

METLIFE INC  
Form 10-K/A  
November 22, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-K/A  
(Amendment No. 1)**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2009**  
**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 001-15787**  
**MetLife, Inc.**  
*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**13-4075851**  
*(I.R.S. Employer  
Identification No.)*

**200 Park Avenue, New York, N.Y.**  
*(Address of principal  
executive offices)*

**10166-0188**  
*(Zip Code)*

**(212) 578-2211**

*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.01	New York Stock Exchange
Floating Rate Non-Cumulative Preferred Stock, Series A, par value \$0.01	New York Stock Exchange
6.50% Non-Cumulative Preferred Stock, Series B, par value \$0.01	New York Stock Exchange
5.875% Senior Notes	New York Stock Exchange
5.375% Senior Notes	Irish Stock Exchange
5.25% Senior Notes	Irish Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at June 30, 2009 was approximately \$25 billion. At February 22, 2010, 819,117,546 shares of the registrant's common stock were outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

**The information required to be furnished pursuant to part of Item 10 and Item 11 through Item 14 of Part III of this Form 10-K is set forth in, and is hereby incorporated by reference herein from, the registrant's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 27, 2010, to be filed by the registrant with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the year ended December 31, 2009.**

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**Explanatory Note**

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act repealed Rule 436(g) promulgated under the Securities Act of 1933, as amended (the Securities Act ), thereby eliminating the exemption from the expert consent and liability provisions under the Securities Act for any credit ratings issued by a nationally recognized statistical rating organization. As a result, companies that wish to include certain information relating to their ratings in periodic reports that may be incorporated by reference into future registration statements or prospectuses must obtain the consent of the applicable rating agencies. The rating agencies have indicated that they are not providing any consents at this time. The Staff of the Securities and Exchange Commission issued new Compliance & Disclosure Interpretations on July 22, 2010 stating that information constituting issuer disclosure-related ratings information will be permitted without the need for rating agencies consent.

This Annual Report on Form 10-K/A (the Amendment ) solely modifies Part I, Item 1(Business) and Part II, Item 7 (Management s Discussion and Analysis of Financial Condition and Results of Operations) in our Form 10-K for the year ended December 31, 2009, originally filed with the U.S. Securities and Exchange Commission on February 26, 2010 (the Original Form 10-K ), to delete disclosures and references to our credit ratings as it may not constitute issuer disclosure-related ratings information. All other Items of the Original Form 10-K are unaffected by this Amendment and such Items have not been included in this Amendment. Information included in this Amendment is stated as of December 31, 2009, and does not reflect any subsequent events occurring after the filing of the Original Form 10-K.

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**Part I**

**Item 1. Business**

As used in this Form 10-K, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 1999 (the Holding Company), and its subsidiaries, including Metropolitan Life Insurance Company (MLIC).

With a more than 140-year history, we have grown to become a leading, global provider of insurance, employee benefits and financial services with more than 70 million customers and operations throughout the United States and the regions of Latin America, Asia Pacific and Europe, Middle East and India (EMEI). Over the past several years, we have grown our core businesses, as well as successfully executed on our growth strategy. This has included completing a number of transactions that have resulted in the acquisition and in some cases divestiture of certain businesses while also further strengthening our balance sheet to position MetLife for continued growth.

In December 2009, we began reporting results under our new U.S. Business organization. U.S. Business consists of Insurance Products, Retirement Products, Corporate Benefit Funding (CBF) and Auto & Home. The former Institutional Business & Individual Business segments have been reclassified into the following three segments:

Insurance Products (group life, individual life and non-medical health insurance products);

Retirement Products (individual and institutional annuity products); and

Corporate Benefit Funding (pension closeouts, structured settlements and other benefit funding solutions).

The financial reporting format for the Auto & Home segment, which is also part of U.S. Business and consists of our property & casualty insurance products, remains unchanged from prior periods.

Through our U.S. Business organization, we provide a variety of insurance and financial services products including life, dental, disability and long-term care insurance, guaranteed interest and stable value products, various annuity products, and auto & home insurance through both proprietary and independent retail distribution channels, as well as at the workplace. This business serves over 60,000 group customers, including over 90 of the top one hundred FORTUNE 500® companies, and provides protection and retirement solutions to millions of individuals.

Our International segment operates in 16 countries within the Latin America, Asia Pacific and EMEI regions. MetLife is the largest life insurer in Mexico and also holds leading market positions in Chile and Japan. We are also investing in organic growth efforts in a number of countries, including India, China and South Korea. International is the fastest-growing of MetLife's businesses, and we have clearly identified it to be one of the biggest future growth areas.

Within the U.S., we also provide a wide array of savings and mortgage banking products. Through its own organic growth efforts and the completion of two mortgage company acquisitions in 2008, MetLife Bank, National Association (MetLife Bank), ranked among the top four reverse mortgage originators and the top 11 mortgage originators for the year ended December 31, 2009, according to Reverse Mortgage Insight and Inside Mortgage Finance, an industry trade group publication. Results of our banking operation are reported in Banking, Corporate & Other.

Revenues derived from any customer did not exceed 10% of consolidated revenues in any of the last three years. Financial information, including revenues, expenses, income and loss, and total assets by segment, is provided in Note 22 of the Notes to the Consolidated Financial Statements.

With a \$328 billion general account portfolio invested primarily in investment grade corporate bonds, structured finance securities, commercial & agricultural mortgage loans, U.S. Treasury, agency and government guaranteed securities, as well as real estate and corporate equity, we are one of the largest institutional investors in the United States. Over the past several years, we have taken a number of actions to further diversify and strengthen our general account portfolio.

Our well-recognized brand names, leading market positions, competitive and innovative product offerings and financial strength and expertise should help drive future growth and enhance shareholder value, building on a long history of fairness, honesty and integrity.



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Over the course of the next several years, we will pursue the following specific objectives to achieve our goals:

*Build on our widely recognized brand name*

*Capitalize on our large customer base of institutions and individual consumers*

*Expand and leverage our broad, diverse distribution channels*

*Continue to introduce innovative and competitive products*

*Focus on growing our businesses around the globe*

*Capitalize on opportunities to provide retirement income solutions*

*Maintain balanced focus on income and protection products*

*Maintain and enhance capital efficiency*

*Continue to achieve organizational efficiencies through our Operational Excellence initiative*

*Focus on margin improvement and return on equity expansion*

*Further our commitment to a diverse workplace*

**U.S. Business**

***Overview***

**Insurance Products**

Our Insurance Products segment offers a broad range of protection products and services aimed at serving the financial needs of our customers throughout their lives. These products are sold to individuals and corporations, as well as other institutions and their respective employees. We have built a leading position in the U.S. group insurance market through long-standing relationships with many of the largest corporate employers in the United States, and are one of the largest issuers of individual life insurance products in the United States. We are organized into three businesses: Group Life, Individual Life and Non-Medical Health.

Our Group Life insurance products and services include variable life, universal life, and term life products. We offer group insurance products as employer-paid benefits or as voluntary benefits where all or a portion of the premiums are paid by the employee. These group products and services also include employee paid supplemental life and are offered as standard products or may be tailored to meet specific customer needs.

Our Individual Life insurance products and services include variable life, universal life, term life and whole life products. Additionally, through our broker-dealer affiliates, we offer a full range of mutual funds and other securities products. The elimination of transactions from activity between the segments within U.S. Business occurs within Individual Life. The major products in this area are:

*Variable Life.* Variable life products provide insurance coverage through a contract that gives the policyholder flexibility in investment choices and, depending on the product, in premium payments and coverage amounts, with certain guarantees. Most importantly, with variable life products, premiums and account balances can be directed by the policyholder into a variety of separate accounts or directed to the Company's general account. In the separate accounts, the policyholder bears the entire risk of the investment results. We collect specified fees for the management of these various investment accounts and any net return is credited directly to the policyholder's account. In some instances, third-party money management firms manage investment accounts that support variable insurance products. With some products, by maintaining a certain premium level, policyholders may have the advantage of various guarantees that may protect the death benefit from adverse investment experience.



*Universal Life.* Universal life products provide insurance coverage on the same basis as variable life, except that premiums, and the resulting accumulated balances, are allocated only to the Company's general account. Universal life products may allow

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the insured to increase or decrease the amount of death benefit coverage over the term of the contract and the owner to adjust the frequency and amount of premium payments. We credit premiums to an account maintained for the policyholder. Premiums are credited net of specified expenses. Interest is credited to the policyholder's account at interest rates we determine, subject to specified minimums. Specific charges are made against the policyholder's account for the cost of insurance protection and for expenses. With some products, by maintaining a certain premium level, policyholders may have the advantage of various guarantees that may protect the death benefit from adverse investment experience.

*Term Life.* Term life products provide a guaranteed benefit upon the death of the insured for a specified time period in return for the periodic payment of premiums. Specified coverage periods range from one year to 30 years, but in no event are they longer than the period over which premiums are paid. Death benefits may be level over the period or decreasing. Decreasing coverage is used principally to provide for loan repayment in the event of death. Premiums may be guaranteed at a level amount for the coverage period or may be non-level and non-guaranteed. Term insurance products are sometimes referred to as pure protection products, in that there are typically no savings or investment elements. Term contracts expire without value at the end of the coverage period when the insured party is still living.

*Whole Life.* Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract period, to a specified age or period, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes policies that provide a participation feature in the form of dividends.

Policyholders may receive dividends in cash or apply them to increase death benefits, increase cash values available upon surrender or reduce the premiums required to maintain the contract in-force. Because the use of dividends is specified by the policyholder, this group of products provides significant flexibility to individuals to tailor the product to suit their specific needs and circumstances, while at the same time providing guaranteed benefits.

Our Non-Medical Health insurance products and services include dental insurance, group short- and long-term disability, individual disability income, long-term care ( LTC ), critical illness and accidental death & dismemberment coverages. Other products and services include employer-sponsored auto and homeowners insurance provided through the Auto & Home segment and prepaid legal plans. We also sell administrative services-only ( ASO ) arrangements to some employers. The major products in this area are:

*Dental.* Dental products provide insurance and ASO plans that assist employees, retirees and their families in maintaining oral *health* while reducing out-of-pocket expenses and providing superior customer service. Dental plans include the Preferred Dentist Program and the Dental Health Maintenance Organization.

*Disability.* Disability products provide a benefit in the event of the disability of the insured. In most instances, this benefit is in the form of monthly income paid until the insured reaches age 65. In addition to income replacement, the product may be used to provide for the payment of business overhead expenses for disabled business owners or mortgage payment protection. This is offered on both a group and individual basis.

*Long-term Care.* LTC products provide a fixed benefit amount on a daily or monthly basis for individuals who need assistance with activities of daily living or have a cognitive impairment. These products are offered on both a group and individual basis.

**Retirement Products**

Our Retirement products segment includes a variety of variable and fixed annuities that are primarily sold to individuals and employees of corporations and other institutions. The major products in this area are:

*Variable Annuities.* Variable annuities provide for both asset accumulation and asset distribution needs. Variable annuities allow the contractholder to make deposits into various investment accounts, as determined by the contractholder. The investment accounts are separate accounts and risks associated with such investments are borne entirely by the contractholder, except where guaranteed minimum benefits are involved. In certain variable annuity products, contractholders may also choose to allocate all or a portion of their account to the Company's general account and are credited with interest at rates we determine, subject to certain minimums. In addition, contractholders may also elect certain minimum death benefit and minimum living benefit guarantees for which additional fees are charged.

*Fixed Annuities.* Fixed annuities provide for both asset accumulation and asset distribution needs. Fixed annuities do not allow the same investment flexibility provided by variable annuities, but provide guarantees related to the preservation of principal and

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interest credited. Deposits made into deferred annuity contracts are allocated to the Company's general account and are credited with interest at rates we determine, subject to certain minimums. Credited interest rates are guaranteed not to change for certain limited periods of time, ranging from one to ten years. Fixed income annuities provide a guaranteed monthly income for a specified period of years and/or for the life of the annuitant.

**Corporate Benefit Funding**

Our Corporate Benefit Funding segment includes an array of annuity and investment products, including, guaranteed interest products and other stable value products, income annuities, and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes certain products to fund postretirement benefits and company, bank or trust owned life insurance used to finance non-qualified benefit programs for executives. The major products in this area are:

*Stable Value Products.* We offer general account guaranteed interest contracts, separate account guaranteed interest contracts, and similar products used to support the stable value option of defined contribution plans. We also offer private floating rate funding agreements that are used for money market funds, securities lending cash collateral portfolios and short-term investment funds.

*Pensions Closeouts.* We offer general account and separate account annuity products, generally in connection with the termination of defined benefit pension plans, both domestically and in the United Kingdom. We also offer partial risk transfer solutions that allow for partial transfers of pension liabilities. Annuity products include single premium buyouts and terminal funding contracts.

*Torts and Settlements.* We offer innovative strategies for complex litigation settlements, primarily structured settlement annuities.

*Capital Markets Investment Products.* Products offered include funding agreements (including our Global GIC Programs), Federal Home Loan Bank advances and funding agreement backed commercial paper.

*Other Corporate Benefit Funding Products and Services.* We offer specialized life insurance products designed specifically to provide solutions for non-qualified benefit and retiree benefit funding purposes.

**Auto & Home**

Our Auto & Home segment includes personal lines property and casualty insurance offered directly to employees at their employer's worksite, as well as to individuals through a variety of retail distribution channels, including independent agents, property and casualty specialists, direct response marketing and the agency distribution group. Auto & Home primarily sells auto insurance, which represented 68% of Auto & Home's total net earned premiums in 2009. Homeowners and other insurance represented 32% of Auto & Home's total net earned premiums in 2009. The major products in this area are:

*Auto Coverages.* Auto insurance policies provide coverage for private passenger automobiles, utility automobiles and vans, motorcycles, motor homes, antique or classic automobiles and trailers. Auto & Home offers traditional coverage such as liability, uninsured motorist, no fault or personal injury protection and collision and comprehensive.

*Homeowners and Other Coverages.* Homeowners' insurance policies provide protection for homeowners, renters, condominium owners and residential landlords against losses arising out of damage to dwellings and contents from a wide variety of perils, as well as coverage for liability arising from ownership or occupancy. Other insurance includes personal excess liability (protection against losses in excess of amounts covered by other liability insurance policies), and coverage for recreational vehicles and boat owners.

Traditional insurance policies for dwellings represent the majority of Auto & Home's homeowners' policies providing protection for loss on a replacement cost basis. These policies provide additional coverage for reasonable, normal living expenses incurred by policyholders that have been displaced from their homes.

**Table of Contents*****Sales Distribution***

Our U.S. Business markets our products and services through various distribution groups. Our life insurance and retirement products targeted to individuals are sold via sales forces, comprised of MetLife employees, in addition to third-party organizations. Our group life and non-medical health insurance and corporate benefit funding products are sold via sales forces primarily comprised of MetLife employees. Personal lines property and casualty insurance products are directly marketed to employees at their employer's worksite. Auto & Home products are also marketed and sold to individuals by independent agents and property and casualty specialists through a direct response channel and the agency distribution group. MetLife sales employees work with all distribution groups to better reach and service customers, brokers, consultants and other intermediaries.

**Individual Sales Distribution**

Our individual distribution targets the large middle-income market, as well as affluent individuals, owners of small businesses and executives of small- to medium-sized companies. We have also been successful in selling our products in various multi-cultural markets.

Insurance Products are sold through our individual sales distribution organization and also through various third-party organizations utilizing two models. In the coverage model, wholesalers sell to high net worth individuals and small- to medium-sized businesses through independent general agencies, financial advisors, consultants, brokerage general agencies and other independent marketing organizations under contractual arrangements. Wholesalers sell through financial intermediaries, including regional broker-dealers, brokerage firms, financial planners and banks.

Retirement Products are sold through our individual sales distribution organization and also through various third-party organizations such as regional broker-dealers, New York Stock Exchange ( NYSE ) brokerage firms, financial planners and banks.

Individual sales distribution representatives market Auto & Home products to individuals through a variety of means.

The individual sales distribution organization is comprised of three channels: the MetLife distribution channel, a career agency system, the New England financial distribution channel, a general agency system, and MetLife Resources, a career agency system.

The MetLife distribution channel had 5,762 MetLife agents under contract in 82 agencies at December 31, 2009. The career agency sales force focuses on the large middle-income and affluent markets, including multi-cultural markets. We support our efforts in multi-cultural markets through targeted advertising, specially trained agents and sales literature written in various languages.

The New England financial distribution channel included 36 general agencies providing support to 2,232 general agents and a network of independent brokers throughout the United States at December 31, 2009. The New England financial distribution channel targets high net worth individuals, owners of small businesses and executives of small- to medium-sized companies.

MetLife Resources, a focused distribution channel of MetLife, markets retirement, annuity and other financial products on a national basis through 621 MetLife agents and independent brokers at December 31, 2009. MetLife Resources targets the nonprofit, educational and healthcare markets.

We market and sell Auto & Home products through independent agents, property and casualty specialists, a direct response channel and the agency distribution group. In recent years, we have increased the number of independent agents appointed to sell these products.

In 2009, Auto & Home's business was concentrated in the following states, as measured by amount and percentage of total direct earned premiums:

	<b>For the Year Ended December 31, 2009</b>	
	<b>(In millions)</b>	<b>Percent</b>
New York	\$ 392	13%

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Massachusetts	\$	281	9%
Illinois	\$	201	7%
Florida	\$	169	6%
Connecticut	\$	150	5%
Texas	\$	129	4%

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**Group Sales Distribution**

Insurance Products distributes its group life and non-medical health insurance products and services through a sales force that is segmented by the size of the target customer. Marketing representatives sell either directly to corporate and other group customers or through an intermediary, such as a broker or consultant. Voluntary products are sold through the same sales channels, as well as by specialists for these products. Employers have been emphasizing such voluntary products and, as a result, we have increased our focus on communicating and marketing to such employees in order to further foster sales of those products. At December 31, 2009, the group life and non-medical health insurance sales channels had 385 marketing representatives.

Retirement Products markets its retirement, savings, investment and payout annuity products and services to sponsors and advisors of benefit plans of all sizes. These products and services are offered to private and public pension plans, collective bargaining units, nonprofit organizations, recipients of structured settlements and the current and retired members of these and other institutions.

Corporate Benefit Funding products and services are distributed through dedicated sales teams and relationship managers located in 12 offices around the country. In addition, the retirement & benefits funding organization works with individual distribution and group life and non-medical health insurance distribution areas to better reach and service customers, brokers, consultants and other intermediaries.

Auto & Home is a leading provider of personal lines property and casualty insurance products offered to employees at their employer's worksite. At December 31, 2009, 2,223 employers offered MetLife Auto & Home products to their employees.

Group marketing representatives market personal lines property and casualty insurance products to employers through a variety of means, including broker referrals and cross-selling to group customers. Once permitted by the employer, MetLife commences marketing efforts to employees. Employees who are interested in the auto and homeowners products can call a toll-free number to request a quote to purchase coverage and to request payroll deduction over the telephone. Auto & Home has also developed a proprietary software that permits an employee in most states to obtain a quote for auto insurance through Auto & Home's Internet website.

We have entered into several joint ventures and other arrangements with third parties to expand the marketing and distribution opportunities of group products and services. We also seek to sell our group products and services through sponsoring organizations and affinity groups. For example, we are the provider of LTC products for the National Long-Term Care Coalition, a group of some of the nation's largest employers. In addition, we also provide life and dental coverage to federal employees.

**International**

***Overview***

International provides life insurance, accident and health insurance, credit insurance, annuities, endowment and retirement & savings products to both individuals and groups. We focus on emerging markets primarily within the Latin America, Asia Pacific and EMEI regions. We operate in international markets through subsidiaries and joint ventures. See Risk Factors Fluctuations in Foreign Currency Exchange Rates and Foreign Securities Markets Could Negatively Affect Our Profitability, and Risk Factors Our International Operations Face Political, Legal, Operational and Other Risks that Could Negatively Affect Those Operations or Our Profitability, and Quantitative and Qualitative Disclosures About Market Risk.

***Latin America Region***

We operate in the Latin America region in Mexico, Chile, Brazil, Argentina, and Uruguay. The operations in Mexico and Chile represented 83% of the total premiums and fees in this region for the year ended December 31, 2009. The Mexican operation is the largest life insurance company in both the individual and group businesses in Mexico according to Asociación Mexicana de Instituciones de Seguro, a Mexican industry trade group which provides ranking for insurance companies. The Chilean operation is the second largest annuity company in Chile, based on market share according to Superintendencia Valores y Seguros, the Chilean insurance regulator. The Chilean operation also offers individual life insurance and group insurance products. We also actively market individual life insurance, group insurance products and credit life coverage in Argentina, but the nationalization of the pension system substantially reduced our presence in Argentina. The business environment in Argentina has been, and may

continue to be, affected by governmental and legal actions which impact our results of operations.



**Table of Contents*****Asia Pacific Region***

We operate in the Asia Pacific region in South Korea, Hong Kong, Taiwan, Australia, Japan, and China. The activities in the region are primarily focused on individual business. The operations in South Korea and Hong Kong represented 63% of the total premiums and fees in this region for the year ended December 31, 2009. The South Korean operation has significant sales of variable universal life and annuity products. The Hong Kong operation has significant sales of variable universal life and endowment products. The Japanese joint venture operation offers fixed and guaranteed variable annuities and variable life products. We have a quota share reinsurance agreement with the joint venture in Japan, whereby we assume 100% of the living and death guarantee benefits associated with the variable annuity business written after April 2005 by the joint venture. The operating results of the joint venture operations in Japan and China are reflected in net investment income and are not consolidated in the financial results.

***Europe, Middle East and India Region***

We operate in Europe in the United Kingdom, Belgium, Poland and Ireland. The results of our operations in the Middle East and our consolidated joint venture in India are also included in our EMEI region. The operations in the United Kingdom and India represented 72% of the total premiums and fees in this region for the year ended December 31, 2009. The United Kingdom operation underwrites risk in its home market and fourteen other countries across Europe and the Middle East offering credit insurance coverage. The Indian operation has significant sales of unit-linked and traditional life insurance products.

**Banking, Corporate & Other**

Banking, Corporate & Other contains the excess capital not allocated to the business segments, which is invested to optimize investment spread and to fund company initiatives, various start-up entities, and run-off entities. Banking, Corporate & Other also includes interest expense related to the majority of our outstanding debt and expenses associated with certain legal proceedings. The elimination of transactions from activity between U.S. Business, International, and Banking, Corporate & Other occurs within Banking, Corporate & Other.

Banking, Corporate & Other also includes the financial results of MetLife Bank, which offers a variety of residential mortgage and deposit products. The residential mortgage banking activities include the origination and servicing of mortgage loans. Mortgage loans are held-for-investment or sold primarily into Federal National Mortgage Association ( FNMA ), Federal Home Loan Mortgage Corporation ( FHLMC ) or Government National Mortgage Association ( GNMA ) securities. MetLife Bank also leverages MetLife s investment platform to source commercial and agriculture loans as investments on its balance sheet. MetLife Bank is a member of the Federal Reserve System and the Federal Home Loan Bank of New York ( FHLB ) and is subject to regulation, examination and supervision by the Office of the Comptroller of the Currency ( OCC ) and secondarily by the Federal Deposit Insurance Corporation ( FDIC ) and the Federal Reserve.

Products offered by MetLife Bank include forward and reverse residential mortgage loans and consumer deposits. Residential mortgage loans are originated through MetLife Bank s national sales force, mortgage brokers and mortgage correspondents. In addition, MetLife Bank principally seeks deposits from direct customers via the Internet and mail, as well as customers of its affiliates having access to affiliates distribution channels and field force, including through voluntary benefits platforms.

The origination of forward and reverse mortgage single family loans include both variable and fixed rate products. MetLife Bank does not originate sub-prime or alternative residential mortgage loans ( Alt-A ) mortgage loans and the funding for the mortgage banking activities is provided by deposits and borrowings.

Deposit products include traditional savings accounts, money market savings accounts, certificates of deposit ( CDs ) and individual retirement accounts. MetLife Bank participates in the Certificate of Deposit Account Registry Service program through which certain customer CDs are exchanged for CDs of similar amounts from participating banks. The deposit products provide a relatively stable source of funding and liquidity and are used to fund securities and loans.

**Policyholder Liabilities**

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet our policy obligations when a policy matures or is surrendered, an insured dies or becomes disabled or upon the occurrence of other covered events, or to provide for future annuity payments. We compute the amounts for actuarial liabilities

reported in our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ( GAAP ). For more details on Policyholder Liabilities see Management s Discussion and Analysis of Financial Condition and Results of Operations Summary

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of Critical Accounting Estimates Liability for Future Policy Benefits and Management's Discussion and Analysis of Financial Condition and Results of Operations Policyholder Liabilities.

Pursuant to state insurance laws, the Holding Company's insurance subsidiaries establish statutory reserves, reported as liabilities, to meet their obligations on their respective policies. These statutory reserves are established in amounts sufficient to meet policy and contract obligations, when taken together with expected future premiums and interest at assumed rates. Statutory reserves generally differ from actuarial liabilities for future policy benefits determined using GAAP.

The New York Insurance Law and regulations require certain MetLife entities to submit to the New York Superintendent of Insurance or other state insurance departments, with each annual report, an opinion and memorandum of a qualified actuary that the statutory reserves and related actuarial amounts recorded in support of specified policies and contracts, and the assets supporting such statutory reserves and related actuarial amounts, make adequate provision for their statutory liabilities with respect to these obligations. See Regulation Insurance Regulation Policy and Contract Reserve Sufficiency Analysis.

**Underwriting and Pricing**

***Underwriting***

Underwriting generally involves an evaluation of applications for Insurance Products, Retirement Products, Corporate Benefit Funding, and Auto & Home by a professional staff of underwriters and actuaries, who determine the type and the amount of risk that we are willing to accept. In addition to the products described above, the International segment, also offers credit insurance and in a limited number of countries, major medical products. We employ detailed underwriting policies, guidelines and procedures designed to assist the underwriter to properly assess and quantify risks before issuing policies to qualified applicants or groups.

Insurance underwriting considers not only an applicant's medical history, but also other factors such as financial profile, foreign travel, vocations and alcohol, drug and tobacco use. Group underwriting generally evaluates the risk characteristics of each prospective insured group, although with certain voluntary products, employees may be underwritten on an individual basis. We generally perform our own underwriting; however, certain policies are reviewed by intermediaries under guidelines established by us. Generally, we are not obligated to accept any risk or group of risks from, or to issue a policy or group of policies to, any employer or intermediary. Requests for coverage are reviewed on their merits and generally a policy is not issued unless the particular risk or group has been examined and approved by our underwriters.

Our remote underwriting offices, intermediaries, as well as our corporate underwriting office are periodically reviewed via continuous on-going internal underwriting audits to maintain high-standards of underwriting and consistency across the Company. Such offices are also subject to periodic external audits by reinsurers with whom we do business.

We have established senior level oversight of the underwriting process that facilitates quality sales and serves the needs of our customers, while supporting our financial strength and business objectives. Our goal is to achieve the underwriting, mortality and morbidity levels reflected in the assumptions in our product pricing. This is accomplished by determining and establishing underwriting policies, guidelines, philosophies and strategies that are competitive and suitable for the customer, the agent and us.

Auto & Home's underwriting function has six principal aspects: evaluating potential worksite marketing employer accounts and independent agencies; establishing guidelines for the binding of risks; reviewing coverage bound by agents; underwriting potential insureds, on a case by case basis, presented by agents outside the scope of their binding authority; pursuing information necessary in certain cases to enable Auto & Home to issue a policy within our guidelines; and ensuring that renewal policies continue to be written at rates commensurate with risk.

Subject to very few exceptions, agents in each of the U.S. Business distribution channels have binding authority for risks which fall within its published underwriting guidelines. Risks falling outside the underwriting guidelines may be submitted for approval to the underwriting department; alternatively, agents in such a situation may call the underwriting department to obtain authorization to bind the risk themselves. In most states, the Company generally has the right within a specified period (usually the first 60 days) to cancel any policy.



**Table of Contents*****Pricing***

Pricing has traditionally reflected our corporate underwriting standards. Product pricing is based on the expected payout of benefits calculated through the use of assumptions for mortality, morbidity, expenses, persistency and investment returns, as well as certain macroeconomic factors, such as inflation. Investment-oriented products are priced based on various factors, which may include investment return, expenses, persistency and optionality. For certain investment oriented products in the U.S. and certain business sold internationally, pricing may include prospective and retrospective experience rating features. Prospective experience rating involves the evaluation of past experience for the purpose of determining future premium rates and all prior year gains and losses are borne by the Company. Retrospective experience rating also involves the evaluation of past experience for the purpose of determining the actual cost of providing insurance for the customer, however, the contract includes certain features that allow the Company to recoup certain losses or distribute certain gains back to the policyholder based on actual prior years' experience.

Rates for group life and non-medical health products are based on anticipated results for the book of business being underwritten. Renewals are generally reevaluated annually or biannually and are repriced to reflect actual experience on such products. Products offered by CBF are priced frequently and are very responsive to bond yields, and such prices include additional margin in periods of market uncertainty. This business is predominantly illiquid, because policyholders have no contractual rights to cash values and no options to change the form of the product's benefits.

Rates for individual life insurance products are highly regulated and must be approved by the state regulators where the product is sold. Generally such products are renewed annually and may include pricing terms that are guaranteed for a certain period of time. Fixed and variable annuity products are also highly regulated and approved by the individual state regulators. Such products generally include penalties for early withdrawals and policyholder benefit elections to tailor the form of the product's benefits to the needs of the opting policyholder. The Company periodically reevaluates the costs associated with such options and will periodically adjust pricing levels on its guarantees. Further, the Company from time to time may also reevaluate the type and level of guarantee features currently being offered.

Rates for Auto & Home's major lines of insurance are based on its proprietary database, rather than relying on rating bureaus. Auto & Home determines prices in part from a number of variables specific to each risk. The pricing of personal lines insurance products takes into account, among other things, the expected frequency and severity of losses, the costs of providing coverage (including the costs of acquiring policyholders and administering policy benefits and other administrative and overhead costs), competitive factors and profit considerations. The major pricing variables for personal lines insurance include characteristics of the insured property, such as age, make and model or construction type, as well as characteristics of the insureds, such as driving record and loss experience, and the insured's personal financial management. Auto & Home's ability to set and change rates is subject to regulatory oversight.

As a condition of our license to do business in each state, Auto & Home, like all other automobile insurers, is required to write or share the cost of private passenger automobile insurance for higher risk individuals who would otherwise be unable to obtain such insurance. This involuntary market, also called the shared market, is governed by the applicable laws and regulations of each state, and policies written in this market are generally written at rates higher than standard rates.

We continually review our underwriting and pricing guidelines so that our policies remain competitive and supportive of our marketing strategies and profitability goals. The current economic environment, with its volatility and uncertainty is not expected to materially impact the pricing of our products.

**Reinsurance Activity**

We enter into various agreements with reinsurers that cover individual risks, group risks or defined blocks of business, primarily on a coinsurance, yearly renewable term, excess or catastrophe excess basis. These reinsurance agreements spread risk and minimize the effect of losses. The extent of each risk retained by us depends on our evaluation of the specific risk, subject, in certain circumstances, to maximum retention limits based on the characteristics of coverages. We also cede first dollar mortality risk under certain contracts. In addition to reinsuring mortality risk, we reinsure other risks, as well as specific coverages. We routinely reinsure certain classes of risks in

order to limit our exposure to particular travel, avocation and lifestyle hazards. We obtain reinsurance for capital requirement purposes and also when the economic impact of the reinsurance agreement makes it appropriate to do so.

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Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded amount in the event a claim is paid. However, we remain liable to our policyholders with respect to ceded reinsurance should any reinsurer be unable to meet its obligations under these agreements. Since we bear the risk of nonpayment by one or more of our reinsurers, we primarily cede reinsurance to well-capitalized, highly rated reinsurers. We analyze recent trends in arbitration and litigation outcomes in disputes, if any, with our reinsurers. We monitor ratings and evaluate the financial strength of our reinsurers by analyzing their financial statements. In addition, the reinsurance recoverable balance due from each reinsurer is evaluated as part of the overall monitoring process. Recoverability of reinsurance recoverable balances are evaluated based on these analyses. We generally secure large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit.

We reinsure our business through a diversified group of reinsurers. In the event that reinsurers do not meet their obligations under the terms of the reinsurance agreements, reinsurance balances recoverable could become uncollectible. Cessions under reinsurance arrangements do not discharge our obligations as the primary insurer.

***U.S. Business***

Our Insurance Products segment participates in reinsurance activities in order to limit losses, minimize exposure to significant risks, and provide additional capacity for future growth. For our individual life insurance products, we have historically reinsured the mortality risk primarily on an excess of retention basis or a quota share basis. Until 2005, we reinsured up to 90% of the mortality risk for all new individual life insurance policies that we wrote through our various subsidiaries. During 2005, we changed our retention practices for certain individual life insurance policies. Under the new retention guidelines, we reinsure up to 90% of the mortality risk in excess of \$1 million. Retention limits remain unchanged for other new individual life insurance policies. Policies reinsured in years prior to 2005 remain reinsured under the original reinsurance agreements. On a case by case basis, we may retain up to \$20 million per life and reinsure 100% of amounts in excess of our retention limits. We evaluate our reinsurance programs routinely and may increase or decrease our retention at any time. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specific characteristics.

For other policies within the Insurance Products segment, we generally retain most of the risk and only cede particular risks on certain client arrangements.

Our Retirement Products segment reinsures a portion of the living and death benefit guarantees issued in connection with our variable annuities. Under these reinsurance agreements, we pay a reinsurance premium generally based on fees associated with the guarantees collected from policyholders, and receive reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations. We enter into similar agreements for new or in-force business depending on market conditions.

Our Corporate Benefit Funding segment has periodically engaged in reinsurance activities, as considered appropriate.

Our Auto & Home segment purchases reinsurance to manage its exposure to large losses (primarily catastrophe losses) and to protect statutory surplus. We cede to reinsurers a portion of losses and premiums based upon the exposure of the policies subject to reinsurance. To manage exposure to large property and casualty losses, we utilize property catastrophe, casualty and property per risk excess of loss agreements.

***International***

Our International segment has periodically engaged in reinsurance activities, as considered appropriate.

***Banking, Corporate & Other***

We also reinsure through 100% quota share reinsurance agreements certain run-off long-term care and workers compensation business written by MetLife Insurance Company of Connecticut ( MICC ), a subsidiary of the Company.

***Catastrophe Coverage***

We have exposure to catastrophes, which could contribute to significant fluctuations in our results of operations. We use excess of retention and quota share reinsurance arrangements to provide greater diversification of risk and minimize exposure to larger risks.

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***Reinsurance Recoverables***

For information regarding ceded reinsurance recoverable balances, included in premiums and other receivables in the consolidated balance sheets, see Note 9 of the Notes to the Consolidated Financial Statements.

**Regulation**

***Insurance Regulation***

Metropolitan Life Insurance Company is licensed to transact insurance business in, and is subject to regulation and supervision by, all 50 states, the District of Columbia, Guam, Puerto Rico, Canada, the U.S. Virgin Islands and Northern Mariana Islands. Each of MetLife's insurance subsidiaries is licensed and regulated in each U.S. and international jurisdiction where they conduct insurance business. The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects of insurers, including standards of solvency, statutory reserves, reinsurance and capital adequacy, and the business conduct of insurers. In addition, statutes and regulations usually require the licensing of insurers and their agents, the approval of policy forms and certain other related materials and, for certain lines of insurance, the approval of rates. Such statutes and regulations also prescribe the permitted types and concentration of investments. New York Insurance Law limits the amount of compensation that insurers doing business in New York may pay to their agents, as well as the amount of total expenses, including sales commissions and marketing expenses, that such insurers may incur in connection with the sale of life insurance policies and annuity contracts throughout the United States.

Each insurance subsidiary is required to file reports, generally including detailed annual financial statements, with insurance regulatory authorities in each of the jurisdictions in which it does business, and its operations and accounts are subject to periodic examination by such authorities. These subsidiaries must also file, and in many jurisdictions and in some lines of insurance obtain regulatory approval for, rules, rates and forms relating to the insurance written in the jurisdictions in which they operate.

The National Association of Insurance Commissioners ( NAIC ) has established a program of accrediting state insurance departments. NAIC accreditation contemplates that accredited states will conduct periodic examinations of insurers domiciled in such states. NAIC-accredited states will not accept reports of examination of insurers from unaccredited states, except under limited circumstances. As a direct result, insurers domiciled in unaccredited states may be subject to financial examination by accredited states in which they are licensed, in addition to any examinations conducted by their domiciliary states. In 2009, the New York State Department of Insurance (the Department ), MLIC's principal insurance regulator, received accreditation from the NAIC. Previously, the Department was not accredited by the NAIC, but the absence of this accreditation did not have a significant impact upon our ability to conduct our insurance businesses.

State and federal insurance and securities regulatory authorities and other state law enforcement agencies and attorneys general from time to time make inquiries regarding compliance by the Holding Company and its insurance subsidiaries with insurance, securities and other laws and regulations regarding the conduct of our insurance and securities businesses. We cooperate with such inquiries and take corrective action when warranted. See Note 16 of the Notes to the Consolidated Financial Statements.

*Holding Company Regulation.* The Holding Company and its insurance subsidiaries are subject to regulation under the insurance holding company laws of various jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require a controlled insurance company (insurers that are subsidiaries of insurance holding companies) to register with state regulatory authorities and to file with those authorities certain reports, including information concerning its capital structure, ownership, financial condition, certain intercompany transactions and general business operations.

State insurance statutes also typically place restrictions and limitations on the amount of dividends or other distributions payable by insurance company subsidiaries to their parent companies, as well as on transactions between an insurer and its affiliates. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Holding Company Liquidity and Capital Sources Dividends from Subsidiaries. The New York Insurance Law and the regulations thereunder also restrict the aggregate amount of investments MLIC may make in non-life insurance subsidiaries, and provide for detailed periodic reporting on subsidiaries.





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*Guaranty Associations and Similar Arrangements.* Most of the jurisdictions in which the Company's insurance subsidiaries are admitted to transact business require life and property and casualty insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay certain contractual insurance benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets.

In the past five years, the aggregate assessments levied against MetLife have not been material. We have established liabilities for guaranty fund assessments that we consider adequate for assessments with respect to insurers that are currently subject to insolvency proceedings. See Note 16 of the Notes to the Consolidated Financial Statements for additional information on the insolvency assessments.

*Statutory Insurance Examination.* As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts, and business practices of insurers domiciled in their states. State insurance departments also have the authority to conduct examinations of non-domiciliary insurers that are licensed in their states. During the three-year period ended December 31, 2009, MetLife has not received any material adverse findings resulting from state insurance department examinations of its insurance subsidiaries conducted during this three-year period.

Regulatory authorities in a small number of states and Financial Industry Regulatory Authority ( FINRA ) have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by MLIC, MetLife Securities, Inc., New England Mutual Life Insurance Company, New England Life Insurance Company, New England Securities Corporation, General American Life Insurance Company, Walnut Street Securities, Inc., MICC and Tower Square Securities, Inc. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. We may continue to resolve investigations in a similar manner. See Note 16 of the Notes to the Consolidated Financial Statements.

*Policy and Contract Reserve Sufficiency Analysis.* Annually, MetLife's U.S. insurance subsidiaries are required to conduct an analysis of the sufficiency of all statutory reserves. In each case, a qualified actuary must submit an opinion which states that the statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. If such an opinion cannot be provided, the insurer must set up additional reserves by moving funds from surplus. Since inception of this requirement, the Company's insurance subsidiaries which are required by their states of domicile to provide these opinions have provided such opinions without qualifications.

*Surplus and Capital.* The Company's U.S. insurance subsidiaries are subject to the supervision of the regulators in each jurisdiction in which they are licensed to transact business. Regulators have discretionary authority, in connection with the continued licensing of these insurance subsidiaries, to limit or prohibit sales to policyholders if, in their judgment, the regulators determine that such insurer has not maintained the minimum surplus or capital or that the further transaction of business will be hazardous to policyholders. See Risk-Based Capital.

*Risk-Based Capital ( RBC ).* Each of the Company's U.S. insurance subsidiaries is subject to RBC requirements and reports its RBC based on a formula calculated by applying factors to various asset, premium and statutory reserve items, as well as taking into account the risk characteristics of the insurer. The major categories of risk involved are asset risk, insurance risk, interest rate risk, market risk and business risk. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose RBC ratio does not meet or exceed certain RBC levels. As of the date of the most recent annual statutory financial statements filed with insurance regulators, the RBC of each of these subsidiaries was in excess of each of those RBC levels. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Company Capital.

The NAIC provides standardized insurance industry accounting and reporting guidance through its Accounting Practices and Procedures Manual (the Manual ). However, statutory accounting principles continue to be established by individual state laws, regulations and permitted practices. The Department has adopted the Manual with certain modifications for the preparation of statutory financial statements of insurance companies domiciled in New York. Changes to the Manual or modifications by the various state insurance departments may impact the statutory capital and surplus of the Company s insurance subsidiaries.

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*Regulation of Investments.* Each of the Company's U.S. insurance subsidiaries are subject to state laws and regulations that require diversification of its investment portfolios and limit the amount of investments in certain asset categories, such as below investment grade fixed income securities, equity real estate, other equity investments, and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring surplus, and, in some instances, would require divestiture of such non-qualifying investments. We believe that the investments made by each of the Company's insurance subsidiaries complied, in all material respects, with such regulations at December 31, 2009.

*Federal Initiatives.* Although the federal government generally does not directly regulate the insurance business, federal initiatives often have an impact on our business in a variety of ways. From time to time, federal measures are proposed which may significantly affect the insurance business. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies. As part of a proposed comprehensive reform of financial services regulation, Congress is considering the creation of an office within the federal government to collect information about the insurance industry, recommend prudential standards, and represent the United States in dealings with foreign insurance regulators. See *Risk Factors – Our Insurance and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth.*

*Legislative Developments.* As part of their proposed financial services regulatory reform legislation, the Obama Administration and Congress have made various proposals that would change the capital and liquidity requirements, credit exposure concentrations and similar prudential matters for bank holding companies, banks and other financial firms. For example:

Bank regulatory agencies have issued proposed interagency guidance for funding and liquidity risk management that would apply to MetLife as a bank holding company.

The proposals under consideration in Congress also include special regulatory and insolvency regimes, including even higher capital and liquidity standards, for financial institutions that are deemed to be systemically significant. These insolvency regimes could vary from the resolution regimes currently applicable to some subsidiaries of such companies and could include assessments on financial companies to provide for a systemic resolution fund.

The Obama Administration, members of Congress and Federal banking regulators have suggested new or increased taxes or assessments on banks and financial firms to mitigate the costs to taxpayers of various government programs established to address the financial crisis and to offset the costs of potential future crises.

The proposed legislation also includes new conditions on the writing and trading of certain standardized and non-standardized derivatives.

Congress is also considering establishing a new governmental agency that would supervise and regulate institutions that provide certain financial products and services to consumers. Although the consumer financial services to which this legislation would apply might exclude certain insurance business, the new agency would have authority to regulate consumer services provided by MetLife Bank. The proposed legislation may also eliminate or significantly restrict federal pre-emption of state consumer protection laws applicable to banking services, which would increase the regulatory and compliance burden on MetLife Bank and could adversely affect its business and results of operations. We cannot predict whether these or other proposals will be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on our business, financial condition or results of operations or on our dealings with other financial institutions. See *Risk Factors – Our Insurance and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth.*

We cannot predict what other proposals may be made, what legislation may be introduced or enacted or the impact of any such legislation on our business, results of operations and financial condition.

***Governmental Responses to Extraordinary Market Conditions***

*U.S. Federal Governmental Responses.* Throughout 2008 and continuing in 2009, Congress, the Federal Reserve Bank of New York, the U.S. Treasury and other agencies of the Federal government took a number of increasingly aggressive actions (in addition to continuing a series of interest rate reductions that began in the second half of 2007) intended to provide liquidity to financial

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institutions and markets, to avert a loss of investor confidence in particular troubled institutions and to prevent or contain the spread of the financial crisis. These measures included:

expanding the types of institutions that have access to the Federal Reserve Bank of New York's discount window;

providing asset guarantees and emergency loans to particular distressed companies;

a temporary ban on short selling of shares of certain financial institutions (including, for a period, MetLife);

programs intended to reduce the volume of mortgage foreclosures by modifying the terms of mortgage loans for distressed borrowers;

temporarily guaranteeing money market funds; and

programs to support the mortgage-backed securities market and mortgage lending.

In addition to these actions, pursuant to the Emergency Economic Stabilization Act of 2008 (EESA), enacted in October 2008, the U.S. Treasury injected capital into selected financial institutions and their holding companies. EESA also authorizes the U.S. Treasury to purchase mortgage-backed and other securities from financial institutions as part of the overall \$700 billion available for the purpose of stabilizing the financial markets. The Federal government, the Federal Reserve Bank of New York, FDIC and other governmental and regulatory bodies also took other actions to address the financial crisis. For example, the Federal Reserve Bank of New York made funds available to commercial and financial companies under a number of programs, including the Commercial Paper Funding Facility (the CPFF), and the FDIC established the Temporary Liquidity Guarantee Program (the FDIC Program). In March 2009, MetLife, Inc. issued \$397 million of senior notes guaranteed by the FDIC under the FDIC Program. The FDIC Program and the CPFF expired in late 2009 and early 2010, respectively. During the period of its existence, the Company made limited use of the CPFF, and no amounts were outstanding under the CPFF at December 31, 2009. In October 2009, the FDIC established a limited six-month emergency guarantee facility upon expiration of the FDIC Program. Participating entities can apply to the FDIC for permission to issue FDIC-guaranteed debt during the period beginning October 31, 2009 through April 30, 2010.

In February 2009, the Treasury Department outlined a financial stability plan with additional measures to provide capital relief to institutions holding troubled assets, including a capital assistance program for banks that have undergone a stress test (the Capital Assistance Program) and a public-private investment fund to purchase troubled assets from financial institutions. MetLife was eligible to participate in the U.S. Treasury's Capital Purchase Program, a voluntary capital infusion program established under EESA, but elected not to participate in that program. MetLife took part in the stress test and was advised by the Federal Reserve in May 2009 that, based on the stress test's economic scenarios and methodology, MetLife had adequate capital to sustain a further deterioration in the economy. The choices made by the U.S. Treasury in its distribution of amounts available under the EESA, the Capital Assistance Program and other programs could have the effect of supporting some aspects of the financial services industry more than others or providing advantages to some of our competitors. See Risk Factors Competitive Factors May Adversely Affect Our Market Share and Profitability.

In addition to the various measures to foster liquidity and recapitalize the banking sector, the Federal government also passed the American Recovery and Reinvestment Act in February 2009 that provided for nearly \$790 billion in additional federal spending, tax cuts and federal aid intended to spur economic activity.

MetLife, Inc. and some or all of its affiliates may be eligible to sell assets to the U.S. Treasury under one or more of the programs established under EESA, and some of their assets may be among those the U.S. Treasury or the public-private investment partnership proposed by the U.S. Treasury offers to purchase, either directly or through auction. MetLife, Inc. and its affiliates may also be able to purchase assets under some of these programs, including the public-private investment program and the Term Asset-Backed Securities Loan Facility, which provides funding for the purchase of specified types of asset-backed securities.

MetLife Bank has the capacity to borrow from the Federal Reserve Bank of New York's Discount Window and from the Federal Reserve Bank of New York under the Term Auction Facility. At December 31, 2009, there were no outstanding borrowings under the Term Auction Facility.

*State Insurance Regulatory Responses.* In January 2009, the NAIC considered, but declined, a number of reserve and capital relief proposals made by the American Council of Life Insurers (the ACLI), acting on behalf of its member companies. However, notwithstanding that NAIC action, insurance companies had the right to approach the insurance regulator in their respective state of domicile and request relief. Several MetLife insurance entities requested and were granted relief, resulting in a beneficial impact on

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reserves and capital. During the latter part of 2009, the NAIC adopted a number of reserve and capital relief proposals made by the ACLI, acting on behalf of its member companies. These changes superseded the actions described above and have generally resulted in lower statutory reserve and capital requirements, effective December 31, 2009, for life insurance companies. We cannot quantify or project the impact on the competitive landscape of the reserve and capital relief granted or any subsequent regulatory relief that may be granted.

In late 2009, following rating agency downgrades of virtually all residential mortgage-backed securities ( RMBS ) from certain vintages, the NAIC engaged PIMCO, a well-known investment management firm, to analyze approximately 20,000 residential mortgage-backed securities held by insurers and evaluate the likely loss that holders of those securities would suffer in the event of a default. PIMCO's analysis showed that the severity of expected losses on those securities evaluated that are held by our insurance companies was significantly less than would be implied by the rating agencies' ratings of such securities. The NAIC incorporated the results of PIMCO's analysis into the risk-based capital charges assigned to the evaluated securities, with a beneficial impact on the risk-based capital to our insurance subsidiaries.

In late 2009, the NAIC approved an adjustment, for year-end 2009 only, to the mortgage experience adjustment factor (the MEAF ), which is utilized in calculating the RBC charges that are assigned to commercial and agricultural mortgages held by our domestic insurers. The MEAF calculation includes the ratio of an insurer's commercial and agricultural mortgage default experience to the industry average commercial and agricultural mortgage default experience and, prior to the adjustment, had a cap of 350% and a floor of 50% of an industry-wide base factor. As a result of the adjustment, the minimum adjustment factor was raised from 50% to 75% and the maximum adjustment factor was lowered from 350% to 125%, based on an insurer's actual experience. As a result of our experience and the increase in the floor, the corresponding RBC charges of certain of our domestic insurers, including MLIC, increased. It is our understanding that the Capital Adequacy Task Force of the NAIC will monitor market conditions and progress on proposals that may result in modifying or extending the proposal beyond 2009. There can be no assurance that the short-term adjustment will continue beyond 2009.

In late 2009, the NAIC issued Statement of Statutory Accounting Principles ( SSAP ) 10R ( SSAP 10R ). SSAP 10R increased the amount of deferred tax assets that may be admitted on a statutory basis. The admission criteria for realizing the value of deferred tax assets was increased from a one year to a three year period. Further, the aggregate cap on deferred tax assets that may be admitted was increased from 10% to 15% of surplus. These changes increased the capital and surplus of our insurance subsidiaries, thereby positively impacting RBC at December 31, 2009. To temper this positive RBC impact, and as a temporary measure at December 31, 2009 only, a 5% pre-tax RBC charge must be applied to the additional admitted deferred tax assets generated by SSAP 10R.

*Foreign Governmental Responses.* In an effort to strengthen the financial condition of key financial institutions or avert their collapse, and to forestall or reduce the effects of reduced lending activity, a number of foreign governments have also taken actions similar to some of those taken by the U.S. Federal government, including injecting capital into domestic financial institutions in exchange for ownership stakes. We cannot predict whether these actions will achieve their intended purpose or how they will impact competition in the financial services industry.

**Broker-Dealer and Securities Regulation**

Some of the Company's subsidiaries and their activities in offering and selling variable insurance products are subject to extensive regulation under the federal securities laws administered by the SEC. These subsidiaries issue variable annuity contracts and variable life insurance policies through separate accounts that are registered with the SEC as investment companies under the Investment Company Act of 1940, as amended (the Investment Company Act ). Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act. In addition, the variable annuity contracts and variable life insurance policies issued by the separate accounts are registered with the SEC under the Securities Act of 1933, as amended (the Securities Act ). Other subsidiaries are registered with the SEC as broker-dealers under the Securities Exchange Act of 1934, as amended (the Exchange Act ), and are members of, and subject to, regulation by the FINRA. Further, some of the Company's subsidiaries are registered as investment advisers with the SEC under the Investment Advisers Act of 1940, as amended (the Investment Advisers Act ), and are also registered as investment advisers in various states, as applicable. Certain variable contract separate accounts



sponsored by the Company's subsidiaries are exempt from registration, but may be subject to other provisions of the federal securities laws.

Federal and state securities regulatory authorities and FINRA from time to time make inquiries and conduct examinations regarding compliance by the Holding Company and its subsidiaries with securities and other laws and regulations. We cooperate with such inquiries and examinations and take corrective action when warranted.

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Federal and state securities laws and regulations are primarily intended to protect investors in the securities markets and generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. We may also be subject to similar laws and regulations in the foreign countries in which we provide investment advisory services, offer products similar to those described above, or conduct other activities.

***Environmental Considerations***

As an owner and operator of real property, we are subject to extensive federal, state and local environmental laws and regulations. Inherent in such ownership and operation is also the risk that there may be potential environmental liabilities and costs in connection with any required remediation of such properties. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. We routinely have environmental assessments performed with respect to real estate being acquired for investment and real property to be acquired through foreclosure. We cannot provide assurance that unexpected environmental liabilities will not arise. However, based on information currently available to us, we believe that any costs associated with compliance with environmental laws and regulations or any remediation of such properties will not have a material adverse effect on our business, results of operations or financial condition.

***Employee Retirement Income Security Act of 1974 ( ERISA ) Considerations***

We provide products and services to certain employee benefit plans that are subject to ERISA, or the Internal Revenue Code of 1986, as amended (the Code ). As such, our 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 the requirement under ERISA and the Code that fiduciaries may not cause a covered plan to engage in prohibited transactions with persons who have certain relationships with respect to such plans. The applicable provisions of ERISA and the Code are subject to enforcement by the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation ( PBGC ).

In *John Hancock Mutual Life Insurance Company v. Harris Trust and Savings Bank (1993)*, the U.S. Supreme Court held that certain assets in excess of amounts necessary to satisfy guaranteed obligations under a participating group annuity general account contract are plan assets. Therefore, these assets are subject to certain fiduciary obligations under ERISA, which requires fiduciaries to perform their duties solely in the interest of ERISA plan participants and beneficiaries. On January 5, 2000, the Secretary of Labor issued final regulations indicating, in cases where an insurer has issued a policy backed by the insurer's general account to or for an employee benefit plan, the extent to which assets of the insurer constitute plan assets for purposes of ERISA and the Code. The regulations apply only with respect to a policy issued by an insurer on or before December 31, 1998 ( Transition Policy ). No person will generally be liable under ERISA or the Code for conduct occurring prior to July 5, 2001, where the basis of a claim is that insurance company general account assets constitute plan assets. An insurer issuing a new policy that is backed by its general account and is issued to or for an employee benefit plan after December 31, 1998 will generally be subject to fiduciary obligations under ERISA, unless the policy is a guaranteed benefit policy.

The regulations indicate the requirements that must be met so that assets supporting a Transition Policy will not be considered plan assets for purposes of ERISA and the Code. These requirements include detailed disclosures to be made to the employee benefits plan and the requirement that the insurer must permit the policyholder to terminate the policy on 90 day notice and receive without penalty, at the policyholder's option, either (i) the unallocated accumulated fund balance (which may be subject to market value adjustment) or (ii) a book value payment of such amount in annual installments with interest. We have taken and continue to take steps designed to ensure compliance with these regulations.

***Banking Regulation***

As a federally chartered national association, MetLife Bank is subject to a wide variety of banking laws, regulations and guidelines. Federal banking laws regulate most aspects of the business of MetLife Bank, but certain state laws may apply as well. MetLife Bank is principally regulated by the OCC, the Federal Reserve and the FDIC. Federal banking laws and regulations address various aspects of MetLife Bank's business and operations with respect to, among other things, chartering to carry on business as a bank; maintaining minimum capital ratios; capital management in relation to the bank's assets; safety and soundness standards; loan loss and other statutory reserves;

liquidity; financial reporting and disclosure standards; counterparty credit concentration; restrictions on related party and affiliate transactions; lending limits; payment of interest; unfair or deceptive acts or practices; privacy; and bank holding company and bank change of control. The FDIC has the right to assess FDIC-insured banks for funds to help pay the obligations of insolvent banks to depositors. Federal and state banking regulators regularly re-examine existing laws and regulations applicable to banks and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the bank.

**Table of Contents*****Financial Holding Company Regulation***

***Regulatory Agencies.*** In connection with its acquisition of a federally-chartered commercial bank, MetLife, Inc. became a bank holding company and financial holding company on February 28, 2001. As such, the Holding Company is subject to regulation under the Bank Holding Company Act of 1956, as amended (the BHC Act), and to inspection, examination, and supervision by the Board of Governors of the Federal Reserve Bank of New York. In addition, MetLife Bank is subject to regulation and examination primarily by the OCC and secondarily by the Federal Reserve Bank of New York and the FDIC.

***Financial Holding Company Activities.*** As a financial holding company, MetLife, Inc.'s activities and investments are restricted by the BHC Act, as amended by the Gramm-Leach-Bliley Act of 1999 (the GLB Act), to those that are financial in nature or incidental or complementary to such financial activities. Activities that are financial in nature include securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking and activities that the Federal Reserve Board has determined to be closely related to banking. In addition, under the insurance company investment portfolio provision of the GLB Act, financial holding companies are authorized to make investments in other financial and non-financial companies, through their insurance subsidiaries, that are in the ordinary course of business and in accordance with state insurance law, provided the financial holding company does not routinely manage or operate such companies except as may be necessary to obtain a reasonable return on investment.

***Other Restrictions and Limitations on Bank Holding Companies and Financial Holding Companies – Capital.*** MetLife, Inc. and MetLife Bank are subject to risk-based and leverage capital guidelines issued by the federal banking regulatory agencies for banks and financial holding companies. The federal banking regulatory agencies are required by law to take specific prompt corrective actions with respect to institutions that do not meet minimum capital standards. At December 31, 2009, MetLife, Inc. and MetLife Bank were in compliance with the aforementioned guidelines.

***Other Restrictions and Limitations on Bank Holding Companies and Financial Holding Companies – Consumer Protection Laws.*** Numerous other federal and state laws also affect the Holding Company's and MetLife Bank's earnings and activities, including federal and state consumer protection laws. The GLB Act included consumer privacy provisions that, among other things, require disclosure of a financial institution's privacy policy to customers. In addition, these provisions permit states to adopt more extensive privacy protections through legislation or regulation. As part of its consideration of comprehensive reform of financial services regulation, Congress is considering establishing a Consumer Financial Protection Agency, a new governmental agency that would supervise and regulate institutions that provide certain financial products and services to consumers. Although the consumer financial services to which this legislation would apply might exclude certain insurance business, the new agency would have authority to regulate consumer services provided by MetLife Bank. The proposed legislation may also eliminate or significantly restrict federal pre-emption of state consumer protection laws applicable to banking services, which would increase the regulatory and compliance burden on MetLife Bank and could adversely affect its business and results of operations.

***Other Restrictions and Limitations on Bank Holding Companies and Financial Holding Companies – Change of Control.*** Because MetLife, Inc. is a financial holding company and bank holding company under the federal banking laws, no person may acquire control of MetLife, Inc. without the prior approval of the Federal Reserve Board. A change of control is conclusively presumed upon acquisition of 25% or more of any class of voting securities and rebuttably presumed upon acquisition of 10% or more of any class of voting securities. Further, as a result of MetLife, Inc.'s ownership of MetLife Bank, approval from the OCC would be required in connection with a change of control (generally presumed upon the acquisition of 10% or more of any class of voting securities) of MetLife, Inc.

**Competition**

We believe that competition faced by our business segments is based on a number of factors, including service, product features, scale, price, financial strength, claims-paying ratings, credit ratings, ebusiness capabilities and name recognition. We compete with a large number of other insurance companies, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employer and other group customers as well as agents and other distributors of insurance and investment products. Some of these

companies offer a broader array of products, have more competitive pricing or, with respect to other insurance companies, have higher claims paying ability ratings. Many of our insurance products are underwritten annually and, accordingly, there is a risk that group purchasers may be able to obtain more favorable terms from competitors rather than renewing coverage with us.

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We believe that the turbulence in financial markets that began in the latter half of 2008, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have altered the competitive environment. In particular, we believe that these factors have highlighted financial strength as the most significant differentiator from the perspective of some customers and certain distributors. We believe the Company is well positioned to compete in this environment. In particular, the Company distributes many of its individual products through other financial institutions such as banks and broker-dealers. These distribution partners are currently placing greater emphasis on the financial strength of the company whose products they sell. In addition, the financial market turbulence has highlighted the extent of the risk associated with certain variable annuity products and has led many companies in our industry to re-examine the pricing and features of the products they offer. The effects of current market conditions may also lead to consolidation in the life insurance industry. Although we cannot predict the ultimate impact of these conditions, we believe that the strongest companies will enjoy a competitive advantage as a result of the current circumstances.

We must attract and retain productive sales representatives to sell our insurance, annuities and investment products. Strong competition exists among insurance companies for sales representatives with demonstrated ability. We compete with other insurance companies for sales representatives primarily on the basis of our financial position, support services and compensation and product features. See U.S. Business Sales Distribution. We continue to undertake several initiatives to grow our career agency force, while continuing to enhance the efficiency and production of our existing sales force. We cannot provide assurance that these initiatives will succeed in attracting and retaining new agents. Sales of individual insurance, annuities and investment products and our results of operations and financial position could be materially adversely affected if we are unsuccessful in attracting and retaining agents.

Numerous aspects of our business are subject to regulation. Legislative and other changes affecting the regulatory environment can affect our competitive position within the life insurance industry and within the broader financial services industry. See Regulation, Risk Factors Our Insurance and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth and Risk Factors Changes in U.S. Federal and State Securities Laws and Regulations May Affect Our Operations and Our Profitability.

**Employees**

At December 31, 2009, we had approximately 54,000 employees. We believe that our relations with our employees are satisfactory.

**Executive Officers of the Registrant**

Set forth below is information regarding the executive officers of MetLife, Inc. and MLIC:

**C. Robert Henrikson**, age 62, has been Chairman, President and Chief Executive Officer of MetLife, Inc. and MLIC since April 25, 2006. Previously, he was President and Chief Executive Officer of MetLife, Inc. and MLIC from March 1, 2006, President and Chief Operating Officer of MetLife, Inc. from June 2004, and President of the U.S. Insurance and Financial Services businesses of MetLife, Inc. and MLIC from July 2002 to June 2004. He served as President of Institutional Business of MetLife, Inc. from September 1999 to July 2002 and President of Institutional Business of MLIC from May 1999 through June 2002. He was Senior Executive Vice President, Institutional Business, of MLIC from December 1997 to May 1999, Executive Vice President, Institutional Business, from January 1996 to December 1997, and Senior Vice President, Pensions, from January 1991 to January 1995. He is a director of MetLife, Inc. and MLIC.

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**Gwenn L. Carr**, age 64, has been Executive Vice President and Chief of Staff to the Chairman and Chief Executive Officer of MetLife, Inc. and MLIC since August 2009. Previously, she was Senior Vice President and Chief of Staff to the Chairman and Chief Executive Officer of MetLife, Inc. and MLIC from June 2009, Senior Vice President, Secretary and Chief of Staff to the Chairman and Chief Executive Officer of MetLife, Inc. and MLIC from 2007, Senior Vice President and Secretary of MetLife, Inc. and MLIC from October 2004, and Vice President and Secretary of MetLife, Inc. and MLIC from August 1999. Ms. Carr was Vice President and Secretary of ITT Corporation from 1990 to 1999.

**Steven A. Kandarian**, age 57, has been Executive Vice President and Chief Investment Officer of MetLife, Inc. and MLIC since April 2005. Previously, he was the executive director of the Pension Benefit Guaranty Corporation from 2001 to 2004. Before joining the Pension Benefit Guaranty Corporation, Mr. Kandarian was founder and managing partner of Orion Capital Partners, LP, where he managed a private equity fund specializing in venture capital and corporate acquisitions for eight years. He is a director of MetLife Bank.

**James L. Lipscomb**, age 63, has been Executive Vice President and General Counsel of MetLife, Inc. and MLIC since July 2003. He was Senior Vice President and Deputy General Counsel from July 2001 to July 2003. Mr. Lipscomb was President and Chief Executive Officer of Conning Corporation, a former subsidiary of MLIC, from March 2000 to July 2001, prior to which he served in various senior management positions with MLIC for more than five years.

**Maria R. Morris**, age 47, has been Executive Vice President, Technology and Operations, of MetLife, Inc. and MLIC since January 2008. Previously, she was Executive Vice President of MLIC from December 2005 to January 2008, Senior Vice President of MLIC from July 2003 to December 2005, and Vice President of MLIC from March 1997 to July 2003. Ms. Morris is a director of MetLife Insurance Company of Connecticut.

**William J. Mullaney**, age 50, has been President, U.S. Business of MetLife, Inc. and MLIC since August 2009. Previously, he was President, Institutional Business, of MetLife, Inc. and MLIC from January 2007 to July 2009, President of Metropolitan Property and Casualty Insurance Company from January 2005 to January 2007, Senior Vice President of Metropolitan Property and Casualty Insurance Company from July 2002 to December 2004, Senior Vice President, Institutional Business, of MLIC from August 2001 to July 2002, and a Vice President of MLIC for more than five years. He is a director of MetLife Bank.

**William J. Toppeta**, age 61, has been President, International, of MetLife, Inc. and MLIC since June 2001. He was President of Client Services and Chief Administrative Officer of MetLife, Inc. from September 1999 to June 2001 and President of Client Services and Chief Administrative Officer of MLIC from May 1999 to June 2001. He was Senior Executive Vice President, Head of Client Services, of MLIC from March 1999 to May 1999, Senior Executive Vice President, Individual, from February 1998 to March 1999, Executive Vice President, Individual Business, from July 1996 to February 1998, Senior Vice President from October 1995 to July 1996 and President and Chief Executive Officer of its Canadian Operations from July 1993 to October 1995.

**William J. Wheeler**, age 48, has been Executive Vice President and Chief Financial Officer of MetLife, Inc. and MLIC since December 2003, prior to which he was a Senior Vice President of MLIC from 1997 to December 2003. Previously, he was a Senior Vice President of Donaldson, Lufkin & Jenrette for more than five years. Mr. Wheeler is a director of MetLife Bank.

## **Trademarks**

We have a worldwide trademark portfolio that we consider important in the marketing of our products and services, including, among others, the trademark MetLife. We also have the exclusive license to use the Peanuts characters in the area of financial services and healthcare benefit services in the United States and internationally under an advertising and premium agreement with United Feature Syndicate until December 31, 2014. Furthermore, we also have a non-exclusive license to use certain Citigroup-owned trademarks in connection with the marketing, distribution or sale of life insurance and annuity products under a licensing agreement with Citigroup until June 30, 2015. We believe that our rights in our trademarks and under our Peanuts® characters license and our Citigroup license are well protected.

## **Available Information**

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MetLife files periodic reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be obtained by visiting the Public Reference Room of the SEC at its Headquarters Office, 100 F Street, N.E., Washington D.C. 20549 or by calling the SEC at 1-202-551-8090 or 1-800-SEC-0330 (Office of Investor Education and Advocacy). In addition, the SEC maintains an internet website ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy statements, and other information regarding issuers that file electronically with the SEC, including MetLife, Inc.



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MetLife makes available, free of charge, on its website (www.metlife.com) through the Investor Relations page, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to all those reports, as soon as reasonably practicable after filing (furnishing) such reports to the SEC. Other information found on the website is not part of this or any other report filed with or furnished to the SEC.

**Part II****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

For purposes of this discussion, MetLife or the Company refers to MetLife, Inc., a Delaware corporation incorporated in 1999 (the Holding Company), and its subsidiaries, including Metropolitan Life Insurance Company (MLIC). Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with Note Regarding Forward-Looking Statements, Risk Factors, Selected Financial Data and the Company's consolidated financial statements included elsewhere herein.

This Management's Discussion and Analysis of Financial Condition and Results of Operations may contain or incorporate by reference 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 having meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, 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. Actual results could differ materially from those expressed or implied in the forward-looking statements. See Note Regarding Forward-Looking Statements.

The following discussion includes references to our performance measures operating earnings and operating earnings available to common shareholders, that are not based on generally accepted accounting principles in the United States of America (GAAP). Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources and, consistent with GAAP accounting guidance for segment reporting, is our measure of segment performance. Operating earnings is also a measure by which our senior management's and many other employees' performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Operating earnings is defined as operating revenues less operating expenses, net of income tax. Operating earnings available to common shareholders, which is used to evaluate the performance of Banking, Corporate & Other, as well as MetLife is defined as operating earnings less preferred stock dividends.

Operating revenues is defined as GAAP revenues (i) less net investment gains (losses), (ii) less amortization of unearned revenue related to net investment gains (losses), (iii) plus scheduled periodic settlement payments on derivative instruments that are hedges of investments but do not qualify for hedge accounting treatment, (iv) plus income from discontinued real estate operations, and (v) plus, for operating joint ventures reported under the equity method of accounting, the aforementioned adjustments and those identified in the definition of operating expenses, net of income tax, if applicable to these joint ventures.

Operating expenses is defined as GAAP expenses (i) less changes in experience-rated contractholder liabilities due to asset value fluctuations, (ii) less costs related to business combinations (since January 1, 2009) and noncontrolling interests, (iii) less amortization of DAC and VOBA and changes in the policyholder dividend obligation related to net investment gains (losses), and (iv) plus scheduled periodic settlement payments on derivative instruments that are hedges of policyholder account balances but do not qualify for hedge accounting treatment.

We believe the presentation of operating earnings and operating earnings available to common shareholders 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 our businesses. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for GAAP income (loss) from continuing operations, net of income tax. Reconciliations of operating earnings and operating earnings available to common shareholders to GAAP income (loss) from continuing operations, net of income tax, the most directly comparable

GAAP measure, are included in Consolidated Results of Operations.

**Executive Summary**

MetLife is a leading provider of insurance, employee benefits and financial services with operations throughout the United States and the Latin America, Asia Pacific and Europe, Middle East and India ( EMEI ) regions. Through its subsidiaries, MetLife offers

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life insurance, annuities, auto and homeowners insurance, retail banking and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions. MetLife is organized into five operating segments: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business ) and International. In addition, the Company reports certain of its results of operations in Banking, Corporate & Other, which is comprised of MetLife Bank and other business activities.

The U.S. and global financial markets experienced extraordinary dislocations during late 2008 through early 2009, with the U.S. economy entering a recession in January 2008. The economic crisis and the resulting recession have had an adverse effect on our financial results, as well as the financial services industry. Most economists believe the recession ended in the third quarter of 2009 when positive growth returned and now expect positive growth to continue through 2010. We have experienced an increase in market share and sales in some of our businesses from a flight to quality in the industry. In addition, the recovering global financial markets contributed to the improvement in net investment income and sales in most of our international regions. These positive impacts were outweighed by the adverse effects on our net investment income and the demand for certain of our products. For a discussion of how the financial and economic environment has impacted our 2009 results, capital and liquidity, and expected 2010 performance, see Results of Operations, Liquidity and Capital Resources and Consolidated Company Outlook.

	<b>Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In millions)</b>		
Income (loss) from continuing operations, net of income tax	\$ (2,318)	\$ 3,481	\$ 4,105
Less: Net investment gains (losses)	(7,772)	1,812	(578)
Less: Other adjustments to continuing operations	284	(662)	(317)
Less: Provision for income tax (expense) benefit	2,683	(488)	293
Operating earnings	2,487	2,819	4,707
Less: Preferred stock dividends	122	125	137
Operating earnings available to common shareholders	\$ 2,365	\$ 2,694	\$ 4,570

**Year Ended December 31, 2009 compared with the Year Ended December 31, 2008**

Unless otherwise stated, all amounts are net of income tax.

During the year ended December 31, 2009, MetLife's income (loss) from continuing operations, net of income tax, decreased \$5.8 billion to a loss of \$2.3 billion from income of \$3.5 billion in the comparable 2008 period. The year over year change is predominantly due to a \$5.2 billion unfavorable change in net investment gains (losses) to losses of \$4.6 billion, net of related adjustments, in 2009 from gains of \$644 million, net of related adjustments, in 2008. In addition, operating earnings available to common shareholders decreased by \$329 million to \$2.4 billion in 2009 from \$2.7 billion in 2008.

The unfavorable change in net investment gains (losses) of \$5.2 billion, net of related adjustments, was primarily driven by losses on freestanding derivatives, partially offset by gains on embedded derivatives, primarily associated with variable annuity minimum benefit guarantees, and lower losses on fixed maturity securities.

The positive impacts of business growth and favorable mortality in several of our businesses were more than offset by a decline in net investment income, resulting in a decrease in operating earnings of \$329 million. The decrease in net investment income caused significant declines in the operating earnings of many of our businesses, especially the interest spread businesses. Also contributing to the decline in operating earnings was an increase in net guaranteed annuity benefit costs and a charge related to our closed block of business, a specific group of participating life policies that were segregated in connection with the demutualization of MLIC. The favorable impact of Operational Excellence, our enterprise-wide cost reduction and revenue enhancement initiative, was more than offset by higher pension and postretirement benefit costs, driving the increase in other expenses. The declines in operating earnings

were partially offset by a change in amortization related to DAC, deferred sales inducement ( DSI ), and unearned revenue.

**Year Ended December 31, 2008 compared with the Year Ended December 31, 2007**

Unless otherwise stated, all amounts are net of income tax.

During the year ended December 31, 2008, MetLife's income (loss) from continuing operations, net of income tax, decreased \$624 million to \$3.5 billion from \$4.1 billion in the comparable 2007 period. The year over year change was predominantly due to a \$1.9 billion decrease in operating earnings available to common shareholders. Partially offsetting this decline was a \$1.1 billion favorable change in net investment gains (losses) to gains of \$644 million, net of related adjustments, in 2008 from losses of \$438 million, net of related adjustments, in 2007.

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Beginning in the third quarter of 2008, there was unprecedented disruption and dislocation in the global financial markets that caused extreme volatility in the equity, credit and real estate markets. This adversely impacted both net investment income as yields decreased and net investment gains (losses) as there was an increase in impairments and credit-related losses.

We responded to the extraordinary market conditions by increasing levels of cash, cash equivalents, short-term investments and high quality, lower yielding fixed maturity securities particularly in two operating segments: Corporate Benefit Funding and Retirement Products, as well as in Banking, Corporate & Other. We decreased fixed maturity security holdings to increase our liquidity position.

The favorable change of \$1.1 billion in net investment gains (losses), net of related adjustments, was driven by increased gains on freestanding derivatives, partially offset by increased losses on embedded derivatives primarily associated with variable annuity minimum benefit guarantees, and increased impairment losses on fixed maturity securities and equity securities.

The unprecedented disruption and dislocation in the global financial markets resulted in decreased yields on our investment portfolio and, in response to the market conditions, we increased our asset allocation to lower yielding, more liquid investments, both of which contributed to a decline in net investment income and, consequently, operating earnings available to common shareholders. The market environment's negative impact on investment results was partially offset by growth in average invested assets calculated excluding unrealized gains and losses. In addition, the volatile market environment also resulted in declines in our separate account balances. Such declines required us to increase DAC amortization, negatively affecting operating earnings available to common shareholders. The declines in the separate account balances also resulted in lower policy fees and other revenues. Operating earnings available to common shareholders for the year ended December 31, 2008 were also lower as a result of higher catastrophe losses and unfavorable mortality in various products. Higher earnings from our dental business and from our businesses in the Latin America and Asia Pacific regions partially offset the aforementioned items.

***Consolidated Company Outlook***

In 2009, the general economic conditions of the marketplace, particularly in the early part of the year, continued to be volatile and negatively impacted the results of the Company. In 2010, we expect meaningful earnings recovery for the Company, driven primarily by the following:

Continued growth in premiums, fees & other revenues

We expect top-line growth in 2010 of approximately 6% over 2009. We expect this growth will be driven by:

Higher fees earned on separate accounts, as the full impact of the recovery in the equity market is felt, thereby increasing the value of those separate accounts;

Increased sales in the pension closeout business, both in the United States and the United Kingdom, as the demand for these products rebounds from the lower levels seen in 2009;

Increases in our International segment, as a result of ongoing investments and improvements in the various distribution and service operations throughout the regions; and

Modest growth in Insurance products. Our growth continues to be impacted by the current higher levels of unemployment and it is possible that certain customers may further reduce or eliminate coverages in response to the financial pressures they are experiencing.

Offsetting these growth areas, MetLife Bank's premiums, fees & other revenues are expected to decline from the 2009 level, which benefited from the large number of mortgage refinancings in that year.

Higher returns on the investment portfolio

Despite expectations that the real estate market will remain challenging in 2010, higher returns on the investment portfolio are expected across all segments. We believe returns on alternative investment classes will improve and expect to reinvest cash and U.S. Treasuries into higher yielding asset classes.

Improvement in net investment gains (losses)



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Although difficult to predict, net investment gains (losses) on our invested asset portfolio are expected to show significant improvement as the financial markets stabilize across asset classes, returning to a more normalized level from the large losses encountered in 2009. More difficult to predict is the impact of potential changes in fair value of derivatives instruments as even relatively small movements in market variables, including interest rates, equity levels and volatility, can have a large impact on derivatives fair values. Additionally, changes in MetLife's credit spread, may have a material impact on net investment gains (losses) as it is required to be included in the valuation of certain embedded derivatives.

### **Reduced volatility in guarantee-related liabilities**

Certain annuity and life benefit guarantees are tied to market performance, which when markets are depressed, may require us to establish additional liabilities, even though these guarantees are significantly hedged. In line with the assumptions discussed above, we expect a significant reduction in the volatility of these items in 2010 compared to 2009.

### **Focus on disciplined underwriting**

We do not expect any significant changes to the underlying trends that drive underwriting results and we anticipate solid results in 2010. While we did begin to see the negative impact of the economy on non-medical health experience in 2009, we expect to see improvement in our results in 2010 as the economy continues to improve. Pricing actions taken in 2009 in our dental business will help mitigate the impact of elevated claim utilization, experienced as a result of the challenging economic conditions and higher unemployment.

### **Focus on expense management**

Our continued focus on expense control throughout the Company, as well the continuing impact of specific initiatives such as Operational Excellence (our enterprise-wide cost reduction and revenue enhancement initiative), should contribute to increased profitability. With continued improvement in the financial markets, we also expect that the Company's pension-related expenses will return to a more normal level in 2010.

## **Industry Trends**

The Company's segments continue to be influenced by a continuing unstable financial and economic environment that affects the industry.

*Financial and Economic Environment.* Our results of operations are materially affected by conditions in the global capital markets and the economy, generally, both in the United States and elsewhere around the world. The global economy and markets are now recovering from a period of significant stress that began in the second half of 2007 and substantially increased through the first quarter of 2009. This disruption adversely affected the financial services industry, in particular. The U.S. economy entered a recession in January 2008 and most economists believe this recession ended in the third quarter of 2009 when positive growth returned. Most economists now expect positive growth to continue through 2010.

Throughout 2008 and continuing in 2009, Congress, the Federal Reserve Bank of New York, the U.S. Treasury and other agencies of the Federal government took a number of increasingly aggressive actions (in addition to continuing a series of interest rate reductions that began in the second half of 2007) intended to provide liquidity to financial institutions and markets, to avert a loss of investor confidence in particular troubled institutions, to prevent or contain the spread of the financial crisis and to spur economic growth. How and to whom these governmental institutions distribute amounts available under the governmental programs could have the effect of supporting some aspects of the financial services industry more than others or provide advantages to some of our competitors. Governments in many of the foreign markets in which MetLife operates have also responded to address market imbalances and have taken meaningful steps intended to restore market confidence. As market conditions have stabilized, some of these programs have been terminated or allowed to expire. We cannot predict whether or when the U.S. or foreign governments will establish additional governmental programs or terminate or permit other programs to expire or the impact any additional measures, existing programs or termination or expiration of programs will have on the financial markets, whether on the levels of volatility currently being experienced, the levels of lending by financial institutions, the prices buyers are willing to pay for financial assets or otherwise. See *Business Regulation Governmental Responses to Extraordinary Market Conditions*.

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The economic crisis and the resulting recession have had and will continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. The declining financial markets and economic conditions have negatively impacted our investment income, our net investment gains (losses), and the demand for and the cost and profitability of certain of our products, including variable annuities and guarantee benefits. See *Results of Operations* and *Liquidity and Capital Resources*.

*Demographics.* In the coming decade, a key driver shaping the actions of the life insurance industry will be the rising income protection, wealth accumulation and needs of the retiring Baby Boomers. As a result of increasing longevity, retirees will need to accumulate sufficient savings to finance retirements that may span 30 or more years. Helping the Baby Boomers to accumulate assets for retirement and subsequently to convert these assets into retirement income represents an opportunity for the life insurance industry.

Life insurers are well positioned to address the Baby Boomers' rapidly increasing need for savings tools and for income protection. We believe that, among life insurers, those with strong brands, high financial strength ratings and broad distribution, are best positioned to capitalize on the opportunity to offer income protection products to Baby Boomers.

Moreover, the life insurance industry's products and the needs they are designed to address are complex. We believe that individuals approaching retirement age will need to seek information to plan for and manage their retirements and that, in the workplace, as employees take greater responsibility for their benefit options and retirement planning, they will need information about their possible individual needs. One of the challenges for the life insurance industry will be the delivery of this information in a cost effective manner.

*Competitive Pressures.* The life insurance industry remains highly competitive. The product development and product life-cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development, technology and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry's products can be quite homogeneous and subject to intense price competition. Sufficient scale, financial strength and financial flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base. We believe that the turbulence in financial markets that began in the latter half of 2008, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have highlighted financial strength as the most significant differentiator from the perspective of customers and certain distributors. In addition, the financial market turbulence and the economic recession have led many companies in our industry to re-examine the pricing and features of the products they offer and may lead to consolidation in the life insurance industry.

*Regulatory Changes.* The life insurance industry is regulated at the state level, with some products and services also subject to federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially impact the statutory reserve and capital requirements of the industry. In addition, regulators have undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products. The regulation of the financial services industry has received renewed scrutiny as a result of the disruptions in the financial markets in 2008 and 2009. Significant regulatory reforms have been proposed and these or other reforms could be implemented. We cannot predict whether any such reforms will be adopted, the form they will take or their effect upon us. We also cannot predict how the various government responses to the recent financial and economic difficulties will affect the financial services and insurance industries or the standing of particular companies, including our Company, within those industries. See *Risk Factors - Our Insurance and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth* and *Risk Factors - Changes in U.S. Federal and State Securities Laws and Regulations May Affect Our Operations and Our Profitability*.

*Pension Plans.* On August 17, 2006, President Bush signed the Pension Protection Act of 2006 ( PPA ) into law. The PPA is a comprehensive reform of defined benefit and defined contribution plan rules. The provisions of the PPA



may, over time, have a significant impact on demand for pension, retirement savings, and lifestyle protection products in both the institutional and retail markets. While the impact of the PPA is generally expected to be positive over time, these changes may have adverse short-term effects on our business as plan sponsors may react to these changes in a variety of ways as the new rules and related regulations begin to take effect. In response to the current financial and economic environment, President Bush signed into the law the Worker, Retiree and Employer Recovery Act (the Employer Recovery Act ) in December 2008. This Act is intended to, among other things, ease the

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transition of certain funding requirements of the PPA for defined benefit plans. In addition, legislation that would provide further relief for defined benefit plans is under consideration. The financial and economic environment and the enactment of the Employer Recovery Act, as well as additional funding relief provisions that may be enacted into law, may delay the timing or change the nature of qualified plan sponsor actions and, in turn, affect our business.

**Summary of Critical Accounting Estimates**

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 in the consolidated financial statements. The most critical estimates include those used in determining:

- (i) the estimated fair value of investments in the absence of quoted market values;
- (ii) investment impairments;
- (iii) the recognition of income on certain investment entities and the application of the consolidation rules to certain investments;
- (iv) the estimated fair value of and accounting for freestanding derivatives and the existence and estimated fair value of embedded derivatives requiring bifurcation;
- (v) the capitalization and amortization of DAC and the establishment and amortization of VOBA;
- (vi) the measurement of goodwill and related impairment, if any;
- (vii) the liability for future policyholder benefits and the accounting for reinsurance contracts;
- (viii) accounting for income taxes and the valuation of deferred tax assets;
- (ix) accounting for employee benefit plans; and
- (x) the liability for litigation and regulatory matters.

In applying the Company's accounting policies, we make subjective and complex judgments that frequently require estimates 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 businesses and operations. Actual results could differ from these estimates.

**Table of Contents*****Fair Value***

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In many cases, the exit price and the transaction (or entry) price will be the same at initial recognition. However, in certain cases, the transaction price may not represent fair value. The fair value of a liability is based on the amount that would be paid to transfer a liability to a third-party with the same credit standing. It requires that fair value be a market-based measurement in which the fair value is determined based on a hypothetical transaction at the measurement date, considered from the perspective of a market participant. When quoted prices are not used to determine fair value, the Company considers three broad valuation techniques: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs. The Company prioritizes the inputs to fair valuation techniques and allows for the use of unobservable inputs to the extent that observable inputs are not available. The Company categorizes its assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of input to its valuation. The input levels are as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities.
- Level 2 Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation.

Prior to January 1, 2009, the measurement and disclosures of fair value based on exit price excluded certain items such as nonfinancial assets and nonfinancial liabilities initially measured at estimated fair value in a business combination, reporting units measured at estimated fair value in the first step of a goodwill impairment test and indefinite-lived intangible assets measured at estimated fair value for impairment assessment.

***Estimated Fair Value of Investments***

The Company's investments in fixed maturity and equity securities, investments in trading securities, certain short-term investments, most mortgage loans held-for-sale, and mortgage servicing rights (MSRs) are reported at their estimated fair value. In determining the estimated fair value of these investments, various methodologies, assumptions and inputs are utilized, as described further below.

When available, the estimated fair value of securities 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 judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies. The market standard valuation methodologies utilized include: discounted cash flow methodologies, matrix pricing or other similar techniques. The inputs to these market standard valuation

methodologies include, but are not limited to: interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, maturity, estimated duration and management's assumptions regarding liquidity and estimated future cash flows. Accordingly, the estimated fair values are based on available market information and management's judgments about financial instruments.

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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. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, 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 judgment or estimation, and cannot be supported by reference to market activity. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing such securities.

The estimated fair value of residential mortgage loans held-for-sale are determined based on observable pricing of residential mortgage loans held-for-sale with similar characteristics, or observable pricing for securities backed by similar types of loans, adjusted to convert the securities prices to loan prices. Generally, quoted market prices are not available. When observable pricing for similar loans or securities that are backed by similar loans are not available, the estimated fair values of residential mortgage loans held-for-sale are determined using independent broker quotations, which is intended to approximate the amounts that would be received from third parties. Certain other mortgage loans have also been designated as held-for-sale which are recorded at the lower of amortized cost or estimated fair value less expected disposition costs determined on an individual loan basis. For these loans, estimated fair value is determined using independent broker quotations or, when the loan is in foreclosure or otherwise determined to be collateral dependent, the estimated fair value of the underlying collateral estimated using internal models.

MSRs, which are recorded in other invested assets, are measured at estimated fair value and are either acquired or are generated from the sale of originated residential mortgage loans where the servicing rights are retained by the Company. The estimated fair value of MSRs is principally determined through the use of internal discounted cash flow models which utilize various assumptions as to discount rates, loan-prepayments, and servicing costs. The use of different valuation assumptions and inputs, as well as assumptions relating to the collection of expected cash flows may have a material effect on the estimated fair values of MSRs.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. The Company's ability to sell securities, or the price ultimately realized for these securities, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain securities.

***Investment Impairments***

One of the significant estimates related to available-for-sale securities is the evaluation of investments for impairments. As described more fully in Note 1 of the Notes to the Consolidated Financial Statements, effective April 1, 2009, the Company adopted new other-than-temporary impairments guidance that amends the methodology for determining for fixed maturity securities whether an other-than-temporary impairment exists, and for certain fixed maturity securities, changes how the amount of the other-than-temporary loss that is charged to earnings is determined. There was no change in the other-than-temporary impairment ( OTTI ) methodology for equity securities. The discussion presented below incorporates the new OTTI guidance adopted April 1, 2009.

The assessment of whether impairments have occurred is based on our case-by-case evaluation of the underlying reasons for the decline in estimated fair value. The Company's review of its fixed maturity and equity securities for impairments includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%; (ii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for less than six months; and (iii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for six months or greater. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments and the Company's evaluation of recoverability of all contractual cash flows or the ability to recover an

amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, greater weight and consideration are given by the Company to a decline in estimated fair value and the likelihood such estimated fair value decline will recover.

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Additionally, we consider a wide range of factors about the security issuer and use our best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in our evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used by the Company in the impairment evaluation process include, but are not limited to:

- (i) the length of time and the extent to which the estimated fair value has been below cost or amortized cost;
- (ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties;
- (iii) the potential for impairments in an entire industry sector or sub-sector;
- (iv) the potential for impairments in certain economically depressed geographic locations;
- (v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources;
- (vi) with respect to fixed maturity securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before recovery of the decline in estimated fair value below cost or amortized cost;
- (vii) with respect to equity securities, whether the Company's ability and intent to hold the security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost;
- (viii) unfavorable changes in forecasted cash flows on mortgage-backed and asset-backed securities; and
- (ix) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

The cost of fixed maturity and equity securities is adjusted for the credit loss component of OTTI in the period in which the determination is made. When an OTTI of a fixed maturity security has occurred, the amount of the OTTI recognized in earnings depends on whether the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis. If the fixed maturity security meets either of these two criteria, the OTTI recognized in earnings is equal to the entire difference between the security's amortized cost basis and its estimated fair value at the impairment measurement date. For other-than-temporary impairments of fixed maturity securities that do not meet either of these two criteria, the net amount recognized in earnings is equal to the difference between the amortized cost of the fixed maturity security and the present value of projected future cash flows to be collected from this security. Any difference between the estimated fair value and the present value of the expected future cash flows of the security at the impairment measurement date is recorded in other comprehensive income (loss). For equity securities, the carrying value of the equity security is impaired to its estimated fair value, with a corresponding charge to earnings. The Company does not change the revised cost basis for subsequent recoveries in value.

The determination of the amount of allowances and impairments on other invested asset classes is highly subjective and is based upon the Company's periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

***Recognition of Income on Certain Investment Entities***

The recognition of income on certain investments (e.g. loan-backed securities, including mortgage-backed and asset-backed securities, certain structured investment transactions, trading securities, etc.) is dependent upon market conditions, which could result in prepayments and changes in amounts to be earned.

***Application of the Consolidation Rules to Certain Investments***

The Company has invested in certain structured transactions that are variable interest entities ( VIEs ). These structured transactions include reinsurance trusts, asset-backed securitizations, hybrid securities, joint ventures, limited partnerships and limited liability companies. The Company is required to consolidate those VIEs for which it is deemed to be the primary beneficiary. The accounting rules for the determination of when an entity is a VIE and when to consolidate a VIE are complex. The determination of



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the VIE's primary beneficiary requires an evaluation of the contractual rights and obligations associated with each party involved 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. The primary beneficiary is defined as the entity that will absorb a majority of a VIE's expected losses, receive a majority of a VIE's expected residual returns if no single entity absorbs a majority of expected losses, or both.

When assessing the expected losses to determine the primary beneficiary for structured investment products such as asset-backed securitizations and collateralized debt obligations, the Company uses historical default probabilities based on the credit rating of each issuer and other inputs including maturity dates, industry classifications and geographic location. Using computational algorithms, the analysis simulates default scenarios resulting in a range of expected losses and the probability associated with each occurrence. For other investment structures such as hybrid securities, joint ventures, limited partnerships and limited liability companies, the Company takes into consideration the design of the VIE and generally uses a qualitative approach to determine if it is the primary beneficiary. This approach includes an analysis of all contractual and implied rights and obligations held by all parties including profit and loss allocations, repayment or residual value guarantees, put and call options and other derivative instruments. If the primary beneficiary of a VIE can not be identified using this qualitative approach, the Company calculates the expected losses and expected residual returns of the VIE using a probability-weighted cash flow model. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

***Derivative Financial Instruments***

The Company enters into freestanding derivative transactions including swaps, forwards, futures and option contracts to manage various risks relating to its ongoing business operations. To a lesser extent, the Company uses credit derivatives, such as credit default swaps, to synthetically replicate investment risks and returns which are not readily available in the cash market.

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives and financial forwards to sell certain to be announced securities or through the use of pricing models for over-the-counter derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk (including the counterparties to the contract), volatility, liquidity and changes in estimates and assumptions used in the pricing models. See Note 5 of the Notes to the Consolidated Financial Statements for additional details on significant inputs into the over-the-counter derivative pricing models and credit risk adjustment.

The accounting for derivatives is complex and interpretations of the primary accounting guidance continue to evolve in practice. Judgment is applied in determining the availability and application of hedge accounting designations and the appropriate accounting treatment under such accounting guidance. If it was determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected. Differences in judgment as to the availability and application of hedge accounting designations and the appropriate accounting treatment may result in a differing impact on the consolidated financial statements of the Company from that previously reported. Assessments of hedge effectiveness and measurements of ineffectiveness of hedging relationships are also subject to interpretations and estimations and different interpretations or estimates may have a material effect on the amount reported in net income.

***Embedded Derivatives***

The Company issues certain variable annuity products with guaranteed minimum benefits. These include guaranteed minimum withdrawal benefits ( GMWB ), guaranteed minimum accumulation benefits ( GMAB ), and certain guaranteed minimum income benefits ( GMIB ). GMWB, GMAB and certain GMIB are embedded derivatives, which are measured at estimated fair value separately from the host variable annuity product, with changes in estimated fair value reported in net investment gains (losses).

The estimated fair values for these embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees

require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates. Beginning in 2008, the valuation of these embedded derivatives includes an adjustment for the Company's own credit and risk margins for non-capital market inputs. The Company's own credit adjustment is determined taking into consideration publicly available information relating to the Company's debt, as well as its claims paying ability. 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.

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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 the Company's own credit standing; and variations in actuarial assumptions regarding policyholder behavior, 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 the risk associated with certain of the GMIB and GMAB described in the preceding paragraphs. 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.

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including an adjustment for the Company's own credit that takes into consideration publicly available information relating to the Company's debt, as well as its claims paying ability. Changes in equity and bond indices, interest rates and the Company's credit standing may result in significant fluctuations in estimated the fair value of these embedded derivatives that could materially affect net income.

The accounting for embedded derivatives is complex and interpretations of the primary accounting standards continue to evolve in practice. If interpretations change, there is a risk that features previously not bifurcated may require bifurcation and reporting at estimated fair value in the consolidated financial statements and respective changes in estimated fair value could materially affect net income.

***Deferred Policy Acquisition Costs and Value of Business Acquired***

The Company incurs significant costs in connection with acquiring new and renewal insurance business. Costs that vary with and relate to the production of new business are deferred as DAC. Such costs consist principally of commissions and agency and policy issuance expenses. VOBA is an intangible asset that represents the present value of future profits embedded in acquired insurance annuity and investment type contracts. VOBA is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors. Actual experience on the purchased business may vary from these projections. The recovery of DAC and VOBA is dependent upon the future profitability of the related business. DAC and VOBA are aggregated in the financial statements for reporting purposes.

Note 1 of the Notes to the Consolidated Financial Statements describes the Company's accounting policy relating to DAC and VOBA amortization for various types of contracts.

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period which can result in significant fluctuations in amortization of DAC and VOBA. The Company's practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. The Company monitors these changes and only changes the assumption when its long-term expectation changes. The effect of an increase/(decrease) by 100 basis points in the assumed future rate of return is reasonably likely to result in a decrease/(increase) in the DAC and VOBA amortization of approximately \$140 million with an offset to the Company's unearned revenue liability of approximately \$20 million for this factor.

The Company also reviews periodically other long-term assumptions underlying the projections of estimated gross margins and profits. These include investment returns, policyholder dividend scales, interest crediting rates, mortality, persistency, and expenses to administer business. We annually update assumptions used in the calculation of estimated gross margins and profits which may have significantly changed. If the update of assumptions causes expected future gross margins and profits to increase, DAC and VOBA amortization will decrease, resulting in a current period increase to earnings. The opposite result occurs when the assumption update causes expected future gross margins and profits to decrease.

Over the last several years, the Company's most significant assumption updates resulting in a change to expected future gross margins and profits and the amortization of DAC and VOBA have been updated due to revisions to expected future investment returns, expenses, in-force or persistency assumptions and policyholder dividends on

contracts included within the Insurance Products and Retirement Products segments. During 2009, the amount of net investment gains (losses), as well as the level of separate account balances also resulted in significant changes to expected future gross margins and profits impacting amortization of DAC and VOBA. The Company expects these assumptions to be the ones most reasonably likely to cause significant changes in the future. Changes in these assumptions can be offsetting and the Company is unable to predict their movement or offsetting impact over time.

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Note 6 of the Notes to the Consolidated Financial Statements provides a rollforward of DAC and VOBA for the Company for each of the years ended December 31, 2009, 2008 and 2007, as well as a breakdown of DAC and VOBA by segment and reporting unit at December 31, 2009 and 2008.

At December 31, 2009 and 2008, DAC and VOBA for the Company was \$19.3 billion and \$20.1 billion, respectively. A substantial portion, approximately 84%, of the Company's DAC and VOBA was associated with the Insurance Products and Retirement Products segments at December 31, 2009. At December 31, 2009 and 2008, DAC and VOBA for these segments was \$16.1 billion and \$17.4 billion, respectively. Amortization of DAC and VOBA associated with the variable & universal life and the annuities contracts within the Insurance Products and Retirement Products segments are significantly impacted by movements in equity markets. The following chart illustrates the effect on DAC and VOBA within the Company's U.S. Business of changing each of the respective assumptions, as well as updating estimated gross margins or profits with actual gross margins or profits during the years ended December 31, 2009, 2008 and 2007. Increases (decreases) in DAC and VOBA balances, as presented below, result in a corresponding decrease (increase) in amortization.

	<b>Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In millions)</b>		
Investment return	\$ 141	\$ 70	\$ (34)
Separate account balances	(32)	(708)	8
Net investment gain (loss) related Expense	712	(521)	126
In-force/Persistency	60	61	(53)
Policyholder dividends and other	(87)	(159)	1
	174	(30)	(39)
<b>Total</b>	<b>\$ 968</b>	<b>\$ (1,287)</b>	<b>\$ 9</b>

Prior to 2008, fluctuations in the amounts presented in the table above arose principally from normal assumption reviews during the period.

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2009:

Actual gross profits decreased as a result of increased investment losses from the portfolios associated with the hedging of guaranteed insurance obligations on variable annuities, resulting in a decrease of DAC and VOBA amortization of \$141 million.

Changes in net investment gains (losses) resulted in the following changes in DAC and VOBA amortization:

- Actual gross profits increased as a result of a decrease in liabilities associated with guarantee obligations on variable annuities, resulting in an increase of DAC and VOBA amortization of \$995 million, excluding the impact from the Company's own credit and risk margins, which are described below. This increase in actual gross profits was partially offset by freestanding derivative losses associated with the hedging of such guarantee obligations, which resulted in a decrease in DAC and VOBA amortization of \$636 million.
- The narrowing of the Company's own credit spreads increased the valuation of guarantee liabilities, decreased actual gross profits and decreased DAC and VOBA amortization by \$607 million. This was partially offset by lower risk margins which decreased the guarantee liability valuations, increased actual gross profits and increased DAC and VOBA amortization by \$20 million.
- The remainder of the impact of net investment gains (losses), which decreased DAC amortization by \$484 million, was primarily attributable to current period investment activities.

Included in policyholder dividends and other was a decrease in amortization of \$90 million as a result of changes to long term assumptions. The remainder of the decrease was due to various immaterial items.

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The following represent significant items contributing to the changes to DAC and VOBA amortization in 2008:  
The decrease in equity markets during the year significantly lowered separate account balances which lead to a significant reduction in expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in an increase of \$708 million in DAC and VOBA amortization.

Changes in net investment gains (losses) resulted in the following changes in DAC and VOBA amortization:

- Actual gross profits decreased as a result of an increase in liabilities associated with guarantee obligations on variable annuities resulting in a reduction of DAC and VOBA amortization of \$1,047 million. This decrease in actual gross profits was mitigated by freestanding derivative gains associated with the hedging of such guarantee obligations which resulted in an increase in actual gross profits and an increase in DAC and VOBA amortization of \$625 million.
- The widening of the Company's own credit spreads decreased the valuation of guarantee liabilities, increased actual gross profits and increased DAC and VOBA amortization by \$739 million. This was partially offset by higher risk margins which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by \$100 million.
- Reductions in both actual and expected cumulative earnings of the closed block resulting from recent experience in the closed block combined with changes in expected dividend scales resulted in an increase in closed block DAC amortization of \$195 million, \$175 million of which was related to net investment gains (losses).
- The remainder of the impact of net investment gains (losses), which increased DAC amortization by \$129 million, was attributable to numerous immaterial items.

Increases in amortization in 2008 resulting from changes in assumptions related to in-force/persistency of \$159 million were driven by higher than anticipated mortality and lower than anticipated premium persistency during 2008.

The Company's DAC and VOBA balance is also impacted by unrealized investment gains (losses) and the amount of amortization which would have been recognized if such gains and losses had been recognized. The significant decrease in unrealized investment losses decreased the DAC and VOBA balance by \$2.8 billion in 2009 whereas increases in unrealized investment losses increased the DAC and VOBA balance by \$3.4 billion in 2008. Notes 3 and 6 of the Notes to the Consolidated Financial Statements include the DAC and VOBA offset to unrealized investment losses.

**Goodwill**

Goodwill is the excess of cost over the estimated fair value of net assets acquired. Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test. We perform our annual goodwill impairment testing during the third quarter of each year based upon data as of the close of the second quarter.

Impairment testing is performed using the fair value approach, which requires the use of estimates and judgment, at the reporting unit level. A reporting unit is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. For purposes of goodwill impairment testing, a significant portion of goodwill within Banking, Corporate & Other is allocated to reporting units within our business segments.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, there might be an indication of impairment. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill would be determined in a business acquisition. The excess of the carrying value of goodwill over the implied fair value of goodwill is recognized as an impairment and recorded as a charge against net income.

In performing our goodwill impairment tests, when we believe meaningful comparable market data are available, the estimated fair values of the reporting units are determined using a market multiple approach. When relevant comparables are not available, we use a discounted cash flow model. For reporting units which are particularly sensitive to market assumptions, such as the retirement products and individual life reporting units, we may corroborate our estimated fair values by using additional valuation methodologies.



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The key inputs, judgments and assumptions necessary in determining estimated fair value include projected operating earnings, current book value (with and without accumulated other comprehensive income), the level of economic capital required to support the mix of business, long term growth rates, comparative market multiples, the account value of in-force business, projections of new and renewal business, as well as margins on such business, the level of interest rates, credit spreads, equity market levels, and the discount rate we believe appropriate to the risk associated with the respective reporting unit. The estimated fair value of the retirement products and individual life reporting units are particularly sensitive to the equity market levels.

When testing goodwill for impairment, we also consider our market capitalization in relation to our book value. We believe that our current market capitalization supports the value of the underlying reporting units.

We apply significant judgment when determining the estimated fair value of our reporting units and when assessing the relationship of market capitalization to the estimated fair value of our reporting units and their book value. The valuation methodologies utilized are subject to key judgments and assumptions that are sensitive to change. Estimates of fair value are inherently uncertain and represent only management's reasonable expectation regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Declines in the estimated fair value of our reporting units could result in goodwill impairments in future periods which could materially adversely affect our results of operations or financial position.

During our 2009 impairment tests of goodwill, we concluded that the fair values of all reporting units were in excess of their carrying values and, therefore, goodwill was not impaired. However, we continue to evaluate current market conditions that may affect the estimated fair value of our reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions for certain reporting units may have a significant impact on the estimated fair value of these reporting units and could result in future impairments of goodwill. See Note 7 of the Notes to the Consolidated Financial Statements for further consideration of goodwill impairment testing during 2009.

***Liability for Future Policy Benefits***

The Company establishes liabilities for amounts payable under insurance policies, including traditional life insurance, traditional annuities and non-medical health insurance. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. If experience is less favorable than assumptions, additional liabilities may be required, resulting in a charge to policyholder benefits and claims.

Future policy benefit liabilities for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest.

Liabilities for unpaid claims and claim expenses for property and casualty insurance are included in future policyholder benefits and represent the amount estimated for claims that have been reported but not settled and claims incurred but not reported. Other policyholder funds include claims that have been reported but not settled and claims incurred but not reported on life and non-medical health insurance. Liabilities for unpaid claims are estimated based upon the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation. The effects of changes in such estimated liabilities are included in the results of operations in the period in which the changes occur.

Future policy benefit liabilities for minimum death and income benefit guarantees relating to certain annuity contracts and secondary and paid-up guarantees relating to certain life policies are based on estimates of the expected value of benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation

period based on total expected assessments. Liabilities for universal and variable life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating these liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. The assumptions of investment performance and volatility for variable products are consistent with historical S&P experience.

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The Company periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing of these policies and guarantees and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the results of operations in the period in which the changes occur.

***Reinsurance***

The Company enters into reinsurance agreements primarily as a purchaser of reinsurance for its various insurance products and also as a provider of reinsurance for some insurance products issued by third parties. Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed previously. Additionally, for each of its reinsurance agreements, the Company determines if the agreement provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. The Company reviews all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting.

***Income Taxes***

Income taxes represent the net amount of income taxes that the Company expects to pay to or receive from various taxing jurisdictions in connection with its operations. The Company provides for federal, state and foreign income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. The Company's accounting for income taxes represents management's best estimate of various events and transactions.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Factors in management's determination consider the performance of the business including the ability to generate capital gains. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- (i) future taxable income exclusive of reversing temporary differences and carryforwards;
- (ii) future reversals of existing taxable temporary differences;
- (iii) taxable income in prior carryback years; and
- (iv) tax planning strategies.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit is recorded in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. The Company may be required to change its provision for income taxes when the ultimate deductibility of certain items is challenged by taxing authorities or when estimates used in determining valuation allowances on deferred tax assets significantly change, or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of

such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the consolidated financial statements in the year these changes occur.

**Table of Contents*****Employee Benefit Plans***

Certain subsidiaries of the Holding Company (the "Subsidiaries") sponsor and/or administer pension and other postretirement benefit plans covering employees who meet specified eligibility requirements. The obligations and expenses associated with these plans require an extensive use of assumptions such as the discount rate, expected rate of return on plan assets, rate of future compensation increases, healthcare cost trend rates, as well as assumptions regarding participant demographics such as rate and age of retirements, withdrawal rates and mortality. In consultation with our external consulting actuarial firm, we determine these assumptions based upon a variety of factors such as historical performance of the plan and its assets, currently available market and industry data, and expected benefit payout streams. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant effect on the Company's consolidated financial statements and liquidity.

***Litigation Contingencies***

The Company is a party to a number of legal actions and is involved in a number of regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company's financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities related to certain lawsuits, including the Company's asbestos-related liability, are especially difficult to estimate due to the limitation of available data and uncertainty regarding numerous variables that can affect liability estimates. The data and variables that impact the assumptions used to estimate the Company's asbestos-related liability include the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against the Company when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in the Company's consolidated financial statements. It is possible that an adverse outcome in certain of the Company's litigation and regulatory investigations, including asbestos-related cases, or the use of different assumptions in the determination of amounts recorded could have a material effect upon the Company's consolidated net income or cash flows in particular quarterly or annual periods.

***Economic Capital***

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in MetLife's businesses. As a part of the economic capital process, a portion of net investment income is credited to the segments based on the level of allocated equity. This is in contrast to the standardized regulatory risk-based capital ("RBC") formula, which is not as refined in its risk calculations with respect to the nuances of the Company's businesses.

***Acquisitions and Dispositions***

See Note 2 of the Notes to the Consolidated Financial Statements.

***Recent Developments***

On February 2, 2010, MetLife announced that it is in discussions with American International Group, Inc. about acquiring its subsidiary, American Life Insurance Company, an international life insurance company. These discussions are ongoing. No agreement has been reached and there are no assurances that an agreement will be reached.

**Table of Contents****Consolidated Results of Operations****Year Ended December 31, 2009 compared with the Year Ended December 31, 2008**

Unfavorable market conditions continued through 2009, providing a challenging business environment. The largest and most significant impact continued to be on our investment portfolio as declining yields resulted in lower net investment income. Market sensitive expenses were also negatively impacted by the market conditions as evidenced by an increase in pension and postretirement benefit costs. Higher levels of unemployment continued to impact certain group businesses as a decrease in covered payrolls reduced growth. Our auto and homeowners business was impacted by a declining housing market, the deterioration of the new auto sales market and the continuation of credit availability issues, all of which contributed to a decrease in insured exposures. Despite the challenging business environment, revenue growth remained solid in the majority of our businesses. A flight to quality during the year contributed to an improvement in sales in both our domestic fixed and variable annuity products. We also saw an increase in market share, especially in the structured settlement business, where we experienced an increase of 53% in premiums. An improvement in the global financial markets contributed to a recovery of sales in most of our international regions and resulted in improved investment performance in some regions during the second half of 2009. We also benefited domestically from a strong residential mortgage refinance market and healthy growth in the reverse mortgage arena.

	Years Ended December 31,			% Change
	2009	2008 (In millions)	Change	
<b>Revenues</b>				
Premiums	\$ 26,460	\$ 25,914	\$ 546	2.1%
Universal life and investment-type product policy fees	5,203	5,381	(178)	(3.3)%
Net investment income	14,838	16,291	(1,453)	(8.9)%
Other revenues	2,329	1,586	743	46.8%
Net investment gains (losses)	(7,772)	1,812	(9,584)	(528.9)%
Total revenues	41,058	50,984	(9,926)	(19.5)%
<b>Expenses</b>				
Policyholder benefits and claims and policyholder dividends	29,986	29,188	798	2.7%
Interest credited to policyholder account balances	4,849	4,788	61	1.3%
Interest credited to bank deposits	163	166	(3)	(1.8)%
Capitalization of DAC	(3,019)	(3,092)	73	2.4%
Amortization of DAC and VOBA	1,307	3,489	(2,182)	(62.5)%
Interest expense	1,044	1,051	(7)	(0.7)%
Other expenses	11,061	10,333	728	7.0%
Total expenses	45,391	45,923	(532)	(1.2)%
Income (loss) from continuing operations before provision for income tax	(4,333)	5,061	(9,394)	(185.6)%
Provision for income tax expense (benefit)	(2,015)	1,580	(3,595)	(227.5)%
	(2,318)	3,481	(5,799)	(166.6)%

Income (loss) from continuing operations, net of income tax				
Income (loss) from discontinued operations, net of income tax	40	(203)	243	119.7%
Net income (loss)	(2,278)	3,278	(5,556)	(169.5)%
Less: Net income (loss) attributable to noncontrolling interests	(32)	69	(101)	(146.4)%
Net income (loss) attributable to MetLife, Inc.	(2,246)	3,209	(5,455)	(170.0)%
Less: Preferred stock dividends	122	125	(3)	(2.4)%
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ (2,368)	\$ 3,084	\$ (5,452)	(176.8)%

Unless otherwise stated, all amounts are net of income tax.

During the year ended December 31, 2009, MetLife's income (loss) from continuing operations, net of income tax decreased \$5.8 billion to a loss of \$2.3 billion from income of \$3.5 billion in the comparable 2008 period. The year over year change is predominantly due to a \$5.2 billion unfavorable change in net investment gains (losses) to losses of \$4.6 billion, net of related adjustments, in 2009 from gains of \$644 million, net of related adjustments, in 2008.

We manage our investment portfolio using disciplined Asset/Liability Management principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing, net of income tax, risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our

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portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. Other invested asset classes including, but not limited to equity securities, other limited partnership interests and real estate and real estate joint ventures provide additional diversification and opportunity for long term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currencies, credit spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our unique mix of products and business segments.

The composition of the investment portfolio of each business segment is tailored to the unique characteristics of its insurance liabilities, causing certain portfolios to be shorter in duration and others to be longer in duration. Accordingly, certain portfolios are more heavily weighted in fixed maturity securities, or certain sub-sectors of fixed maturity securities, than other portfolios.

Investments are purchased to support our insurance liabilities and not to generate net investment gains and losses. However, net investment gains and losses are generated and can change significantly from period to period, due to changes in external influences including movements in interest rates, foreign currencies and credit spreads, counterparty specific factors such as financial performance, credit rating and collateral valuation, and internal factors such as portfolio rebalancing that can generate gains and losses. As an investor in the fixed income, equity security, mortgage loan and certain other invested asset classes, we are exposed to the above stated risks, which can lead to both impairments and credit-related losses.

The unfavorable variance in net investment gains (losses) of \$5.2 billion, net of related adjustments, was primarily driven by losses on freestanding derivatives, partially offset by gains on embedded derivatives associated with variable annuity minimum benefit guarantees, and decreased losses on fixed maturity securities. The negative change in freestanding derivatives, from gains in the prior year to losses in the current year, was primarily attributable to the effect of rising interest rates on certain interest rate sensitive derivatives that are economic hedges of certain invested assets and insurance liabilities; weakening U.S. Dollar on certain foreign currency sensitive derivatives, and equity market and interest rate derivatives that are economic hedges of embedded derivatives. Losses on embedded derivatives decreased from losses to gains and were driven primarily by rising interest rates and improving equity market performance. The gains were net of losses attributable to a narrowing of the Company's own credit spread. Losses on the freestanding derivatives hedging these embedded derivatives risks substantially offset the change in the liabilities attributable to market factors, excluding the adjustment for the change in the Company's own credit spread, which is not hedged. The decrease in losses on fixed maturity securities is primarily attributable to lower net losses on sales of fixed maturity securities, partially offset by increased impairments due to the current financial market conditions, although this trend lessened in the latter part of 2009.

As more fully described in the discussion of performance measures above, operating earnings is the measure of segment profit or loss we use to evaluate performance and allocate resources. Consistent with GAAP accounting guidance for segment reporting, it is our measure of performance, as reported below. Operating earnings is not determined in accordance with GAAP and should not be viewed as a substitute for GAAP income (loss) from continuing operations, net of income tax. We believe that the presentation of operating earnings enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings available to common shareholders decreased by \$329 million to \$2.4 billion in 2009 from \$2.7 billion in 2008.



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**Reconciliation of income (loss) from continuing operations, net of income tax, to operating earnings available to common shareholders**  
**Year Ended December 31, 2009**

	<b>Insurance Products</b>	<b>Retirement Products</b>	<b>Corporate Benefit Funding</b>	<b>Auto &amp; Home</b>	<b>International</b>	<b>Banking Corporate &amp; Other</b>	<b>Total</b>
	(In millions)						
Income (loss) from continuing operations, net of income tax	\$ (418)	\$ (367)	\$ (841)	\$ 321	\$ (280)	\$ (733)	\$ (2,318)
Less: Net investment gains (losses)	(2,258)	(1,606)	(2,260)	(2)	(903)	(743)	(7,772)
Less: Other adjustments to continuing operations	(139)	522	123		(206)	(16)	284
Less: Provision for income tax (expense) benefit	837	380	745	1	366	354	2,683
Operating earnings	\$ 1,142	\$ 337	\$ 551	\$ 322	\$ 463	(328)	2,487
Less: Preferred stock dividends						122	122
Operating earnings available to common shareholders						\$ (450)	\$ 2,365

**Year Ended December 31, 2008**

	<b>Insurance Products</b>	<b>Retirement Products</b>	<b>Corporate Benefit Funding</b>	<b>Auto &amp; Home</b>	<b>International</b>	<b>Banking Corporate &amp; Other</b>	<b>Total</b>
	(In millions)						
Income (loss) from continuing operations, net of income tax	\$ 2,195	\$ 382	\$ (97)	\$ 275	\$ 553	\$ 173	\$ 3,481
Less: Net investment gains (losses)	1,558	901	(1,629)	(134)	169	947	1,812
Less: Other adjustments to continuing operations	(193)	(612)	74		52	17	(662)
Less: Provision for income tax (expense) benefit	(480)	(100)	545	46	(147)	(352)	(488)

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Operating earnings	\$ 1,310	\$ 193	\$ 913	\$ 363	\$ 479	(439)	2,819
Less: Preferred stock dividends						125	125
Operating earnings available to common shareholders						\$ (564)	\$ 2,694

**Reconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses  
Year Ended December 31, 2009**

	<b>Insurance Products</b>	<b>Retirement Products</b>	<b>Corporate Benefit Funding</b>	<b>Auto &amp; Home</b>	<b>International</b>	<b>Banking Corporate &amp; Other</b>	<b>Total</b>
			(In millions)				
Total revenues	\$ 23,483	\$ 3,543	\$ 5,669	\$ 3,113	\$ 4,383	\$ 867	\$ 41,058
Less: Net investment gains (losses)	(2,258)	(1,606)	(2,260)	(2)	(903)	(743)	(7,772)
Less: Adjustments related to net investment gains (losses)	(27)						(27)
Less: Other adjustments to revenues	(74)	(217)	187		(169)	22	(251)
Total operating revenues	\$ 25,842	\$ 5,366	\$ 7,742	\$ 3,115	\$ 5,455	\$ 1,588	\$ 49,108
Total expenses	\$ 24,165	\$ 4,108	\$ 6,982	\$ 2,697	\$ 4,868	\$ 2,571	\$ 45,391
Less: Adjustments related to net investment gains (losses)	39	(739)					(700)
Less: Other adjustments to expenses	(1)		64		37	38	138
Total operating expenses	\$ 24,127	\$ 4,847	\$ 6,918	\$ 2,697	\$ 4,831	\$ 2,533	\$ 45,953

**Year Ended December 31, 2008**

	<b>Insurance Products</b>	<b>Retirement Products</b>	<b>Corporate Benefit Funding</b>	<b>Auto &amp; Home</b>	<b>International</b>	<b>Banking Corporate &amp; Other</b>	<b>Total</b>
			(In millions)				
Total revenues	\$ 26,754	\$ 5,630	\$ 7,559	\$ 3,061	\$ 6,001	\$ 1,979	\$ 50,984
Less: Net investment gains (losses)	1,558	901	(1,629)	(134)	169	947	1,812

Less: Adjustments related to net investment gains (losses)	18						18
Less: Other adjustments to revenues	(1)	(35)	45		69	13	91
Total operating revenues	\$ 25,179	\$ 4,764	\$ 9,143	\$ 3,195	\$ 5,763	\$ 1,019	\$ 49,063
Total expenses	\$ 23,418	\$ 5,049	\$ 7,735	\$ 2,728	\$ 5,044	\$ 1,949	\$ 45,923
Less: Adjustments related to net investment gains (losses)	262	577					839
Less: Other adjustments to expenses	(52)		(29)		17	(4)	(68)
Total operating expenses	\$ 23,208	\$ 4,472	\$ 7,764	\$ 2,728	\$ 5,027	\$ 1,953	\$ 45,152

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The volatile market conditions that began in 2008 and continued into 2009 impacted several key components of our operating earnings available to common shareholders including net investment income, hedging costs, and certain market sensitive expenses. The markets also positively impacted our operating earnings available to common shareholders as conditions began to improve during 2009, resulting in lower DAC and DSI amortization.

A \$722 million decline in net investment income was the result of decreasing yields, including the effects of our higher quality, more liquid, but lower yielding investment position in response to the extraordinary market conditions. The impact of declining yields caused a \$1.6 billion decrease in net investment income, which was partially offset by an increase of \$846 million due to growth in average invested assets calculated excluding unrealized gains and losses. The decrease in yields resulted from the disruption and dislocation in the global financial markets experienced in 2008, which continued, but moderated, in 2009. The adverse yield impact was concentrated in the following four invested asset classes:

Fixed maturity securities primarily due to lower yields on floating rate securities from declines in short-term interest rates and an increased allocation to lower yielding, higher quality, U.S. Treasury, agency and government guaranteed securities, to increase liquidity in response to the extraordinary market conditions, as well as decreased income on our securities lending program, primarily due to the smaller size of the program in the current year. These adverse impacts were offset slightly as conditions improved late in 2009 and we began to reallocate our portfolio to higher-yielding assets;

Real estate joint ventures primarily due to declining property valuations on certain investment funds that carry their real estate at estimated fair value and operating losses incurred on properties that were developed for sale by development joint ventures;

Cash, cash equivalents and short-term investments primarily due to declines in short-term interest rates; and

Mortgage loans primarily due to lower prepayments on commercial mortgage loans and lower yields on variable rate loans reflecting declines in short-term interest rates.

Equity markets experienced some recovery in 2009, which led to improved yields on other limited partnership interests. As many of our products are interest spread-based, the lower net investment income was significantly offset by lower interest credited expense on our investment and insurance products.

The financial market conditions also resulted in a \$348 million increase in net guaranteed annuity benefit costs in our Retirement Products segment, as increased hedging losses were only partially offset by lower guaranteed benefit costs.

The key driver of the increase in other expenses stemmed from the impact of market conditions on certain expenses, primarily pension and postretirement benefit costs, reinsurance expenses and letter of credit fees. These increases coupled with higher variable costs, such as commissions and premium taxes, some of which have been capitalized, more than offset the favorable impact of lower information technology, travel, professional services and advertising expenses, which include the impact of our Operational Excellence initiative.

The market improvement which began in the second quarter of 2009 was a key factor in the determination of our expected future gross profits, the increase of which triggered a decrease in DAC and DSI amortization, most significantly in the Retirement Products segment. The increase in our expected future gross profits stemmed primarily from an increase in the market value of our separate account balances, which is attributable, in part, to the improving financial markets. Our Insurance Products segment benefited, in the current year, from an increase in amortization of unearned revenue, primarily as a result of our annual review of assumptions that are used in the determination of the amount of amortization recognized. These collective changes in amortization resulted in a \$720 million benefit, partially offsetting the declines in operating earnings available to common shareholders discussed above.

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A portion of the decline in operating earnings available to common shareholders was caused by a \$200 million reduction in the results of our closed block of business, a specific group of participating life policies that were segregated in connection with the demutualization of MLIC. Until early 2009, the operating earnings of the closed block did not have a full impact on operating earnings as the operating earnings or loss was partially offset by a change in the policyholder dividend obligation, a liability established at the time of demutualization. However, in early 2009 the policyholder dividend obligation was depleted and, as a result, the total operating earnings or loss related to the closed block for the year ended December 31, 2009 was, and in the future may be a component of operating earnings.

Business growth, from the majority of our businesses, along with net favorable mortality experience, had a positive impact on operating earnings available to common shareholders. These impacts were somewhat dampened by higher benefit utilization in our dental business and mixed claim activity in our Auto & Home segment. In addition, our forward and reverse residential mortgage platform acquisitions in late 2008 benefited Banking, Corporate & Other's 2009 results.

**Insurance Products**

	Years Ended December 31,			% Change
	2009	2008 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 17,168	\$ 16,402	\$ 766	4.7%
Universal life and investment-type product policy fees	2,281	2,171	110	5.1%
Net investment income	5,614	5,787	(173)	(3.0)%
Other revenues	779	819	(40)	(4.9)%
Total operating revenues	25,842	25,179	663	2.6%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	19,111	18,183	928	5.1%
Interest credited to policyholder account balances	952	930	22	2.4%
Capitalization of DAC	(873)	(849)	(24)	(2.8)%
Amortization of DAC and VOBA	725	743	(18)	(2.4)%
Interest expense	6	5	1	20.0%
Other expenses	4,206	4,196	10	0.2%
Total operating expenses	24,127	23,208	919	4.0%
Provision for income tax expense (benefit)	573	661	(88)	(13.3)%
Operating earnings	\$ 1,142	\$ 1,310	\$ (168)	(12.8)%

Unfavorable market conditions, which continued through 2009, provided a challenging business environment for our Insurance Products segment. This resulted in lower net investment income and an increase in market sensitive expenses, primarily pension and postretirement benefit costs. We also experienced higher utilization of dental benefits along with a lower number of recoveries in our disability business. Higher levels of unemployment continued to impact certain group businesses as a decrease in covered payrolls reduced growth. However, revenue growth remained

solid in all of our businesses. Revenue growth in our dental and individual life businesses reflected strong sales and renewals.

The significant components of the \$168 million decline in operating earnings were the aforementioned decline in net investment income, especially in the closed block business, partially offset by an increase in the amortization of unearned revenue, the impact of a reduction in dividends to certain policyholders and favorable mortality in the individual life business.

Until early 2009, the earnings of the closed block did not have a full impact on operating earnings as the earnings or loss was partially offset by a change in the policyholder dividend obligation. However, in early 2009 the policyholder dividend obligation was depleted and, as a result, the total operating earnings or loss related to the closed block for the year ended December 31, 2009 was, and in the future may be, a component of operating earnings. This resulted in a \$200 million decline in operating earnings in 2009.

The decrease in net investment income of \$112 million was primarily due to a \$317 million decrease from lower yields, partially offset by a \$205 million increase from growth in average invested assets. Yields were adversely impacted by the severe downturn in the global financial markets, which primarily impacted other invested assets, real estate joint ventures and fixed maturity securities. In addition, income from our securities lending program decreased primarily due to the smaller size of the program in 2009. The growth in the average invested asset base was primarily from an increase in net flows from our individual life, non-medical health, and group life businesses. The moderate recovery in equity markets in 2009 led to improved yields on other limited partnership interests, which partially offset the overall reduction in yields. To manage the needs of our intermediate to longer-term liabilities, our portfolio consists

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primarily of investment grade corporate fixed maturity securities, structured finance securities (comprised of mortgage and asset-backed securities), mortgage loans, and U.S. Treasury, agency and government guaranteed fixed maturity securities and, to a lesser extent, certain other invested asset classes including real estate joint ventures and other invested assets to provide additional diversification and opportunity for long-term yield enhancement.

Other expenses were essentially flat despite an increase of \$137 million from the impact of market conditions on certain expenses, primarily pension and postretirement benefit costs. This increase was partially offset by a decrease of \$85 million, predominantly from declines in information technology, travel, and professional services, including the positive impact of our Operational Excellence initiative. A further reduction of expenses was achieved through a decrease in variable expenses, such as commissions and premium taxes of \$46 million, a portion of which is offset by DAC capitalization.

The aforementioned declines in operating earnings were partially offset by the favorable impact of a \$63 million decrease in policyholder dividends in the traditional life business, the result of a dividend scale reduction in the fourth quarter of 2009. In addition, favorable mortality in the individual life business was partially offset by higher benefit utilization in the dental business during 2009, reflecting the negative employment trends in the marketplace. The net impact of these two items benefited operating earnings by \$36 million. The 2009 results were also favorably impacted by our review of assumptions used to determine estimated gross profits and margins, which in turn are factors in determining the amortization for DAC and unearned revenue. This review resulted in an unlocking event related to unearned revenue and, coupled with the impact from the prior year's review, generated an increase in operating earnings of \$82 million. This increase was recorded in universal life and investment-type product policy fees. Partially offsetting these increases was the impact of lower separate account balances, which resulted in lower fee income of \$25 million.

DAC amortization reflects lower current year amortization of \$108 million, stemming from the impact of the improvement in the financial markets in 2009, which increased our expected future gross profits, as well as lower current year gross margins in the closed block. This decrease was partially offset by the net impact of refinements in both the prior and current years of \$98 million, the majority of which was recorded in the prior year as a result of the 2008 review of certain DAC related assumptions.

**Retirement Products**

	Years Ended December 31,			% Change
	2009	2008 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 623	\$ 361	\$ 262	72.6%
Universal life and investment-type product policy fees	1,712	1,870	(158)	(8.4)%
Net investment income	2,859	2,365	494	20.9%
Other revenues	172	168	4	2.4%
Total operating revenues	5,366	4,764	602	12.6%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	1,398	692	706	102.0%
Interest credited to policyholder account balances	1,687	1,337	350	26.2%
Capitalization of DAC	(1,067)	(980)	(87)	(8.9)%
Amortization of DAC and VOBA	424	1,356	(932)	(68.7)%
Interest expense		2	(2)	(100.0)%

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Other expenses	2,405	2,065	340	16.5%
Total operating expenses	4,847	4,472	375	8.4%
Provision for income tax expense (benefit)	182	99	83	83.8%
Operating earnings	\$ 337	\$ 193	\$ 144	74.6%

In 2009, Retirement Products benefited from a flight to quality, which contributed to a 10% improvement in combined sales of our fixed and variable products and a 28% reduction in surrenders and withdrawals. Our variable annuity sales have out paced the industry, increasing our market share. Fixed annuity sales benefited from enhanced marketing on our income annuity with life contingency products, which increased our premium revenues by \$262 million, or 73%, before income taxes. In the annuity business, the movement in premiums is almost entirely offset by the related change in policyholder benefits, as the insurance liability that we establish at the time we assume the risk under these contracts is typically equivalent to the premium earned less the amount of acquisition expenses. Our average policyholder account balances grew by \$7.2 billion in 2009, primarily due to an increase in sales of fixed annuity products and more customers electing the fixed option on variable annuity sales. This has a favorable impact on earnings by increasing net investment income, which is somewhat offset by higher interest credited expense. Unfavorable market conditions resulted in poor investment performance, which outweighed the impact of higher variable annuity sales on our separate account balances causing the average separate account balance to remain lower than the previous year. This resulted in lower policy fees and other revenues which are based on daily asset balances in the policyholder separate accounts.



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The improvement in the financial markets was the primary driver of the \$144 million increase in operating earnings, with the largest impact resulting in a decrease in DAC, VOBA and DSI amortization of \$655 million. The 2008 results reflected increased, or accelerated, amortization primarily stemming from a decline in the market value of our separate account balances. A factor that determines the amount of amortization is expected future earnings, which in the annuity business are derived, in part, from fees earned on separate account balances. The market value of our separate account balances declined significantly in 2008, resulting in a decrease in the expected future gross profits, triggering an acceleration of amortization in 2008. Beginning in the second quarter of 2009, the market conditions began to improve and the market value of our separate account balances began to increase, resulting in an increase in the expected future gross profits and a corresponding lower level of amortization in 2009.

Also contributing to the increase in operating earnings was an increase in net investment income of \$321 million, which was primarily due to a \$343 million increase from growth in average invested assets, partially offset by a \$22 million decrease in yields. The increase in average invested assets was due to increased cash flows from the sales of fixed annuity products and more customers electing the fixed option on variable annuity sales, which were reinvested primarily in fixed maturity securities, other invested assets and mortgage loans. Yields were adversely impacted by the severe downturn in the global financial markets which primarily impacted real estate joint ventures, fixed maturity securities and cash, cash equivalents and short-term investments. The moderate improvement in the equity markets in 2009 led to an increase in yields on other limited partnership interests and certain other invested assets, which partially offset the overall reduction in yields. To manage the needs of our intermediate to longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, structured finance securities, mortgage loans and U.S. Treasury, agency and government guaranteed fixed maturity securities and, to a lesser extent, certain other invested asset classes, including real estate joint ventures in order to provide additional diversification and opportunity for long-term yield enhancement. As is typically the case with fixed annuity products, higher net investment income was somewhat offset by higher interest credited expense. Growth in our fixed annuity policyholder account balances increased interest credited expense by \$177 million in 2009 and higher average crediting rates on fixed annuities increased interest credited expense by \$37 million.

Operating earnings were negatively impacted by \$348 million of operating losses related to the hedging programs for variable annuity minimum death and income benefit guarantees, which are not embedded derivatives, partially offset by a decrease in the liability established for these variable annuity guarantees. The various hedging strategies in place to offset the risk associated with these variable annuity guarantee benefits were more sensitive to market movements than the liability for the guaranteed benefit. Market volatility, improvements in the equity markets, and higher interest rates produced operating losses on these hedging strategies in the current year. Our hedging strategies, which are a key part of our risk management, performed as anticipated. The decrease in annuity guarantee benefit liabilities was due to the improvement in the equity markets, higher interest rates and the annual unlocking of future market expectations.

Other expenses increased by \$221 million primarily due to an increase of \$122 million from the impact of market conditions on certain expenses. These expenses are largely comprised of reinsurance costs, pension and postretirement benefit expenses, and letter of credit fees. In addition, variable expenses, such as commissions and premium taxes, increased \$76 million, the majority of which have been offset by DAC capitalization. The positive impact of our Operational Excellence initiative was reflected in lower information technology, travel, professional services and advertising expenses, but was more than offset by increases largely due to business growth.

Finally, policy fees and other revenues decreased by \$100 million, mainly due to lower average separate account balances in the current year versus prior year.

**Table of Contents****Corporate Benefit Funding**

	Years Ended December 31,			% Change
	2009	2008 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 2,561	\$ 2,683	\$ (122)	(4.5)%
Universal life and investment-type product policy fees	176	227	(51)	(22.5)%
Net investment income	4,766	5,874	(1,108)	(18.9)%
Other revenues	239	359	(120)	(33.4)%
Total operating revenues	7,742	9,143	(1,401)	(15.3)%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	4,797	4,977	(180)	(3.6)%
Interest credited to policyholder account balances	1,633	2,298	(665)	(28.9)%
Capitalization of DAC	(14)	(18)	4	22.2%
Amortization of DAC and VOBA	15	29	(14)	(48.3)%
Interest expense	3	2	1	50.0%
Other expenses	484	476	8	1.7%
Total operating expenses	6,918	7,764	(846)	(10.9)%
Provision for income tax expense (benefit)	273	466	(193)	(41.4)%
Operating earnings	\$ 551	\$ 913	\$ (362)	(39.6)%

Corporate Benefit Funding benefited in certain markets in 2009 as a flight to quality helped drive our increase in market share, especially in the structured settlement business, where we experienced a 53% increase in premiums. Our pension closeout business in the United Kingdom continues to expand and experienced premium growth during 2009 of almost \$400 million, or 105% before income taxes. However, this growth was more than offset by a decline in our domestic pension closeout business driven by unfavorable market conditions and regulatory changes. A combination of poor equity returns and lower interest rates have contributed to pension plans being under funded, which reduces our customers' flexibility to engage in transactions such as pension closeouts. Our customers' plans funded status may be affected by a variety of factors, including the ongoing phased implementation of the Pensions Protection Act of 2006. For each of these businesses, the movement in premiums is almost entirely offset by the related change in policyholder benefits. The insurance liability that is established at the time we assume the risk under these contracts is typically equivalent to the premium earned.

Market conditions also contributed to a lower demand for several of our investment-type products. The decrease in sales of these investment-type products is not necessarily evident in our results of operations as the transactions related to these products are recorded through the balance sheet. Our funding agreement products, primarily the London Inter-Bank Offer Rate ( LIBOR ) based contracts, experienced the most significant impact from the volatile market conditions. As companies seek greater liquidity, investment managers are refraining from repurchasing the contracts when they mature and are opting for more liquid investments. In addition, unfavorable market conditions continued to impact the demand for global guaranteed interest contracts, a type of funding agreement.

Policyholder account balances for our investment-type products were down by approximately \$10 billion during 2009, as issuances were more than offset by scheduled maturities. However, due to the timing of issuances and maturities, the average policyholder account balances and liabilities increased from 2008 to 2009. The impact of the decrease in policyholder account balances resulted in lower net investment income, which was somewhat offset by lower interest credited expense.

The primary driver of the \$362 million decrease in operating earnings was lower net investment income of \$720 million reflecting a \$732 million decrease from lower yields and a \$12 million increase due to growth in average invested assets. Yields were adversely impacted by the severe downturn in the global financial markets which impacted real estate joint ventures, fixed maturity securities, other invested assets and mortgage loans. In addition, income from our securities lending program decreased, primarily due to the smaller size of the program during the year. To manage the needs of our longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, mortgage loans, U.S. Treasury, agency and government guaranteed securities and, to a lesser extent, certain other invested asset classes including real estate joint ventures in order to provide additional diversification and opportunity for long-term yield enhancement. For our shorter-term obligations, we invest primarily in structured finance securities, mortgage loans and investment grade corporate fixed maturity securities. The yields on these investments have moved consistent with the underlying market indices, primarily LIBOR and Treasury, on which they are based. The growth in the average invested asset base is consistent with the increase in the average policyholder account balances and liabilities.

As many of our products are interest spread-based, the lower net investment income was somewhat offset by lower net interest credited expense of \$382 million. The decrease in interest credited expense is attributed to \$438 million from lower crediting rates. Crediting rates have moved consistent with the underlying market indices, primarily LIBOR, on which they are based. The increase in the average policyholder account balances resulted in a \$56 million increase in interest credited expense.

The year over year decline in operating earnings was also due in part to lower other revenues as the prior year benefited by \$44 million in fees for the cancellation of a bank owned life insurance stable value wrap policy combined with the surrender of a global guaranteed interest contract. In addition, a refinement to a reinsurance recoverable in the small business record keeping line of business in the latter part of 2009 also contributed \$20 million to the decrease in operating earnings.

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Current year results benefited from favorable liability refinements as compared to unfavorable liability refinements in 2008, as well as improved mortality experience in the current year, all in the pension closeouts business. These items improved 2009 operating earnings by approximately \$90 million. Other products generated mortality gains or losses; however, the net change did not have a material impact on our year over year results.

Although our other expenses only increased marginally and are not a significant driver of the decrease in operating earnings, the general themes associated with the increase are consistent with those factors discussed above in the discussion of our consolidated results of operations. Market conditions triggered an increase in our pension and postretirement benefit expenses of \$27 million. In addition, variable expenses, such as commissions and premium taxes, have increased \$8 million. These increases were partially offset by a decrease of \$30 million, primarily in information technology, travel and professional services expenses, all of which were largely due to our Operational Excellence initiative.

**Auto & Home**

	Years Ended December 31,			% Change
	2009	2008 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 2,902	\$ 2,971	\$ (69)	(2.3)%
Net investment income	180	186	(6)	(3.2)%
Other revenues	33	38	(5)	(13.2)%
Total operating revenues	3,115	3,195	(80)	(2.5)%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	1,932	1,924	8	0.4%
Capitalization of DAC	(435)	(444)	9	2.0%
Amortization of DAC and VOBA	436	454	(18)	(4.0)%
Other expenses	764	794	(30)	(3.8)%
Total operating expenses	2,697	2,728	(31)	(1.1)%
Provision for income tax expense (benefit)	96	104	(8)	(7.7)%
Operating earnings	\$ 322	\$ 363	\$ (41)	(11.3)%

Auto & Home was negatively impacted in 2009 by a declining housing market, the deterioration of the new auto sales market and the continuation of credit availability issues, all of which contributed to a decrease in insured exposures in 2009. Average premiums per policy increased slightly for our homeowners policies but decreased for auto policies, primarily as a result of a business shift in insured exposures by state. In particular, we experienced a large decrease in earned exposures in Massachusetts, whose market was impacted by a regulatory change, which resulted in a marked increase in competition.

A return to more normal weather conditions in 2009 resulted in fewer, and less severe, catastrophe events than in 2008. This was more than offset by an increase in both non-catastrophe claim frequencies and non-catastrophe claim severities in 2009.

Mixed claim experience and the impact of lower exposures were the primary drivers of the \$41 million decrease in operating earnings. While we had a \$90 million decrease in catastrophe related losses compared to the prior year, we

also recorded \$68 million less of a benefit in 2009 from favorable development of prior year non-catastrophe losses. Current year claim costs rose primarily as a result of a \$29 million increase in claim frequency from both our auto and homeowners products. In addition, we had a \$15 million net increase in claim severity, stemming from higher severity in our auto line of business that was partially offset by lower severity in our homeowners line of business. In 2009, we experienced a decline in insured exposures, which contributed approximately \$16 million to the decrease in operating earnings. While this decrease in exposures had a positive impact on the amount of claims, it was more than offset by the negative impact on premiums. The decrease in exposures is largely attributable to slightly higher non-renewal rates, partially offset by greater sales of new policies. Also contributing to the decline in earnings was a decrease of \$9 million in the average premium per policy, which is primarily due to a shift in earned exposures to lower average premium states and an increase of \$10 million in loss adjustment expenses, primarily related to a decrease in unallocated loss adjusting expense liabilities at the end of 2008.

The impact of the items discussed above can be seen in the unfavorable change in the combined ratio, excluding catastrophes, to 88.9% in 2009 from 83.1% in 2008 and the unfavorable change in the combined ratio, including catastrophes, to 92.3% in 2009 from 91.2% in 2008.

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A \$25 million decrease in other expenses, including the net change in DAC, partially offset the declines in operating earnings discussed above. This improvement resulted from decreases in sales related expenses and from minor fluctuations in a number of expense categories, a portion of which is due to our Operational Excellence initiative.

Also contributing to the decrease in operating earnings was a decline in net investment income of \$4 million which was primarily due to a \$9 million decrease from a decline in average invested assets, partially offset by an increase of \$5 million due to improved yields.

**International**

	Years Ended December 31,			% Change
	2009	2008	Change (In millions)	
<b>Operating Revenues</b>				
Premiums	\$ 3,187	\$ 3,470	\$ (283)	(8.2)%
Universal life and investment-type product policy fees	1,061	1,095	(34)	(3.1)%
Net investment income	1,193	1,180	13	1.1%
Other revenues	14	18	(4)	(22.2)%
Total operating revenues	5,455	5,763	(308)	(5.3)%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	2,660	3,185	(525)	(16.5)%
Interest credited to policyholder account balances	581	171	410	239.8%
Capitalization of DAC	(630)	(798)	168	21.1%
Amortization of DAC and VOBA	415	381	34	8.9%
Interest expense	8	9	(1)	(11.1)%
Other expenses	1,797	2,079	(282)	(13.6)%
Total operating expenses	4,831	5,027	(196)	(3.9)%
Provision for income tax expense (benefit)	161	257	(96)	(37.4)%
Operating earnings	\$ 463	\$ 479	\$ (16)	(3.3)%

An improvement in the global financial markets has contributed to a recovery of sales in the majority of our International regions and has resulted in improved investment performance in some regions during the second half of 2009. Sales in our Asia Pacific region are down primarily from a decrease in variable annuity sales in Japan, primarily as a result of pricing actions we took during the latter half of 2009. This decline was somewhat offset by growth in South Korea's fixed annuities product and an increase of variable universal life sales, which are indications that markets are beginning to recover. We experienced growth in the pension, group life, and medical businesses of our Latin America region, specifically in Mexico. Our EMEI region continues to have strong growth in the European variable annuity business. As we continue to focus on our business in India, we have made significant investments in our distribution capabilities.

The reduction in operating earnings includes the adverse impact of changes in foreign currency exchange rates in 2009 as the U.S. Dollar strengthened against the various foreign currencies. This decreased operating earnings by

\$99 million in 2009 relative to 2008. Excluding the impact of changes in foreign currency exchange rates, operating earnings increased \$83 million, or 22%, from the prior year. This increase was primarily driven by higher operating earnings of \$184 million in our Asia Pacific region, while operating earnings from our Latin America and EMEI regions decreased by \$83 million and \$18 million, respectively.

*Asia Pacific Region.* Improving financial market conditions was the primary driver of the increase in operating earnings. Net investment income in the region increased by \$422 million due to an increase of \$278 million from improved yields on our investment portfolio, \$111 million from the change in results of operating joint ventures, and \$33 million from an increase in average invested assets. The increase in yields was primarily due to higher income of \$277 million on the trading securities portfolio, stemming from equity markets experiencing some recovery in 2009. As our trading securities portfolio backs unit-linked policyholder liabilities, this increase in income was entirely offset by a corresponding increase in interest credited expense. The income of the Japan joint venture improved by \$103 million due to favorable investment results and lower amortization of DAC and VOBA. The decrease in DAC and VOBA amortization was primarily due to an increase in the market value of the joint venture's separate account balances, which is directly tied to the improving financial markets. A factor that determines the amount of DAC and VOBA amortization is expected future fees earned on separate account balances. Since the market value of separate account balances have increased, it is expected that future earnings on this block of business will be higher than previously anticipated. As a result, the amortization of DAC and VOBA was less in the current year.

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Operating earnings in this region also benefited from higher surrender charges of \$16 million. Difficult economic conditions in Korea during the first half of the year resulted in a higher level of surrenders. Growth in our Japan reinsurance business and an increase in reinsurance rates contributed \$21 million to the increase in operating earnings. In addition, the favorable impact of a reduction in the liability for our variable annuity guarantees contributed \$22 million to operating earnings. The change in the liability was primarily due to an increase in separate account balances in the Japan joint venture. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios use best estimate assumptions consistent with those used to amortize DAC. Because separate account balances have had positive returns relative to the prior year, current estimates of future benefits are lower than that previously projected which resulted in a decrease in this liability in the current period. Partially offsetting these increases, higher DAC amortization of \$49 million resulted from business growth and favorable investment results.

*Latin America Region.* The decrease in operating earnings was primarily driven by lower net investment income. Net investment income decreased by \$297 million due to a decrease of \$383 million from lower yields, partially offset by an increase of \$86 million due to an increase in average invested assets. The decrease in yields was due, in part, to the impact of changes in assumptions for measuring the effects of inflation on certain inflation-indexed fixed maturity securities. This decrease was partially offset by a reduction of \$221 million in the related insurance liability primarily due to lower inflation. The increase in net investment income attributable to an increase in average invested assets was primarily due to business growth and, as such, was largely offset by increases in policyholder benefits and interest credited expense.

Higher claim experience in Mexico resulted in a \$45 million decline in operating earnings. The nationalization and reform of the pension business in Argentina impacted both the current year and prior year earnings, resulting in a net \$36 million decline in operating earnings. In addition, operating earnings decreased due to a net income tax increase of \$8 million in Mexico, resulting from a change in assumption regarding the repatriation of earnings, partially offset by the favorable impact of a lower effective tax rate in 2009.

Partially offsetting these decreases in operating earnings was the combination of growth in Mexico's individual and institutional businesses and higher premium rates in its institutional business, which increased operating earnings by \$51 million. Pesification in Argentina impacted both the current year and prior year earnings, resulting in a net \$73 million increase in operating earnings. This benefit was largely due to a reassessment of our approach in managing existing and potential future claims related to certain social security pension annuity contract holders in Argentina resulting in a liability release. Lower expenses of \$8 million resulted primarily from the impact of operational efficiencies achieved through our Operational Excellence initiative.

*EMEI Region.* The impact of foreign currency transaction gains and a tax benefit, both of which occurred in the prior year, contributed \$12 million to the decline in operating earnings. Our investment of \$9 million in our distribution capability and growth initiatives in 2009 also reduced operating earnings. There was an increase in net investment income of \$76 million, which was due to an increase of \$65 million from an improvement in yields and \$11 million from an increase in average invested assets. The increase in yields was primarily due to favorable results on the trading securities portfolio, stemming from the equity markets experiencing some recovery in 2009. As our trading portfolio backs unit-linked policyholder liabilities, the trading portfolio results were entirely offset by a corresponding increase in interest credited expense. The increase in net investment income attributable to an increase in average invested assets was primarily due to business growth and was largely offset by increases in policyholder benefits and interest credited expense, also due to business growth.



**Table of Contents****Banking, Corporate & Other**

	Years Ended December 31,			% Change
	2009	2008 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 19	\$ 27	\$ (8)	(29.6)%
Net investment income	477	808	(331)	(41.0)%
Other revenues	1,092	184	908	493.5%
Total operating revenues	1,588	1,019	569	55.8%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	4	46	(42)	(91.3)%
Interest credited to policyholder account balances		7	(7)	(100.0)%
Interest credited to bank deposits	163	166	(3)	(1.8)%
Capitalization of DAC		(3)	3	(100.0)%
Amortization of DAC and VOBA	3	5	(2)	(40.0)%
Interest expense	1,027	1,033	(6)	(0.6)%
Other expenses	1,336	699	637	91.1%
Total operating expenses	2,533	1,953	580	29.7%
Provision for income tax expense (benefit)	(617)	(495)	(122)	(24.6)%
Operating earnings	(328)	(439)	111	25.3%
Preferred stock dividends	122	125	(3)	(2.4)%
Operating earnings available to common shareholders	\$ (450)	\$ (564)	\$ 114	20.2%

Banking, Corporate & Other recognized the full year impact of our forward and reverse residential mortgage platform acquisitions, a strong residential mortgage refinance market, healthy growth in the reverse mortgage arena, and a favorable interest spread environment. Our forward and reverse residential mortgage production of \$37.4 billion in 2009 is up 484% compared to 2008 production. The increase in mortgage production drove higher investments in residential mortgage loans held-for-sale and mortgage servicing rights. At December 31, 2009, our residential mortgage loans servicing portfolio was \$64.1 billion comprised of agency (FNMA, FHLMC, and GNMA) portfolios. Transaction and time deposits, which provide a relatively stable source of funding and liquidity and are used to fund loans and fixed income securities purchases, grew 48% in 2009 to \$10.2 billion. Borrowings decreased 10% in 2009 to \$2.4 billion. During 2009, we participated in the Federal Reserve Bank of New York Term Auction Facility, which provided short term liquidity with low funding costs.

In response to the economic crisis and unusual financial market events that occurred in 2008 and continued into 2009, we decided to utilize excess debt capacity. The Holding Company completed three debt issuances in 2009. The Holding Company issued \$397 million of floating rate senior notes in March 2009, \$1.3 billion of senior notes in May 2009, and \$500 million of junior subordinated debt securities in July 2009. In February 2009, in connection with the initial settlement of the stock purchase contracts issued as part of the common equity units sold in June 2005, the

Holding Company issued common stock for \$1.0 billion. The proceeds from these equity and debt issuances were used for general corporate purposes and have resulted in increased investments and cash and cash equivalents held within Banking, Corporate & Other.

Operating earnings available to common shareholders improved by \$114 million, of which \$254 million was due to MetLife Bank and its acquisitions of a residential mortgage origination and servicing business and a reverse mortgage business, both during 2008. Excluding the impact of MetLife Bank, our operating earnings available to common shareholders decreased \$140 million, primarily due to lower net investment income, partially offset by the impact of a lower effective tax rate. The lower effective tax rate provided an increased benefit of \$139 million from the prior year. This benefit was the result of a partial settlement of certain prior year tax audit issues and increased utilization of tax preferenced investments, which provide tax credits and deductions.

Excluding a \$68 million increase from MetLife Bank, net investment income decreased \$283 million, which was primarily due a decrease of \$287 million due to lower yields, partially offset by an increase of \$4 million due to an increase in average invested assets. Consistent with the consolidated results of operations discussion above, yields were adversely impacted by the severe downturn in the global financial markets, which primarily impacted fixed maturity securities and real estate joint ventures. The increased average invested asset base was due to cash flows from debt issuances during 2009. Our investments primarily include structured finance securities, investment grade corporate fixed maturity securities, U.S. Treasury, agency and government guaranteed fixed maturity securities and mortgage loans. In addition, our investment portfolio includes the excess capital not allocated to the segments. Accordingly, it includes a higher allocation to certain other invested asset classes to provide additional diversification and opportunity for long-term yield enhancement including leveraged leases, other limited partnership interests, real estate, real estate joint ventures and equity securities.

After excluding the impact of a \$394 million increase from MetLife Bank, other expenses increased by \$20 million. Deferred compensation costs, which are tied to equity market performance, were higher due to a significant market rebound. We also had an increase in costs associated with the implementation of our Operational Excellence initiative. These increases were partially offset by lower postemployment related costs and corporate-related expenses, specifically legal costs. Legal costs were lower largely due to the prior year commutation of asbestos policies. In addition, interest expense declined slightly as a result of rate reductions on variable rate collateral financing arrangements offset by debt issuances in 2009 and 2008.

**Table of Contents****Consolidated Results of Operations****Year Ended December 31, 2008 compared with the Year Ended December 31, 2007**

	Years Ended December 31,		Change	% Change
	2008	2007 (In millions)		
<b>Revenues</b>				
Premiums	\$ 25,914	\$ 22,970	\$ 2,944	12.8%
Universal life and investment-type product policy fees	5,381	5,238	143	2.7%
Net investment income	16,291	18,057	(1,766)	(9.8)%
Other revenues	1,586	1,465	121	8.3%
Net investment gains (losses)	1,812	(578)	2,390	413.5%
Total revenues	50,984	47,152	3,832	8.1%
<b>Expenses</b>				
Policyholder benefits and claims and policyholder dividends	29,188	25,506	3,682	14.4%
Interest credited to policyholder account balances	4,788	5,461	(673)	(12.3)%
Interest credited to bank deposits	166	200	(34)	(17.0)%
Capitalization of DAC	(3,092)	(3,064)	(28)	(0.9)%
Amortization of DAC and VOBA	3,489	2,250	1,239	55.1%
Interest expense	1,051	897	154	17.2%
Other expenses	10,333	10,122	211	2.1%
Total expenses	45,923	41,372	4,551	11.0%
Income before provision for income tax	5,061	5,780	(719)	(12.4)%
Provision for income tax expense (benefit)	1,580	1,675	(95)	(5.7)%
Income (loss) from continuing operations, net of income tax	3,481	4,105	(624)	(15.2)%
Income (loss) from discontinued operations, net of income tax	(203)	360	(563)	(156.4)%
Net income (loss)	3,278	4,465	(1,187)	(26.6)%
Less: Net income (loss) attributable to noncontrolling interests	69	148	(79)	(53.4)%
Net income (loss) attributable to MetLife, Inc.	3,209	4,317	(1,108)	(25.7)%
Less: Preferred stock dividends	125	137	(12)	(8.8)%
Net income (loss) available to MetLife, Inc. s common shareholders	\$ 3,084	\$ 4,180	\$ (1,096)	(26.2)%

Unless otherwise stated, all amounts are net of income tax.

During the year ended December 31, 2008, MetLife's income (loss) from continuing operations, net of income tax, decreased \$624 million to \$3.5 billion from \$4.1 billion in the comparable 2007 period. The year over year change was predominantly due to a \$1.9 billion decrease in operating earnings available to common shareholders. Partially offsetting this decline was a \$1.1 billion favorable change in net investment gains (losses) to gains of \$644 million, net of related adjustments, in 2008 from losses of \$438 million, net of related adjustments, in 2007.

Beginning in the third quarter of 2008, there was unprecedented disruption and dislocation in the global financial markets that caused extreme volatility in the equity, credit and real estate markets. This adversely impacted net investment income as market yields decreased and portfolio yields decreased from an increased allocation to lower yielding, more liquid investments. The adverse impact on net investment gains (losses) from increased impairments and credit-related realized losses was more than offset by favorable market value changes in derivative instruments.

The increase in net investment gains of \$1.1 billion, net of related adjustments, was primarily driven by increased gains on freestanding derivatives, partially offset by increased losses on embedded derivatives primarily associated with variable annuity minimum benefit guarantees, and increased impairment losses on fixed maturity securities and equity securities. The increased gains on freestanding derivatives were from certain interest sensitive derivatives that are economic hedges of certain invested assets and liabilities; gains from foreign currency derivatives primarily due to the U.S. Dollar strengthening; and gains from equity and interest rate derivatives that are economic hedges of embedded derivatives. Losses on embedded derivatives increased and were driven by declining interest rates and poor equity market performance, and were net of gains attributable to a widening in the Company's own credit spread. The gains on freestanding derivatives hedging these embedded derivative risks substantially offset the change in the liabilities attributable to market factors, excluding the adjustment for the change in the Company's own credit spread, which is not hedged. The increased impairment losses on fixed maturity and equity securities were primarily associated with financial services industry holdings due to the stress in the global financial markets, as well as other credit-related impairments due to the lack of intent to hold or uncertainty on intent to hold certain securities until recovery of market value declines.

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Operating earnings available to common shareholders decreased by \$1.9 billion to \$2.7 billion in 2008 from \$4.6 billion in 2007.

**Reconciliation of income (loss) from continuing operations, net of income tax, to operating earnings available to common shareholders**

**Year Ended December 31, 2008**

	<b>Insurance Products</b>	<b>Retirement Products</b>	<b>Corporate Benefit Funding</b>	<b>Auto &amp; Home</b>	<b>International</b>	<b>Banking Corporate &amp; Other</b>	<b>Total</b>
	(In millions)						
Income (loss) from continuing operations, net of income tax	\$ 2,195	\$ 382	\$ (97)	\$ 275	\$ 553	\$ 173	\$ 3,481
Less: Net investment gains (losses)	1,558	901	(1,629)	(134)	169	947	1,812
Less: Other adjustments to continuing operations	(193)	(612)	74		52	17	(662)
Less: Provision for income tax (expense) benefit	(480)	(100)	545	46	(147)	(352)	(488)
Operating earnings	\$ 1,310	\$ 193	\$ 913	\$ 363	\$ 479	(439)	2,819
Less: Preferred stock dividends						125	125
Operating earnings available to common shareholders						\$ (564)	\$ 2,694

**Year Ended December 31, 2007**

	<b>Insurance Products</b>	<b>Retirement Products</b>	<b>Corporate Benefit Funding</b>	<b>Auto &amp; Home</b>	<b>International</b>	<b>Banking Corporate &amp; Other</b>	<b>Total</b>
	(In millions)						
Income (loss) from continuing operations, net of income tax	\$ 1,177	\$ 935	\$ 675	\$ 436	\$ 621	\$ 261	\$ 4,105
Less: Net investment gains (losses)	(121)	104	(677)	15	56	45	(578)
Less: Other adjustments to continuing operations	(176)	(32)	(156)		32	15	(317)
Less: Provision for income tax	100	(26)	298	(5)	(35)	(39)	293

(expense) benefit

Operating earnings	\$ 1,374	\$ 889	\$ 1,210	\$ 426	\$ 568	240	4,707
Less: Preferred stock dividends						137	137
Operating earnings available to common shareholders						\$ 103	\$ 4,570

**Reconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses  
Year Ended December 31, 2008**

	<b>Insurance Products</b>	<b>Retirement Products</b>	<b>Corporate Benefit Funding</b>	<b>Auto &amp; Home (In millions)</b>	<b>International</b>	<b>Banking Corporate &amp; Other</b>	<b>Total</b>
Total revenues	\$ 26,754	\$ 5,630	\$ 7,559	\$ 3,061	\$ 6,001	\$ 1,979	\$ 50,984
Less: Net investment gains (losses)	1,558	901	(1,629)	(134)	169	947	1,812
Less: Adjustments related to net investment gains (losses)	18						18
Less: Other adjustments to revenues	(1)	(35)	45		69	13	91
Total operating revenues	\$ 25,179	\$ 4,764	\$ 9,143	\$ 3,195	\$ 5,763	\$ 1,019	\$ 49,063
Total expenses	\$ 23,418	\$ 5,049	\$ 7,735	\$ 2,728	\$ 5,044	\$ 1,949	\$ 45,923
Less: Adjustments related to net investment gains (losses)	262	577					839
Less: Other adjustments to expenses	(52)		(29)		17	(4)	(68)
Total operating expenses	\$ 23,208	\$ 4,472	\$ 7,764	\$ 2,728	\$ 5,027	\$ 1,953	\$ 45,152

**Table of Contents****Year Ended December 31, 2007**

	<b>Insurance Products</b>	<b>Retirement Products</b>	<b>Corporate Benefit Funding</b>	<b>Auto &amp; Home (In millions)</b>	<b>International</b>	<b>Banking Corporate &amp; Other</b>	<b>Total</b>
Total revenues	\$ 24,005	\$ 5,338	\$ 7,600	\$ 3,220	\$ 5,418	\$ 1,571	\$ 47,152
Less: Net investment gains (losses)	(121)	104	(677)	15	56	45	(578)
Less: Adjustments related to net investment gains (losses)	(12)						(12)
Less: Other adjustments to revenues	(81)	(31)	(148)		(2)	(9)	(271)
<b>Total operating revenues</b>	<b>\$ 24,219</b>	<b>\$ 5,265</b>	<b>\$ 8,425</b>	<b>\$ 3,205</b>	<b>\$ 5,364</b>	<b>\$ 1,535</b>	<b>\$ 48,013</b>
Total expenses	\$ 22,214	\$ 3,908	\$ 6,592	\$ 2,640	\$ 4,590	\$ 1,428	\$ 41,372
Less: Adjustments related to net investment gains (losses)	62	22					84
Less: Other adjustments to expenses	21	(21)	8		(34)	(24)	(50)
<b>Total operating expenses</b>	<b>\$ 22,131</b>	<b>\$ 3,907</b>	<b>\$ 6,584</b>	<b>\$ 2,640</b>	<b>\$ 4,624</b>	<b>\$ 1,452</b>	<b>\$ 41,338</b>

Unprecedented disruption and dislocation in the global financial markets caused extreme volatility in the equity, credit and real estate markets during 2008. Consequently, we experienced decreasing yields on our investment portfolio and, in response to the extraordinary market conditions, we increased our allocation to lower yielding, more liquid investments, causing a \$1.4 billion decline in net investment income. This decline was partially offset by growth in average invested assets calculated excluding unrealized gains and losses. The adverse yield impact was concentrated in the following four invested asset classes:

Other limited partnership interests primarily due to the lack of liquidity and credit in the financial markets, as well as unprecedented investor redemptions in an environment with steep declines in the public equity and debt markets;

Cash, cash equivalents and short-term investments primarily due to declines in short-term interest rates;

Fixed maturity securities primarily due to lower yields on floating rate securities due to declines in short-term interest rates and an increased allocation to lower yielding, higher quality, U.S. government and agency securities, to increase liquidity in response to the extraordinary market conditions; and

Real estate joint ventures primarily due to declining property valuations on certain investment funds that carry their real estate at estimated fair value and operating losses incurred on properties that were developed for sale by real estate development joint ventures.

As many of our products are interest spread-based, the lower net investment income was significantly offset by lower interest credited expense on our investment and insurance products. In addition to its impact on net investment income, the volatile market environment also negatively impacted operating earnings through an increase in DAC amortization, most significantly in the Retirement Products segment. The acceleration of amortization stemmed primarily as a result of the decline in the market value of our separate account balances, which is directly tied to the financial markets. Lower separate account balances also resulted in a decrease in policy fees and other revenues.

Unfavorable mortality experience in the group and individual life businesses and unfavorable claims experience in the non-medical health and other business reduced operating earnings in our Insurance Products segment. Also contributing to the decrease in operating earnings available to common shareholders was the impact of significant weather-related catastrophe losses, which were somewhat offset by lower non-catastrophe losses in our Auto & Home segment. Lastly, the implementation of our Operational Excellence initiative resulted in higher postemployment costs in Banking, Corporate & Other.

Higher earnings from our dental business as well as from our businesses in the Latin America and Asia Pacific regions partially offset the unfavorable impacts discussed above. In addition, our banking acquisitions in 2008, discussed under Acquisitions and Dispositions, improved operating earnings available to common shareholders in Banking, Corporate & Other.



**Table of Contents****Insurance Products**

	Years Ended December 31,			% Change
	2008	2007 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 16,402	\$ 15,269	\$ 1,133	7.4%
Universal life and investment-type product policy fees	2,171	2,061	110	5.3%
Net investment income	5,787	6,079	(292)	(4.8)%
Other revenues	819	810	9	1.1%
Total operating revenues	25,179	24,219	960	4.0%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	18,183	17,001	1,182	7.0%
Interest credited to policyholder account balances	930	1,037	(107)	(10.3)%
Capitalization of DAC	(849)	(885)	36	4.1%
Amortization of DAC and VOBA	743	727	16	2.2%
Interest expense	5	10	(5)	(50.0)%
Other expenses	4,196	4,241	(45)	(1.1)%
Total operating expenses	23,208	22,131	1,077	4.9%
Provision for income tax expense (benefit)	661	714	(53)	(7.4)%
Operating earnings	\$ 1,310	\$ 1,374	\$ (64)	(4.7)%

Extreme volatility in the equity, credit and real estate markets resulted in decreasing yields on our investment portfolio causing net investment income to decline by \$190 million despite growth in average invested assets. The market environment had its most significant impact on other limited partnership interests, real estate joint ventures and fixed maturity securities. Net investment income from the general account portion of investment-type products, including variable universal life, group life and certain non-medical health products decreased by \$135 million, while other businesses, including traditional life, decreased by \$55 million.

As many of our products are interest spread-based, the lower net investment income was significantly offset by lower interest credited expense on our investment and insurance products, reducing its impact on operating earnings which declined \$64 million compared to 2007. Also contributing to the decline in operating earnings was unfavorable mortality experience in the group and individual life businesses, unfavorable claims experience in the non-medical health business and the resulting impact of the decline in the financial markets on separate account balances. Such decreases were partially offset by higher earnings in the dental and group term life businesses, including the favorable impact on the year over year variance of the adoption of new accounting guidance for DAC on internal replacements of insurance contracts in the prior year.

**Retirement Products**

	Years Ended December 31,		
	2008	2007	Change

		(In millions)		% Change
<b>Operating Revenues</b>				
Premiums	\$ 361	\$ 339	\$ 22	6.5%
Universal life and investment-type product policy fees	1,870	2,005	(135)	(6.7)%
Net investment income	2,365	2,740	(375)	(13.7)%
Other revenues	168	181	(13)	(7.2)%
Total operating revenues	4,764	5,265	(501)	(9.5)%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	692	605	87	14.4%
Interest credited to policyholder account balances	1,337	1,321	16	1.2%
Capitalization of DAC	(980)	(932)	(48)	(5.2)%
Amortization of DAC and VOBA	1,356	822	534	65.0%
Interest expense	2	3	(1)	(33.3)%
Other expenses	2,065	2,088	(23)	(1.1)%
Total operating expenses	4,472	3,907	565	14.5%
Provision for income tax expense (benefit)	99	469	(370)	(78.9)%
Operating earnings	\$ 193	\$ 889	\$ (696)	(78.3)%

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The unprecedented disruption and dislocation in the global financial markets that began in the third quarter of 2008 negatively impacted many aspects of our business resulting in a \$696 million decrease in operating earnings, despite new sales and deposits which continue to grow consistent with expectations.

The largest impact resulting from the challenging market conditions was an increase in DAC and DSI amortization of \$385 million. The acceleration of amortization resulted primarily from the decline in the market value of our separate account balances, which is directly tied to the financial markets. A factor that determines the amount of amortization is expected future earnings, which in this annuity business are derived, in part, from fees earned on separate account balances. In 2008, projection of separate account fees were reduced and as a result, we recognized more amortization in the current period. The lower market value of our separate account balances also resulted in a \$96 million decrease in policy fees and other revenues. Policy fees from variable investment-type products are typically calculated as a percentage of the daily asset balance in the policyholder accounts. The value of these assets can fluctuate depending on performance of the equity markets.

Also contributing to the decrease in operating earnings was a decline in net investment income of \$244 million, which was primarily due to decreasing yields on our investment portfolio and an increased allocation to lower yielding more liquid investments in response to the extraordinary market conditions. Yields were adversely impacted by the severe downturn in the global financial markets which impacted other limited partnership interests, and cash, cash equivalents and short-term investments.

Partially offsetting the market-related declines was \$15 million of lower expenses. A decrease in non-deferrable volume related expenses was partially offset by the impact of revisions to certain pension and postretirement liabilities in 2008. The increase in the pension and postretirement liabilities was the result of a decline in the value of the assets supporting the liabilities. The decline in the asset value is also a direct impact of the volatile market conditions.

**Corporate Benefit Funding**

	Years Ended December 31,			% Change
	2008	2007 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 2,683	\$ 1,265	\$ 1,418	112.1%
Universal life and investment-type product policy fees	227	189	38	20.1%
Net investment income	5,874	6,636	(762)	(11.5)%
Other revenues	359	335	24	7.2%
Total operating revenues	9,143	8,425	718	8.5%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	4,977	3,365	1,612	47.9%
Interest credited to policyholder account balances	2,298	2,723	(425)	(15.6)%
Capitalization of DAC	(18)	(25)	7	28.0%
Amortization of DAC and VOBA	29	38	(9)	(23.7)%
Interest expense	2	6	(4)	(66.7)%
Other expenses	476	477	(1)	(0.2)%
Total operating expenses	7,764	6,584	1,180	17.9%
Provision for income tax expense (benefit)	466	631	(165)	(26.1)%

Operating earnings	\$	913	\$	1,210	\$	(297)	(24.5)%
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Decreasing yields on our other limited partnership interests, real estate joint ventures and fixed maturity securities caused by the severe downturn in the global financial markets resulted in a \$495 million decrease in net investment income, and was the primary reason for the \$297 million decline in operating earnings.

As many of our products are interest spread-based, the lower net investment income was somewhat offset by lower interest credited expense on our investment-type contracts of \$276 million. In addition, a charge of \$75 million related to a liability refinement in the pension closeout business and an increase in interest credited on future policyholder benefits, which is consistent with an aging block of business, contributed to the decline in operating earnings. Such declines were partially offset by fees earned of \$28 million on the surrender of a global funding agreement contract in 2008.

**Table of Contents****Auto & Home**

	Years Ended December 31,			% Change
	2008	2007 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 2,971	\$ 2,966	\$ 5	0.2%
Net investment income	186	196	(10)	(5.1)%
Other revenues	38	43	(5)	(11.6)%
Total operating revenues	3,195	3,205	(10)	(0.3)%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	1,924	1,811	113	6.2%
Capitalization of DAC	(444)	(471)	27	5.7%
Amortization of DAC and VOBA	454	468	(14)	(3.0)%
Other expenses	794	832	(38)	(4.6)%
Total operating expenses	2,728	2,640	88	3.3%
Provision for income tax expense (benefit)	104	139	(35)	(25.2)%
Operating earnings	\$ 363	\$ 426	\$ (63)	(14.8)%

Significant weather-related catastrophe losses in the second and third quarters of 2008 were the primary cause for the \$63 million decline in operating earnings and resulted in an unfavorable change in the combined ratio, including catastrophes, to 91.2% in 2008 from 88.4% in 2007. Such losses were partially offset by a decrease in non-catastrophe losses due to lower severities in the auto line of business, offset somewhat by higher frequencies in the homeowners line of business, which is reflected in the favorable change in the combined ratio, excluding catastrophes, to 83.1% in 2008 from 86.3% in 2007.

In addition, net investment income decreased by \$7 million primarily due to decreasing yields, partially offset by growth in average invested assets. Yields were adversely impacted by the severe downturn in the global financial markets which impacted other limited partnership interests and fixed maturity securities.

Finally, earned premiums were impacted by a modest increase in exposures, a decrease in the cost of reinsurance, and a decline in average earned premium per policy.

**International**

	Years Ended December 31,			% Change
	2008	2007 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 3,470	\$ 3,096	\$ 374	12.1%
Universal life and investment-type product policy fees	1,095	995	100	10.1%

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Net investment income	1,180	1,249	(69)	(5.5)%
Other revenues	18	24	(6)	(25.0)%
Total operating revenues	5,763	5,364	399	7.4%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	3,185	2,521	664	26.3%
Interest credited to policyholder account balances	171	354	(183)	(51.7)%
Capitalization of DAC	(798)	(743)	(55)	(7.4)%
Amortization of DAC and VOBA	381	309	72	23.3%
Interest expense	9	3	6	200.0%
Other expenses	2,079	2,180	(101)	(4.6)%
Total operating expenses	5,027	4,624	403	8.7%
Provision for income tax expense (benefit)	257	172	85	49.4%
Operating earnings	\$ 479	\$ 568	\$ (89)	(15.7)%

The reduction in operating earnings includes the adverse impact of changes in foreign currency exchange rates, which decreased operating earnings by \$11 million relative to 2007. Excluding the impact of changes in foreign currency exchange rates, operating earnings decreased by \$78 million, or 14%, from the comparable 2007 period. This decrease was primarily driven by difficult financial market conditions in Japan, which adversely impacted investment results and increased DAC amortization relative to the

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prior year, as well as the impact of pension reform in Argentina in 2007 and the nationalization of this business in 2008, which favorably impacted the prior year results relative to the current year. Partially offsetting these decreases, the International segment benefited from the favorable impact of higher inflation rates on inflation-indexed investments in Chile, as well as business growth in the Latin America and Asia Pacific regions.

**Banking, Corporate & Other**

	Years Ended December 31,			% Change
	2008	2007 (In millions)	Change	
<b>Operating Revenues</b>				
Premiums	\$ 27	\$ 35	\$ (8)	(22.9)%
Net investment income	808	1,428	(620)	(43.4)%
Other revenues	184	72	112	155.6%
Total operating revenues	1,019	1,535	(516)	(33.6)%
<b>Operating Expenses</b>				
Policyholder benefits and claims and policyholder dividends	46	46		%
Interest credited to policyholder account balances	7		7	%
Interest credited to bank deposits	166	200	(34)	(17.0)%
Capitalization of DAC	(3)	(8)	5	62.5%
Amortization of DAC and VOBA	5	11	(6)	(54.5)%
Interest expense	1,033	875	158	18.1%
Other expenses	699	328	371	113.1%
Total operating expenses	1,953	1,452	501	34.5%
Provision for income tax expense (benefit)	(495)	(157)	(338)	(215.3)%
Operating earnings	(439)	240	(679)	(282.9)%
Preferred stock dividends	125	137	(12)	(8.8)%
Operating earnings available to common shareholders	\$ (564)	\$ 103	\$ (667)	(647.6)%

As a result of the extraordinary market conditions that began in late 2008, we experienced decreasing yields on our other limited partnership interests and cash, cash equivalents and short-term investments. The decreased yields resulted in a \$403 million decrease in investment results, despite the positive impact of a higher asset base resulting from the investment of a portion of the proceeds from debt issuances in 2008 and late 2007. These lower investment results were the primary driver of the \$667 million decline in operating earnings available to common shareholders as compared to 2007.

Increases in interest expense, corporate expenses and legal costs also contributed to the decline in operating earnings (loss). Higher interest expense was the result of the various debt issuances in 2008 and late 2007. The implementation of our Operational Excellence initiative resulted in higher postemployment related costs. In addition, corporate support expenses, including incentive compensation, rent, advertising, and information technology costs, were higher than in 2007. Lastly, legal costs were higher due primarily to the commutation of three asbestos-related

excess insurance policies. The increases in these corporate expenses were partially offset by a reduction in deferred compensation costs.

Banking results improved operating earnings by \$21 million primarily due to the acquisitions made by MetLife Bank in 2008. See Note 2 of the Notes to the Consolidated Financial Statements.

**Effects of Inflation**

The Company does not believe that inflation has had a material effect on its consolidated results of operations, except insofar as inflation may affect interest rates.

Inflation in the United States has remained contained and been in a general downtrend for an extended period. However, in light of recent and ongoing aggressive fiscal and monetary stimulus measures by the U.S. federal government and foreign governments, it is possible that inflation could increase in the future. An increase in inflation could affect our business in several ways. During inflationary periods, the value of fixed income investments falls which could increase realized and unrealized losses. Inflation also increases expenses for labor and other materials, potentially putting pressure on profitability if such costs can not be passed through in our product prices. Inflation could also lead to increased costs for losses and loss adjustment expenses in our Auto & Home business, which could require us to adjust our pricing to reflect our expectations for future inflation. If actual inflation exceeds the expectations we use in pricing our policies, the profitability of our Auto & Home business would be adversely affected. Prolonged and elevated inflation could adversely affect the financial markets and the economy generally, and dispelling it may require governments to pursue a restrictive fiscal and monetary policy, which could constrain overall economic activity, inhibit revenue growth and reduce the number of attractive investment opportunities.



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**Investments**

*Investment Risks.* The Company's primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. The Company is exposed to four primary sources of investment risk:

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates;
- liquidity risk, relating to the diminished ability to sell certain investments in times of strained market conditions; and
- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads.

The Company manages risk through in-house fundamental analysis of the underlying obligors, issuers, transaction structures and real estate properties. The Company also manages credit risk, market valuation risk and liquidity risk through industry and issuer diversification and asset allocation. For real estate and agricultural assets, the Company manages credit risk and market valuation risk through geographic, property type and product type diversification and asset allocation. The Company manages interest rate risk as part of its asset and liability management strategies; product design, such as the use of market value adjustment features and surrender charges; and proactive monitoring and management of certain non-guaranteed elements of its products, such as the resetting of credited interest and dividend rates for policies that permit such adjustments. The Company also uses certain derivative instruments in the management of credit and interest rate risks.

*Current Environment.* Precipitated by housing sector weakness and severe market dislocations, the U.S. economy entered its worst post-war recession in January 2008. Most economists believe this recession ended in third quarter 2009 when positive growth returned. Most economists now expect positive growth to continue through 2010. However, the expected recovery is weaker than normal, and the unemployment rate is expected to remain high for some time. Although the disruption in the global financial markets has moderated, not all global financial markets are functioning normally, and many remain reliant upon government intervention and liquidity.

As a result of this unprecedented disruption and market dislocation, we have experienced both volatility in the valuation of certain investments and decreased liquidity in certain asset classes. Securities that are less liquid are more difficult to value and have fewer opportunities for disposal. Even some of our very high quality assets have been more illiquid for periods of time as a result of the recent challenging market conditions. These market conditions had also led to an increase in unrealized losses on fixed maturity and equity securities in recent quarters, particularly for residential and commercial mortgage-backed, asset-backed and corporate fixed maturity securities and within the Company's financial services industry fixed maturity and equity securities holdings. During 2009, unrealized losses on fixed maturity and equity securities decreased from improving market conditions, including narrowing of credit spreads reflecting an improvement in liquidity.

*Investment Outlook*

Although we anticipate that the volatility in the equity, credit and real estate markets will moderate slightly in 2010, it could continue to impact net investment income and the related yields on private equity funds, hedge funds and real estate joint ventures, included within our other limited partnership interests and real estate and real estate joint venture portfolios. Further, in light of the current market conditions, liquidity will be reinvested in a prudent manner and invested according to our ALM discipline in appropriate assets over time. Until the additional liquidity is reinvested, the Company will have a slightly higher than normal level of short-term liquidity. Net investment income may be adversely affected if the reinvestment process occurs over an extended period of time due to challenging market conditions or asset availability.

**Table of Contents****Composition of Investment Portfolio and Investment Portfolio Results**

The following table illustrates the investment income, net investment gains (losses), annualized yields on average ending assets and ending carrying value for each of the asset classes within the Company's investment portfolio, as well as net investment income for the portfolio as a whole:

	<b>At and for the Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In millions)</b>		
<b>Fixed Maturity Securities</b>			
Yield (1)	5.77%	6.40%	6.42%
Investment income (2)	\$ 11,899	\$ 12,403	\$ 12,425
Investment (losses)	\$ (1,663)	\$ (1,953)	\$ (615)
Ending carrying value (2)	\$ 230,026	\$ 189,197	\$ 233,115
<b>Mortgage Loans</b>			
Yield (1)	5.38%	6.08%	6.56%
Investment income (3)	\$ 2,735	\$ 2,774	\$ 2,648
Investment gains (losses)	\$ (442)	\$ (136)	\$ 3
Ending carrying value	\$ 50,909	\$ 51,364	\$ 46,154
<b>Real Estate and Real Estate Joint Ventures (4)</b>			
Yield (1)	(7.47)%	2.98%	10.29%
Investment income (losses)	\$ (541)	\$ 217	\$ 607
Investment gains (losses)	\$ (156)	\$ (9)	\$ 59
Ending carrying value	\$ 6,896	\$ 7,586	\$ 6,767
<b>Policy Loans</b>			
Yield (1)	6.54%	6.22%	6.21%
Investment income	\$ 648	\$ 601	\$ 572
Ending carrying value	\$ 10,061	\$ 9,802	\$ 9,326
<b>Equity Securities</b>			
Yield (1)	5.12%	5.25%	5.14%
Investment income	\$ 175	\$ 249	\$ 244
Investment gains (losses)	\$ (399)	\$ (253)	\$ 164
Ending carrying value	\$ 3,084	\$ 3,197	\$ 5,911
<b>Other Limited Partnership Interests</b>			
Yield (1)	3.22%	(2.77)%	27.09%
Investment income (losses)	\$ 173	\$ (170)	\$ 1,309
Investment gains (losses)	\$ (356)	\$ (140)	\$ 16
Ending carrying value	\$ 5,508	\$ 6,039	\$ 6,155
<b>Cash and Short-Term Investments</b>			
Yield (1)	0.44%	1.62%	4.91%
Investment income	\$ 94	\$ 307	\$ 424
Investment gains	\$ 6	\$ 3	\$ 3
Ending carrying value	\$ 18,486	\$ 38,085	\$ 12,505
<b>Other Invested Assets (4), (5), (6), (7)</b>			
Investment income	\$ 339	\$ 279	\$ 526
Investment gains (losses)	\$ (4,994)	\$ 4,363	\$ (474)
Ending carrying value	\$ 12,709	\$ 17,248	\$ 8,076
<b>Total Investments</b>			
Gross investment income yield (1)	4.90%	5.68%	6.88%

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Investment fees and expenses yield	(0.14)	(0.16)	(0.16)
<b>Net Investment Income Yield</b>	4.76%	5.52%	6.72%
Gross investment income	\$ 15,522	\$ 16,660	\$ 18,755
Investment fees and expenses	(433)	(460)	(427)
<b>Net Investment Income (4)</b>	\$ 15,089	\$ 16,200	\$ 18,328
<b>Ending Carrying Value</b>	\$ 337,679	\$ 322,518	\$ 328,009
Gross investment gains	\$ 1,549	\$ 2,579	\$ 1,386
Gross investment losses (6)	(1,842)	(2,084)	(1,710)
Writedowns (6)	(2,845)	(2,042)	(140)
Subtotal	\$ (3,138)	\$ (1,547)	\$ (464)
Derivatives not qualifying for hedge accounting (4), (6), (7)	(4,866)	3,422	(380)
<b>Investment Gains (Losses) (4)</b>	\$ (8,004)	\$ 1,875	\$ (844)
Investment gains (losses) income tax benefit (provision)	2,876	(733)	280
<b>Investment Gains (Losses), Net of Income Tax</b>	\$ (5,128)	\$ 1,142	\$ (564)

- (1) Yields are based on average of quarterly average asset carrying values, excluding recognized and unrealized investment gains (losses), and for yield calculation purposes, average of quarterly ending assets exclude collateral received from counterparties associated with the Company's securities lending program.
- (2) Fixed maturity securities include \$2,384 million, \$946 million and \$779 million at estimated fair value related to trading securities at December 31, 2009, 2008 and 2007, respectively. Fixed maturity securities include \$400 million, (\$193) million and \$50 million of investment income related to trading securities for the years ended December 31, 2009, 2008 and 2007, respectively.
- (3) Investment income from mortgage loans includes prepayment fees.
- (4) Net investment income and net investment gains (losses) presented in this yield table vary from the amounts presented in the GAAP consolidated statement of operations due to certain reclassifications made between net investment income and net investment gains (losses) as presented below.

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	<b>Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In millions)</b>		
Net investment income per yield table above	\$ 15,089	\$ 16,200	\$ 18,328
Real estate discontinued operations	(7)	(9)	(18)
Scheduled periodic settlement payments on derivative instruments not qualifying for hedge accounting	(88)	(5)	(253)
Hedged embedded derivatives related to certain variable annuities with guarantees of consolidated entities and operating joint ventures	(156)	105	
Net investment income per consolidated statement of operations	\$ 14,838	\$ 16,291	\$ 18,057
Investment gains (losses) per yield table above	\$ (8,004)	\$ 1,875	\$ (844)
Real estate discontinued operations	(8)	(8)	(13)
Scheduled periodic settlement payments on derivative instruments not qualifying for hedge accounting	88	5	253
Interest credited to policyholder account balances scheduled periodic settlement payments on derivative instruments not qualifying for hedge accounting	(4)	45	26
Hedged embedded derivatives related to certain variable annuities with guarantees of consolidated entities and operating joint ventures	156	(105)	
Net investment gains (losses) per consolidated statement of operations	\$ (7,772)	\$ 1,812	\$ (578)

- (5) Other invested assets were principally comprised of freestanding derivatives with positive estimated fair values and leveraged leases. Freestanding derivatives with negative estimated fair values were included within other liabilities. As yield is not considered a meaningful measure of performance for other invested assets it has been excluded from the yield table.
- (6) The components of investment gains (losses) for the year-to-date ended December 31, 2008, are shown net of a realized gain under purchased credit default swaps that offsets losses incurred on certain fixed maturity securities.
- (7) Derivatives not qualifying for hedge accounting is comprised of amounts for freestanding derivatives of (\$6,624) million, \$6,072 million and (\$59) million; and embedded derivatives of \$1,758 million, (\$2,650) million and (\$321) million for the years ended December 31, 2009, 2008 and 2007, respectively.

See Consolidated Results of Operations Year Ended December 31, 2009 compared with the Year Ended December 31, 2008 and Year Ended December 31, 2008 compared with the Year Ended December 31, 2007, for an analysis of the period over period changes in net investment income and net investment gains (losses).

**Table of Contents*****Fixed Maturity and Equity Securities Available-for-Sale***

Fixed maturity securities, which consisted principally of publicly-traded and privately placed fixed maturity securities, were \$227.6 billion and \$188.3 billion, or 67% and 58% of total cash and invested assets at estimated fair value, at December 31, 2009 and 2008, respectively. Publicly-traded fixed maturity securities represented \$191.4 billion and \$156.7 billion, or 84% and 83% of total fixed maturity securities at estimated fair value, at December 31, 2009 and 2008, respectively. Privately placed fixed maturity securities represented \$36.2 billion and \$31.6 billion, or 16% and 17% of total fixed maturity securities at estimated fair value, at December 31, 2009 and 2008, respectively.

Equity securities, which consisted principally of publicly-traded and privately-held common and preferred stocks, including certain perpetual hybrid securities and mutual fund interests, were \$3.1 billion and \$3.2 billion, or 0.9% and 1.0% of total cash and invested assets at estimated fair value, at December 31, 2009 and 2008, respectively. Publicly-traded equity securities represented \$2.1 billion and \$2.1 billion, or 68% and 66% of total equity securities at estimated fair value, at December 31, 2009 and 2008, respectively. Privately-held equity securities represented \$1.0 billion and \$1.1 billion, or 32% and 34% of total equity securities at estimated fair value, at December 31, 2009 and 2008, respectively.

*Valuation of Securities.* We are responsible for the determination of estimated fair value. The estimated fair value of publicly-traded fixed maturity, equity and trading securities, as well as short-term securities is determined by management after considering one of three primary sources of information: quoted market prices in active markets, independent pricing services, or independent broker quotations. The number of quotes obtained varies by instrument and depends on the liquidity of the particular instrument. Generally, we obtain prices from multiple pricing services to cover all asset classes and obtain multiple prices for certain securities, but ultimately utilize the price with the highest placement in the fair value hierarchy. Independent pricing services that value these instruments use market standard valuation methodologies based on inputs that are market observable or can be derived principally from or corroborated by observable market data. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market. The market standard valuation methodologies utilized include: discounted cash flow methodologies, matrix pricing or similar techniques. The assumptions and inputs in applying these market standard valuation methodologies include, but are not limited to, interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, maturity, estimated duration, and management's assumptions regarding liquidity and estimated future cash flows. When a price is not available in the active market or through an independent pricing service, management will value the security primarily using independent non-binding broker quotations. Independent non-binding broker quotations utilize inputs that are not market observable or cannot be derived principally from or corroborated by observable market data.

Senior management, independent of the trading and investing functions, is responsible for the oversight of control systems and valuation policies, including reviewing and approving new transaction types and markets, for ensuring that observable market prices and market-based parameters are used for valuation, wherever possible, and for determining that judgmental valuation adjustments, if any, are based upon established policies and are applied consistently over time. We review our valuation methodologies on an ongoing basis and ensure that any changes to valuation methodologies are justified. We gain assurance on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with accounting standards for fair value determination through various controls designed to ensure that the financial assets and financial liabilities are appropriately valued and represent an exit price. The control systems and procedures 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 and ongoing confirmation that independent pricing services use, wherever possible, market-based parameters for valuation. We determine 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 also follows a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If we conclude that prices received from

independent pricing services are not reflective of market activity or representative of estimated fair value, we will seek independent non-binding broker quotes or use an internally developed valuation to override these prices. Such overrides are classified as Level 3. Despite the credit events prevalent in the current markets, including market dislocation, volatility in valuation of certain investments, and reduced levels of liquidity over the past few quarters, our internally developed valuations of current estimated fair value, which reflect our estimates of liquidity and non-performance risks, compared with pricing received from the independent pricing services, did not produce material differences for the vast majority of our fixed maturity securities portfolio. Our estimates of liquidity and non-performance risks are generally based on available market evidence and on what other market participants would use. In the absence of such evidence, management's best estimate is used. As a result, we generally continued to use the price

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provided by the independent pricing service under our normal pricing protocol and pricing overrides were not material. The Company uses the results of this analysis for classifying the estimated fair value of these instruments in Level 1, 2 or 3. For example, we will review the estimated fair values received to determine whether corroborating evidence (i.e., similar observable positions and actual trades) will support a Level 2 classification in the fair value hierarchy. Security prices which cannot be corroborated due to relatively less pricing transparency and diminished liquidity will be classified as Level 3. Even some of our very high quality invested assets have been more illiquid for periods of time as a result of the current market conditions.

For privately placed fixed maturity securities, the Company determines the estimated fair value generally through matrix pricing or discounted cash flow techniques. The discounted cash flow valuations rely upon the estimated future cash flows of the security, credit spreads of comparable public securities and secondary transactions, as well as taking account of, among other factors, the credit quality of the issuer and the reduced liquidity associated with privately placed debt securities.

The Company has reviewed the significance and observability of inputs used in the valuation methodologies to determine the appropriate fair value hierarchy level for each of its securities. Based on the results of this review and investment class analyses, each instrument is categorized as Level 1, 2 or 3 based on the priority of the inputs to the respective valuation methodologies. While prices for certain U.S. Treasury, agency and government guaranteed fixed maturity securities, certain foreign government fixed maturity securities, exchange-traded common stock and certain short-term money market securities have been classified into Level 1 because of high volumes of trading activity and narrow bid/ask spreads, most securities valued by independent pricing services have been classified into Level 2 because the significant inputs used in pricing these securities are market observable or can be corroborated using market observable information. Most investment grade privately placed fixed maturity securities have been classified within Level 2, while most below investment grade or distressed privately placed fixed maturity securities have been classified within Level 3. Where estimated fair values are determined by independent pricing services or by independent non-binding broker quotations that utilize inputs that are not market observable or cannot be derived principally from or corroborated by observable market data, these instruments have been classified as Level 3. Use of independent non-binding broker quotations generally indicates there is a lack of liquidity or the general lack of transparency in the process to develop these price estimates causing them to be considered Level 3.

Effective April 1, 2009, the Company adopted new accounting guidance that clarified existing guidance regarding (1) estimating the estimated fair value of an asset or liability if there was a significant decrease in the volume and level of trading activity for these assets or liabilities and (2) identifying transactions that are not orderly. The Company's valuation policies as described above and in *Summary of Critical Accounting Estimates - Estimated Fair Values of Investments* already incorporated the key concepts from this additional guidance, accordingly, this guidance results in no material changes in our valuation policies. At April 1, 2009 and at each subsequent quarterly period in 2009, we evaluated the markets that our fixed maturity and equity securities trade in and in our judgment, despite the increased illiquidity discussed above, believe none of these fixed maturity and equity securities trading markets should be characterized as distressed and disorderly. We will continue to re-evaluate and monitor such fixed maturity and equity securities trading markets on an ongoing basis.

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*Fair Value Hierarchy.* Fixed maturity securities and equity securities measured at estimated fair value on a recurring basis and their corresponding fair value pricing sources and fair value hierarchy are as follows:

	<b>December 31, 2009</b>			
	<b>Fixed Maturity Securities</b>		<b>Equity Securities</b>	
	<b>(In millions)</b>			
Quoted prices in active markets for identical assets (Level 1)	\$ 11,257	5.0%	\$ 490	15.9%
Independent pricing source	171,217	75.2	394	12.8
Internal matrix pricing or discounted cash flow techniques	27,978	12.3	960	31.1
Significant other observable inputs (Level 2)	199,195	87.5	1,354	43.9
Independent pricing source	7,336	3.2	909	29.5
Internal matrix pricing or discounted cash flow techniques	7,089	3.1	254	8.2
Independent broker quotations	2,765	1.2	77	2.5
Significant unobservable inputs (Level 3)	17,190	7.5	1,240	40.2
Total estimated fair value	\$ 227,642	100.0%	\$ 3,084	100.0%

	<b>December 31, 2009</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant</b>		<b>Total</b>
		<b>Other</b>	<b>Significant</b>	
<b>Observable</b>		<b>Unobservable</b>		
	<b>Inputs</b>	<b>Inputs</b>	<b>Estimated Fair Value</b>	
	<b>(Level 2)</b>	<b>(Level 3)</b>		
	<b>(In millions)</b>			
<b>Fixed Maturity Securities:</b>				
U.S. corporate securities	\$ 65,493	\$ 6,694	\$ 72,187	
Residential mortgage-backed securities ( RMBS )	42,180	1,840	44,020	
Foreign corporate securities	32,738	5,292	38,030	
U.S. Treasury, agency and government guaranteed securities	10,951	14,459	37	
Commercial mortgage-backed securities ( CMBS )	15,483	139	15,622	
Asset-backed securities ( ABS )	10,450	2,712	13,162	
Foreign government securities	306	11,240	401	
			11,947	



State and political subdivision securities		7,139	69	7,208
Other fixed maturity securities		13	6	19
Total fixed maturity securities	\$ 11,257	\$ 199,195	\$ 17,190	\$ 227,642
<b>Equity Securities:</b>				
Common stock	\$ 490	\$ 995	\$ 136	\$ 1,621
Non-redeemable preferred stock		359	1,104	1,463
Total equity securities	\$ 490	\$ 1,354	\$ 1,240	\$ 3,084

The composition of fair value pricing sources for and significant changes in Level 3 securities at December 31, 2009 are as follows:

The majority of the Level 3 fixed maturity and equity securities (89.7%, as presented above) were concentrated in four sectors: U.S. and foreign corporate securities, ABS and RMBS.

Level 3 fixed maturity securities are priced principally through independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 fixed maturity securities consists of less liquid fixed maturity securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies including newly issued agency-backed RMBS yet to be priced by independent sources, below investment grade private placements and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities) and less liquid ABS including securities supported by sub-prime mortgage loans (included in ABS).

During the year ended December 31, 2009, Level 3 fixed maturity securities decreased by \$218 million, or 1.3%. Favorable estimated fair value changes recognized in other comprehensive income (loss) were partially offset by transfers out primarily concentrated in foreign corporate securities and to a lesser extent net sales and settlements in excess of purchases and realized and unrealized losses included in earnings. The increase in estimated fair value in fixed maturity securities was concentrated in U.S. and foreign corporate securities and ABS (including RMBS backed by sub-prime mortgage loans) due to improving market conditions including the narrowing of credit spreads reflecting an improvement in liquidity, offset slightly by the effect of rising interest rates on such securities. The transfers out of Level 3 are described in the discussion following the rollforward table below. Net sales and settlements in excess of purchases of fixed maturity securities were concentrated in U.S. and foreign corporate securities. The realized and unrealized losses included in earnings were primarily due to OTTI credit losses, including OTTI credit losses on perpetual hybrid securities included in U.S. and foreign corporate securities.

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A rollforward of the fair value measurements for fixed maturity securities and equity securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the year ended December 31, 2009 is as follows:

	<b>Year Ended December 31, 2009</b>	
	<b>Fixed Maturity Securities</b>	<b>Equity Securities</b>
	<b>(In millions)</b>	
Balance, beginning of year	\$ 17,408	\$ 1,379
Total realized/unrealized gains (losses) included in:		
Earnings	(924)	(359)
Other comprehensive income (loss)	3,252	492
Purchases, sales, issuances and settlements	(1,003)	(231)
Transfers in and/or out of Level 3	(1,543)	(41)
Balance, end of year	\$ 17,190	\$ 1,240

An analysis of transfers in and/or out of Level 3 for the year ended December 31, 2009 is as follows:

Total gains and losses in earnings and other comprehensive income (loss) are calculated assuming transfers in or out of Level 3 occurred at the beginning of the period. Items transferred in and out for the same period are excluded from the rollforward.

Total gains and losses for fixed maturity securities included in earnings of (\$241) million and other comprehensive income (loss) of \$169 million respectively, were incurred for transfers subsequent to their transfer to Level 3, for the year ended December 31, 2009.

Net transfers in and/or out of Level 3 for fixed maturity securities were (\$1,543) million for the year ended December 31, 2009, and was comprised of transfers in of \$3,490 million and transfers out of (\$5,033) million, respectively.

Overall, transfers in and/or out of Level 3 are attributable to a change in the observability of inputs. During the year ended December 31, 2009, fixed maturity securities transfers out of Level 3 of \$5,033 million resulted primarily from increased transparency of both new issuances that subsequent to issuance and establishment of trading activity, became priced by pricing services and existing issuances that, over time, the Company was able to corroborate pricing received from independent pricing services with observable inputs, primarily for U.S. and foreign corporate securities. During the year ended December 31, 2009, fixed maturity securities transfers into Level 3 of \$3,490 million resulted primarily from current market conditions characterized by a lack of trading activity, decreased liquidity, fixed maturity securities going into default and credit ratings downgrades (e.g., from investment grade to below investment grade). These current market conditions have resulted in decreased transparency of valuations and an increased use of broker quotations and unobservable inputs to determine estimated fair value principally for U.S. and foreign corporate securities.

See Summary of Critical Accounting Estimates Estimated Fair Value of Investments for further information on the estimates and assumptions that affect the amounts reported above.

*Fixed Maturity Securities Credit Quality Ratings.* The Securities Valuation Office of the NAIC evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called NAIC designations. The NAIC ratings are generally similar to the rating agency designations of the NRSRO for marketable fixed maturity securities. NAIC ratings 1 and 2 include fixed maturity securities generally considered investment grade (i.e. rated Baa3 or better by Moody's or rated BBB or better by S&P and Fitch), by such rating organizations. NAIC ratings 3 through 6 include fixed maturity securities

generally considered below investment grade (i.e. rated Ba1 or lower by Moody's, or rated BB+ or lower by S&P and Fitch), by such rating organizations.

The NAIC adopted a revised rating methodology for non-agency RMBS that became effective December 31, 2009. The NAIC's objective with the revised rating methodology for non-agency RMBS was to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for non-agency RMBS. The revised methodology reduces regulatory reliance on rating agencies and allows for greater regulatory input into the assumptions used to estimate expected losses from non-agency RMBS.

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The following three tables present information about the Company's fixed maturity securities holdings by credit quality ratings. Amounts presented for non-agency RMBS, including RMBS backed by sub-prime mortgage loans reported within ABS, held by the Company's domestic insurance subsidiaries at December 31, 2009 are based on final ratings from the revised NAIC rating methodology which became effective December 31, 2009. Comparisons between NAIC ratings and rating agency designations are published by the NAIC. The rating agency designations were based on availability of applicable ratings from those rating agencies on the NAIC acceptable rating organizations list. If no rating is available from a rating agency, then an internally developed rating is used.

The following table presents the Company's total fixed maturity securities by NRSRO designation and the equivalent ratings of the NAIC, as well as the percentage, based on estimated fair value, that each designation is comprised of at December 31, 2009 and 2008, with the exception of non-agency RMBS held by the Company's domestic insurance subsidiaries at December 31, 2009, which are presented as described above:

NAIC Rating	Rating Agency Designation	December 31,					
		Cost or Amortized Cost	2009 Estimated Fair Value	% of Total	Cost or Amortized Cost	2008 Estimated Fair Value	% of Total
(In millions)							
1	Aaa/Aa/A	\$ 151,391	\$ 151,136	66.4%	\$ 146,796	\$ 137,125	72.9%
2	Baa	55,508	56,305	24.7	45,253	38,761	20.6
3	Ba	13,184	12,003	5.3	10,258	7,796	4.1
4	B	7,474	6,461	2.9	5,915	3,779	2.0
5	Caa and lower	1,809	1,425	0.6	1,192	715	0.4
6	In or near default	343	312	0.1	94	75	
Total fixed maturity securities		\$ 229,709	\$ 227,642	100.0%	\$ 209,508	\$ 188,251	100.0%

The following tables present the Company's total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO designation and the equivalent ratings of the NAIC, that each designation is comprised of at December 31, 2009 and 2008, with the exception of non-agency RMBS held by the Company's domestic insurance subsidiaries at December 31, 2009, which are presented as described above.

NAIC Rating	Fixed Maturity Securities by Sector & Credit Quality Rating at December 31, 2009						
	1	2	3	4	5 Caa and Lower	6 In or Near Default	Total Estimated Fair Value
Rating Agency Designation	Aaa/Aa/A	Baa	Ba	B	Lower	Default	
(In millions)							
U.S. corporate securities	\$ 31,848	\$ 30,266	\$ 6,319	\$ 2,965	\$ 616	\$ 173	\$ 72,187
RMBS	38,464	1,563	2,260	1,391	339	3	44,020
Foreign corporate securities	16,678	17,393	2,067	1,530	281	81	38,030
U.S. Treasury, agency and government guaranteed securities	25,447						25,447
CMBS	15,000	434	152	22	14		15,622
ABS	11,573	1,033	275	124	117	40	13,162

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Foreign government securities	5,786	4,841	890	415		15	11,947
State and political subdivision securities	6,337	765	40	8	58		7,208
Other fixed maturity securities	3	10		6			19
Total fixed maturity securities	\$ 151,136	\$ 56,305	\$ 12,003	\$ 6,461	\$ 1,425	\$ 312	\$ 227,642
Percentage of total	66.4%	24.7%	5.3%	2.9%	0.6%	0.1%	100.0%

**Fixed Maturity Securities by Sector & Credit Quality Rating at December 31, 2008**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>Total</b>
<b>NAIC Rating</b>					<b>Caa and</b>	<b>In or</b>	<b>Estimated</b>
<b>Rating Agency Designation</b>	<b>Aaa/Aa/A</b>	<b>Baa</b>	<b>Ba</b>	<b>B</b>	<b>Lower</b>	<b>Default</b>	<b>Fair Value</b>
				<b>(In millions)</b>			
U.S. corporate securities	\$ 31,403	\$ 24,438	\$ 4,891	\$ 2,112	\$ 399	\$ 60	\$ 63,303
RMBS	34,512	638	695	103	80		36,028
Foreign corporate securities	15,936	11,039	1,357	1,184	148	15	29,679
U.S. Treasury, agency and government guaranteed securities	21,310						21,310
MBS	12,486	81	59	7	11		12,644
ABS	9,393	1,037	35	16	42		10,523
Foreign government securities	8,030	1,049	713	357	4		10,153
State and political subdivision securities	4,002	479	46		30		4,557
Other fixed maturity securities	53				1		54
Total fixed maturity securities	\$ 137,125	\$ 38,761	\$ 7,796	\$ 3,779	\$ 715	\$ 75	\$ 188,251
Percentage of total	72.9%	20.6%	4.1%	2.0%	0.4%	%	100.0%

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*Fixed Maturity and Equity Securities Available-for-Sale.* See Note 3 of the Notes to the Consolidated Financial Statements Investments Fixed Maturity and Equity Securities Available-for-Sale for tables summarizing the cost or amortized cost, gross unrealized gains and losses, including noncredit loss component of OTTI loss, and estimated fair value of fixed maturity and equity securities on a sector basis, and selected information about certain fixed maturity securities held by the Company that were below investment grade or non-rated, non-income producing, credit enhanced by financial guarantor insurers by sector, and the ratings of the financial guarantor insurers providing the credit enhancement at December 31, 2009 and 2008.

*Concentrations of Credit Risk (Equity Securities).* The Company is not exposed to any significant concentrations of credit risk in its equity securities portfolio of any single issuer greater than 10% of the Company's stockholders' equity at December 31, 2009 and 2008.

*Concentrations of Credit Risk (Fixed Maturity Securities) Summary.* See Note 3 of the Notes to the Consolidated Financial Statements Investments Fixed Maturity Securities Available-for-Sale Concentrations for a summary of the concentrations of credit risk related to fixed maturity securities holdings.

*Corporate Fixed Maturity Securities.* The Company maintains a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have an exposure to any single issuer in excess of 1% of the total investments. See Note 3 of the Notes to the Consolidated Financial Statements Investments Fixed Maturity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) U.S. and Foreign Corporate Securities for the tables that present the major industry types that comprise the corporate fixed maturity securities holdings, the largest exposure to a single issuer and the combined holdings in the ten issuers to which it had the largest exposure at December 31, 2009 and 2008.

*Structured Securities.* The following table presents the types and portion rated Aaa/AAA, and portion rated NAIC 1 for RMBS and ABS backed by sub-prime mortgage loans, of structured securities the Company held at:

	December 31,			
	2009			2008
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
RMBS	\$ 44,020	60.5%	\$ 36,028	60.8%
CMBS	15,622	21.4	12,644	21.4
ABS	13,162	18.1	10,523	17.8
Total structured securities	\$ 72,804	100.0%	\$ 59,195	100.0%
Ratings profile:				
RMBS rated Aaa/AAA (1)	\$ 35,626	80.9%	\$ 33,265	92.3%
RMBS rated NAIC 1 (2)	\$ 38,464	87.4%	\$ 34,512	95.8%
CMBS rated Aaa/AAA	\$ 13,355	85.5%	\$ 11,778	93.2%
ABS rated Aaa/AAA (1)	\$ 9,354	71.1%	\$ 7,934	75.4%
ABS rated NAIC 1 (2)	\$ 11,573	87.9%	\$ 9,393	89.3%

- (1) Based on rating agency designations, without adjustment for the revised NAIC methodology which became effective December 31, 2009.
- (2) Based on rating agency designations and equivalent ratings of the NAIC, with the exception of non-agency RMBS (and for ABS including RMBS backed by sub-prime mortgage loans) held by the Company's domestic insurance subsidiaries. Non-agency RMBS (and for ABS including RMBS backed by sub-prime mortgage loans) held by the Company's domestic insurance subsidiaries at December 31, 2009 are included based on final ratings

from the revised NAIC rating methodology which became effective December 31, 2009, which may not correspond to rating agency designations.

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*RMBS.* See Note 3 of the Notes to the Consolidated Financial Statements Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) RMBS for the tables that present the Company's RMBS holdings by security type and risk profile at December 31, 2009 and 2008.

The majority of the Company's RMBS were rated Aaa/AAA by Moody's, S&P or Fitch; and the majority were rated NAIC 1 by the NAIC at December 31, 2009 and 2008, as presented above. Effective December 31, 2009, the NAIC adopted a revised rating methodology for non-agency RMBS based on the NAIC's estimate of expected losses from non-agency RMBS. The majority of the Company's agency RMBS were guaranteed or otherwise supported by the FNMA, the FHLMC or the GNMA. Non-agency RMBS includes prime and Alt-A RMBS. Prime residential mortgage lending includes the origination of residential mortgage loans to the most credit-worthy borrowers with high quality credit profiles. Alt-A are a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles. During 2009, the major rating agencies made significant revisions to their methodologies and loss expectations for non-agency RMBS, resulting in significant downgrades for both prime and Alt-A RMBS, contributing to the decrease in the percentage of RMBS with Aaa/AAA ratings at December 31, 2009 as compared to December 31, 2008. Our analysis suggests that rating agencies are applying essentially the same default methodology to all Alt-A securities regardless of the underlying collateral. The Company's Alt-A securities portfolio has superior structure to the overall Alt-A market. At December 31, 2009 and 2008, the Company's Alt-A securities portfolio has no exposure to option adjustable rate mortgages (ARMs) and a minimal exposure to hybrid ARMs. The Company's Alt-A securities portfolio is comprised primarily of fixed rate mortgages which have performed better than both option ARMs and hybrid ARMs in the overall Alt-A market. Additionally, 90% and 83% at December 31, 2009 and 2008, respectively, of the Company's Alt-A securities portfolio has super senior credit enhancement, which typically provides double the credit enhancement of a standard Aaa/AAA rated fixed maturity security. Based upon the analysis of the Company's exposure to Alt-A mortgage loans through its exposure to RMBS, the Company continues to expect to receive payments in accordance with the contractual terms of the securities that are considered temporarily impaired. Any securities where the present value of projected future cash flows expected to be collected is less than amortized cost are impaired in accordance with our impairment policy. See Note 3 of the Notes to the Consolidated Financial Statements Investments Fixed Maturity Securities Available-for-Sale RMBS for a table that presents the estimated fair value of Alt-A securities held by the Company by vintage year, net unrealized loss, portion of holdings rated Aa/AA or better by Moody's, S&P or Fitch, portion rated NAIC 1 by the NAIC, and portion of holdings that are backed by fixed rate collateral or hybrid ARMs at December 31, 2009 and 2008. Vintage year refers to the year of origination and not to the year of purchase.

*CMBS.* There have been disruptions in the CMBS market due to market perceptions that default rates will increase in part due to weakness in commercial real estate market fundamentals and due in part to relaxed underwriting standards by some originators of commercial mortgage loans within the more recent vintage years (i.e., 2006 and later). These factors have caused a pull-back in market liquidity, increased credit spreads and repricing of risk, which has led to higher levels of unrealized losses as compared to historical levels. However, in 2009 market conditions improved, credit spreads narrowed and unrealized losses decreased from 21% to 6% of cost or amortized cost from December 31, 2008 to December 31, 2009. Based upon the analysis of the Company's exposure to CMBS, the Company expects to receive payments in accordance with the contractual terms of the securities that are considered temporarily impaired. Any securities where the present value of projected future cash flows expected to be collected is less than amortized cost are impaired in accordance with our impairment policy.

The Company's holdings in CMBS were \$15.6 billion and \$12.6 billion, at estimated fair value at December 31, 2009 and 2008, respectively. The cost or amortized cost and estimated fair value, rating distribution by Moody's, S&P or Fitch, and holdings by vintage year of such securities held by the Company at December 31, 2009 and 2008. The Company had no exposure to CMBS index securities and its holdings of commercial real estate collateralized debt obligations securities were \$111 million and \$121 million of estimated fair value at December 31, 2009 and 2008, respectively. The weighted average credit enhancement of the Company's CMBS holdings was 28% and 26%, at December 31, 2009 and 2008, respectively. This credit enhancement percentage represents the current weighted average estimated percentage of outstanding capital structure subordinated to the Company's investment holding that is



available to absorb losses before the security incurs the first dollar of loss of principal. The credit protection does not include any equity interest or property value in excess of outstanding debt.

See Note 3 of the Notes to the Consolidated Financial Statements Investments Fixed Maturity Securities Available-for-Sale CMBS for tables that present the Company's holdings of CMBS by rating agency designations and by vintage year at December 31, 2009 and 2008.

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*ABS.* The Company's ABS are diversified both by sector and by issuer. See Note 3 of the Notes to the Consolidated Financial Statements—Investments—Fixed Maturity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities)—ABS for a table that presents the Company's ABS by collateral type, portion rated Aaa/AAA and portion credit enhanced held by the Company at December 31, 2009 and 2008.

The slowing U.S. housing market, greater use of affordable mortgage products and relaxed underwriting standards for some originators of sub-prime loans have recently led to higher delinquency and loss rates, especially within the 2006 and 2007 vintage years. Vintage year refers to the year of origination and not to the year of purchase. These factors have caused a pull-back in market liquidity and repricing of risk, which has led to higher levels of unrealized losses on securities backed by sub-prime mortgage loans as compared to historical levels. However, in 2009, market conditions improved, credit spreads narrowed and unrealized losses decreased from 39% to 36% of cost or amortized cost from December 31, 2008 to December 31, 2009. Based upon the analysis of the Company's sub-prime mortgage loans through its exposure to ABS, the Company expects to receive payments in accordance with the contractual terms of the securities that are considered temporarily impaired. Any securities where the present value of projected future cash flows expected to be collected is less than amortized cost are impaired in accordance with our impairment policy.

See Note 3 of the Notes to the Consolidated Financial Statements—Investments—Fixed Maturity Securities Available-for-Sale—ABS for tables that present the Company's holdings of ABS supported by sub-prime mortgage loans by rating agency designations and by vintage year at December 31, 2009 and 2008.

The Company had ABS supported by sub-prime mortgage loans with estimated fair values of \$1,044 million and \$1,142 million, respectively, and unrealized losses of \$593 million and \$730 million, respectively, at December 31, 2009 and 2008, respectively. Approximately 63% of this portfolio was rated Aa or better, of which 61% was in vintage year 2005 and prior at December 31, 2009. Approximately 82% of this portfolio was rated Aa or better, of which 82% was in vintage year 2005 and prior at December 31, 2008. These older vintages benefit from better underwriting, improved enhancement levels and higher residential property price appreciation. All of the \$1,044 million and \$1,142 million of ABS supported by sub-prime mortgage loans were classified as Level 3 fixed maturity securities at December 31, 2009 and 2008, respectively. The NAIC rating distribution of the Company's ABS supported by sub-prime mortgage loans at December 31, 2009 was as follows: 69% NAIC 1, 4% NAIC 2 and 27% NAIC 3 through 6. The NAIC rating distribution of the Company's ABS supported by sub-prime mortgage loans at December 31, 2008 was as follows: 87% NAIC 1, 12% NAIC 2 and 1% NAIC 3 through 6.

ABS also include collateralized debt obligations backed by sub-prime mortgage loans at an aggregate cost of \$22 million with an estimated fair value of \$8 million at December 31, 2009 and an aggregate cost of \$20 million with an estimated fair value of \$10 million at December 31, 2008.

***Evaluating Available-for-Sale Securities for Other-Than-Temporary Impairment***

See Note 3 of the Notes to the Consolidated Financial Statements—Investments—Evaluating Available-for-Sale Securities for Other-Than-Temporary Impairment for a discussion of the regular evaluation of available-for-sale securities holdings in accordance with our impairment policy, whereby we evaluate whether such investments are other-than-temporarily impaired, new OTTI guidance adopted in 2009 and factors considered by security classification in the regular OTTI evaluation.

See Summary of Critical Accounting Estimates.

***Net Unrealized Investment Gains (Losses)***

See Note 3 of the Notes to the Consolidated Financial Statements—Investments—Net Unrealized Investment Gains (Losses) for the components of net unrealized investment gains (losses), included in accumulated other comprehensive loss and the changes in net unrealized investment gains (losses) at December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007, respectively.

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive loss of \$859 million, includes \$126 million related to the transition adjustment, \$939 million (\$857 million, net of DAC) of noncredit losses recognized in the year ended December 31, 2009 and \$206 million of subsequent increases in estimated fair value during the year ended December 31, 2009 on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive loss.



**Table of Contents*****Aging of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale***

See Note 3 of the Notes to the Consolidated Financial Statements Investments Aging of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale for the tables that present the cost or amortized cost, gross unrealized loss, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive loss at December 31, 2009, gross unrealized loss as a percentage of cost or amortized cost and number of securities for fixed maturity and equity securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more at December 31, 2009 and 2008.

***Concentration of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale***

See Note 3 of the Notes to the Consolidated Financial Statements Investments Concentration of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale for the tables that present the concentration by sector and industry of the Company's gross unrealized losses related to its fixed maturity and equity securities, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive loss of \$10.8 billion and \$29.8 billion at December 31, 2009 and 2008, respectively.

***Evaluating Temporarily Impaired Available-for-Sale Securities***

The following table presents the Company's fixed maturity and equity securities with a gross unrealized loss of greater than \$10 million, the number of securities, total gross unrealized loss and percentage of total gross unrealized loss at:

	<b>December 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Fixed Maturity Securities</b>	<b>Equity Securities</b>	<b>Fixed Maturity Securities</b>	<b>Equity Securities</b>
	<b>(In millions, except number of securities)</b>			
Number of securities	223	9	699	33
Total gross unrealized loss	\$ 4,465	\$ 132	\$ 14,485	\$ 699
Percentage of total gross unrealized loss	43%	48%	50%	71%

The fixed maturity and equity securities, each with a gross unrealized loss greater than \$10 million, decreased \$10.6 billion during the year ended December 31, 2009. These securities were included in the Company's OTTI review process. Based upon the Company's current evaluation of these securities in accordance with its impairment policy, the cause of the decline in, or improvement in, gross unrealized losses for the year ended December 31, 2009 being primarily attributable to improving market conditions, including narrowing of credit spreads reflecting an improvement in liquidity 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 has concluded that these securities are not other-than-temporarily impaired.

In the Company's impairment review process, the duration and severity of an unrealized loss position for equity securities is given greater weight and consideration than for fixed maturity securities. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments and the Company's evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for an equity security, greater weight and consideration is given by the Company to a decline in market value and the likelihood such market value decline will recover.

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The following table presents certain information about the Company's equity securities available-for-sale with a gross unrealized loss of 20% or more at December 31, 2009:

	Non-Redeemable Preferred Stock							
	All Types of			Investment Grade				
All Equity Securities	Non-Redeemable Preferred Stock	% of All	All Industries	% of All	Financial Services	Industry		
Gross	Gross	Equity	Gross	% of All	Gross	% of All	% A	Rated or
Unrealized Loss	Unrealized Loss	Securities	Unrealized Loss	Non-Redeemable Preferred Stock	Unrealized Loss	Industries	Better	
(In millions)								
Less than six months	\$ 14	\$ 13	93%	\$ 9	69%	\$ 9	100%	3%
Six months or greater but less than twelve months	40	39	98%	39	100%	37	95%	99%
Twelve months or greater	138	138	100%	138	100%	136	99%	62%
All equity securities with a gross unrealized loss of 20% or more	\$ 192	\$ 190	99%	\$ 186	98%	\$ 182	98%	67%

In connection with the equity securities impairment review process at December 31, 2009, the Company evaluated its holdings in non-redeemable preferred stock, particularly those of financial services companies. The Company considered several factors including whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of non-redeemable preferred stock with a severe or an extended unrealized loss. The Company also considered whether any non-redeemable preferred stock with an unrealized loss, regardless of credit rating, have deferred any dividend payments. No such dividend payments were deferred.

With respect to common stock holdings, the Company considered the duration and severity of the unrealized losses for securities in an unrealized loss position of 20% or more and the duration of unrealized losses for securities in an unrealized loss position of 20% or less in an extended unrealized loss position (i.e., 12 months or greater).

Future other-than-temporary impairments 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 rating, changes in collateral valuation, changes in interest rates and changes in credit spreads. If economic fundamentals and any of the above factors deteriorate, additional other-than-temporary impairments may be incurred in upcoming quarters.

***Net Investment Gains (Losses) Including OTTI Losses Recognized in Earnings***

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements, effective April 1, 2009, the Company adopted new guidance on the recognition and presentation of OTTI that amends the methodology to determine for fixed maturity securities whether an OTTI exists, and for certain fixed maturity securities, changes how OTTI losses that are charged to earnings are measured. There was no change in the methodology for identification and

measurement of OTTI losses charged to earnings for impaired equity securities.

Proceeds from sales or disposals of fixed maturity and equity securities and the components of fixed maturity and equity securities net investment gains (losses) are as follows:

	Fixed Maturity Securities			Equity Securities			Total		
	Years Ended December 31,			Years Ended December			Years Ended December 31,		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	(In millions)								
Proceeds	\$ 38,972	\$ 62,495	\$ 78,001	\$ 950	\$ 2,107	\$ 1,112	\$ 39,922	\$ 64,602	\$ 79,113
Gross investment gains	947	858	554	134	440	226	1,081	1,298	780
Gross investment losses	(1,110)	(1,515)	(1,091)	(133)	(263)	(43)	(1,243)	(1,778)	(1,134)
Total OTTI losses recognized in earnings:									
Credit-related	(1,137)	(1,138)	(58)				(1,137)	(1,138)	(58)
Other (1)	(363)	(158)	(20)	(400)	(430)	(19)	(763)	(588)	(39)
Total OTTI losses recognized in earnings	(1,500)	(1,296)	(78)	(400)	(430)	(19)	(1,900)	(1,726)	(97)
Net investment gains (losses)	\$ (1,663)	\$ (1,953)	\$ (615)	\$ (399)	\$ (253)	\$ 164	\$ (2,062)	\$ (2,206)	\$ (451)

- (1) Other OTTI losses recognized in earnings include impairments on equity securities, impairments on perpetual hybrid securities classified within fixed maturity securities where the primary reason for the impairment was the severity and/or the duration of an unrealized loss position and fixed maturity securities where there is an intent to sell or it is more likely than not that the Company will be required to sell the security before recovery of the decline in estimated fair value.

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*Overview of Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings.* Impairments of fixed maturity and equity securities were \$1.9 billion, \$1.7 billion and \$97 million for the years ended December 31, 2009, 2008 and 2007, respectively. Impairments of fixed maturity securities were \$1.5 billion, \$1.3 billion and \$78 million for the years ended December 31, 2009, 2008 and 2007, respectively. Impairments of equity securities were \$400 million, \$430 million and \$19 million for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company's credit-related impairments of fixed maturity securities were \$1.1 billion, \$1.1 billion and \$58 million for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company's three largest impairments totaled \$508 million, \$528 million and \$19 million for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company records OTTI losses charged to earnings as investment losses and adjusts the cost basis of the fixed maturity and equity securities accordingly. The Company does not change the revised cost basis for subsequent recoveries in value.

The Company sold or disposed of fixed maturity and equity securities at a loss that had an estimated fair value of \$10.2 billion, \$29.9 billion and \$47.1 billion for the years ended December 31, 2009, 2008 and 2007, respectively. Gross losses excluding impairments for fixed maturity and equity securities were \$1.2 million, \$1.8 billion and \$1.1 billion for the years ended December 31, 2009, 2008 and 2007, respectively.

Explanations of changes in fixed maturity and equity securities impairments are as follows:

*Year Ended December 31, 2009 compared to the Year Ended December 31, 2008* Overall OTTI losses recognized in earnings on fixed maturity and equity securities were \$1.9 billion for the year ended December 31, 2009 as compared to \$1.7 billion in the prior year. The stress in the global financial markets that caused a significant increase in impairments in 2008 as compared to 2007, continued into 2009. Significant impairments were incurred in several industry sectors in 2009, including the financial services industry, but to a lesser degree in the financial services industry sector than in 2008. In 2008 certain financial institutions entered bankruptcy, entered FDIC receivership or received significant government capital infusions causing 2008 financial services industry impairments to be higher than in 2009. Of the fixed maturity and equity securities impairments of \$1,900 million in 2009, \$799 million were concentrated in the Company's financial services industry holdings and were comprised of \$459 million in impairments on fixed maturity securities and \$340 million in impairments on equity securities, and the \$799 million included \$623 million of perpetual hybrid securities, which were comprised of \$313 million on securities classified as fixed maturity securities and \$310 million on securities classified as non-redeemable preferred stock. Overall impairments in 2009 were higher due to increased fixed maturity security impairments across several industry sectors as presented in the tables below, which more than offset a reduction in impairments in the financial services industry sector. Impairments across these several industry sectors increased in 2009 due to increased financial restructurings, bankruptcy filings, ratings downgrades, collateral deterioration or difficult operating environments of the issuers as a result of the challenging economic environment. Impairments on perpetual hybrid securities in 2009 were a result of deterioration in the credit rating of the issuer to below investment grade and due to a severe and extended unrealized loss position.

*Year Ended December 31, 2008 compared to the Year Ended December 31, 2007* Overall OTTI losses recognized in earnings on fixed maturity and equity securities were \$1.7 billion for the year ended December 31, 2008 as compared to \$97 million in the prior year. The significant increase in impairments of fixed maturity and equity securities in 2008 compared to 2007 was a result of the stress in the global financial markets, particularly in the financial services industry causing an increase in financial restructurings, bankruptcy filings, ratings downgrades, or difficult underlying operating environments for the issuers, as well as an increase in the securities that the Company either lacked the intent to hold, or due to extensive credit spread widening, the Company was uncertain of its intent to hold certain fixed maturity securities for a period of time sufficient to allow for recovery of the market value decline. Of the fixed maturity and equity securities impairments of \$1.7 billion in 2008, \$1,014 million were concentrated in the Company's financial services industry securities holdings and





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were comprised of \$673 million in impairments on fixed maturity securities and \$341 million in impairments on equity securities, and the \$1,014 million included impairments of \$154 million of perpetual hybrid securities, which were comprised of \$64 million on securities classified as fixed maturity securities and \$90 million on securities classified as non-redeemable preferred stock. A substantial portion of the financial services industry impairments were concentrated in the Company's holdings in three financial institutions that in 2008 entered bankruptcy, entered FDIC receivership or received federal government capital infusions Lehman Brothers Holdings Inc. (Lehman), Washington Mutual, Inc. (Washington Mutual) and American International Group, Inc. (AIG). Overall, impairments related to Lehman, Washington Mutual and AIG in 2008 were \$606 million comprised of \$489 million for fixed maturity securities and \$117 million for equity securities. These three counterparties account for a substantial portion, \$489 million, of the financial services industry fixed maturity security impairments of \$673 million; however, at \$117 million, they do not account for the majority of the financial services industry equity security impairments of \$341 million. As a result of the Company's equity securities impairment review process, which included a review of the duration and severity of the unrealized loss position of its equity securities holdings, additional OTTI charges totaling \$313 million were recorded in 2008. These additional impairments were principally related to impairments on financial services industry preferred securities that had either been in an unrealized loss position for an extended duration (i.e., 12 months or more), or were in a severe unrealized loss position. In the fourth quarter of 2008, the Company not only considered the severity and duration of unrealized losses on its preferred securities, but placed greater weight and emphasis on whether there had been any credit deterioration in the issuer of these holdings in accordance with new guidance. As result of the economic environment as described above, fixed maturity and equity securities impairments on the Company's financial services industry holdings and total impairments across all industries sectors were higher in 2008 than 2007, as presented in the tables below.

Fixed maturity security OTTI losses recognized in earnings relates to the following sectors and industries:

	<b>Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In millions)</b>		
U.S. and foreign corporate securities:			
Finance	\$ 459	\$ 673	\$ 18
Communications	235	134	
Consumer	211	107	
Utility	89	5	1
Industrial	30	26	18
Other	26	185	28
Total U.S. and foreign corporate securities	1,050	1,130	65
RMBS	193		
ABS	168	99	13
CMBS	88	65	
Foreign government securities	1	2	
Total	\$ 1,500	\$ 1,296	\$ 78

Equity security OTTI losses recognized in earnings relates to the following sectors and industries:

	<b>Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In millions)</b>		
Sector:			

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Non-redeemable preferred stock	\$ 333	\$ 319	\$ 1
Common stock	67	111	18
Total	\$ 400	\$ 430	\$ 19
Industry:			
Financial services industry:			
Perpetual hybrid securities	\$ 310	\$ 90	\$
Common and remaining non-redeemable preferred stock	30	251	1
Total financial services industry	340	341	1
Other	60	89	18
Total	\$ 400	\$ 430	\$ 19

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*Future Impairments.* Future other-than-temporary impairments will depend primarily on economic fundamentals, issuer performance, changes in credit ratings, changes in collateral valuation, changes in interest rates and changes in credit spreads. If economic fundamentals and other of the above factors deteriorate, additional other-than-temporary impairments may be incurred in upcoming periods. See also Investments Fixed Maturity and Equity Securities Available-for-Sale Net Unrealized Investment Gains (Losses).

***Credit Loss Rollforward Rollforward of the Cumulative Credit Loss Component of OTTI Loss Recognized in Earnings on Fixed Maturity Securities Still Held for Which a Portion of the OTTI Loss was Recognized in Other Comprehensive Loss***

See Note 3 of the Notes to the Consolidated Financial Statements Investments Credit Loss Rollforward Rollforward of the Cumulative Credit Loss Component of OTTI Loss Recognized in Earnings on Fixed Maturity Securities Still Held for Which a Portion of the OTTI Loss was Recognized in Other Comprehensive Loss for the table that presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held by the Company at December 31, 2009 for which a portion of the OTTI loss was recognized in other comprehensive loss for the year ended December 31, 2009.

***Securities Lending***

The Company participates in a securities lending program whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks. The Company generally obtains collateral in an amount equal to 102% of the estimated fair value of the loaned securities, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. In limited instances, during the extraordinary market events beginning in the fourth quarter of 2008 and through part of 2009, we accepted collateral less than 102% at the inception of certain loans, but never less than 100%, of the estimated fair value of such loaned securities. These loans involved U.S. Government Treasury Bills which are considered to have limited variation in their estimated fair value during the term of the loan. Securities loaned under such transactions may be sold or repledged by the transferee. The Company is liable to return to its counterparties the cash collateral under its control.

Elements of the securities lending program is presented in Note 3 of the Notes to the Consolidated Financial Statements under Investments Securities Lending.

The estimated fair value of the securities related to the cash collateral on open at December 31, 2009 has been reduced to \$3,193 million from \$4,986 million at December 31, 2008. Of the \$3,193 million of estimated fair value of the securities related to the cash collateral on open at December 31, 2009, \$3,012 million were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan, related to the cash collateral aged less than thirty days to ninety days or greater, was primarily U.S. Treasury, agency, and government guaranteed securities, and very liquid RMBS. The U.S. Treasury securities on loan are primarily holdings of on-the-run U.S. Treasury securities, the most liquid U.S. Treasury securities available. If these high quality securities that are on loan are put back to the Company, the proceeds from immediately selling these securities can be used to satisfy the related cash requirements. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including RMBS, ABS, U.S. corporate and foreign corporate securities). If the on loan securities or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities are put back to the Company.

Security collateral on deposit from counterparties in connection with the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements.

***Invested Assets on Deposit, Held in Trust and Pledged as Collateral***

The invested assets on deposit, invested assets held in trust and invested assets pledged as collateral at December 31, 2009 and 2008 are presented in a table in Note 3 of the Notes to the Consolidated Financial Statements Investments Invested Assets on Deposit, Held in Trust and Pledged as Collateral.

See also Investments Securities Lending for the amount of the Company's cash and invested assets received from and due back to counterparties pursuant to the securities lending program.



**Table of Contents****Trading Securities**

The Company has trading securities to support investment strategies that involve the active and frequent purchase and sale of securities, the execution of short sale agreements and asset and liability matching strategies for certain insurance products. Trading securities which consisted principally of publicly-traded fixed maturity and equity securities, were \$2.4 billion and \$0.9 billion, or 0.7% and 0.3% of total cash and invested assets at estimated fair value, at December 31, 2009 and 2008, respectively. See Note 3 of the Notes to the Consolidated Financial Statements

Investments Trading Securities for tables which present information about the trading securities, related short sale agreement liabilities, investments pledged to secure short sale agreement liabilities, net investment income and changes in estimated fair value included in net investment income at December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007.

The trading securities and trading (short sale agreement) liabilities, measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy, are presented as follows:

	<b>December 31, 2009</b>			
	<b>Trading Securities</b>	<b>Trading Liabilities</b>		
	<b>(In millions)</b>			
Quoted prices in active markets for identical assets and liabilities (Level 1)	\$ 1,886	79%	\$ 106	100%
Significant other observable inputs (Level 2)	415	17		
Significant unobservable inputs (Level 3)	83	4		
Total estimated fair value	\$ 2,384	100%	\$ 106	100%

A rollforward of the fair value measurements for trading securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the year ended December 31, 2009, is as follows:

	<b>Year Ended December 31, 2009</b>
	<b>(In millions)</b>
Balance, beginning of year	\$ 175
Total realized/unrealized gains (losses) included in:	
Earnings	16
Purchases, sales, issuances and settlements	(108)
Transfer in and/or out of Level 3	
Balance, end of year	\$ 83

See Summary of Critical Accounting Estimates for further information on the estimates and assumptions that affect the amounts reported above.

**Mortgage Loans**

The Company's mortgage loans are principally collateralized by commercial, agricultural and residential properties, as well as automobiles. The carrying value of mortgage loans was \$50.9 billion and \$51.4 billion, or 15.1% and 15.9% of total cash and invested assets at December 31, 2009 and 2008, respectively. See Note 3 of the Notes to the Consolidated Financial Statements Investments Mortgage Loans for a table that presents the carrying value by type of the Company's mortgage loans held-for-investment of \$48.2 billion and \$49.4 billion at December 31, 2009 and 2008, respectively, as well as the components of the mortgage loans held-for-sale of \$2.7 billion and \$2.0 billion at December 31, 2009 and 2008, respectively.

*Commercial Mortgage Loans by Geographic Region and Property Type.* The Company diversifies its commercial mortgage loans by both geographic region and property type. See Note 3 of the Notes to the Consolidated Financial Statements Investments Mortgage Loans Mortgage Loans by Geographic Region and Property Type for tables that present the distribution across geographic regions and property types for commercial mortgage loans held-for-investment at December 31, 2009 and 2008.

*Mortgage Loan Credit Quality Restructured, Potentially Delinquent, Delinquent or Under Foreclosure.* The Company monitors its mortgage loan investments on an ongoing basis, including reviewing loans that are restructured, potentially delinquent, and delinquent or under foreclosure. These loan classifications are consistent with those used in industry practice.

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The Company defines restructured mortgage loans as loans in which the Company, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Company defines potentially delinquent loans as loans that, in management's opinion, have a high probability of becoming delinquent in the near term. The Company defines delinquent mortgage loans, consistent with industry practice, as loans in which two or more interest or principal payments are past due. The Company defines mortgage loans under foreclosure as loans in which foreclosure proceedings have formally commenced.

The following table presents the amortized cost and valuation allowance (amortized cost is carrying value before valuation allowances) for commercial mortgage loans, agricultural mortgage loans, and residential and consumer loans held-for-investment distributed by loan classification at:

	2009		December 31,		2008			
	Amortized Cost	% of Total	Valuation Allowance	% of Amortized Cost	Amortized Cost	% of Total	Valuation Allowance	% of Amortized Cost
				(In millions)				
Commercial:								
Performing	\$ 35,066	99.7%	\$ 548	1.6%	\$ 36,192	100.0%	\$ 232	0.6%
Restructured				%				%
Potentially delinquent	102	0.3	41	40.2%	2			%
Delinquent or under foreclosure	8			%	3			%
Total	\$ 35,176	100.0%	\$ 589	1.7%	\$ 36,197	100.0%	\$ 232	0.6%
Agricultural (1):								
Performing	\$ 11,950	97.5%	\$ 33	0.3%	\$ 12,054	98.0%	\$ 16	0.1%
Restructured	36	0.3	10	27.8%	1			%
Potentially delinquent	128	1.0	34	26.6%	133	1.1	18	13.5%
Delinquent or under foreclosure	141	1.2	38	27.0%	107	0.9	27	25.2%
Total	\$ 12,255	100.0%	\$ 115	0.9%	\$ 12,295	100.0%	\$ 61	0.5%
Residential and Consumer (2):								
Performing	\$ 1,389	94.4%	\$ 16	1.2%	\$ 1,116	95.8%	\$ 11	1.0%
Restructured	1	0.1		%				%
Potentially delinquent	10	0.7		%	17	1.5		%
Delinquent or under foreclosure	71	4.8	1	1.4%	31	2.7		%
Total	\$ 1,471	100.0%	\$ 17	1.2%	\$ 1,164	100.0%	\$ 11	0.9%

(1)

The Company diversifies its agricultural mortgage loans held-for-investment by both geographic region and product type. Of the \$12,255 million of agricultural mortgage loans outstanding at December 31, 2009, 54% were subject to rate resets prior to maturity. A substantial portion of these loans has been successfully renegotiated and remain outstanding to maturity.

- (2) Residential and consumer loans consist of primarily residential mortgage loans, home equity lines of credit, and automobile loans held-for-investment.

*Mortgage Loan Credit Quality Monitoring Process Commercial and Agricultural Loans.* The Company reviews all commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, potentially delinquent, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural loans is generally similar, with a focus on higher risk loans, including reviews of the portfolio on a geographic and sector basis.

Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. The debt service coverage ratio compares a property's net operating income to amounts needed to service the principal and interest due under the loan. For commercial loans, at December 31, 2009, the average loan-to-value ratio was 68%, as compared to 58% at December 31, 2008, and the average debt service coverage ratio was 2.2x, as compared to 1.8x at December 31, 2008. The values utilized in calculating these ratios are developed in connection with our review of the commercial loan portfolio, and are updated routinely, including a periodic quality rating process and an evaluation of the estimated fair value of the underlying collateral.



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*Mortgage Loan Credit Quality Monitoring Process Residential and Consumer Loans.* The Company has a conservative residential and consumer loan portfolio and does not hold any option ARMs, sub-prime, low teaser rate, or loans with a loan-to-value ratio of 100% or more. Higher risk loans include those that are classified as restructured, potentially delinquent, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and interest-only loans. The Company's investment in residential junior lien loans and residential loans with a loan-to-value ratio of 80% or more was \$76 million at December 31, 2009, and the majority of the higher loan-to-value loans have mortgage insurance coverage which reduces the loan-to-value ratio to less than 80%. Additionally, the Company's investment in traditional residential interest-only loans was \$323 million at December 31, 2009.

*Mortgage Loans Valuation Allowances.* Recent economic events causing deteriorating market conditions, low levels of liquidity and credit spread widening have all adversely impacted the mortgage loan markets. As a result, commercial real estate and residential and consumer loan market fundamentals, and fundamentals in certain sectors of the agricultural loan market, have weakened. The Company expects continued pressure on these fundamentals, including but not limited to declining rent growth, increased vacancies, rising delinquencies and declining property values. These deteriorating factors have been considered in the Company's ongoing, systematic and comprehensive review of the commercial, agricultural and residential and consumer mortgage loan portfolios, resulting in higher impairments and valuation allowances for the year ended December 31, 2009 as compared to the prior periods.

The Company's valuation allowances are established both on a loan specific basis for those loans considered impaired where a property specific or market specific risk has been identified that could likely result in a future loss, as well as for pools of loans with similar risk characteristics where a property specific or market specific risk has not been identified, but for which the Company expects to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses. The Company records valuation allowances and gains and losses from the sale of loans in net investment gains (losses).

The Company records valuation allowances for loans considered to be impaired when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Based on the facts and circumstances of the individual loans being impaired, loan specific valuation allowances are established for the excess carrying value of the loan over either: (i) the present value of expected future cash flows discounted at the loan's original effective interest rate; (ii) the estimated fair value of the loan's underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent; or (iii) the loan's observable market price.

The Company also establishes valuation allowances for loan losses for pools of loans with similar characteristics, such as loans based on similar property types or loans with similar loan-to-value or similar debt service coverage ratio factors when, based on past experience, it is probable that a credit event has occurred and the amount of loss can be reasonably estimated.

The determination of the amount of, and additions to, valuation allowances is based upon the Company's periodic evaluation and assessment of known and inherent risks associated with its loan portfolios. Such evaluations and assessments are based upon several factors, including the Company's experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised, and such changes in the valuation allowance are also recorded in net investment gains (losses).

The following tables present the changes in valuation allowances for commercial, agricultural and residential and consumer loans held-for-investment for the years ended December 31, 2009, 2008 and 2007:

	Commercial	Agricultural	Residential and Consumer	Total
	(In millions)			
Balance, January 1, 2007	\$ 153	\$ 18	\$ 11	\$ 182
Additions	68	8		76

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Deductions	(54)	(2)	(5)	(61)
Balance, December 31, 2007	167	24	6	197
Additions	145	49	6	200
Deductions	(80)	(12)	(1)	(93)
Balance, December 31, 2008	232	61	11	304
Additions	384	79	12	475
Deductions	(27)	(25)	(6)	(58)
Balance, December 31, 2009	\$ 589	\$ 115	\$ 17	\$ 721

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The following table presents the Company's valuation allowances for loans by type of credit loss at:

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(In millions)</b>	
Specific credit losses	\$ 123	\$ 69
Non-specifically identified credit losses	598	235
 Total valuation allowances	 \$ 721	 \$ 304

The Company held \$210 million and \$220 million in mortgage loans which are carried at estimated fair value based on the value of the underlying collateral or independent broker quotations, if lower, of which \$202 million and \$188 million relate to impaired mortgage loans held-for-investment and \$8 million and \$32 million to certain mortgage loans held-for-sale, at December 31, 2009 and 2008, respectively. These impaired mortgage loans were recorded at estimated fair value and represent a nonrecurring fair value measurement. The estimated fair value is categorized as Level 3. Included within net investment gains (losses) for such impaired mortgage loans were net impairments of \$93 million and \$79 million for the years ended December 31, 2009 and 2008, respectively.

See Note 3 of the Notes to the Consolidated Financial Statements Investments Mortgage Loans for certain information about impaired loans, restructured loans, loans 90 days past or more past due, and loans in foreclosure at and for the years ended December 31, 2009, 2008 and 2007.

**Real Estate Holdings**

The Company's real estate holdings consist of commercial properties located primarily in the United States. The carrying value of the Company's real estate, real estate joint ventures and real estate held-for-sale was \$6.9 billion and \$7.6 billion, or 2.0% and 2.4%, respectively, of total cash and invested assets at December 31, 2009 and 2008, respectively.

See Note 3 of the Notes to the Consolidated Financial Statements Investments Real Estate Holdings for a table that presents the carrying value of the Company's real estate holdings by type at December 31, 2009 and 2008.

The Company diversifies its real estate holdings by both geographic region and property type to reduce risk of concentration. The Company's real estate holdings are primarily located in the United States. The Company's real estate holdings located in California, Florida, New York and Texas were 23%, 13%, 11% and 10% at December 31, 2009. See Note 3 of the Notes to the Consolidated Financial Statements Investments Real Estate Holdings for a table that presents the property type diversification at December 31, 2009 and 2008.

There were no impairments on real estate held-for-sale for the years ended December 31, 2009, 2008 and 2007, respectively. The Company's carrying value of real estate held-for-sale at both December 31, 2009 and 2008 has been reduced by impairments recorded prior to 2007 of \$1 million. Impairments of real estate and real estate joint ventures held-for-investment were \$160 million and \$20 million for the years ended December 31, 2009 and 2008, respectively. There were no impairments of real estate and real estate joint ventures held-for-investment for the year ended December 31, 2007. The Company held \$93 million in cost basis real estate joint ventures which were impaired based on the underlying real estate joint venture financial statements at December 31, 2009. These real estate joint ventures were recorded at estimated fair value and represent a non-recurring fair value measurement. The estimated fair value was categorized as Level 3. Impairments to estimated fair value for such real estate joint ventures of \$83 million for the year ended December 31, 2009, were recognized within net investment gains (losses) and are included in the \$160 million of impairments on real estate and real estate joint ventures for the year ended December 31, 2009.

**Other Limited Partnership Interests**

The carrying value of other limited partnership interests (which primarily represent ownership interests in pooled investment funds that principally make private equity investments in companies in the United States and overseas) was \$5.5 billion and \$6.0 billion, or 1.6% and 1.9% of total cash and invested assets at December 31, 2009 and 2008, respectively. Included within other limited partnership interests were \$1.0 billion and \$1.3 billion, at December 31,

2009 and 2008 respectively, of investments in hedge funds.

The Company held \$561 million and \$137 million of impaired other limited partnership interests which are accounted for using the cost basis at December 31, 2009 and 2008, respectively. Impairments on cost basis limited partnership interests are recognized at estimated fair value determined from information provided in the financial statements of the underlying other limited partnership interests in the period in which the impairment is recognized. Consistent with equity securities, greater weight and consideration is

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given in the other limited partnership interests impairment review process, to the severity and duration of unrealized losses on such other limited partnership interests holdings. Impairments to estimated fair value for such other limited partnership interests of \$354 million, \$105 million and \$4 million for the years ended December 31, 2009, 2008 and 2007, respectively, were recognized within net investment gains (losses). These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments.

***Other Invested Assets***

The carrying value of other invested assets was \$12.7 billion and \$17.2 billion, or 3.8% and 5.3% of total cash and invested assets at December 31, 2009 and 2008, respectively. See Note 3 of the Notes to the Consolidated Financial Statements Investments Other Invested Assets for a table that presents the carrying value of the Company's other invested assets by type at December 31, 2009 and 2008, and related supporting tables for leveraged leases and MSR's included within other invested assets.

***Short-term Investments***

The carrying value of short-term investments, which include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition was \$8.4 billion and \$13.9 billion, or 2.5% and 4.3% of total cash and invested assets at December 31, 2009 and 2008, respectively.

***Variable Interest Entities***

See Note 3 of the Notes to the Consolidated Financial Statements for the information concerning variable interest entities.

***Derivative Financial Instruments***

*Derivatives.* The Company is exposed to various risks relating to its ongoing business operations, including interest rate risk, foreign currency risk, credit risk, and equity market risk. The Company uses a variety of strategies to manage these risks, including the use of derivative instruments. See Note 4 of the Notes to the Consolidated Financial Statements for a comprehensive description of the nature of the Company's derivative instruments, including the strategies for which derivatives are used in managing various risks.

See Note 4 of the Notes to Consolidated Financial Statements for information about the notional amount, estimated fair value, and primary underlying risk exposure of Company's derivative financial instruments, excluding embedded derivatives held at December 31, 2009 and 2008.

*Hedging.* See Note 4 of the Notes to Consolidated Financial Statements for information about:

The notional amount and estimated fair value of derivatives and non-derivative instruments designated as hedging instruments by type of hedge designation at December 31, 2009 and 2008.

The notional amount and estimated fair value of derivatives that are not designated or do not qualify as hedging instruments by derivative type at December 31, 2009 and 2008.

The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the years ended December 31, 2009, 2008, and 2007.

See Quantitative and Qualitative Disclosures About Market Risk Management of Market Risk Exposures Hedging Activities for more information about the Company's use of derivatives by major hedge program. See Policyholder Liabilities Variable Annuity Guarantees for information about the Company's use of derivatives to hedge variable annuity guarantees.

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*Fair Value Hierarchy.* Derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy, are presented as follows:

	<b>December 31, 2009</b>			
	<b>Derivative Assets</b>	<b>(In millions)</b>		<b>Derivative Liabilities</b>
Quoted prices in active markets for identical assets and liabilities (Level 1)	\$ 103	2%	\$ 51	1%
Significant other observable inputs (Level 2)	5,600	91	3,990	97
Significant unobservable inputs (Level 3)	430	7	74	2
Total estimated fair value	\$ 6,133	100%	\$ 4,115	100%

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are based on assumptions deemed appropriate given the circumstances and are assumed to be consistent with what other market participants would use when pricing such instruments, the use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

Derivatives categorized as Level 3 at December 31, 2009 include: interest rate forwards including interest rate lock commitments with certain unobservable inputs, including pull-through rates; equity variance swaps with unobservable volatility inputs or that are priced via independent broker quotations; foreign currency swaps which are cancelable and priced through independent broker quotations; interest rate swaps with maturities which extend beyond the observable portion of the yield curve; credit default swaps based upon baskets of credits having unobservable credit correlations, as well as credit default swaps with maturities which extend beyond the observable portion of the credit curves and credit default swaps priced through independent broker quotes; foreign currency forwards priced via independent broker quotations or with liquidity adjustments; implied volatility swaps with unobservable volatility inputs; equity options with unobservable volatility inputs; interest rate caps and floors referencing unobservable yield curves and/or which include liquidity and volatility adjustments; currency options based upon baskets of currencies having unobservable currency correlations; and credit forwards having unobservable repurchase rates.

At December 31, 2009 and 2008, 5.5% and 2.7% of the net derivative estimated fair value was priced via independent broker quotations.

A rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the year ended December 31, 2009 is as follows:

	<b>Year Ended December 31, 2009 (In millions)</b>
Balance, beginning of period	\$ 2,547
Total realized/unrealized gains (losses) included in:	
Earnings	(273)
Other comprehensive income (loss)	(11)
Purchases, sales, issuances and settlements	97
Transfer in and/or out of Level 3	(2,004)
Balance, end of period	\$ 356

During the fourth quarter of 2009, the Company's volatility inputs for certain of its equity options changed from being unobservable to observable, which resulted in the transfer of these positions from level 3 to level 2. The volatility inputs became observable because the Company began utilizing a market data provider that constructs an implied volatility surface sourced from transactions executed in the marketplace. The value at the beginning of the year of the options transferred was \$2.0 billion, and the amount recorded in earnings in connection with these options for the year ended December 31, 2009 was a loss of \$762 million.

See Summary of Critical Accounting Estimates - Derivative Financial Instruments for further information on the estimates and assumptions that affect the amounts reported above.

*Credit Risk.* See Note 4 of the Notes to Consolidated Financial Statements for information about how the Company manages credit risk related to its freestanding derivatives, including the use of master netting agreements and collateral arrangements.

*Credit Derivatives.* See Note 4 of the Notes to Consolidated Financial Statements for information about the estimated fair value and maximum amount at risk related to the Company's written credit default swaps.

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*Embedded Derivatives.* The embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy, are presented as follows:

	<b>December 31, 2009</b>			
	<b>Net Embedded Derivatives Within Asset Host Contracts</b>		<b>Liability Host Contracts</b>	
	<b>(In millions)</b>			
Quoted prices in active markets for identical assets and liabilities (Level 1)	\$	%	\$	%
Significant other observable inputs (Level 2)			(26)	(2)
Significant unobservable inputs (Level 3)	76	100	1,531	102
Total estimated fair value	\$ 76	100%	\$ 1,505	100%

A rollforward of the fair value measurements for net embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs is as follows:

	<b>Year Ended December 31, 2009</b>	
	<b>(In millions)</b>	
Balance, beginning of period	\$	(2,929)
Total realized/unrealized gains (losses) included in:		
Earnings		1,602
Other comprehensive income (loss)		15
Purchases, sales, issuances and settlements		(143)
Transfer in and/or out of Level 3		
Balance, end of period	\$	(1,455)

The valuation of the Company's guaranteed minimum benefits includes an adjustment for the Company's own credit. For the years ended December 31, 2009 and 2008, the Company recognized net investment gains (losses) of (\$1,932) million and \$2,994 million, respectively, in connection with this adjustment.

See Summary of Critical Accounting Estimates Embedded Derivatives for further information on the estimates and assumptions that affect the amounts reported above.

**Off-Balance Sheet Arrangements*****Commitments to Fund Partnership Investments***

The Company makes commitments to fund partnership investments in the normal course of business for the purpose of enhancing the Company's total return on its investment portfolio. The amounts of these unfunded commitments were \$4.1 billion and \$4.5 billion at December 31, 2009 and 2008, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years. There are no other obligations or liabilities arising from such arrangements that are reasonably likely to become material.

***Mortgage Loan Commitments***

The Company has issued interest rate lock commitments on certain residential mortgage loan applications totaling \$2.7 billion and \$8.0 billion at December 31, 2009 and 2008, respectively. The Company intends to sell the majority of these originated residential mortgage loans. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivatives pursuant to the guidance on derivatives and hedging, and their estimated fair value and notional amounts are included within interest rate forwards.



The Company also commits to lend funds under certain other mortgage loan commitments that will be held-for-investment. The amounts of these mortgage loan commitments were \$2.2 billion and \$2.7 billion at December 31, 2009 and 2008, respectively.

The purpose of the Company's loan program is to enhance the Company's total return on its investment portfolio. There are no other obligations or liabilities arising from such arrangements that are reasonably likely to become material.

**Table of Contents*****Commitments to Fund Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments***

The Company commits to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were \$1.3 billion and \$1.0 billion at December 31, 2009 and 2008, respectively. There are no other obligations or liabilities arising from such arrangements that are reasonably likely to become material.

***Lease Commitments***

The Company, as lessee, has entered into various lease and sublease agreements for office space, data processing and other equipment. The Company's commitments under such lease agreements are included within the contractual obligations table. See Liquidity and Capital Resources The Company Liquidity and Capital Uses Contractual Obligations.

***Credit Facilities, Committed Facilities and Letters of Credit***

The Company maintains committed and unsecured credit facilities and letters of credit with various financial institutions. See Liquidity and Capital Resources The Company Liquidity and Capital Sources Credit and Committed Facilities, for further descriptions of such arrangements.

***Guarantees***

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties pursuant to which 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 ranging from less than \$1 million to \$800 million, with a cumulative maximum of \$1.6 billion, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, we do not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. We believe 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 has also guaranteed minimum investment returns on certain international retirement funds in accordance with local laws. Since these guarantees are 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 guarantees in the future.

During the year ended December 31, 2009, the Company reduced \$1 million of previously recorded liabilities related to certain investment transactions. The Company's recorded liabilities were \$5 million and \$6 million at December 31, 2009 and 2008, respectively, for indemnities, guarantees and commitments.

In connection with synthetically created investment transactions, the Company writes credit default swap obligations that generally require payment of principal outstanding due in exchange for the referenced credit obligation. If a credit event, as defined by the contract, occurs the Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was \$3.1 billion at December 31, 2009. However, the Company believes that any actual future losses will be significantly lower than this amount. Additionally, the Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. At December 31, 2009, the Company would have paid

\$37 million to terminate all of these contracts.

**Table of Contents*****Other Commitments***

MetLife Insurance Company of Connecticut is a member of the Federal Home Loan Bank of Boston (the FHLB of Boston ) and holds \$70 million of common stock of the FHLB of Boston at both December 31, 2009 and 2008, which is included in equity securities. MICC has also entered into funding agreements with the FHLB of Boston whereby MICC has issued such funding agreements in exchange for cash and for which the FHLB of Boston has been granted a blanket lien on certain MICC assets, including residential mortgage-backed securities, to collateralize MICC's obligations under the funding agreements. MICC maintains control over these pledged assets, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. Upon any event of default by MICC, the FHLB of Boston's recovery on the collateral is limited to the amount of MICC's liability to the FHLB of Boston. The amount of the Company's liability for funding agreements with the FHLB of Boston was \$326 million and \$526 million at December 31, 2009 and 2008, respectively, which is included in policyholder account balances. In addition, at December 31, 2008, MICC had advances of \$300 million from the FHLB of Boston with original maturities of less than one year and therefore, such advances are included in short-term debt. There were no such advances at December 31, 2009. These advances and the advances on these funding agreements are collateralized by mortgage-backed securities with estimated fair values of \$419 million and \$1,284 million at December 31, 2009 and 2008, respectively. During the years ended December 31, 2009, 2008 and 2007, interest credited on the funding agreements, which are included in interest credited to policyholder account balances, was \$6 million, \$15 million and \$34 million, respectively.

Metropolitan Life Insurance Company is a member of the FHLB of NY and holds \$742 million and \$830 million of common stock of the FHLB of NY at December 31, 2009 and 2008, respectively, which is included in equity securities. MLIC has also entered into funding agreements with the FHLB of NY whereby MLIC has issued such funding agreements in exchange for cash and for which the FHLB of NY has been granted a lien on certain MLIC assets, including residential mortgage-backed securities to collateralize MLIC's obligations under the funding agreements. MLIC maintains control over these pledged assets, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. Upon any event of default by MLIC, the FHLB of NY's recovery on the collateral is limited to the amount of MLIC's liability to the FHLB of NY. The amount of the Company's liability for funding agreements with the FHLB of NY was \$13.7 billion and \$15.2 billion at December 31, 2009 and 2008, respectively, which is included in policyholder account balances. The advances on these agreements are collateralized by mortgage-backed securities with estimated fair values of \$15.1 billion and \$17.8 billion at December 31, 2009 and 2008, respectively. During the years ended December 31, 2009, 2008 and 2007, interest credited on the funding agreements, which are included in interest credited to policyholder account balances, was \$333 million, \$229 million and \$94 million, respectively.

MetLife Bank is a member of the FHLB of NY and holds \$124 million and \$89 million of common stock of the FHLB of NY at December 31, 2009 and 2008, respectively, which is included in equity securities. MetLife Bank has also entered into repurchase agreements with the FHLB of NY whereby MetLife Bank has issued repurchase agreements in exchange for cash and for which the FHLB of NY has been granted a blanket lien on certain of MetLife Bank's residential mortgages, mortgage loans held-for-sale, commercial mortgages and mortgage-backed securities to collateralize MetLife Bank's obligations under the repurchase agreements. MetLife Bank maintains control over these pledged assets, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. The repurchase agreements and the related security agreement represented by this blanket lien provide that upon any event of default by MetLife Bank, the FHLB of NY's recovery is limited to the amount of MetLife Bank's liability under the outstanding repurchase agreements. The amount of MetLife Bank's liability for repurchase agreements entered into with the FHLB of NY was \$2.4 billion and \$1.8 billion at December 31, 2009 and 2008, respectively, which is included in long-term debt and short-term debt depending upon the original tenor of the advance. During the years ended December 31, 2009, 2008 and 2007, MetLife Bank received advances related to long-term borrowings totaling \$1.3 billion, \$220 million and \$390 million, respectively, from the FHLB of NY. MetLife Bank made repayments to

the FHLB of NY of \$497 million, \$371 million and \$175 million related to long-term borrowings for the years ended December 31, 2009, 2008 and 2007, respectively. The advances on the repurchase agreements related to both long-term and short-term debt were collateralized by residential mortgages, mortgage loans held-for-sale, commercial mortgages and mortgage-backed securities with estimated fair values of \$5.5 billion and \$3.1 billion at December 31, 2009 and 2008, respectively.

**Table of Contents*****Collateral for Securities Lending***

The Company has non-cash collateral for securities lending on deposit from customers, which cannot be sold or repledged, and which has not been recorded on its consolidated balance sheets. The amount of this collateral was \$6 million and \$279 million at December 31, 2009 and 2008, respectively.

**Insolvency Assessments**

See Note 16 of the Notes to the Consolidated Financial Statements.

**Policyholder Liabilities**

The Company establishes, and carries as liabilities, actuarially determined amounts that are calculated to meet policy obligations when a policy matures or is surrendered, an insured dies or becomes disabled or upon the occurrence of other covered events, or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported in the consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities see Management's Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates. Also see Notes 1 and 8 of the Notes to the Consolidated Financial Statements for an analysis of certain policyholder liabilities at December 31, 2009 and 2008.

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of actuarial liabilities, the Company cannot precisely determine the amounts that will ultimately be paid with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

However, we believe our actuarial liabilities for future benefits are adequate to cover the ultimate benefits required to be paid to policyholders. We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities.

The Company has experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, and turbulent financial markets that may have an adverse impact on our business, results of operations, and financial condition. Catastrophes can be caused by various events, including pandemics, hurricanes, windstorms, earthquakes, hail, tornadoes, explosions, severe winter weather (including snow, freezing water, ice storms and blizzards), fires and man-made events such as terrorist attacks. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils.

***Future Policy Benefits***

The Company establishes liabilities for amounts payable under insurance policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of expected future benefits to be paid, reduced by the present value of expected future net premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits include mortality, morbidity, policy lapse, renewal, retirement, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. If experience is less favorable than assumed and future losses are projected under loss recognition testing, then additional liabilities may be required, resulting in a charge to policyholder benefits and claims.

*Insurance Products.* Future policy benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, long term care policies, active life policies and premium stabilization and other contingency liabilities held under participating life insurance contracts. In order to manage risk, the Company has often reinsured a portion of the mortality risk on new individual life insurance policies. The reinsurance programs are routinely evaluated and this may result in increases or decreases to existing coverage. The Company entered into various derivative positions, primarily interest rate swaps and swaptions, to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts.



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*Retirement Products.* Future policy benefits are comprised mainly of liabilities for life-contingent income annuities, supplemental contracts with and without life contingencies, liabilities for Guaranteed Minimum Death Benefits ( GMDBs ) included in certain annuity contracts, and a certain portion of guaranteed living benefits. See Variable Annuity Guarantees.

*Corporate Benefit Funding.* Liabilities are primarily related to structured settlement annuities. There is no interest rate crediting flexibility on these liabilities. A sustained low interest rate environment could negatively impact earnings as a result. The Company has various derivative positions, primarily interest rate floors and interest rate swaps, to mitigate the risks associated with such a scenario.

*Auto & Home.* Future policy benefits include liabilities for unpaid claims and claim expenses for property and casualty insurance and represent the amount estimated for claims that have been reported but not settled and claims incurred but not reported. Liabilities for unpaid claims are estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon the Company's historical experience and analyses of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

*International.* Future policy benefits are held primarily for immediate annuities in the Latin America region, as well as for total return pass-thru provisions included in certain universal life and savings products in Latin America, and traditional life, endowment and annuity contracts sold in various countries in the Asia Pacific region. They also include certain liabilities for variable annuity guarantees of minimum death benefits, and longevity guarantees sold in the Asia Pacific region. Finally, in the EMEI region, they also include unearned premium liabilities established for credit insurance contracts covering death, disability and involuntary loss of employment, as well as a small amount of traditional life and endowment contracts. Factors impacting these liabilities include sustained periods of lower yields than rates established at issue, lower than expected asset reinvestment rates, asset default and more rapid improvement of mortality levels than anticipated for life contingent immediate annuities. The Company mitigates its risks by implementing an asset/liability matching policy and through the development of periodic experience studies. See Variable Annuity Guarantees.

Estimates for the liabilities for unpaid claims and claim expenses are reset as actuarial indications change and these changes in the liability are reflected in the current results of operation as either favorable or unfavorable development of prior year losses.

*Banking, Corporate & Other.* Future policy benefits primarily include liabilities for quota-share reinsurance agreements for certain long-term care and workers' compensation business written by MICC, a subsidiary of the Company, prior to the acquisition of MICC. These are run-off businesses that have been included within Banking, Corporate & Other since the acquisition of MICC.

***Policyholder Account Balances***

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but exclude the impact of any applicable surrender charge that may be incurred upon surrender.

*Insurance Products.* Policyholder account balances are held for death benefit disbursement retained asset accounts, universal life policies, the fixed account of variable life insurance policies, specialized life insurance products for benefit programs, general account universal life policies, and the fixed account of variable life insurance policies. Policyholder account balances are credited interest at a rate set by the Company, which are influenced by current market rates. The majority of the policyholder account balances have a guaranteed minimum credited rate between 1.5% and 5.0%. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees. The Company has various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario.

*Retirement Products.* Policyholder account balances are held for fixed deferred annuities and the fixed account portion of variable annuities, for certain income annuities, and for certain portions of guaranteed benefits. Policyholder account balances are credited interest at a rate set by the Company, which are influenced by current market rates, and generally have a guaranteed minimum credited rate between 1.5% and 4.0%. See Variable Annuity Guarantees.



*Corporate Benefit Funding.* Policyholder account balances are comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly 1-month or 3-month LIBOR. MetLife is exposed to interest rate risks, and foreign exchange risk when guaranteeing payment of interest and return of principal at the contractual maturity date. The Company may invest in floating rate assets, or enter into floating rate swaps, also tied to external indices, as well as caps to mitigate the impact of changes in market interest rates. The Company also mitigates its risks by implementing an asset/liability matching policy and seeks to hedge all foreign currency risk through the use of foreign currency hedges, including cross currency swaps.

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*International.* Policyholder account balances are held largely for fixed income retirement and savings plans in the Latin America region and to a lesser degree, amounts for separate account type funds in certain countries in the Latin America, Asia Pacific and EMEI regions that do not meet the U.S. GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in the Asia Pacific region that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in the Asia Pacific region are established in accordance with derivatives and hedging guidance and are also included within policyholder account balances. These liabilities are generally impacted by sustained periods of low interest rates, where there are interest rate guarantees. The Company mitigates its risks by implementing an asset/liability matching policy and by hedging its variable annuity guarantees. See Variable Annuity Guarantees.

**Variable Annuity Guarantees**

The Company issues certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases the benefit base may be increased by additional deposits, bonus amounts, accruals or market value resets. These guarantees are accounted for as insurance liabilities or as embedded derivatives depending on how and when the benefit is paid. Specifically, a guarantee is accounted for as an embedded derivative if a guarantee is paid without requiring (i) the occurrence of specific insurable event or (ii) the policyholder to annuitize. Alternatively, a guarantee is accounted for as an insurance liability if the guarantee is paid only upon either (i) the occurrence of a specific insurable event or (ii) upon annuitization. In certain cases, a guarantee may have elements of both an insurance liability and an embedded derivative and in such cases the guarantee is accounted for under a split of the two models.

The net amount at risk ( NAR ) for guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, increased equity volatility, or changes in interest rates. The NAR disclosed in Note 8 of the Notes to the Consolidated Financial Statements represents management's estimate of the current value of the benefits under these guarantees if they were all exercised simultaneously at December 31, 2009 and 2008, respectively. However, there are features, such as deferral periods and benefits requiring annuitization or death, that limit the amount of benefits that will be payable in the near future. None of the GMIB guarantees are eligible for a guaranteed annuitization prior to 2011.

Guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in policyholder account balances. Guarantees accounted for as embedded derivatives include GMAB, the non life-contingent portion of GMWB and the portion of certain GMIB that do not require annuitization. For more detail on the determination of estimated fair value, see Note 5 of the Notes to the Consolidated Financial Statements.

The table below contains the carrying value for guarantees included in policyholder account balances at:

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(In millions)</b>	
<b>U.S. Business:</b>		
Guaranteed minimum accumulation benefit	\$ 60	\$ 169
Guaranteed minimum withdrawal benefit	154	750
Guaranteed minimum income benefit	66	1,043
<b>International:</b>		
Guaranteed minimum accumulation benefit	195	271
Guaranteed minimum withdrawal benefit	1,025	901
Total	\$ 1,500	\$ 3,134

Included in net investment gains (losses) for the year ended December 31, 2009 and 2008 were gains (losses) of \$1.8 billion and (\$2.7) billion, respectively, in embedded derivatives related to the change in estimated fair value of the above guarantees. The carrying amount of guarantees accounted for at estimated fair value includes an adjustment for the Company's own credit. In connection with this adjustment, gains (losses) of (\$1.9) billion and \$3.0 billion are

included in the gains (losses) of \$1.8 billion and (\$2.7) billion in net investment gains (losses) for the year ended December 31, 2009 and 2008, respectively.

The estimated fair value of guarantees accounted for as embedded derivatives can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign exchange rates. Additionally, because the estimated fair value for guarantees accounted for at estimated fair value includes an adjustment for the Company's own credit, a decrease in the Company's credit spreads could cause the value of these liabilities to increase. Conversely, a widening of the

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Company's credit spreads could cause the value of these liabilities to decrease. The Company uses derivative instruments to mitigate the liability exposure, risk of loss and the volatility of net income associated with these liabilities. The derivative instruments used are primarily equity and treasury futures, equity options and variance swaps, and interest rate swaps. The change in valuation arising from the Company's own credit is not hedged.

The table below presents the estimated fair value of the derivatives hedging guarantees accounted for as embedded derivatives:

Primary Underlying Risk Exposure	Derivative Type	Notional Amount	December 31, 2009		December 31, 2008		Notional Amount	Estimated Fair Value	
			Assets	Liabilities	Assets	Liabilities			
(In millions)									
Interest rate	Interest rate swaps	\$ 8,847	\$ 194	\$ 275	\$ 5,572	\$ 632	\$ 7		
	Interest rate futures	4,997	5	4	9,264	36	56		
Foreign currency	Foreign currency forwards	2,016	4	30	1,017	49	4		
	Currency options	327	14		582	68			
Equity market	Equity futures	6,033	31	20	4,660	1	65		
	Equity options	26,661	1,596	1,018	4,842	1,997			
	Variance swaps	13,267	174	58	8,835	396			
	Total rate of return swaps	126							
	<b>Total</b>	<b>\$ 62,274</b>	<b>\$ 2,018</b>	<b>\$ 1,405</b>	<b>\$ 34,772</b>	<b>\$ 3,179</b>	<b>\$ 132</b>		

Included in net investment gains (losses) for the year ended December 31, 2009 and 2008 were gains (losses) of (\$3.7) billion and \$3.4 billion related to the change in estimated fair value of the above derivatives.

Guarantees, including portions thereof, have liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include GMDBs, the life-contingent portion of certain GMWB, and the portion of GMIB that require annuitization. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios use best estimate assumptions consistent with those used to amortize deferred acquisition costs. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than that previously projected or when current estimates of future assessments exceed those previously projected. At each reporting period, the Company updates the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings.

The table below contains the carrying value for guarantees included in future policy benefits at:

U.S. Business:	December 31,	
	2009	2008
Guaranteed minimum death benefit	\$ 137	\$ 204
Guaranteed minimum income benefit	394	403

**International:**

Guaranteed minimum death benefit	23	39
Total	\$ 554	\$ 646

Included in policyholder benefits and claims for the year ended December 31, 2009 is a credit of \$92 million and for the year ended December 31, 2008 is a charge of \$498 million, related to the respective change in liabilities for the above guarantees.

The carrying amount of guarantees accounted for as insurance liabilities can change significantly during periods of sizable and sustained shifts in equity market performance, increased equity volatility, or changes in interest rates. The Company uses reinsurance in combination with derivative instruments to mitigate the liability exposure, risk of loss and the volatility of net income associated with these liabilities. Derivative instruments used are primarily equity futures, treasury futures and interest rate swaps.

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Included in policyholder benefits and claims associated with the hedging of the guarantees in future policy benefits for the year ended December 31, 2009 and 2008 were gains (losses) of (\$114) million and \$182 million, respectively, related to reinsurance treaties containing embedded derivatives carried at estimated fair value and gains (losses) of (\$376) million and \$331 million, respectively, related to freestanding derivatives.

While the Company believes that the hedging strategies employed for guarantees included in both policyholder account balances and in future policy benefits, as well as other management actions, have mitigated the risks related to these benefits, the Company remains liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of the Company's reinsurance agreements and derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which, significantly reduces the exposure to counterparty risk. In addition, the Company is subject to the risk that hedging and other management procedures prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed. Lastly, because the valuation of the guarantees accounted for as embedded derivatives includes an adjustment for the Company's own credit that is not hedged, changes in the Company's own credit may result in significant volatility in net income.

***Other Policyholder Funds***

Other policyholder funds include policy and contract claims, unearned revenue liabilities, premiums received in advance, policyholder dividends due and unpaid, and policyholder dividends left on deposit.

The liability for policy and contract claims generally relates to incurred but not reported death, disability, long-term care and dental claims, as well as claims that have been reported but not yet settled. The liability for these claims is based on the Company's estimated ultimate cost of settling all claims. The Company derives estimates for the development of incurred but not reported claims principally from actuarial analyses of historical patterns of claims and claims development for each line of business. The methods used to determine these estimates are continually reviewed. Adjustments resulting from this continuous review process and differences between estimates and payments for claims are recognized in policyholder benefits and claims expense in the period in which the estimates are changed or payments are made.

The unearned revenue liability relates to universal life-type and investment-type products and represents policy charges for services to be provided in future periods. The charges are deferred as unearned revenue and amortized using the product's estimated gross profits and margins, similar to deferred acquisition costs. Such amortization is recorded in universal life and investment-type product policy fees.

Also included in other policyholder funds are policyholder dividends due and unpaid on participating policies and policyholder dividends left on deposit. Such liabilities are presented at amounts contractually due to policyholders.

***Policyholder Dividends Payable***

Policyholder dividends payable consists of liabilities related to dividends payable in the following calendar year on participating policies.

**Liquidity and Capital Resources****Overview**

Beginning in September 2008, the global financial markets experienced unprecedented disruption, adversely affecting the business environment in general, as well as financial services companies in particular. The U.S. economy entered a recession in January 2008 and most economists believe this recession ended in the third quarter of 2009 when positive growth returned. Most economists now expect positive growth to continue through 2010. Conditions in the financial markets have materially improved, but financial institutions may have to pay higher spreads over benchmark U.S. Treasury securities than before the market disruption began. There is still some uncertainty as to whether the stressed conditions that prevailed during the market disruption could recur, which could affect the Company's ability to meet liquidity needs and obtain capital.

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*Liquidity Management.* Based upon the strength of its franchise, diversification of its businesses and strong financial fundamentals, we continue to believe that the Company has ample liquidity to meet business requirements under current market conditions and unlikely but reasonably possible stress scenarios. The Company's short-term liquidity position (cash, and cash equivalents and short-term investments, excluding cash collateral received under the Company's securities lending program that has been reinvested in cash, cash equivalents, short-term investments and publicly-traded securities and cash collateral received from counterparties in connection with derivative instruments) was \$11.7 billion and \$26.7 billion at December 31, 2009 and 2008, respectively. This reduction in short-term liquidity reflects the continued improvement in market conditions during the year ended December 31, 2009. During 2009, the Company invested a portion of its short-term liquidity position in longer term, high quality, liquid asset types such as U.S. government securities and agency residential mortgage-backed securities. We continuously monitor and adjust our liquidity and capital plans for the Holding Company and its subsidiaries in light of changing needs and opportunities.

**The Company*****Liquidity***

Liquidity refers to a company's ability to generate adequate amounts of cash to meet its needs. Liquidity needs are determined from a rolling 6-month forecast by portfolio and are monitored daily. Asset mix and maturities are adjusted based on the forecast. Cash flow testing and stress testing provide additional perspectives on liquidity, which include various scenarios of the potential risk of early contractholder and policyholder withdrawal. We believe that the Company has ample liquidity and capital resources to meet business requirements under current market conditions and unlikely but reasonably possible stress scenarios under current market conditions. The Company includes provisions limiting withdrawal rights on many of its products, including general account institutional pension products (generally group annuities, including funding agreements, and certain deposit fund liabilities) sold to employee benefit plan sponsors. Certain of these provisions prevent the customer from making withdrawals prior to the maturity date of the product.

In the event of significant cash requirements beyond anticipated liquidity needs, the Company has various alternatives available depending on market conditions and the amount and timing of the liquidity need. These options include cash flows from operations, the sale of liquid assets, global funding sources and various credit facilities.

Under certain stressful market and economic conditions, liquidity may deteriorate broadly which could negatively impact the Company. If the Company requires significant amounts of cash on short notice in excess of anticipated cash requirements, the Company may have difficulty selling investment assets in a timely manner, be forced to sell them for less than the Company otherwise would have been able to realize, or both. In addition, in the event of such forced sale, accounting rules require the recognition of a loss for certain securities in an unrealized loss position and may require the impairment of other securities based upon the Company's ability to hold such securities, which may negatively impact the Company's financial condition. A disruption in the financial markets could limit the Company's access to, or cost of, liquidity.

In extreme circumstances, all general account assets other than those which may have been pledged to a specific purpose within a statutory legal entity are available to fund obligations of the general account within that legal entity.

***Capital***

Capital reflects the financial strength of the Company and its ability to generate strong cash flows at the operating companies, borrow funds at competitive rates and raise additional capital to meet operating and growth needs.

While the Company raised new capital from its debt issuances during the difficult market conditions prevailing since the second half of 2008 (see The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings), the increase in credit spreads experienced since then has resulted in an increase in the cost of such new capital. As a result of reductions in interest rates, the Company's interest expense and dividends on floating rate securities have been lower; however, the increase in the Company's credit spreads since the second half of 2008 has caused the Company's credit facility fees to increase.

The Company manages its capital structure to maintain a level of capital needed for AA financial strength ratings. However, we believe that the rating agencies have recently heightened the level of scrutiny that they apply to life insurance companies and are considering several other factors, in addition to the level of capital, in assigning financial

strength ratings. The rating agencies may also adjust upward the capital and other requirements employed in their models for maintenance of certain ratings levels.



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*Statutory Capital and Dividends.* Our insurance subsidiaries have statutory surplus well above levels to meet current regulatory requirements.

RBC requirements are used as minimum capital requirements by the NAIC and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula calculated by applying factors to various asset, premium and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. These rules apply to each of the Holding Company's domestic insurance subsidiaries. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. At the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of these subsidiaries was in excess of each of those RBC levels.

The amount of dividends that our insurance subsidiaries can pay to the Holding Company or other parent entities is constrained by the amount of surplus we hold to maintain our ratings and provide an additional margin for risk protection and invest in our businesses. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval.

*Rating Agencies.* Rating agencies assign insurer financial strength ratings to the Company's domestic life insurance subsidiaries and credit ratings to the Holding Company and certain of its subsidiaries. The level and composition of our regulatory capital at the subsidiary level and equity capital of the Company are among the many factors considered in determining the Company's insurer financial strength and credit ratings. Each agency has its own capital adequacy evaluation methodology, and assessments are generally based on a combination of factors. We believe that the rating agencies have recently heightened the level of scrutiny that they apply to insurance companies, and that they may increase the frequency and scope of their credit reviews, may request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels.

A downgrade in the credit or financial strength (i.e., claims-paying) ratings of the Company or its subsidiaries would likely impact the cost and availability of financing for the Company and its subsidiaries and result in additional collateral requirements or other required payments under certain agreements, which are eligible to be satisfied in cash or by posting securities held by the subsidiaries subject to the agreements.

***Liquidity and Capital Sources***

*Cash Flows from Operations.* The Company's principal cash inflows from its insurance activities come from insurance premiums, annuity considerations and deposit funds. A primary liquidity concern with respect to these cash inflows is the risk of early contractholder and policyholder withdrawal. See The Company Liquidity and Capital Uses Contractual Obligations.

*Cash Flows from Investments.* The Company's principal cash inflows from its investment activities come from repayments of principal, proceeds from maturities, sales of invested assets and net investment income. The primary liquidity concerns with respect to these cash inflows are the risk of default by debtors and market volatility. The Company closely monitors and manages these risks through its credit risk management process.

*Liquid Assets.* An integral part of the Company's liquidity management is the amount of liquid assets it holds. Liquid assets include cash, cash equivalents, short-term investments and publicly-traded securities, excluding: (i) cash collateral received under the Company's securities lending program that has been reinvested in cash, cash equivalents, short-term investments and publicly-traded securities; (ii) cash collateral received from counterparties in connection with derivative instruments; (iii) cash, cash equivalents, short-term investments and securities on deposit with regulatory agencies; and (iv) securities held in trust in support of collateral financing arrangements and pledged in support of debt and funding agreements. At December 31, 2009 and 2008, the Company had \$139.2 billion and \$141.7 billion in liquid assets, respectively. For further discussion of invested assets on deposit with regulatory agencies, held in trust in support of collateral financing arrangements and pledged in support of debt and funding agreements, see Investments Invested Assets on Deposit, Held in Trust and Pledged as Collateral.

*Global Funding Sources.* Liquidity is also provided by a variety of short-term instruments, including repurchase agreements and commercial paper. Capital is provided by a variety of instruments, including medium- and long-term debt, junior subordinated debt securities, capital securities and equity securities. The diversity of the Company's funding sources, including funding that may be

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available through certain economic stabilization programs established by various government institutions, enhances flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Company's global funding sources include:

The Holding Company and MetLife Funding, Inc. ( MetLife Funding ) each have commercial paper programs supported by our \$2.85 billion general corporate credit facility. MetLife Funding, a subsidiary of MLIC, serves as a centralized finance unit for the Company. Pursuant to a support agreement, MLIC has agreed to cause MetLife Funding to have a tangible net worth of at least one dollar. At both December 31, 2009 and 2008, MetLife Funding had a tangible net worth of \$12 million. MetLife Funding raises cash from various funding sources and uses the proceeds to extend loans, through MetLife Credit Corp., another subsidiary of MLIC, to the Holding Company, MLIC and other affiliates. MetLife Funding manages its funding sources to enhance the financial flexibility and liquidity of MLIC and other affiliated companies. At December 31, 2009 and 2008, MetLife Funding had total outstanding liabilities for its commercial paper program, including accrued interest payable, of \$319 million and \$414 million, respectively.

The Federal Reserve Bank of New York's Commercial Paper Funding Facility ( CPFF ) was initiated in 2008 to improve liquidity in short-term funding markets by increasing the availability of term commercial paper funding to issuers and by providing greater assurance to both issuers and investors that firms will be able to rollover their maturing commercial paper. MetLife Short Term Funding LLC, the issuer of commercial paper under a program supported by funding agreements issued by MLIC and MICC, was accepted in October 2008 for the CPFF and could issue a maximum amount of \$3.8 billion under the CPFF. At December 31, 2009, MetLife Short Term Funding LLC had no drawdown under its CPFF capacity, compared to \$1.65 billion at December 31, 2008. MetLife Funding was accepted in November 2008 for the CPFF and could issue a maximum amount of \$1.0 billion under the CPFF. No drawdown by MetLife Funding had taken place under this facility at both December 31, 2009 and 2008. The CPFF program expired on February 1, 2010.

MetLife Bank is a depository institution that is approved to use the Federal Reserve Bank of New York Discount Window borrowing privileges and participate in the Federal Reserve Bank of New York Term Auction Facility. To utilize these facilities, MetLife Bank has pledged qualifying loans and investment securities to the Federal Reserve Bank of New York as collateral. At December 31, 2009, MetLife Bank had no liability for advances from the Federal Reserve Bank of New York under these facilities. At December 31, 2008 MetLife Bank's liability for advances from the Federal Reserve Bank of New York under these facilities was \$950 million, which is included in short-term debt. See Note 11 of the Notes to the Consolidated Financial Statements.

As a member of the FHLB of NY, MetLife Bank has entered into repurchase agreements with FHLB of NY on both short- and long-term bases, with a total liability for repurchase agreements with the FHLB of NY of \$2.4 billion and \$1.8 billion at December 31, 2009 and 2008, respectively. See Note 11 of the Notes to the Consolidated Financial Statements.

The Holding Company and MetLife Bank elected to continue to participate in the debt guarantee component of the FDIC's Temporary Liquidity Guarantee Program (the FDIC Program ). On March 26, 2009, the Holding Company issued \$397 million of floating-rate senior notes due June 2012 under the FDIC Program, representing all of MetLife, Inc.'s capacity under the FDIC Program. MetLife Bank let its capacity to issue up to \$178 million of guaranteed debt under the FDIC Program expire unused when the program ended on October 31, 2009.

In addition, the Company had obligations under funding agreements with the FHLB of NY of \$13.7 billion and \$15.2 billion at December 31, 2009 and 2008, respectively, for MLIC and with the FHLB of Boston of \$326 million and \$526 million at December 31, 2009 and 2008, respectively, for MICC. The FHLB of Boston had also advanced \$300 million to MICC at December 31, 2008, which was included in short-term debt. There were no such advances at December 31, 2009. See Note 8 of the Notes to the Consolidated Financial Statements.

At December 31, 2009 and 2008, the Company had outstanding \$912 million and \$2.7 billion in short-term debt, respectively, and \$13.2 billion and \$9.7 billion in long-term debt, respectively. At December 31, 2009 and 2008, the

Company had outstanding \$5.3 billion and \$5.2 billion in collateral financing arrangements, respectively, and \$3.2 billion and \$3.8 billion in junior subordinated debt, respectively. Short-term and long-term debt includes the above-mentioned MetLife Bank funding from the Federal Reserve Bank of New York and the FHLB of NY, as well as the above-mentioned advances from the FHLB of Boston.

*Debt Issuances and Other Borrowings.* In July 2009, the Holding Company issued \$500 million of junior subordinated debt securities with a final maturity of August 2069. Interest is payable semi-annually at a fixed rate of 10.75% up to, but not including, August 1, 2039, the scheduled redemption date. In the event the debt securities are not redeemed on or before the scheduled

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redemption date, interest will accrue at an annual rate of 3-month LIBOR plus a margin equal to 7.548%, payable quarterly in arrears. In connection with the offering, the Holding Company incurred \$5 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the term of the securities. See Note 13 of the Notes to the Consolidated Financial Statements for a description of the terms of the junior subordinated debt securities.

In May 2009, the Holding Company issued \$1,250 million of senior notes due June 1, 2016. The notes bear interest at a fixed rate of 6.75%, payable semi-annually. In connection with the offering, the Holding Company incurred \$6 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the term of the notes.

In March 2009, the Holding Company issued \$397 million of senior notes due June 2012 under the FDIC Program. The notes bear interest at a floating rate equal to 3-month LIBOR, reset quarterly, plus 0.32%. In connection with the offering, the Holding Company incurred \$15 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the term of the notes.

In February 2009, the Holding Company remarketed its existing \$1,035 million 4.91% Series B junior subordinated debt securities as 7.717% senior debt securities, Series B, due 2019 payable semi-annually. In August 2008, the Holding Company remarketed its existing \$1,035 million 4.82% Series A junior subordinated debt securities as 6.817% senior debt securities, Series A, due 2018 payable semi-annually. The Series A and Series B junior subordinated debt securities were originally issued in 2005 in connection with the common equity units. See The Company Liquidity and Capital Sources Remarketing of Junior Subordinated Debt Securities and Settlement of Stock Purchase Contracts.

In April 2008, MetLife Capital Trust X, a VIE consolidated by the Company, issued exchangeable surplus trust securities (the 2008 Trust Securities ) with a face amount of \$750 million. Interest on the 2008 Trust Securities or debt securities is payable semi-annually at a fixed rate of 9.25% up to, but not including, April 8, 2038, the scheduled redemption date. In the event the 2008 Trust Securities or debt securities are not redeemed on or before the scheduled redemption date, interest will accrue at an annual rate of 3-month LIBOR plus a margin equal to 5.540%, payable quarterly in arrears. See Note 13 of the Notes to the Consolidated Financial Statements for a description of the terms of the junior subordinated debt securities.

In December 2007, MetLife Capital Trust IV, a VIE consolidated by the Company, issued exchangeable surplus trust securities (the 2007 Trust Securities ) with a face amount of \$700 million and a discount of \$6 million. Interest on the 2007 Trust Securities or debt securities is payable semi-annually at a fixed rate of 7.875% up to, but not including, December 15, 2037, the scheduled redemption date. In the event the 2007 Trust Securities or debt securities are not redeemed on or before the scheduled redemption date, interest will accrue at an annual rate of 3-month LIBOR plus a margin equal to 3.96%, payable quarterly in arrears. See Note 13 of the Notes to the Consolidated Financial Statements for a description of the terms of the junior subordinated debt securities.

*Collateral Financing Arrangements.* As described more fully in Note 12 of the Notes to the Consolidated Financial Statements:

In December 2007, the Holding Company, in connection with the collateral financing arrangement associated with MetLife Reinsurance Company of Charleston s ( MRC ) reinsurance of the closed block liabilities, entered into an agreement with an unaffiliated financial institution that referenced the \$2.5 billion aggregate principal amount of 35-year surplus notes issued by MRC. Under the agreement, the Holding Company is entitled to the interest paid by MRC on the surplus notes of 3-month LIBOR plus 0.55% in exchange for the payment of 3-month LIBOR plus 1.12%, payable quarterly on such amount as adjusted, as described below.

Under this agreement, the Holding Company may also be required to pledge collateral or make payments to the unaffiliated financial institution related to any decline in the estimated fair value of the surplus notes. Any such payments would be accounted for as a receivable and included in other assets on the Company s consolidated balance sheets and would not reduce the principal amount outstanding of the surplus notes. Such payments would, however, reduce the amount of interest payments due from the Holding Company under the agreement. Any payment received from the unaffiliated financial institution would reduce the receivable by an amount equal to such payment and would also increase the amount of interest payments due from the Holding

Company under the agreement. In addition, the unaffiliated financial institution may be required to pledge collateral to the Holding Company related to any increase in the estimated fair value of the surplus notes. During 2008, the Holding Company paid an aggregate of \$800 million to the unaffiliated financial institution relating to declines in the estimated fair value of the surplus notes. The Holding Company did not receive any payments from the unaffiliated financial institution during 2008. During 2009, on a net basis, the Holding Company received \$375 million from the unaffiliated financial institution related to changes in the estimated fair value of the surplus notes. No payments were

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made or received by the Holding Company during 2007. Since the closing of the collateral financing arrangement in December 2007, on a net basis, the Holding Company has paid \$425 million to the unaffiliated financial institution related to changes in the estimated fair value of the surplus notes. In addition, at December 31, 2008, the Company had pledged collateral with an estimated fair value of \$230 million to the unaffiliated financial institution. At December 31, 2009, the Company had no collateral pledged to the unaffiliated third-party in connection with this agreement. The Holding Company may also be required to make a payment to the unaffiliated financial institution in connection with any early termination of this agreement.

In May 2007, the Holding Company, in connection with the collateral financing arrangement associated with MetLife Reinsurance Company of South Carolina's (MRSC) reinsurance of universal life secondary guarantees, entered into an agreement with an unaffiliated financial institution under which the Holding Company is entitled to the return on the investment portfolio held by trusts established in connection with this collateral financing arrangement in exchange for the payment of a stated rate of return to the unaffiliated financial institution of 3-month LIBOR plus 0.70%, payable quarterly. The collateral financing agreement may be extended by agreement of the Holding Company and the unaffiliated financial institution on each anniversary of the closing. The Holding Company may also be required to make payments to the unaffiliated financial institution, for deposit into the trusts, related to any decline in the estimated fair value of the assets held by the trusts, as well as amounts outstanding upon maturity or early termination of the collateral financing arrangement. During 2009 and 2008, the Holding Company contributed \$360 million and \$320 million, respectively, as a result of declines in the estimated fair value of the assets in the trusts, and cumulatively, since May 2007, the Holding Company has contributed a total of \$680 million as a result of declines in the estimated fair value of the assets in the trusts, all of which was deposited into the trusts.

In addition, the Holding Company may be required to pledge collateral to the unaffiliated financial institution under this agreement. At December 31, 2009 and 2008, the Holding Company had pledged \$80 million and \$86 million under the agreement, respectively.

*Remarketing of Junior Subordinated Debt Securities and Settlement of Stock Purchase Contracts.* On February 17, 2009, the Holding Company closed the successful remarketing of the Series B portion of the junior subordinated debt securities underlying the common equity units. The Series B junior subordinated debt securities were modified as permitted by their terms to be 7.717% senior debt securities, Series B, due February 15, 2019. The Holding Company did not receive any proceeds from the remarketing. Most common equity unit holders chose to have their junior subordinated debt securities remarketed and used the remarketing proceeds to settle their payment obligations under the applicable stock purchase contract. For those common equity unit holders that elected not to participate in the remarketing and elected to use their own cash to satisfy the payment obligations under the stock purchase contract, the terms of the debt are the same as the remarketed debt. The subsequent settlement of the stock purchase contracts occurred on February 17, 2009, providing proceeds to the Holding Company of \$1,035 million in exchange for shares of the Holding Company's common stock. The Holding Company delivered 24,343,154 shares of its newly issued common stock to settle the stock purchase contracts.

On August 15, 2008, the Holding Company closed the successful remarketing of the Series A portion of the junior subordinated debt securities underlying the common equity units. The Series A junior subordinated debt securities were modified as permitted by their terms to be 6.817% senior debt securities, Series A, due August 15, 2018. The Holding Company did not receive any proceeds from the remarketing. Most common equity unit holders chose to have their junior subordinated debt securities remarketed and used the remarketing proceeds to settle their payment obligations under the applicable stock purchase contract. For those common equity unit holders that elected not to participate in the remarketing and elected to use their own cash to satisfy the payment obligations under the stock purchase contract, the terms of the debt are the same as the remarketed debt. The initial settlement of the stock purchase contracts occurred on August 15, 2008, providing proceeds to the Holding Company of \$1,035 million in exchange for shares of the Holding Company's common stock. The Holding Company delivered 20,244,549 shares of

its common stock held in treasury at a value of \$1,064 million to settle the stock purchase contracts.

*Other.* On March 2, 2009, the Company sold Cova, the parent company of Texas Life, for \$130 million in cash consideration, excluding \$1 million of transaction costs. The proceeds of the transaction were paid to the Holding Company.

*Credit and Committed Facilities.* The Company maintains unsecured credit facilities and committed facilities, which aggregated \$3.2 billion and \$12.8 billion, respectively, at December 31, 2009. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.



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The unsecured credit facilities are used for general corporate purposes. At December 31, 2009, the Company had outstanding \$548 million in letters of credit and no drawdowns against these facilities. Remaining unused commitments were \$2.6 billion at December 31, 2009.

The committed facilities are used for collateral for certain of the Company's affiliated reinsurance liabilities. At December 31, 2009, the Company had outstanding \$4.7 billion in letters of credit and \$2.8 billion in aggregate drawdowns against these facilities. Remaining unused commitments were \$5.4 billion at December 31, 2009.

See Note 11 of the Notes to the Consolidated Financial Statements for further discussion of these facilities.

We have no reason to believe that our lending counterparties are unable to fulfill their respective contractual obligations under these facilities. As commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect the Company's actual future cash funding requirements.

*Covenants.* Certain of the Company's debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. The Company believes it was in compliance with all covenants at December 31, 2009 and 2008.

*Common Stock.* During the years ended December 31, 2009, 2008 and 2007, 861,586 shares, 97,515,737 shares and 3,864,894 shares of common stock were issued from treasury stock for \$46 million, \$5,221 million and \$172 million, respectively. During the year ended December 31, 2008, 11,250,000 shares were newly issued. There were no newly issued shares during 2007 and 2009.

On October 8, 2008, the Holding Company issued 86,250,000 shares of its common stock at a price of \$26.50 per share for gross proceeds of \$2.3 billion. Of these shares issued, 75,000,000 shares were issued from treasury stock, and 11,250,000 were newly issued shares.

*Preferred Stock.* During the year ended December 31, 2009, the Holding Company did not issue any preferred stock. In December 2008, the Holding Company entered into a replacement capital covenant (the Replacement Capital Covenant) whereby the Company agreed for the benefit of holders of one or more series of the Company's unsecured long-term indebtedness designated from time to time by the Company in accordance with the terms of the Replacement Capital Covenant (Covered Debt), that the Company will not repay, redeem or purchase and will cause its subsidiaries not to repay, redeem or purchase, on or before the termination of the Replacement Capital Covenant on December 31, 2018 (or earlier termination by agreement of the holders of Covered Debt or when there is no longer any outstanding series of unsecured long-term indebtedness which qualifies for designation as Covered Debt), the Floating Rate Non-Cumulative Preferred Stock, Series A, of the Company or the 6.500% Non-Cumulative Preferred Stock, Series B, of the Company, unless such repayment, redemption or purchase is made from the proceeds of the issuance of certain replacement capital securities and pursuant to the other terms and conditions set forth in the Replacement Capital Covenant.

**Liquidity and Capital Uses**

*Debt Repayments.* During the years ended December 31, 2009, 2008 and 2007, MetLife Bank made repayments of \$497 million, \$371 million and \$175 million, respectively, to the FHLB of NY related to long-term borrowings. During the years ended December 31, 2009 and 2008, MetLife Bank made repayments related to short-term borrowings of \$26.4 billion and \$4.6 billion, respectively, to the FHLB of NY and \$21.2 billion and \$650 million, respectively, to the Federal Reserve Bank of New York. During the year ended December 31, 2009, MICC made repayments of \$300 million to the FHLB of Boston related to short-term borrowings.

*Insurance Liabilities.* The Company's principal cash outflows primarily relate to the liabilities associated with its various life insurance, property and casualty, annuity and group pension products, operating expenses and income tax, as well as principal and interest on its outstanding debt obligations. Liabilities arising from its insurance activities primarily relate to benefit payments under the aforementioned products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse product behavior differs somewhat by segment. In the Retirement Products segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. In the year ended December 31, 2009, both fixed and variable annuities in the Retirement Products segment experienced positive net flows and a decline in lapse rates. In the CBF segment, which includes pension closeouts, bank owned life insurance, other fixed annuity contracts, as well as funding agreements and other capital market products (including funding agreements with the FHLB of NY and the FHLB of Boston),

most of the business has fixed maturities or fairly predictable surrenders or withdrawals. With regard to CBF liabilities that provide customers with limited liquidity

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rights, at December 31, 2009 there were \$1.7 billion of funding agreements and other capital market products that could be put back to the Company after a period of notice. Of these liabilities, \$1.6 billion were subject to notice periods between 15 and 90 days. The remainder of the balance was subject to notice periods between 6 and 13 months. An additional \$480 million of CBF liabilities were subject to credit ratings downgrade triggers that permit early termination subject to a notice period of 90 days. See The Company Liquidity and Capital Uses Contractual Obligations.

*Dividends.* The table below presents declaration, record and payment dates, as well as per share and aggregate dividend amounts, for the common stock:

Declaration Date	Record Date	Payment Date	Dividend	
			Per Share (In millions, except per share data)	Aggregate
October 29, 2009	November 9, 2009	December 14, 2009	\$ 0.74	\$ 610
October 28, 2008	November 10, 2008	December 15, 2008	\$ 0.74	\$ 592
October 23, 2007	November 6, 2007	December 14, 2007	\$ 0.74	\$ 541

Future common stock dividend decisions will be determined by the Holding Company's Board of Directors after taking into consideration factors such as the Company's current earnings, expected medium- and long-term earnings, financial condition, regulatory capital position, and applicable governmental regulations and policies. Furthermore, the payment of dividends and other distributions to the Holding Company by its insurance subsidiaries is regulated by insurance laws and regulations.

Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for the Holding Company's Floating Rate Non-Cumulative Preferred Stock, Series A and 6.500% Non-Cumulative Preferred Stock, Series B is as follows for the years ended December 31, 2009, 2008 and 2007:

Declaration Date	Record Date	Payment Date	Dividend			
			Series A Per Share	Series A Aggregate	Series B Per Share (In millions, except per share data)	Series B Aggregate
November 16, 2009	November 30, 2009	December 15, 2009	\$ 0.2527777	\$ 7	\$ 0.4062500	\$ 24
August 17, 2009	August 31, 2009	September 15, 2009	\$ 0.2555555	6	\$ 0.4062500	24
May 15, 2009	May 31, 2009	June 15, 2009	\$ 0.2555555	7	\$ 0.4062500	24
March 5, 2009	February 28, 2009	March 16, 2009	\$ 0.2500000	6	\$ 0.4062500	24
				\$ 26		\$ 96
November 17, 2008	November 30, 2008	December 15, 2008	\$ 0.2527777	\$ 7	\$ 0.4062500	\$ 24
August 15, 2008	August 31, 2008	September 15, 2008	\$ 0.2555555	6	\$ 0.4062500	24
May 15, 2008	May 31, 2008	June 16, 2008	\$ 0.2555555	7	\$ 0.4062500	24

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March 5, 2008	February 29, 2008	March 17, 2008	\$ 0.3785745	9	\$ 0.4062500	24
				\$ 29		\$ 96
November 15, 2007	November 30, 2007	December 17, 2007	\$ 0.4230476	\$ 11	\$ 0.4062500	\$ 24
August 15, 2007	August 31, 2007	September 17, 2007	\$ 0.4063333	10	\$ 0.4062500	24
May 15, 2007	May 31, 2007	June 15, 2007	\$ 0.4060062	10	\$ 0.4062500	24
March 5, 2007	February 28, 2007	March 15, 2007	\$ 0.3975000	10	\$ 0.4062500	24
				\$ 41		\$ 96

*Share Repurchases.* The table below presents the common stock repurchase programs authorized by the Company's Board of Directors and the aggregate amount and number of shares of MetLife, Inc.'s common stock purchased pursuant to these authorizations:

	<b>Amount (In millions)</b>	<b>Shares Repurchased</b>
Remaining authorization at December 31, 2006	\$ 216	
February 2007 and September 2007 additional authorizations	2,000	
Accelerated share repurchases	(1,505)	23,455,124
Open market repurchases	(200)	3,171,700
Remaining authorization at December 31, 2007	511	
January 2008 and April 2008 additional authorizations	2,000	
Accelerated share repurchases	(1,162)	19,716,418
Open market repurchases	(88)	1,550,000
Remaining authorization at December 31, 2008	1,261	
Additional authorizations		
Accelerated share repurchases		
Open market repurchases		
Remaining authorization at December 31, 2009	\$ 1,261	

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Under these authorizations, the Holding Company may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act) and in privately negotiated transactions. Future common stock repurchases will be dependent upon several factors, including the Company's capital position, its financial strength and credit ratings, general market conditions and the price of MetLife, Inc.'s common stock. The Company does not intend to make any purchases under the common stock repurchase program in 2010.

*MetLife Bank.* At December 31, 2009, the Company held \$2,728 million in residential mortgage loans held-for-sale, compared with \$2,012 million at December 31, 2008, an increase of \$716 million. From time to time, MetLife Bank has an increased cash need to fund mortgage loans that it generally holds for a relatively short period before selling them to one of the government-sponsored enterprises such as FNMA or FHLMC. To meet these increased funding requirements, as well as to increase overall liquidity, MetLife Bank takes advantage of collateralized borrowing opportunities with the Federal Reserve Bank of New York and the FHLB of NY. For further detail on MetLife Bank's use of these funding sources, see [The Company Liquidity and Capital Sources Global Funding Sources](#).

*Investment and Other.* Additional cash outflows include those related to obligations of securities lending activities, investments in real estate, limited partnerships and joint ventures, as well as litigation-related liabilities. Also, the Company pledges collateral to, and has collateral pledged to it by, counterparties under the Company's current derivative transactions. With respect to derivative transactions with credit ratings downgrade triggers, a two-notch downgrade would have impacted the Company's derivative collateral requirements by \$146 million at December 31, 2009. In addition, the Company has pledged collateral and has had collateral pledged to it, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to it, in connection with collateral financing arrangements related to the reinsurance of closed block liabilities and universal life secondary guarantee liabilities. See [The Company Liquidity and Capital Sources Collateral Financing Arrangements](#).

*Securities Lending.* The Company participates in a securities lending program whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks, and the Company receives cash collateral from the borrower, which must be returned to the borrower when the loaned securities are returned to the Company. Under the Company's securities lending program, the Company was liable for cash collateral under its control of \$21.5 billion and \$23.3 billion at December 31, 2009 and 2008, respectively. Of these amounts, \$3.3 billion and \$5.1 billion at December 31, 2009 and 2008, respectively, were on open terms, meaning that the related loaned security could be returned to the Company on the next business day upon return of cash collateral. Of the \$3.2 billion of estimated fair value of the securities related to the cash collateral on open terms at December 31, 2009, \$3.0 billion were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. See [Investments Securities Lending](#) for further information.

*Other.* In September 2008, in connection with the split-off of RGA as described in Note 2 of the Notes to the Consolidated Financial Statements, the Company received from MetLife stockholders 23,093,689 shares of MetLife Inc.'s common stock with a market value of \$1,318 million and, in exchange, delivered 29,243,539 shares of RGA Class B common stock with a net book value of \$1,716 million resulting in a loss on disposition, including transaction costs, of \$458 million.

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*Contractual Obligations.* The following table summarizes the Company's major contractual obligations at December 31, 2009:

Contractual Obligations	Total	Less Than One Year	More Than One Year and	More Than Three Years and Less	More Than Five Years
			Less Than Three Years (In millions)	Than Five Years	
Future policy benefits	\$ 310,592	\$ 7,220	\$ 10,681	\$ 11,424	\$ 281,267
Policyholder account balances	198,087	22,764	30,586	24,536	120,201
Other policyholder liabilities	6,142	6,142			
Payables for collateral under securities loaned and other transactions	24,196	24,196			
Bank deposits	10,354	8,998	1,293	63	
Short-term debt	912	912			
Long-term debt	21,138	1,155	4,214	2,312	13,457
Collateral financing arrangements	6,694	61	122	122	6,389
Junior subordinated debt securities	10,450	258	517	517	9,158
Commitments to lend funds	7,549	7,349	177	4	19
Operating leases	1,996	287	427	288	994
Other	11,788	11,374	6	6	402
<b>Total</b>	<b>\$ 609,898</b>	<b>\$ 90,716</b>	<b>\$ 48,023</b>	<b>\$ 39,272</b>	<b>\$ 431,887</b>

*Future policyholder benefits* Future policyholder benefits include liabilities related to traditional whole life policies, term life policies, pension closeout and other group annuity contracts, structured settlements, master terminal funding agreements, single premium immediate annuities, long-term disability policies, individual disability income policies, LTC policies and property and casualty contracts. Included within future policyholder benefits are contracts where the Company is currently making payments and will continue to do so until the occurrence of a specific event such as death, as well as those where the timing of a portion of the payments has been determined by the contract. Also included are contracts where the Company is not currently making payments and will not make payments until the occurrence of an insurable event, such as death or illness, or where the occurrence of the payment triggering event, such as a surrender of a policy or contract, is outside the control of the Company. The Company has estimated the timing of the cash flows related to these contracts based on historical experience, as well as its expectation of future payment patterns.

Liabilities related to accounting conventions, or which are not contractually due, such as shadow liabilities, excess interest reserves and property and casualty loss adjustment expenses, of \$498 million have been excluded from amounts presented in the table above.

Amounts presented in the table above, excluding those related to property and casualty contracts, represent the estimated cash payments for benefits under such contracts including assumptions related to the receipt of future premiums and assumptions related to mortality, morbidity, policy lapse, renewal, retirement, inflation, disability incidence, disability terminations, policy loans and other contingent events as appropriate to the respective product type. Payments for case reserve liabilities and incurred but not reported liabilities associated with property and casualty contracts of \$1.5 billion have been included using an estimate of the ultimate amount to be settled under the policies based upon historical payment patterns. The ultimate amount to be paid under property and casualty contracts is not determined until the Company reaches a settlement with the claimant, which may vary significantly from the liability or contractual obligation presented above especially as it relates to incurred but not reported liabilities. All estimated cash payments presented in the table above are undiscounted as to interest, net of estimated future premiums on policies currently in-force and gross of any reinsurance recoverable. The more than five years category includes estimated payments due for periods extending for more than 100 years from the present date.

The sum of the estimated cash flows shown for all years in the table of \$310.6 billion exceeds the liability amount of \$135.9 billion included on the consolidated balance sheet principally due to the time value of money, which accounts for at least 80% of the difference, as well as differences in assumptions, most significantly mortality, between the date the liabilities were initially established and the current date.

For the majority of the Company's insurance operations, estimated contractual obligations for future policy benefits and policyholder account balance liabilities as presented in the table above are derived from the annual asset adequacy analysis used to develop actuarial opinions of statutory reserve adequacy for state regulatory purposes. These cash flows are materially representative of the cash flows under generally accepted accounting principles. (See Policyholder account balances below.)

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Actual cash payments to policyholders may differ significantly from the liabilities as presented in the consolidated balance sheet and the estimated cash payments as presented in the table above due to differences between actual experience and the assumptions used in the establishment of these liabilities and the estimation of these cash payments.

*Policyholder account balances* Policyholder account balances include liabilities related to conventional guaranteed interest contracts, guaranteed interest contracts associated with formal offering programs, funding agreements, individual and group annuities, total control accounts, individual and group universal life, variable universal life and company-owned life insurance.

Included within policyholder account balances are contracts where the amount and timing of the payment is essentially fixed and determinable. These amounts relate to policies where the Company is currently making payments and will continue to do so, as well as those where the timing of the payments has been determined by the contract. Other contracts involve payment obligations where the timing of future payments is uncertain and where the Company is not currently making payments and will not make payments until the occurrence of an insurable event, such as death, or where the occurrence of the payment triggering event, such as a surrender of or partial withdrawal on a policy or deposit contract, is outside the control of the Company. The Company has estimated the timing of the cash flows related to these contracts based on historical experience, as well as its expectation of future payment patterns. Excess interest reserves representing purchase accounting adjustments of \$565 million have been excluded from amounts presented in the table above as they represent an accounting convention and not a contractual obligation. Amounts presented in the table above represent the estimated cash payments to be made to policyholders undiscounted as to interest and including assumptions related to the receipt of future premiums and deposits; withdrawals, including unscheduled or partial withdrawals; policy lapses; surrender charges; annuitization; mortality; future interest credited; policy loans and other contingent events as appropriate to the respective product type. Such estimated cash payments are also presented net of estimated future premiums on policies currently in-force and gross of any reinsurance recoverable. For obligations denominated in foreign currencies, cash payments have been estimated using current spot rates.

The sum of the estimated cash flows shown for all years in the table of \$198.1 billion exceeds the liability amount of \$138.7 billion included on the consolidated balance sheet principally due to the time value of money, which accounts for at least 80% of the difference, as well as differences in assumptions between the date the liabilities were initially established and the current date. See the comments under *Future policyholder benefits* above regarding the source and uncertainties associated with the estimation of the contractual obligations related to future policyholder benefits and policyholder account balances.

*Other policyholder liabilities* Other policyholder liabilities are comprised of other policyholder funds, policyholder dividends payable and the policyholder dividend obligation. Amounts included in the table above related to these liabilities are as follows:

- a. Other policyholder funds includes liabilities for incurred but not reported claims and claims payable on group term life, long-term disability, LTC and dental; policyholder dividends left on deposit and policyholder dividends due and unpaid related primarily to traditional life and group life and health; and premiums received in advance. Liabilities related to unearned revenue of \$2.1 billion have been excluded from the cash payments presented in the table above because they reflect an accounting convention and not a contractual obligation. With the exception of policyholder dividends left on deposit, and those items excluded as noted in the preceding sentence, the contractual obligation presented in the table above related to other policyholder funds is equal to the liability reflected in the consolidated balance sheet. Such amounts are reported in the less than one year category due to the short-term nature of the liabilities. Contractual obligations on policyholder dividends left on deposit are projected based on assumptions of policyholder withdrawal activity.
- b. Policyholder dividends payable consists of liabilities related to dividends payable in the following calendar year on participating policies. As such, the contractual obligation related to policyholder dividends payable is presented in the table above in the less than one year category at the amount of the liability presented in the consolidated balance sheets.



- c. The nature of the policyholder dividend obligation is described in Note 10 of the Notes to the Consolidated Financial Statements. Because the exact timing and amount of the ultimate policyholder dividend obligation is subject to significant uncertainty and the amount of the policyholder dividend obligation is based upon a long-term projection of the performance of the closed block, we have reflected the obligation at the amount of the liability, if any, presented in the consolidated balance sheet in the more than five years category. This was presented to reflect the long-duration of the liability and the uncertainty of the ultimate cash payment.

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*Bank deposits* Bank deposits of \$10.4 billion exceed the amount on the balance sheet of \$10.2 billion due to the inclusion of estimated interest payments. Liquid deposits, including demand deposit accounts, money market accounts and savings accounts, are assumed to mature at carrying value within one year. Certificates of deposit are assumed to pay all interest and principal at maturity.

*Short-term debt, long-term debt, collateral financing arrangements and junior subordinated debt securities* Amounts presented in the table above for short-term debt, long-term debt, collateral financing arrangements and junior subordinated debt securities differ from the balances presented on the consolidated balance sheet as the amounts presented in the table above do not include premiums or discounts upon issuance or purchase accounting fair value adjustments. The amounts presented above also include interest on such obligations as described below.

Short-term debt consists of borrowings with original maturities of less than one year carrying fixed interest rates. The contractual obligation for short-term debt presented in the table above represents the amounts due upon maturity plus the related interest for the period from January 1, 2010 through maturity.

Long-term debt bears interest at fixed and variable interest rates through their respective maturity dates. Interest on fixed rate debt was computed using the stated rate on the obligations through maturity. Interest on variable rate debt was computed using prevailing rates at December 31, 2009 and, as such, does not consider the impact of future rate movements. Long-term debt also includes payments under capital lease obligations of \$4 million, \$3 million, \$0 and \$28 million, in the less than one year, one to three years, three to five years and more than five years categories, respectively.

Collateral financing arrangements bear interest at fixed and variable interest rates through their respective maturity dates. Interest on fixed rate debt was computed using the stated rate on the obligations through maturity. Interest on variable rate debt was computed using prevailing rates at December 31, 2009 and, as such, does not consider the impact of future rate movements. Pursuant to these collateral financing arrangements, the Holding Company may be required to deliver cash or pledge collateral to the respective unaffiliated financial institutions. See The Company Liquidity and Capital Sources Collateral Financing Arrangements.

Junior subordinated debt securities bear interest at fixed interest rates through their respective redemption dates. Interest was computed using the stated rates on the obligations through the scheduled redemption dates as it is the Company's expectation that the debt will be redeemed at that time. Inclusion of interest payments on junior subordinated debt through the final maturity dates would increase the contractual obligation by \$4.1 billion.

*Payables for collateral under securities loaned and other transactions* The Company has accepted cash collateral in connection with securities lending and derivative transactions. As the securities lending transactions expire within the next year or the timing of the return of the collateral is uncertain, the return of the collateral has been included in the less than one year category in the table above. The Company also holds non-cash collateral, which is not reflected as a liability in the consolidated balance sheet, of \$227 million at December 31, 2009.

*Commitments to lend funds* The Company commits to lend funds under mortgage loans, partnerships, bank credit facilities, bridge loans and private corporate bond investments. In the table above, the timing of the funding of mortgage loans and private corporate bond investments is based on the expiration date of the commitment. As it relates to commitments to lend funds to partnerships and under bank credit facilities, the Company anticipates that these amounts could be invested any time over the next five years; however, as the timing of the fulfillment of the obligation cannot be predicted, such obligations are presented in the less than one year category in the table above. Commitments to fund bridge loans are short-term obligations and, as a result, are presented in the less than one year category in the table above. See Off-Balance Sheet Arrangements.

*Operating leases* As a lessee, the Company has various operating leases, primarily for office space. Contractual provisions exist that could increase or accelerate those lease obligations presented, including various leases with early buyouts and/or escalation clauses. However, the impact of any such transactions would not be material to the Company's financial position or results of operations. See Off-Balance Sheet Arrangements.

*Other* Includes other miscellaneous contractual obligations of \$15 million not included elsewhere in the table above. Other liabilities presented in the table above are principally comprised of amounts due under reinsurance arrangements, payables related to securities purchased but not yet settled, securities sold short, accrued interest on debt obligations, estimated fair value of derivative obligations, deferred compensation arrangements, guaranty liabilities, the estimated fair value of forward stock purchase contracts, as well as general accruals and accounts

payable due under contractual obligations. If the timing of any of the other liabilities is sufficiently uncertain, the amounts are included within the less than one year category.

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The other liabilities presented in the table above differs from the amount presented in the consolidated balance sheet by \$4.2 billion due primarily to the exclusion of items such as legal liabilities, pension and postretirement benefit obligations, taxes due other than income tax, unrecognized tax benefits and related accrued interest, accrued severance and employee incentive compensation and other liabilities such as deferred gains and losses. Such items have been excluded from the table above as they represent accounting conventions or are not liabilities due under contractual obligations.

The net funded status of the Company's pension and other postretirement liabilities included within other liabilities has been excluded from the amounts presented in the table above. Rather, the amounts presented represent the discretionary contributions of \$150 million to be made by the Company to our pension plan in 2010 and the discretionary contributions of \$119 million, based on the current year's expected gross benefit payments to participants, to be made by the Company to the postretirement benefit plans during 2010. Virtually all contributions to the pension and postretirement benefit plans are made by the insurance subsidiaries of the Holding Company with little impact on the Holding Company's cash flows.

Excluded from the table above are unrecognized tax benefits and accrued interest of \$773 million and \$198 million, respectively, for which the Company cannot reliably determine the timing of payment. Current income tax payable is also excluded from the table.

See also Off-Balance Sheet Arrangements.

Separate account liabilities are excluded from the table above. Generally, the separate account owner, rather than the Company, bears the investment risk of these funds. The separate account assets are legally segregated and are not subject to the claims that arise out of any other business of the Company. Net deposits, net investment income and realized and unrealized capital gains and losses on the separate accounts are fully offset by corresponding amounts credited to contractholders whose liability is reflected with the separate account liabilities. Separate account liabilities are fully funded by cash flows from the separate account assets and are set equal to the estimated fair value of separate account assets.

The Company also enters into agreements to purchase goods and services in the normal course of business; however, these purchase obligations were not material to its consolidated results of operations or financial position at December 31, 2009.

Additionally, the Company has agreements in place for services it conducts, generally at cost, between subsidiaries relating to insurance, reinsurance, loans, and capitalization. Intercompany transactions have appropriately been eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate departments of insurance as required.

*Support Agreements.* The Holding Company and several of its subsidiaries (each, an Obligor) are parties to various capital support commitments, guarantees and contingent reinsurance agreements with certain subsidiaries of the Holding Company and a corporation in which the Holding Company owns 50% of the equity. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels, has guaranteed certain contractual obligations or has agreed to provide, upon the occurrence of certain contingencies, reinsurance for such entity's insurance liabilities. We anticipate that in the event that these arrangements place demands upon the Company, there will be sufficient liquidity and capital to enable the Company to meet anticipated demands. See The Holding Company Liquidity and Capital Uses Support Agreements.

*Litigation.* Putative or certified class action litigation and other litigation, and claims and assessments against the Company, in addition to those discussed elsewhere herein and those otherwise provided for in the Company's consolidated 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, employer, investor, investment advisor 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 or determine the ultimate outcome of all pending investigations and legal proceedings or provide reasonable ranges of potential losses except as noted elsewhere herein in connection with specific matters. In some of the matters referred to herein, 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 adverse effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcome 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 adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

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*Consolidated Cash Flows.* Net cash provided by operating activities was \$3.8 billion for the year ended December 31, 2009 as compared to \$10.7 billion for the year ended December 31, 2008. Accordingly, net cash provided by operating activities decreased by \$6.9 billion for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Cash flows from operations represent the net income (loss) adjusted for non-cash earnings items and changes in operating assets and liabilities. Net loss for the year ended December 31, 2009 was \$2.3 billion as compared to net income of \$3.3 billion for the year ended December 31, 2008. Accordingly, the decrease in earnings of \$5.6 billion accounted for most of the \$6.9 billion decrease in net cash provided by operating activities for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Excluding the change in earnings, the Company's net cash provided by operating activities was \$6.1 billion for the year ended December 31, 2009 compared with \$7.4 billion for the year ended December 31, 2008. The net cash generated from operating activities is used to meet the Company's liquidity needs, such as debt and dividend payments, and provides cash available for investing activities. Cash flows from operations are affected by the timing of receipt of premiums and other revenues, as well as the payment of the Company's insurance liabilities.

Net cash provided by operating activities increased by \$0.8 billion to \$10.7 billion for the year ended December 31, 2008 as compared to \$9.9 billion for the year ended December 31, 2007.

Net cash used in financing activities was \$4.1 billion for the year ended December 31, 2009 as compared to net cash provided by financing activities of \$6.2 billion for the year ended December 31, 2008. Accordingly, net cash provided by (used in) financing activities decreased by \$10.3 billion for the year ended December 31, 2009 as compared to the year ended December 31, 2008. During 2009 and 2008, the Company reduced securities lending activities in line with market conditions, which resulted in decreases in the cash collateral received in connection with the securities lending program of \$1.6 billion and \$20.0 billion for the years ended December 31, 2009 and 2008, respectively. The Company also experienced a \$5.1 billion decrease in cash collateral received under derivatives transactions for the year ended December 31, 2009 compared to an increase of \$6.9 billion for the year ended December 31, 2008. The cash collateral received under derivatives transactions is invested in cash, cash equivalents and short-term investments. Additionally, net cash flows from policyholder account balances decreased by \$2.3 billion for the year ended December 31, 2009 compared to a net increase of \$13.6 billion during the year ended December 31, 2008, primarily as a result of unfavorable market conditions for the issuance of funding agreements and funding agreement-backed notes during most of the period. During the year ended December 31, 2009, there was a net issuance of long-term and junior subordinated debt of \$2.9 billion compared to a net issuance of \$667 million in the year ended December 31, 2008. Finally, during the year ended December 31, 2009, the Company had a net increase in cash from the issuance of common stock of \$1.0 billion as compared to a \$2.0 billion net increase during the year ended December 31, 2008.

Net cash provided by financing activities was \$6.2 billion and \$3.9 billion for the years ended December 31, 2008 and 2007, respectively. Accordingly, net cash provided by financing activities increased by \$2.3 billion for the year ended December 31, 2008 as compared to the prior year. In 2008 the Company reduced securities lending activities in line with market conditions, which resulted in a decrease of \$20.0 billion in the cash collateral received in connection with the securities lending program. Partially offsetting this decrease was a net increase of \$15.8 billion in policyholder account balances, which primarily reflected the Company's increased level of funding agreements with the FHLB of NY and with MetLife Short Term Funding LLC, an issuer of commercial paper. The Company also experienced a \$6.9 billion increase in cash collateral received under derivatives transactions, primarily as a result of the improvement in estimated fair value of the derivatives. The cash collateral received under derivatives transactions is invested in cash, cash equivalents and short-term investments, which partly explains the major increase in this category of liquid assets. The Company increased short-term debt by \$2.0 billion in 2008 compared with a decrease of \$0.8 billion in 2007, which primarily reflected new activity at MetLife Bank, which borrowed \$1.0 billion from the Federal Reserve Bank of New York under the Term Auction Facility and entered into \$0.7 billion of short-term borrowing from the FHLB of NY in order to fund residential mortgage origination operations acquired by the Company in 2008 and provide a cost effective substitute for cash collateral received in connection with securities lending. In 2008 the net cash paid related to collateral financing arrangements was \$0.5 billion resulting from payments made by the Holding Company to an unaffiliated financial institution in connection with the collateral

financing arrangement associated with MRC's reinsurance of the closed block liabilities, which compares to \$4.9 billion of cash provided by collateral financing arrangement transactions completed in 2007, as market conditions in 2008 reduced the availability and attractiveness of such financing. In 2008, there was a net issuance of \$0.7 billion of long-term debt and junior subordinated debt securities, compared to a net issuance in 2007 of \$1.1 billion. Finally, in order to strengthen its capital base, in 2008 the Company reduced its level of common stock repurchase activity by \$0.5 billion compared with 2007 repurchasing only \$1.3 billion of common stock in 2008 as compared to \$1.8 billion in 2007, and issued \$3.3 billion of stock compared with no issuance in 2007. The Company also paid dividends on the preferred stock and common stock of \$0.7 billion, which was comparable to the dividends paid in 2007.

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Net cash used in investing activities was \$13.9 billion for the year ended December 31, 2009, as compared to \$2.7 billion for the year ended December 31, 2008. The net cash used in investing activities in the year ended December 31, 2009 corresponded with a net decrease of \$14.1 billion in cash and cash equivalents in the same period, reflecting the Company's effort to redeploy the elevated level of cash and cash equivalents accumulated at year end 2008 in response to extraordinary market conditions. The net cash used in investing activities in the year ended December 31, 2009 was primarily composed of net purchases of \$19.5 billion of fixed maturity securities, partially offset by a net reduction of \$5.5 billion in short-term investments. In the comparable 2008 period, there were net sales of \$15.4 billion of fixed maturity securities, offset by net purchases of \$4.0 billion in mortgage loans and net purchases of short-term investments of \$11.3 billion, while cash and cash equivalents increased by \$13.9 billion.

Net cash used in investing activities was \$2.7 billion and \$10.6 billion for the years ended December 31, 2008 and 2007, respectively. Accordingly, net cash used in investing activities decreased by \$7.9 billion for the year ended December 31, 2008 as compared to the prior year. The Company reduced the level of cash available for investing activities in 2008 in order to significantly increase cash and cash equivalents as a liquidity cushion in response to the deterioration in the financial markets in 2008. Cash and cash equivalents increased \$13.9 billion at December 31, 2008 compared to the prior year. The net decrease in the amount of cash used in investing activities was primarily reflected in a decrease in net purchases of fixed maturity and equity securities of \$15.8 billion and \$2.4 billion, respectively, as well as a decrease in the net purchases of real estate and real estate joint ventures of \$0.5 billion, a decrease in other invested assets of \$0.5 billion and a decrease of \$0.5 billion in the net origination of mortgage loans. In addition, the 2007 period included the sale of MetLife Australia's annuities and pension businesses of \$0.7 billion. These decreases in net cash used in investing activities were partially offset by an increase in cash invested in short-term investments of \$11.3 billion due to a repositioning from other investment classes due to volatile market conditions, an increase in net purchases of other limited partnership interests of \$0.1 billion and an increase in policy loans of \$0.3 billion. In addition, the 2008 period includes an increase of \$0.4 billion of cash used to purchase businesses and the decrease of \$0.3 billion of cash held by a subsidiary, which was split-off from the Company.

**The Holding Company****Capital**

*Restrictions and Limitations on Bank Holding Companies and Financial Holding Companies.* The Holding Company and its insured depository institution subsidiary, MetLife Bank, are subject to risk-based and leverage capital guidelines issued by the federal banking regulatory agencies for banks and financial holding companies. The federal banking regulatory agencies are required by law to take specific prompt corrective actions with respect to institutions that do not meet minimum capital standards. At their most recently filed reports with the federal banking regulatory agencies, the Holding Company and MetLife Bank met the minimum capital standards as per federal banking regulatory agencies with all of MetLife Bank's risk-based and leverage capital ratios meeting the federal banking regulatory agencies' well capitalized standards and all of the Holding Company's risk-based and leverage capital ratios meeting the adequately capitalized standards.

The following table contains the RBC ratios and the regulatory requirements for MetLife, Inc., as a bank holding company, and MetLife Bank:

	<b>MetLife, Inc.</b>		<b>Regulatory Requirements</b>	<b>Regulatory Requirements Well Capitalized</b>
	<b>RBC Ratios Bank Holding Company</b>			
	<b>December 31, 2009</b>	<b>December 31, 2008</b>		
Total RBC Ratio	9.36%	9.52%	8.00%	10.00%
Tier 1 RBC Ratio	8.92%	9.21%	4.00%	6.00%
Tier 1 Leverage Ratio	5.40%	5.77%	4.00%	n/a
	<b>MetLife Bank</b>			
	<b>RBC Ratios Bank</b>			



	<b>December 31,</b>		<b>Regulatory</b>	<b>Regulatory</b>
	<b>2009</b>	<b>2008</b>	<b>Requirements</b>	<b>Requirements</b>
			<b>Minimum</b>	<b>Well</b>
				<b>Capitalized</b>
Total RBC Ratio	13.41%	12.32%	8.00%	10.00%
Tier 1 RBC Ratio	12.16%	11.72%	4.00%	6.00%
Tier 1 Leverage Ratio	6.64%	6.51%	4.00%	5.00%

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Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through committed credit facilities. The Holding Company is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of the Holding Company's liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit the Holding Company's access to liquidity.

The Holding Company's ability to maintain regular access to competitively priced wholesale funds is fostered by its current high credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining high credit ratings. See The Company Capital Rating Agencies.

Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on the Holding Company's liquidity.

***Liquidity and Capital Sources***

*Dividends from Subsidiaries.* The Holding Company relies in part on dividends from its subsidiaries to meet its cash requirements. The Holding Company's insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which the Company conducts business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes. Management of the Holding Company cannot provide assurances that the Holding Company's insurance subsidiaries will have statutory earnings to support payment of dividends to the Holding Company in an amount sufficient to fund its cash requirements and pay cash dividends and that the applicable insurance departments will not disapprove any dividends that such insurance subsidiaries must submit for approval. See Note 18 of the Notes to the Consolidated Financial Statements.

The table below sets forth the dividends permitted to be paid by the respective insurance subsidiary without insurance regulatory approval and the respective dividends paid:

Company	2010		2009		2008		2007	
	Permitted w/o Approval (1)	Paid (2)	Permitted w/o Approval (3)	Paid (2)	Permitted w/o Approval (3)	Paid (2)	Permitted w/o Approval (3)	
Metropolitan Life Insurance Company	\$ 1,262	\$	\$ 552	\$ 1,318(4)	\$ 1,299	\$ 500	\$ 919	
MetLife Insurance Company of Connecticut	\$ 659	\$	\$ 714	\$ 500	\$ 1,026	\$ 690(6)	\$ 690	
Metropolitan Tower Life Insurance Company	\$ 93	\$	\$ 88	\$ 277(5)	\$ 113	\$	\$ 104	
	\$	\$ 300	\$ 9	\$ 300	\$	\$ 400	\$ 16	

Metropolitan  
Property and  
Casualty Insurance  
Company

- (1) Reflects dividend amounts that may be paid during 2010 without prior regulatory approval. However, if paid before a specified date during 2010, some or all of such dividends may require regulatory approval.
- (2) Includes amounts paid including those requiring regulatory approval.
- (3) Reflects dividend amounts that could have been paid during the relevant year without prior regulatory approval.
- (4) Consists of shares of RGA stock distributed by Metropolitan Life Insurance Company to the Holding Company as an in-kind dividend of \$1,318 million.
- (5) Includes shares of an affiliate distributed to the Holding Company as an in-kind dividend of \$164 million.
- (6) Includes a return of capital of \$404 million as approved by the applicable insurance department, of which \$350 million was paid to the Holding Company.

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In the fourth quarter of 2008, MICC declared and paid an ordinary dividend of \$500 million to the Holding Company. In the third quarter of 2008, MLIC used its otherwise ordinary dividend capacity through an in-kind dividend in conjunction with the RGA split-off as approved by the New York Insurance Commissioner.

In addition to the amounts presented in the table above, for the years ended December 31, 2009 and 2008, cash dividends in the amount of \$215 million and \$235 million, respectively, were paid to the Holding Company. For the year ended December 31, 2007, \$190 million in dividends were paid to the Holding Company, of which \$176 million were returns of capital.

*Liquid Assets.* An integral part of the Holding Company's liquidity management is the amount of liquid assets it holds. Liquid assets include cash, cash equivalents, short-term investments and publicly-traded securities. Liquid assets exclude cash collateral received under the Company's securities lending program that has been reinvested in cash, cash equivalents, short-term investments and publicly-traded securities. At December 31, 2009 and 2008, the Holding Company had \$3.8 billion and \$2.7 billion in liquid assets, respectively. In addition, the Holding Company has pledged collateral and has had collateral pledged to it, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to it. At December 31, 2009 and 2008, the Holding Company had pledged \$289 million and \$820 million, respectively, of liquid assets under collateral support agreements.

*Global Funding Sources.* Liquidity is also provided by a variety of short-term instruments, including commercial paper. Capital is provided by a variety of instruments, including medium- and long-term debt, junior subordinated debt securities, collateral financing arrangements, capital securities and stockholders' equity. The diversity of the Holding Company's funding sources enhances funding flexibility and limits dependence on any one source of funds and generally lowers the cost of funds. Other sources of the Holding Company's liquidity include programs for short- and long-term borrowing, as needed.

We continuously monitor and adjust our liquidity and capital plans for the Holding Company and its subsidiaries in light of changing requirements and market conditions.

The following table summarizes the amounts outstanding under various types of global funding sources available to the Holding Company at:

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(In millions)</b>	
Short-term debt	\$	\$ 300
Long-term debt unaffiliated	\$ 10,458	\$ 7,660
Long-term debt affiliated	\$ 500	\$ 500
Collateral financing arrangements	\$ 2,797	\$ 2,692
Junior subordinated debt securities	\$ 1,748	\$ 2,315

In November 2007, the Holding Company filed a shelf registration statement (the 2007 Registration Statement) with the SEC, which was automatically effective upon filing, in accordance with SEC rules. SEC rules also allow for pay-as-you-go fees and the ability to add securities by filing automatically effective amendment for companies, such as the Holding Company, which qualify as Well-Known Seasoned Issuers. The 2007 Registration Statement registered an unlimited amount of debt and equity securities and supersedes the shelf registration statement that the Holding Company filed in April 2005. The terms of any offering will be established at the time of the offering.

*Debt Issuances and Other Borrowings.* For information on debt issuances and other borrowings entered into by the Holding Company, see The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings.

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*Collateral Financing Arrangements.* For information on collateral financing arrangements entered into by the Holding Company, see The Company Liquidity and Capital Sources Collateral Financing Arrangements.

The following table summarizes the Holding Company's outstanding senior notes series by maturity date, excluding any premium or discount, at December 31, 2009:

<b>Maturity Date</b>	<b>Principal (In millions)</b>	<b>Interest Rate</b>
2011	\$ 750	6.13%
2012	\$ 400	5.38%
		3-month LIBOR +
2012	\$ 397	.032 %
2013	\$ 500	5.00%
2014	\$ 350	5.50%
2015	\$ 1,000	5.00%
2016	\$ 1,250	6.75%
2018	\$ 1,035	6.82%
2019	\$ 1,035	7.72%
2020	\$ 646	5.25%
2024	\$ 565	5.38%
2032	\$ 600	6.50%
2033	\$ 200	5.88%
2034	\$ 750	6.38%
2035	\$ 1,000	5.70%

*Credit and Committed Facilities.* In 2007, the Holding Company and MetLife Funding entered into a credit agreement with various financial institutions. The proceeds of this \$2.85 billion unsecured credit facility, as amended in 2008, are available to be used for general corporate purposes, as back-up for their commercial paper programs and for the issuance of letters of credit. At December 31, 2009, the Holding Company had outstanding \$548 million in letters of credit and no drawdowns against this facility. Remaining unused commitments were \$2.3 billion at December 31, 2009.

The Holding Company maintains committed facilities with a capacity of \$1.8 billion. At December 31, 2009, the Holding Company had outstanding \$712 million in letters of credit and no aggregate drawdowns against these facilities. Remaining unused commitments were \$1.1 billion at December 31, 2009. In addition, the Holding Company is a party to committed facilities of certain of its subsidiaries, which aggregated \$11.0 billion at December 31, 2009. The committed facilities are used for collateral for certain of the Company's affiliated reinsurance liabilities.

For more information on Credit and Committed Facilities see Note 11 of the Notes to the Consolidated Financial Statements.

*Covenants.* Certain of the Holding Company's debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. The Holding Company believes it was in compliance with all covenants at December 31, 2009 and 2008.

*Common and Preferred Stock.* For information on Common Stock and Preferred Stock issued by the Holding Company, see The Company Liquidity and Capital Sources Common Stock and The Company Liquidity and Capital Sources Preferred Stock.

**Liquidity and Capital Uses**

The primary uses of liquidity of the Holding Company include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, payment of general operating expenses, acquisitions and the repurchase of the Holding Company's common stock.

*Affiliated Capital Transactions.* During the years ended December 31, 2009 and 2008, the Holding Company invested an aggregate of \$986 million and \$2.6 billion, respectively, in various subsidiaries.



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The Holding Company lends funds, as necessary, to its subsidiaries, some of which are regulated, to meet their capital requirements. Such loans are included in loans to subsidiaries and consisted of the following at:

Subsidiaries	Interest Rate	Maturity Date	December 31,	
			2009 (In millions)	2008
Metropolitan Life Insurance Company	3-month LIBOR + 1.15%	December 31, 2009	\$	\$ 700
Metropolitan Life Insurance Company	6-month LIBOR + 1.80%	December 31, 2011	775	
Metropolitan Life Insurance Company	6-month LIBOR + 1.80%	December 31, 2011	300	
Metropolitan Life Insurance Company	7.13%	December 15, 2032	400	400
Metropolitan Life Insurance Company	7.13%	January 15, 2033	100	100
Total			\$ 1,575	\$ 1,200

*Debt Repayments.* None of the Holding Company's debt is due before December 2011, so there is no near-term debt refinancing risk.

*Support Agreements.* The Holding Company is party to various capital support commitments and guarantees with certain of its subsidiaries and a corporation in which it owns 50% of the equity. Under these arrangements, the Holding Company has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations.

In December 2009, the Holding Company, in connection with MRV's reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the third protected cell of MRV to maintain total adjusted capital equal to or greater than 200% of such protected cell's authorized control level RBC, as defined in state insurance statutes. See "The Company Liquidity and Capital Sources Credit and Committed Facilities" and Note 11 of the Notes to the Consolidated Financial Statements.

In October 2007, the Holding Company, in connection with MRV's reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause each of the two initial protected cells of MRV to maintain total adjusted capital equal to or greater than 200% of such protected cell's authorized control level RBC, as defined in state insurance statutes. See "The Company Liquidity and Capital Sources Credit and Committed Facilities" and Note 11 of the Notes to the Consolidated Financial Statements.

In December 2007, the Holding Company, in connection with the collateral financing arrangement associated with MRC's reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital at a level of not less than 200% of the company action level RBC, as defined in state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See "The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings" and Note 12 of the Notes to the Consolidated Financial Statements.

In May 2007, the Holding Company, in connection with the collateral financing arrangement associated with MRSC's reinsurance of universal life secondary guarantees, committed to the South Carolina Department of Insurance

to take necessary action to cause MRSC to maintain total adjusted capital equal to the greater of \$250,000 or 100% of MRSC's authorized control level RBC, as defined in state insurance statutes. See The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings and Note 12 of the Notes to the Consolidated Financial Statements.

The Holding Company has net worth maintenance agreements with two of its insurance subsidiaries, MetLife Investors Insurance Company and First MetLife Investors Insurance Company. Under these agreements, as subsequently amended, the Holding Company agreed, without limitation as to the amount, to cause each of these subsidiaries to have a minimum capital and surplus of \$10 million, total adjusted capital at a level not less than 150% of the company action level RBC, as defined by state insurance statutes, and liquidity necessary to enable it to meet its current obligations on a timely basis.

The Holding Company entered into a net worth maintenance agreement with Mitsui Sumitomo MetLife Insurance Company Limited ( MSMIC ), an investment in Japan of which the Holding Company owns 50% of the equity. Under the agreement, the Holding Company agreed, without limitation as to amount, to cause MSMIC to have the amount of capital and surplus necessary for MSMIC to maintain a solvency ratio of at least 400%, as calculated in accordance with the Insurance Business Law of Japan, and to make such loans to MSMIC as may be necessary to ensure that MSMIC has sufficient cash or other liquid assets to meet its payment obligations as they fall due.



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The Holding Company has guaranteed the obligations of its subsidiary, Exeter Reassurance Company, Ltd., under a reinsurance agreement with MSMIC, under which Exeter reinsures variable annuity business written MSMIC.

Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our asset portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable the Holding Company to make payments on debt, make cash dividend payments on its common and preferred stock, contribute capital to its subsidiaries, pay all operating expenses and meet its cash needs.

*Holding Company Cash Flows.* Net cash used in operating activities was \$384 million for the year ended December 31, 2009 compared to \$1.2 billion of net cash provided for the year ending December 31, 2008. Accordingly, net cash provided by operating activities decreased by \$1.6 billion for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The net cash generated from operating activities is used to meet the Holding Company's liquidity needs, such as debt and dividend payments, and provides cash available for investing activities. Cash flows from operations represent net earnings adjusted for non-cash charges and changes in operating assets and liabilities. The 2009 and 2008 operating activities included net income (loss), earnings from subsidiaries and changes in current assets and liabilities.

Net cash provided by operating activities, primarily the result of subsidiary dividends, was \$1.2 billion for the years ending December 31, 2008 and 2007.

Net cash provided by financing activities was \$2.6 billion and \$50 million for the years ended December 31, 2009 and 2008, respectively. Accordingly, net cash provided by financing activities increased by \$2.5 billion for the year ended December 31, 2009 compared to the year ended December 31, 2008. During the year ended December 31, 2009, there were net issuances of \$2.1 billion of long-term and junior subordinated debt compared to no net issuances in the comparable period of the prior year. Also, in order to strengthen its capital base, during the year ended December 31, 2009, the Holding Company did not repurchase any of its common stock under its common stock repurchase programs as compared to the Holding Company repurchasing \$1.3 billion of its common stock in the comparable period of the prior year. In addition, the Holding Company issued \$1.0 billion of common stock during the year ended December 31, 2009 compared with \$3.3 billion of both treasury and common stock issued during the year ended December 31, 2008. Securities lending activity during the year ended December 31, 2009 increased the Holding Company's cash flows by \$84 million compared to a decrease of \$471 million in the comparable period of the prior year. Net cash received from collateral financing arrangements was \$375 million during the year ended December 31, 2009 compared to \$800 million of net cash paid under these agreements during the year ended December 31, 2008. The Holding Company repaid \$300 million of short-term debt during the year ended December 31, 2009, compared with net repayments of \$10 million during the year ended December 31, 2008. Financing activity results relate to the Holding Company's debt and equity financing activities, as well as changes due to the needs and obligations arising from securities lending and collateral financing arrangements.

Net cash provided by financing activities was \$50 million for the year ended December 31, 2008 compared to \$2.9 billion of net cash used for the year ended December 31, 2007. Accordingly, net cash provided by financing activities increased by \$2.9 billion for the year ended December 31, 2008 compared to the prior year. In 2008, net cash paid relating to collateral financing arrangements was \$800 million resulting from payments made by the Holding Company to an unaffiliated financial institution, as described in Note 12 of the Notes to the Consolidated Financial Statements, compared to zero outflows for this purpose in 2007. Finally, in order to strengthen its capital base, in 2008 the Holding Company reduced its level of common stock repurchase activity by \$500 million compared to the prior year and issued \$3.3 billion of common stock compared with zero issuance in 2007.

Net cash used in investing activities was \$2.2 billion and \$1.2 billion for the years ended December 31, 2009 and 2008, respectively. Accordingly, net cash used in investing activities increased by \$1.0 billion for the year ended December 31, 2009 compared to the year ended December 31, 2008. Net purchases of fixed maturity securities were \$2.0 billion for the year ended December 31, 2009, partially funded by net sales of short-term investments of \$772 million. By contrast, in the year ended December 31, 2008, net sales of fixed maturity securities were \$1.0 billion, and net purchases of short-term investments were \$1.1 billion as the Holding Company shifted to more liquid investments. The Holding Company received \$130 million for the sale of a subsidiary during the year ended

December 31, 2009 as compared to the use of \$202 million related to acquisitions during the year ended December 31, 2008. The Holding Company also made capital contributions of \$876 million to subsidiaries (including \$360 million paid pursuant to a collateral financing arrangement providing statutory reserve support for MRSC associated with its intercompany reinsurance obligations, as described in Note 12 of the Notes to the Consolidated Financial Statements) during the year ended December 31, 2009, compared to \$1.3 billion (including \$320 million paid pursuant to the collateral financing arrangement related to MRSC) during the year ended December 31, 2008. There were no repayments of loans made to subsidiaries in the year ended December 31, 2009 compared to a repayment of \$400 million received in the year ended December 31, 2008. Investing activity results relate to the Holding Company's management of its capital and the capital of its subsidiaries, as well as any business development opportunities.

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Net cash used in investing activities was \$1.2 billion for the year ended December 31, 2008 compared to \$742 million provided for the year ended December 31, 2007. Accordingly, net cash provided by investing activities decreased by \$1.9 billion for the year ended December 31, 2008 compared to the prior year primarily due to increases in capital contributions to subsidiaries and changes in short-term investments.

**Adoption of New Accounting Pronouncements**

See Note 1 of the Notes to the Consolidated Financial Statements for discussion on the adoption of new accounting pronouncements.

**Future Adoption of New Accounting Pronouncements**

See Note 1 of the Notes to the Consolidated Financial Statements for discussion on the future adoption of new accounting pronouncements.

**Subsequent Events**

*Dividends*

On February 18, 2010, the Company's Board of Directors announced dividends of \$0.2500000 per share, for a total of \$6 million, on its Series A preferred shares, and \$0.4062500 per share, for a total of \$24 million, on its Series B preferred shares, subject to the final confirmation that it has met the financial tests specified in the Series A and Series B preferred shares, which the Company anticipates will be made on or about March 5, 2010, the earliest date permitted in accordance with the terms of the securities. Both dividends will be payable March 15, 2010 to shareholders of record as of February 28, 2010.

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**Part IV**

**Item 15. *Exhibits and Financial Statement Schedules***

The following documents are filed as part of this report:

3. Exhibits

The exhibits are listed in the Exhibit Index which begins on page E-1.

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**Signatures**

Pursuant to the requirements of Section 13 or 15(d) 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.

November 22, 2010

METLIFE, INC.

By /s/ C. Robert Henrikson

Name: C. Robert Henrikson

Title: *Chairman of the Board, President  
and Chief Executive Officer*

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**Exhibit Index**

**Exhibit**

**No.**

**Description**

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.

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