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)

þ **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

o **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:

Title of each class	Name of each exchange on which registered
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 þ No o

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

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 þ No o

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 þ No o

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. o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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 corpora 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.

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 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.

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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:

	For the Year Ended December 31, 2009	
	(In millions)	Percent
New York	$ 392	13%

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

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.

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 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.

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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.

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 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 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.

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; c