealers at:

	June 30, 2017		December 31, 2016	
	Fee Income Receivables	Secured Demand Notes	Fee Income Receivables	Secured Demand Notes
	(In thousands)			
Affiliated broker-dealers	$ —	$ —	$ 934	$ —

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

For purposes of this discussion, "Brighthouse NY," the "Company," "we," "our" and "us" refer to Brighthouse Life Insurance Company of NY *(formerly, First MetLife Investors Insurance Company)*, a New York domiciled life insurance company. Brighthouse NY is a wholly-owned subsidiary of Brighthouse Life Insurance Company ("Brighthouse Insurance"), which is an indirect wholly-owned subsidiary of Brighthouse Financial, Inc. (Brighthouse Financial, Inc., together with its subsidiaries and affiliates, "Brighthouse"). Management's narrative analysis of the results of operations is presented pursuant to General Instruction H(2)(a) of Form 10-Q. This narrative analysis should be read in conjunction with(i) the unaudited interim condensed consolidated financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q, (ii) our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Annual Report"), (iii) our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (the "First Quarter 2017 Quarterly Report") and (iv) our current reports on Form 8-K filed in 2017. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this report, particularly in "— Forward-Looking Statements" and the section entitled "Risk Factors" included in the 2016 Annual Report and the First Quarter 2017 Quarterly Report, as well as the Risk Factors set forth in Part II, Item IA of this Quarterly Report on Form 10-Q.

The term "Separation" refers to the separation of MetLife, Inc.'s (together with its subsidiaries and affiliates, "MetLife") Brighthouse Financial segment from MetLife's other businesses and the creation of a separate, publicly traded company, Brighthouse Financial, Inc., to hold the assets (including the equity interests of certain MetLife, Inc. subsidiaries, including the Company) and liabilities associated with MetLife, Inc.'s Brighthouse Financial segment from and after the Distribution; the term "Distribution" refers to the distribution on August 4, 2017 of 96,776,670 of the 119,773,106 shares of Brighthouse Financial, Inc. common stock outstanding immediately prior to the Distribution date by MetLife, Inc. to shareholders of MetLife, Inc. as of the record date for the Distribution.

Business

Overview

The Company provides fixed and variable annuity products in New York and administers an in-force block of life insurance policies. In addition, we currently offer index-linked annuity products and universal life and plan to offer new term life insurance products in New York. The Company is organized into two reporting segments: Annuities and Life. In addition, the Company reports certain of its results of operations in Corporate & Other. See "Business — Segments and Corporate & Other" included in the 2016 Annual Report and Note 2 of the Notes to the Interim Condensed Financial Statements for further information on the Company's segments and Corporate & Other. Management continues to evaluate the Company's segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.

Other Key Information

The Separation

On January 12, 2016, MetLife, Inc. announced its plan to pursue the separation of a substantial portion of its former U.S. retail business. Additionally, on July 21, 2016, MetLife, Inc. announced that the separated business would be rebranded as "Brighthouse Financial." Effective March 6, 2017, and in connection with the Separation, the Company changed its name from First MetLife Investors Insurance Company to Brighthouse Life Insurance Company of NY.

On October 5, 2016, Brighthouse Financial, Inc., which until the completion of the Separation on August 4, 2017 was a wholly-owned subsidiary of MetLife, Inc., filed a registration statement on Form 10 (as amended, the "Form 10") with the U.S. Securities and Exchange Commission ("SEC") that was declared effective by the SEC on July 6, 2017. The Form 10 disclosed MetLife, Inc.'s plans to undertake several actions, including an internal reorganization involving its U.S. retail business (the "Restructuring") and include Brighthouse Insurance, Brighthouse NY, New England Life Insurance Company, Brighthouse Investment Advisers, LLC (formerly known as MetLife Advisers, LLC) and certain affiliated reinsurance companies in the planned separated business, and distribute at least 80.1% of the shares of Brighthouse Financial, Inc.'s common stock on a pro rata basis to the holders of MetLife, Inc. common stock. In connection with the Restructuring, effective April 2017 following receipt of applicable regulatory approvals, MetLife, Inc. contributed certain affiliated reinsurance companies and Brighthouse NY to Brighthouse Insurance. The affiliated reinsurance companies were then merged into Brighthouse Reinsurance Company of Delaware, a licensed reinsurance subsidiary of Brighthouse Insurance.

On July 28, 2017 MetLife, Inc. contributed Brighthouse Holdings, LLC, an intermediate holding company, to Brighthouse Financial, Inc., resulting in Brighthouse NY becoming an indirect wholly-owned subsidiary of Brighthouse Financial, Inc. On August 4, 2017, MetLife, Inc. completed the Separation through a distribution of 96,776,670 of the 119,773,106 shares of the common stock of Brighthouse Financial, Inc., representing 80.8% of MetLife Inc.'s interest in Brighthouse Financial, Inc., to holders of MetLife, Inc. common stock.

Reinsurance Transactions

In May, 2017, the Company recaptured from Metropolitan Life Insurance Company ("MLIC") risks related to multiple life products under yearly renewable term and coinsurance agreements, previously issued by the Company. This recapture resulted in an increase in cash and cash equivalents of $25.6 million and a decrease in premiums, reinsurance and other receivables of $22.4 million. The Company recognized a gain of $2.1 million, net of income tax, as a result of reinsurance termination. Concurrent with the recapture from MLIC, the Company executed a reinsurance agreement with Brighthouse Insurance, as reinsurer to cede on a yearly renewable term basis risks related to multiple life products. The transaction resulted in an increase in premiums, reinsurance and other receivables of $24.7 million, an increase in other liabilities of $22.7 million, a decrease in premiums of $22.7 million and a reduction in policyholder benefits and claims of $24.7 million. The Company recognized a gain of $1.3 million, net of income tax, as a result of the transaction.

Regulatory Developments

We are domiciled in New York and regulated by the New York Department of Financial Services. We are primarily regulated at the state level, with some products and services also subject to federal regulation. In addition, we are subject to regulation under the insurance holding company laws of New York. Furthermore, some of our operations, products and services are subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), consumer protection laws, securities, broker-dealer and investment advisor regulations, and environmental and unclaimed property laws and regulations. See "Business — Regulation" and "Risk Factors — Regulatory and Legal Risks — Our business is highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth" included in the 2016 Annual Report, as amended in this Quarterly Report on Form 10-Q under this "Regulatory Developments" caption and "Risk Factors — Regulatory and Legal Risks."

Department of Labor and ERISA Considerations

We manufacture life insurance products for third parties to sell to tax-qualified pension and retirement plans and Individual Retirement Accounts ("IRAs") to individuals that are subject to ERISA or the Internal Revenue Code of 1986, as amended (the "Code"). While we currently believe manufacturers do not have as much exposure to ERISA and the Code as distributors, certain activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and those fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the Department of Labor ("DOL"), the Internal Revenue Service ("IRS") and the Pension Benefit Guaranty Corporation ("PBGC").

The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen.

The DOL issued new regulations on April 6, 2016 with an original applicable date for most provisions of April 10, 2017, although on April 4, 2017, the DOL released its final rule delaying the original applicable date for 60 days from April 10, 2017 until June 9, 2017. Further, on June 29, 2017, the DOL issued a request for information regarding its final rule defining who is a "fiduciary" for purposes of ERISA and the Code, and also the DOL's new and amended exemptions (as described further below) that were published in conjunction with the final rule. These rules substantially expand the definition of "investment advice" and thereby broaden the circumstances under which distributors and even manufacturer can be considered fiduciaries under ERISA or the Code. Pursuant to the final rule, certain communications with plans, plan participants and IRA holders, including the marketing of products, and marketing of investment management or advisory services, could be deemed fiduciary investment advice, thus, causing increased exposure to fiduciary liability if the distributor does not recommend what is in the client's best interests.

As noted above, the DOL also issued amendments to certain of its prohibited transaction exemptions, and issued a new exemption, that apply more onerous disclosure and contract requirements to, and increase fiduciary requirements and fiduciary liability exposure in respect of, transactions involving ERISA plans, plan participants and IRAs. In general, the changes the rule made to existing prohibited transaction exemptions and contract and disclosure requirements of the new exemption (other than the impartial interest standard) were delayed until January 1, 2018. Contracts entered into prior to the applicability date of the new regulations are generally "grandfathered" and, as such, are not subject to the requirements of the rule and related exemptions. To retain "grandfathered" status, no investment recommendations may be made after the applicability date of the new regulations with respect to such annuity products that were sold to ERISA plans or IRAs.

We will not be engaging in direct distribution of retail products, including IRA products and retail annuities sold into ERISA plans and IRAs, and therefore we anticipate that we will have limited exposure to the new DOL regulations, as the application of the vast majority of the provisions of the new DOL regulations targeted at such retail products will be reduced.

Specifically, the most onerous of the requirements under the DOL fiduciary rule relate to the Best Interest Contract Exemption ("BIC"). The DOL guidance makes clear that distributors, not manufacturers, are primarily responsible for BIC compliance. However, we will be asked by our distributors, to assist them with preparing the voluminous disclosures required under BIC. Furthermore, if we want to retain the "grandfathered" status described above of current contracts, we will be limited in the interactions we can have directly with customers and the information that can be provided. We also anticipate that we will need to undertake certain additional tasks in order to comply with certain of the exemptions provided in the DOL regulations, including additional compliance reviews of material shared with distributors, wholesaler and call center training and product reporting and analysis. See "Risk Factors — Regulatory and Legal Risks — Our business is highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth" included in the 2016 Annual Report.

On February 3, 2017, President Trump, in a memorandum to the Secretary of Labor, requested that the DOL prepare an updated economic and legal analysis concerning the likely impact of the new rules, and possible revisions to the rules. In response to President Trump's request, and as noted above, on June 29, 2017, the DOL issued a request for information related to the fiduciary rule and providing for a 30-day comment period on all issues raised by its request for information (excepting the 15-day comment period on delaying the January 1, 2018 applicability date discussed above). On August 9, 2017, the DOL filed a public notice in the case of Thrivent Financial v. the DOL alerting the court that the DOL has submitted to the Office of Management and Budget proposed amendments to several prohibited transaction exemptions (including BIC and 84-24) further delaying application of these exemptions as re-written by the DOL, from January 1, 2018 to July 1, 2019.

While we continue to analyze the impact of the final regulations on our business, we anticipate that we will need to undertake certain additional tasks in order to comply with certain of the exemptions provided in the DOL regulations, including additional compliance reviews of material shared with distributors, wholesaler and call center training and product reporting and analysis.

The change of administration and the DOL's June 29, 2017 request for information related to the fiduciary rule and related exemptions leaves uncertainty over whether the regulations will be substantially modified or repealed. Application of the rules on June 9, 2017, in light of the DOL's request for information and the overall reconsideration of the rules requested by President Trump, could create confusion among our distribution partners which could negatively impact product sales. We cannot predict what other proposals may be made, what legislation may be introduced or enacted, or what impact any such legislation may have on our business, results of operations and financial condition.

On July 11, 2016, the DOL, the IRS and the PBGC proposed revisions to the Form 5500, the form used for ERISA annual reporting. The revisions affect employee pension and welfare benefit plans, including our ERISA plans and require audits of information, self-directed brokerage account disclosure requirements and additional extensive disclosure. We cannot predict the effect these proposals, if enacted, will have on our business, or what other proposals may be made, what legislation may be introduced or enacted or the impact of any such legislation on our results of operations and financial condition.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the Interim Condensed Financial Statements.

The most critical estimates include those used in determining:

(i) liabilities for future policy benefits;

(ii) accounting for reinsurance;

(iii) capitalization and amortization of deferred policy acquisition costs ("DAC") and value of business acquired ("VOBA");

(iv) estimated fair values of investments in the absence of quoted market values;

(v) investment impairments;

(vi) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;

(vii) measurement of income taxes and the valuation of deferred tax assets; and

(viii) liabilities for litigation and regulatory matters.

In applying our accounting policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to our business and operations. Actual results could differ from these estimates.

The above critical accounting estimates are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" and Note 1 of the Notes to the Financial Statements included in the 2016 Annual Report.

Results of Operations

In this report we present operating earnings as a financial measure that is not calculated in accordance with GAAP, along with other financial disclosures that we believe are relevant to understanding our results. See "— Non-GAAP and Other Financial Disclosures" for more detailed definitions of these measures.

Results for the Six Months Ended June 30, 2017 and 2016

Business Overview. Annuity sales increased 81% in the current period, compared to the prior period. This increase resulted primarily from sales of our index-linked annuities, which were previously issued by MLIC. This increase was partially offset by lower sales of single-premium immediate annuities and variable annuities with guaranteed minimum income benefit riders. Currently, we are not accepting new sales of traditional life products but continue to accept renewal premiums. In the second quarter of 2017, we began selling a new universal life product.

A significant portion of our net income is driven by separate account balances, particularly in our variable annuity business. Most directly, these balances determine asset-based fee income and also impact DAC amortization and asset-based commissions. Separate account balances are driven by sales, movements in the market, surrenders, withdrawals, benefit payments, transfers and policy charges. Average separate account balances increased in the current period, compared to the prior period, due to favorable equity market performance which more than offset the impact of continued negative net flows.

	Six Months Ended June 30,	
	2017	**2016**
	(In thousands)	
Revenues		
Premiums	$ 2,375	$ 29,704
Universal life and investment-type product policy fees	51,851	51,237
Net investment income	41,951	26,733
Other revenues	(21,611)	(8,686)
Net investment gains (losses)	(371)	(2,599)
Net derivative gains (losses)	(115,114)	148,651
Total revenues	(40,919)	245,040
Expenses		
Policyholder benefits and claims	(20,005)	39,198
Interest credited to policyholder account balances	19,384	20,390
Capitalization of DAC	(5,968)	(2,394)
Amortization of DAC and VOBA	(18,798)	47,204
Other expenses	37,568	30,932
Total expenses	12,181	135,330
Income (loss) before provision for income tax	(53,100)	109,710
Provision for income tax expense (benefit)	(21,200)	35,507
Net income (loss)	$ (31,900)	$ 74,203

The table below shows the components of net income (loss), in addition to operating earnings, for the six months ended June 30, 2017 and 2016.

	Six Months Ended June 30,	
	2017	2016
	(In thousands)	
Guaranteed minimum living benefits	$ (83,485)	$ 96,664
Amortization of DAC and VOBA	74	187
Other derivative instruments	(691)	2,054
Net investment gains (losses)	(371)	(2,599)
Other adjustments	7	(138)
Operating earnings before provision for income tax	31,366	13,542
Income (loss) before provision for income tax	(53,100)	109,710
Provision for income tax expense (benefit)	(21,200)	35,507
Net income (loss)	$ (31,900)	$ 74,203

Six Months Ended June 30, 2017 Compared with the Six Months Ended June 30, 2016

Overview. Despite an increase in operating earnings before provision for income tax of $17.8 million ($11.2 million, net of income tax), income (loss) before provision for income tax decreased $162.8 million ($106.1 million, net of income tax) compared to the prior period. This decrease was primarily due to unfavorable changes in our guaranteed minimum living benefits (“GMLBs”).

Guaranteed Minimum Living Benefits. We directly issue variable annuity products with GMLBs. All of the economic risk associated with these GMLBs is currently ceded under reinsurance agreements with Brighthouse Insurance. In the prior period, a portion of this risk was ceded to MLIC but was recaptured and novated to Brighthouse Insurance in January, 2017. Certain features of the ceded GMLBs are accounted for as embedded derivatives, even when those same features are not accounted for as embedded derivatives on the directly written GMLBs. This difference in accounting may result in significant fluctuations in net income (loss) when a change in the fair value of the reinsurance receivable is recorded in net income (loss) with only a minimal corresponding offset in the value of the directly written GMLBs. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives” included in the 2016 Annual Report.

An unfavorable change in the net impact from the direct and ceded GMLBs, including the DAC offset, decreased income (loss) before provision for income tax by $180.1 million ($117.1 million, net of income tax). This decrease from GMLBs was recognized primarily as follows:

- a decrease of $136.1 million ($88.5 million, net of income tax), recognized in net derivative gains (losses), driven by the impact of interest rates declining less in the current period than in the prior period, as well as the impact of higher equity markets, on our embedded derivatives; and
- a decrease of $125.1 million ($81.3 million, net of income tax), recognized in net derivative gains (losses), driven by the recapture, from an affiliate of MetLife, of ceded reinsurance agreements covering certain risks of our variable annuity business; partially offset by;
- an increase of $63.8 million ($41.5 million, net of income tax) from lower DAC amortization; and
- an increase of $17.3 million ($11.2 million, net of income tax) from lower insurance-related liabilities recognized in policyholder benefits and claims.

Excluding the impact of the charge recognized in the prior period related to the annual actuarial assumption review, GMLBs decreased income (loss) before provision for income tax by $156.7 million ($101.9 million, net of income tax). The $23.4 million ($15.2 million, net of income tax) unfavorable impact of the prior period annual actuarial assumption review was recognized as follows:

- a decrease of $54.0 million ($35.1 million, net of income tax) recognized in net derivative gains (losses); partially offset by;
- an increase of $19.1 million ($12.4 million, net of income tax) from the DAC amortization offset; and
- an increase of $11.5 million ($7.5 million, net of income tax) from changes in policyholder behavior assumptions.

Other Derivative Instruments. In addition to GMLB embedded derivatives, we enter into other freestanding derivative instruments primarily to hedge foreign currency risks when we have foreign denominated fixed maturity securities backing our U.S dollar denominated liabilities. The changes in fair value of the hedges are accounted for in net income (loss), through net derivative gains (losses), while the offsetting economic impacts on the items they are hedging are either not recognized or recognized in equity through other comprehensive income. Unfavorable changes in the fair value of our foreign currency swaps decreased income (loss) before provision for income tax by $2.3 million ($1.5 million, net of income tax).

Changes in liability values of our index-linked annuity contracts that result from changes in the underlying equity indices are accounted for as embedded derivatives. We began selling these index-linked annuities in the first quarter of 2017 and have recognized a decrease in income (loss) before provision for income tax of $385 thousand ($250 thousand, net of income tax) in the current period from changes in the fair value of these embedded derivatives.

Net Investment Gains (Losses). Favorable changes in net investment gains (losses) increased income (loss) before provision for income tax by $2.2 million ($1.4 million, net of income tax), primarily due to lower impairments on fixed maturity securities, lower losses on the sale of fixed maturity securities and higher net gains on foreign currency transactions in the current period, compared to the prior period.

Income Tax Expense (Benefit). Income tax benefit for the six months ended June 30, 2017 was $21.2 million, or 40% of income (loss) before provision for income tax, compared to income tax expense of $35.5 million, or 32% of income (loss) before provision for income tax, for the six months ended June 30, 2016. Our effective tax rates in both periods differ from the U.S. statutory rate of 35% primarily due to the impacts from the dividend received deductions.

Operating Earnings. As more fully described in "— Non-GAAP and Other Financial Disclosures," we use operating earnings, which does not equate to net income (loss), as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings allows analysis of our performance and facilitates comparisons to industry results. Operating earnings should not be viewed as a substitute for net income (loss). Operating earnings before provision for income tax increased $17.8 million ($11.2 million, net of income tax) in the current period, compared to the prior period. Operating earnings is discussed in greater detail below.

Reconciliation of net income (loss) to operating earnings

	Six Months Ended June 30,	
	2017	**2016**
	(In thousands)	
Net income (loss)	$ (31,900)	$ 74,203
Add: Provision for income tax expense (benefit)	(21,200)	35,507
Net income (loss) before provision for income tax	(53,100)	109,710
Less: Guaranteed minimum living benefits	(83,485)	96,664
Less: Amortization of DAC and VOBA	74	187
Less: Other derivative instruments	(691)	2,054
Less: Net investment gains (losses)	(371)	(2,599)
Less: Other adjustments	7	(138)
Operating earnings before provision for income tax	31,366	13,542
Less: Provision for income tax expense (benefit)	8,364	1,698
Operating earnings	$ 23,002	$ 11,844

Results for the Six Months Ended June 30, 2017 and 2016 — Operating

	Six Months Ended June 30,	
	2017	2016
	(In thousands)	
Fee income	$ 80,493	$ 66,196
Net investment spread	14,201	13,619
Insurance-related activities	(22,181)	(25,973)
Amortization of DAC and VOBA	(9,547)	(11,898)
Other expenses, net of DAC capitalization	(31,600)	(28,402)
Operating earnings before provision for income tax	31,366	13,542
Provision for income tax expense (benefit)	8,364	1,698
Operating earnings	$ 23,002	$ 11,844

Six Months Ended June 30, 2017 Compared with the Six Months Ended June 30, 2016

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Overview. The $11.2 million increase in operating earnings was driven primarily by higher fee income, favorable underwriting experience, and lower DAC amortization, partially offset by higher expenses.

Fee Income. Higher fee income increased operating earnings by $9.3 million, primarily due to:

- an increase of $6.3 million driven by higher amortization of the deferred ceded commission related to the recapture and novation of the variable annuity reinsurance previously ceded to MLIC; and
- an increase of $2.1 million from the recapture in the current period of yearly renewable term life business previously ceded to MLIC.

Net Investment Spread. Higher net investment spread increased operating earnings by $378 thousand, primarily due to lower interest credited on policyholder account balances. Interest credited decreased primarily due to a combination of lower average policyholder account balances and lower crediting rates in our annuities business. In the fourth quarter of 2016, we recaptured a ceded reinsurance agreement covering single-premium deferred annuity contracts from MLIC. This recapture had an immaterial impact to net investment spread as the reduction from the elimination of interest credited payments on the related reinsurance receivable, recognized in other revenue, was mostly offset by a corresponding increase in net investment income resulting from an increase in the average invested asset base.

Insurance-Related Activities. Insurance-related activities increased operating earnings by $2.5 million, primarily from favorable underwriting experience in our payout annuity business, partially offset by unfavorable underwriting experience in our life business.

Amortization of DAC and VOBA. Lower amortization of DAC and VOBA increased operating earnings by $1.5 million, primarily due to the impact from the (i) charge recognized in the prior period related to changes in assumptions regarding separate account growth rates and (ii) higher average separate account balances in the current period resulting from favorable equity market performance, net of the effect of negative net flows. This decrease in amortization was partially offset by the impact from a favorable adjustment in the prior period related to our term life business. Excluding the impact of the annual actuarial assumption review in the prior period, amortization of DAC and VOBA increased operating earnings by $513 million.

Other Expenses, Net of DAC Capitalization. Higher expenses decreased operating earnings by $2.1 million, primarily due to the impacts from recaptures of ceded affiliated reinsurance agreements in our annuities and life businesses.

Income Tax Expense (Benefit). Income tax expense for the six months ended June 30, 2017 was $8.4 million, or 27% of operating earnings before provision for income tax, compared to $1.7 million, or 13% of operating earnings before income tax, for the six months ended June 30, 2016. Our effective tax rates in both periods differ from the U.S. statutory rate of 35% primarily due to the impacts from the dividend received deductions.

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Financial Statements.

Non-GAAP and Other Financial Disclosures

In this report, we present a measure of our performance that is not calculated in accordance with GAAP. We believe that this non-GAAP financial measure enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business.

The following non-GAAP financial measure should not be viewed as a substitute for the most directly comparable financial measure calculated in accordance with GAAP:

Non-GAAP financial measure:	Comparable GAAP financial measure:
— operating earnings	— net income (loss)

See "— Results of Operations" for a reconciliation of this measure to the most directly comparable historical GAAP measure. A reconciliation of this non-GAAP measure to the most directly comparable GAAP measure is not accessible on a forward-looking basis because we believe it is not possible without unreasonable efforts to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a material impact on net income (loss).

Our definitions of the non-GAAP and other financial measures discussed in this report may differ from those used by other companies. For example, as indicated below, we exclude revenues from guaranteed minimum income benefits ("GMIB") and related embedded derivatives gains (losses) as well as GMIB benefits and associated DAC and VOBA offsets from operating earnings, thereby excluding substantially all GMLB activity from operating earnings.

Operating Earnings

Operating earnings is used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. This financial measure focuses on our primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and businesses.

The following are excluded from total revenues, net of income tax, in calculating operating earnings:

- Net investment gains (losses);
- Net derivative gains (losses) except earned income on derivatives that are hedges of investments, but do not qualify for hedge accounting treatment ("Investment Hedge Adjustments"); and
- Amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees ("GMIB Fees").

The following are excluded from total expenses, net of income tax, in calculating operating earnings:

- Amounts associated with benefits and hedging costs related to GMIBs ("GMIB Costs");
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments"); and
- Amortization of DAC and VOBA related to: (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments.

The tax impact of the adjustments mentioned are calculated net of the U.S. statutory tax rate, which could differ from our effective tax rate.

We present operating earnings in a manner consistent with management's view of the primary business activities that drive the profitability of our core businesses. The table below illustrates how each component of operating earnings is calculated from the GAAP statement of operations line items:

Component of Operating Earnings		How Derived from GAAP (1)
(i)	Fee income	(i) *Universal life and investment-type policy fees* (excluding (a) unearned revenue adjustments related to net investment gains (losses) and net derivative gains (losses) and (b) GMIB Fees) plus *Other revenues* (excluding other revenues related to affiliated reinsurance) and amortization of deferred gain on reinsurance.
(ii)	Net investment spread	(ii) *Net investment income* plus Investment Hedge Adjustments and interest received on ceded fixed annuity reinsurance deposit funds reduced by *Interest credited to policyholder account balances* and interest on future policy benefits.
(iii)	Insurance-related activities	(iii) *Premiums* less *Policyholder benefits and claims* (excluding (a) GMIB Costs, (b) Market Value Adjustments, (c) interest on future policy benefits, and (d) amortization of deferred gain on reinsurance) plus the pass through of performance of ceded separate account assets.
(iv)	Amortization of DAC and VOBA	(iv) Amortization of DAC and VOBA (excluding amounts related to (a) net investment gains (losses), (b) net derivative gains (losses), (c) GMIB Fees and GMIB Costs, and (d) Market Value Adjustments).
(v)	Other expenses, net of DAC capitalization	(v) Other expenses reduced by capitalization of DAC.
(vi)	Provision for income tax expense (benefit)	(vi) Tax impact of the above items.

(1) Italicized items indicate GAAP statement of operations line items.

Consistent with GAAP guidance for segment reporting, operating earnings is also our GAAP measure of segment performance.

Other Financial Disclosures

The following additional information is relevant to an understanding of our performance results:

- We sometimes refer to sales activity for various products. Statistical sales information for life sales are calculated using the LIMRA definition of sales for core direct sales, excluding company sponsored internal exchanges, corporate-owned life insurance, bank-owned life insurance, and private placement variable universal life insurance. Annuity sales consist of 10% of direct statutory premiums, excluding company sponsored internal exchanges. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity.
- Allocated equity is the portion of common stockholder's equity that management allocates to each of its segments and sub-segments. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements and Other Financial Information — Operating Earnings" included in the 2016 Annual Report and Note 2 of the Notes to the Interim Condensed Financial Statements for further details regarding allocated equity and the use of an internal capital models.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, statements regarding the Separation from MetLife, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of Brighthouse NY. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that may cause such differences include the risks, uncertainties and other factors identified in Brighthouse NY's subsequent filings with the SEC. Although it is not possible to identify all of these risks and factors, they include, among others:

- the impact of the Separation on our business and profitability due to MetLife's strong brand and reputation, the increased costs related to replacing arrangements with MetLife with those of third parties;
- whether the operational, strategic and other benefits of the Separation can be achieved, and our ability to implement our business strategy;
- differences between actual experience and actuarial assumptions;
- the effect adverse capital and credit market conditions may have on our ability to meet liquidity needs and our access to capital;
- the impact of regulatory, legislative or tax changes on our insurance business or other operations;
- the effectiveness of our risk management policies and procedures;
- heightened competition, including with respect to service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition;
- changes in accounting standards, practices and/or policies applicable to us;
- our ability to market and distribute our products through distribution channels; and
- our ability to attract and retain key personnel.

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements included and the risks, uncertainties and other factors identified elsewhere in this Quarterly Report on Form 10-Q, including in the section entitled "Risk Factors." Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law. Please consult any further disclosures Brighthouse NY makes on related subjects in reports to the SEC.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

There were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15 (f) during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

The following should be read in conjunction with (i) Part I, Item 3, of the 2016 Annual Report; and (ii) Note 9 of the Notes to the Interim Condensed Financial Statements in Part I of this report.

Various litigation, claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's financial statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, investor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Company's net income or cash flows in particular quarterly or annual periods.

Item 1A. Risk Factors

The following should be read in conjunction with, and supplements and amends, the factors that may affect the Company's business or operations described under "Risk Factors" in Part I, Item 1A, of the 2016 Annual Report, as amended or supplemented by the information under "Risk Factors" in Part II, Item 1A, of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (the "First Quarter 2017 Report"). Other than as described in this Item 1A, there have been no other material changes to our risk factors from the risk factors previously disclosed in the 2016 Annual Report as amended or supplemented by such information in the First Quarter 2017 Report.

Risks Related to Our Business

The following updates and replaces in its entirety the risk factor entitled "An inability to access credit facilities could result in a reduction in our liquidity and lead to downgrades in MetLife, Inc.'s or Brighthouse Financial's credit ratings and our financial strength ratings" included in the 2016 Annual Report.

An inability to access credit facilities could result in a reduction in our liquidity and lead to downgrades in Brighthouse's credit ratings and our financial strength ratings.

Brighthouse entered into a $2.0 billion five-year senior unsecured revolving credit facility, dated as of December 2, 2016 (the "revolving credit facility"), and a $600 million senior unsecured term loan facility, dated July 21, 2017 that matures on December 2, 2019 (the "term loan facility" and together with the revolving credit facility, the "Brighthouse Credit Facilities"), and issued $1.5 billion aggregate principal amount of 3.700% Senior Notes due 2027 and $1.5 billion aggregate principal amount of 4.700% Senior Notes due 2047 (collectively, the "2027 Senior Notes and 2047 Senior Notes") on June 22, 2017 to third-party investors. The proceeds of the 2027 Senior Notes and 2047 Senior Notes reduced the commitments under our $3.0 billion three-year senior unsecured delayed draw term loan, dated as of December 2, 2016, by approximately $2.5 billion and the remaining commitments were refinanced by the term loan facility. The revolving credit facility is intended to provide significant support to Brighthouse's liquidity position when alternative sources of credit are limited. The availability of these credit facilities could be critical to Brighthouse's credit ratings, as well as our financial strength ratings and our ability to meet our obligations as they come due in a market when alternative sources of credit are limited. The Brighthouse Credit Facilities contain certain administrative, reporting, legal and financial covenants, including requirements to maintain a specified minimum consolidated net worth. The Brighthouse Credit Facilities also contain requirements to maintain a ratio of indebtedness to total capitalization not in excess of a specified percentage, and limitations on the dollar amount of indebtedness that may be incurred by subsidiaries of Brighthouse following the distribution. Such requirements could restrict our operations and use of funds. Borrowings under the term loan facility may be accessed through August 15, 2017.

The right to borrow funds under the revolving credit facility is subject to the fulfillment of certain conditions, including compliance with all covenants. Failure to comply with the covenants in the revolving credit facility or fulfill the conditions to borrowings, or the failure of lenders to fund their lending commitments (whether due to insolvency, illiquidity or other reasons) in the amounts provided for under the terms of the revolving credit facility, would restrict the ability to access such credit facility when needed and, consequently, could have a material adverse effect on our liquidity, results of operations and financial condition.

Regulatory and Legal Risks

The following updates and replaces the “Department of Labor and ERISA considerations” section of the risk factor entitled “Our business is highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth” included in the 2016 Annual Report. There have been no material changes to other sections of such risk factor, which include: “NAIC — Existing and proposed insurance regulation,” “State insurance guaranty associations,” “Federal — Insurance regulation” and “Other.”

Department of Labor and ERISA considerations

We manufacture life insurance products for third parties to sell to tax-qualified pension and retirement plans and IRAs to individuals that are subject to ERISA or the Code. While we currently believe manufacturers do not have as much exposure to ERISA and the Code as distributors, certain activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and those fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen. Similarly, without an exemption, fiduciary advisors are prohibited from receiving compensation from third parties in connection with their advice. ERISA also affects certain of our in-force insurance policies and annuity contracts, as well as insurance policies and annuity contracts we may sell in the future.

The DOL issued new regulations on April 6, 2016 with an original applicable date for most provisions of April 10, 2017, although on April 4, 2017, the DOL released its final rule delaying the original applicable date for 60 days from April 10, 2017 until June 9, 2017. Further, on June 29, 2017, the DOL issued a request for information regarding its final rule defining who is a “fiduciary” for purposes of ERISA and the Code, and also the DOL’s new and amended exemptions (as described further below) that were published in conjunction with the final rule. The request for information seeks public input that could lead to new exemptions or changes and revisions to the final rule. On April 4, 2017, the DOL issued a news release regarding the delay stating that, as of June 9, 2017, the definition of fiduciary under the final regulations and the impartial conduct or “best interest” standard must be met for all retail sales of life and annuity products. The DOL also indicated that the BIC contract and the point of sale disclosures required under prohibited transaction exemption 84-24 would be delayed until January 1, 2018. Application of these standards on June 9, 2017 is likely to create further confusion among our distribution partners that could negatively impact product sales. The change of administration and the DOL’s June 29, 2017 request for information related to the fiduciary rule and related exemptions, leaves uncertainty over whether the regulations will be substantially modified or repealed. Application of the rules on June 9, 2017, in light of the DOL’s request for information and the overall reconsideration of the rules requested by President Trump, could create confusion among our distribution partners which could negatively impact product sales. We cannot predict what other proposals may be made, what legislation may be introduced or enacted, or what impact any such legislation may have on our business, results of operations and financial condition.

These rules substantially expand the definition of “investment advice” and thereby broaden the circumstances under which we or our representatives, in providing investment advice with respect to ERISA plans, plan participants or IRAs, could be deemed a fiduciary under ERISA or the Code. Pursuant to the final rule, certain communications with plans, plan participants and IRA holders, including the marketing of products, and marketing of investment management or advisory services, could be deemed fiduciary investment advice, thus causing increased exposure to fiduciary liability if the distributor does not recommend what is in the client’s best interests. While the final rule also provides that, to a limited extent, contracts sold and advice provided prior to the applicable date would not have to be modified to comply with the new investment advice regulations, there is lack of clarity surrounding some of the conditions for qualifying for this limited exception. There can be no assurance that the DOL will agree with our interpretation of these provisions, in which case the DOL and IRS could assess significant penalties against a portion of products sold prior to the applicable date of the new regulations. The assessment of such penalties could also trigger substantial litigation risk. Any such penalties and related litigation could adversely affect our results of operations and financial condition.

The DOL also issued amendments to certain of its prohibited transaction exemptions, and issued a new exemption, that applies more onerous disclosure and contact requirements to, and increases fiduciary requirements and fiduciary liability exposure in respect of, transactions involving ERISA plans, plan participants and IRAs. In general, the changes the rule made to existing prohibited exemptions and contract and disclosure requirements of the new exemption (other than the impartial interest standard) were delayed until January 1, 2018. On August 9, 2017, the DOL filed a public notice in the case of Thrivent Financial v. the DOL alerting the court that the DOL has submitted to the Office of Management and Budget proposed amendments to several prohibited transaction exemptions (including BIC and 84-24) further delaying application of these exemptions as re-written by the DOL, from January 1, 2018 to July 1, 2019.

While we continue to analyze the impact of the final regulation on our business, we believe it could have an adverse effect on sales of annuity products to ERISA qualified plans such as IRAs through our independent distribution partners. A significant portion of our annuity sales are to IRAs. The new regulation deems advisors, including independent distributors, who sell fixed index-linked annuities to IRAs, IRA rollovers or 401(k) plans, fiduciaries and prohibits them from receiving compensation unless they comply with a prohibited transaction exemption. The exemption requires advisors to comply with impartial conduct standards and may require us to exercise additional oversight of the sales process. Compliance with the prohibited transaction exemptions will likely result in increased regulatory burdens on us and our independent distribution partners, changes to our compensation practices and product offerings and increased litigation risk, which could adversely affect our results of operations and financial condition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Business — Regulatory Developments — Department of Labor and ERISA Considerations.”

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

(Note Regarding Reliance on Statements in Our Contracts: *In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Brighthouse NY. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Brighthouse NY may be found elsewhere in this Quarterly Report on Form 10-Q and Brighthouse NY's other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)*

Exhibit No.	Description
10.1	Investment Management Agreement, dated as of January 1, 2017, between MetLife Investment Advisors, LLC and Brighthouse Life Insurance Company of NY (formerly known as First MetLife Investors Insurance Company) is incorporated by reference to our Current Report on Form 8-K filed on August 10, 2017 (File No. 000-55705).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIGHTHOUSE LIFE INSURANCE COMPANY OF NY

By:		/s/ Lynn A. Dumais
	Name:	Lynn A. Dumais
	Title:	Vice President and Chief Financial Officer
		(Authorized Signatory and Principal Accounting Officer)

Date: August 10, 2017

Exhibit Index

(Note Regarding Reliance on Statements in Our Contracts: *In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Brighthouse NY. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Brighthouse NY may be found elsewhere in this Quarterly Report on Form 10-Q and Brighthouse NY's other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)*

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101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

Exhibit 31.1

CERTIFICATIONS

I, Peter M. Carlson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brighthouse Life Insurance Company of NY;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2017

/s/ Peter M. Carlson

Peter M. Carlson
Chairman of the Board, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Lynn Dumais, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brighthouse Life Insurance Company of NY;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2017

/s/ Lynn Dumais

Lynn Dumais
Vice President and
Chief Financial Officer

Exhibit 32.1

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Peter M. Carlson, certify that (i) Brighthouse Life Insurance Company of NY’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brighthouse Life Insurance Company of NY.

Date: August 10, 2017

/s/ Peter M. Carlson

Peter M. Carlson
Chairman of the Board, President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Brighthouse Life Insurance Company of NY and will be retained by Brighthouse Life Insurance Company of NY and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Lynn Dumais, certify that (i) Brighthouse Life Insurance Company of NY's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brighthouse Life Insurance Company of NY.

Date: August 10, 2017

/s/ Lynn Dumais

Lynn Dumais
Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Brighthouse Life Insurance Company of NY and will be retained by Brighthouse Life Insurance Company of NY and furnished to the Securities and Exchange Commission or its staff upon request.