METLIFE INC
Form 10-Q
November 04, 2009

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

Form 10-Q

(Mark One)

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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	**13-4075851**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
200 Park Avenue, New York, NY	**10166-0188**
(Address of principal executive offices)	*(Zip Code)*

(212) 578-2211
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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

At November 2, 2009, 818,790,607 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the 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 of similar meaning in connection with a discussion of futur 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. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

Note Regarding Reliance on Statements in Our Contracts

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife, Inc., its subsidiaries or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife, Inc. and its subsidiaries may be found elsewhere in this Quarterly Report on Form 10-Q and MetLife, Inc. s other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.

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Part I Financial Information

Item 1. *Financial Statements*

MetLife, Inc.

Interim Condensed Consolidated Balance Sheets
September 30, 2009 (Unaudited) and December 31, 2008

(In millions, except share and per share data)

	September 30, 2009	December 31, 2008
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $225,274 and $209,508, respectively)	$ 223,896	$ 188,251
Equity securities available-for-sale, at estimated fair value (cost: $3,349 and $4,131, respectively)	3,117	3,197
Trading securities, at estimated fair value (cost: $1,895 and $1,107, respectively)	1,970	946
Mortgage and consumer loans:		
Held-for-investment, at amortized cost (net of valuation allowances of $671 and $304, respectively)	48,239	49,352
Held-for-sale, principally at estimated fair value	2,442	2,012
Mortgage and consumer loans, net	50,681	51,364
Policy loans	10,001	9,802
Real estate and real estate joint ventures held-for-investment	6,982	7,535
Real estate held-for-sale	50	51
Other limited partnership interests	5,255	6,039
Short-term investments	6,861	13,878
Other invested assets	13,916	17,248
Total investments	322,729	298,311
Cash and cash equivalents	15,562	24,207
Accrued investment income	3,236	3,061
Premiums and other receivables	16,903	16,973
Deferred policy acquisition costs and value of business acquired	19,208	20,144
Current income tax recoverable	412	
Deferred income tax assets	535	4,927
Goodwill	5,033	5,008
Other assets	7,140	7,262
Assets of subsidiaries held-for-sale		946
Separate account assets	144,434	120,839

Total assets	$	535,192	$	501,678
Liabilities and Stockholders Equity				
Liabilities:				
Future policy benefits	$	134,492	$	130,555
Policyholder account balances		147,543		149,805
Other policyholder funds		8,549		7,762
Policyholder dividends payable		911		1,023
Short-term debt		2,131		2,659
Long-term debt		13,202		9,667
Collateral financing arrangements		5,297		5,192
Junior subordinated debt securities		3,191		3,758
Current income tax payable				342
Payables for collateral under securities loaned and other transactions		24,363		31,059
Other liabilities		16,486		14,284
Liabilities of subsidiaries held-for-sale				748
Separate account liabilities		144,434		120,839
Total liabilities		500,599		477,693
Contingencies, Commitments and Guarantees (Note 12)				
Stockholders Equity:				
MetLife, Inc. s stockholders equity:				
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized; 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference		1		1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 822,359,818 shares and 798,016,664 shares issued at September 30, 2009 and December 31, 2008, respectively; 818,753,139 shares and 793,629,070 shares outstanding at September 30, 2009 and December 31, 2008, respectively		8		8
Additional paid-in capital		16,865		15,811
Retained earnings		19,822		22,403
Treasury stock, at cost; 3,606,679 shares and 4,387,594 shares at September 30, 2009 and December 31, 2008, respectively		(194)		(236)
Accumulated other comprehensive loss		(2,234)		(14,253)
Total MetLife, Inc. s stockholders equity		34,268		23,734
Noncontrolling interests		325		251
Total equity		34,593		23,985
Total liabilities and stockholders equity	$	535,192	$	501,678

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Income
For the Three Months and Nine Months Ended September 30, 2009 and 2008 (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues				
Premiums	$ 6,601	$ 6,785	$ 19,299	$ 19,416
Universal life and investment-type product policy fees	1,251	1,352	3,650	4,145
Net investment income	3,923	4,047	10,914	12,661
Other revenues	602	421	1,728	1,141
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(650)	(748)	(1,769)	(961)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive loss	245		479	
Other net investment gains (losses), net	(1,734)	1,494	(5,584)	620
Total net investment gains (losses)	(2,139)	746	(6,874)	(341)
Total revenues	10,238	13,351	28,717	37,022
Expenses				
Policyholder benefits and claims	7,173	7,264	20,701	20,426
Interest credited to policyholder account balances	1,258	1,129	3,655	3,558
Policyholder dividends	439	448	1,297	1,323
Other expenses	2,543	2,931	7,576	8,085
Total expenses	11,413	11,772	33,229	33,392
Income (loss) from continuing operations before provision for income tax	(1,175)	1,579	(4,512)	3,630
Provision for income tax expense (benefit)	(551)	529	(1,884)	1,077
Income (loss) from continuing operations, net of income tax	(624)	1,050	(2,628)	2,553
Income (loss) from discontinued operations, net of income tax	(1)	(404)	37	(251)
Net income (loss)	(625)	646	(2,591)	2,302
Less: Net income (loss) attributable to noncontrolling interests	(5)	16	(25)	78
Net income (loss) attributable to MetLife, Inc.	(620)	630	(2,566)	2,224
Less: Preferred stock dividends	30	30	91	94

Net income (loss) available to MetLife, Inc. s common shareholders	$	(650)	$	600	$	(2,657)	$	2,130
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:								
Basic	$	(0.79)	$	1.43	$	(3.30)	$	3.45
Diluted	$	(0.79)	$	1.42	$	(3.30)	$	3.39
Net income (loss) available to MetLife, Inc. s common shareholders per common share:								
Basic	$	(0.79)	$	0.84	$	(3.25)	$	2.97
Diluted	$	(0.79)	$	0.83	$	(3.25)	$	2.92

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statement of Stockholders Equity
For the Nine Months Ended September 30, 2009 (Unaudited)

(In millions)

						Accumulated Other Comprehensive Loss						
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolling Interests	T Ec
at per 31,	$ 1	$ 8	$ 15,811	$ 22,403	$ (236)	$ (12,564)	$	$ (246)	$ (1,443)	$ 23,734	$ 251	$ 2
tive f in ing e, net of tax)				76			(76)					
n stock e newly hares			1,035							1,035		
y stock ions, net			20		42					62		
l of ased sation			(1)							(1)		
ds on d stock				(91)						(91)		
in f rolling s											109	
hensive (loss):												
.				(2,566)						(2,566)	(25)	(
hensive (loss):												

zed osses) vative ents, net ne tax zed ent osses), elated and tax						12,092	(251)			11,841	(10)	1
y on ents, net ne tax benefit								134		134		
ent, net ne tax									120	120		
hensive (loss)										12,095	(10)	1
hensive (loss)										9,529	(35)	
at ber 30,	$ 1	$ 8	$ 16,865	$ 19,822	$ (194)	$ (472)	$ (327)	$ (112)	$ (1,323)	$ 34,268	$ 325	$ 3

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statement of Stockholders Equity
For the Nine Months Ended September 30, 2008 (Unaudited) (Continued)

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolling Interests: Discontinued Operations	Continuing Operations
31, 2007	$ 1	$ 8	$ 17,098	$ 19,884	$ (2,890)	$ 971	$ 347	$ (240)	$ 35,179	$ 1,534	$ 272
e effect of											
net of											
				27		(10)			17		
January 1,	1	8	17,098	19,911	(2,890)	961	347	(240)	35,196	1,534	272
tock											
s:											
n											
with share											
s (Note 9)			450		(1,250)				(800)		
ettle stock											
ntracts			(29)		1,064				1,035		
n											
with											
subsidiary					(1,318)				(1,318)		
			(58)		115				57		
.											
d											
ion			141						141		
on											
tock				(94)					(94)		
on											
common											
										34	
										(1,409)	(41)

equity of ling												
nsive loss:												
e (loss)				2,224					2,224	94	(16)	
prehensive												
gains derivative s, net of						135			135			
gains et of sets and						(8,448)			(8,448)	(150)	(7)	
rrency s, net of							(299)		(299)	(107)		
nefit plans , net of								4	4	4		
prehensive									(8,608)	(253)	(7)	
nsive loss									(6,384)	(159)	(23)	
30, 2008	$ 1	$ 8	$ 17,602	$ 22,041	$ (4,279)	$ (7,352)	$ 48	$ (236)	$ 27,833	$	$ 208	$

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2009 and 2008 (Unaudited)

(In millions)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Net cash provided by operating activities	$ 2,718	$ 7,002
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	48,802	74,011
Equity securities	1,900	2,466
Mortgage and consumer loans	5,145	4,570
Real estate and real estate joint ventures	23	147
Other limited partnership interests	824	580
Purchases of:		
Fixed maturity securities	(63,363)	(74,701)
Equity securities	(1,543)	(1,138)
Mortgage and consumer loans	(4,204)	(8,009)
Real estate and real estate joint ventures	(466)	(938)
Other limited partnership interests	(570)	(1,341)
Net change in short-term investments	7,022	36
Net change in other invested assets	(530)	(689)
Net change in policy loans	(199)	(405)
Purchases of businesses, net of cash received of $0 and $313, respectively		(465)
Sales of businesses, net of cash disposed of $180 and $0, respectively	(50)	(4)
Disposal of subsidiary	(19)	(281)
Other, net	(129)	(96)
Net cash used in investing activities	(7,357)	(6,257)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	63,597	47,217
Withdrawals	(64,382)	(38,896)
Net change in short-term debt	(528)	439
Long-term debt issued	2,625	1,032
Long-term debt repaid	(244)	(217)
Collateral financing arrangements issued	105	250
Cash received in connection with collateral financing arrangement	400	

Cash paid in connection with collateral financing arrangement	(400)	(238)
Junior subordinated debt securities issued	500	750
Debt issuance costs	(22)	(10)
Net change in payables for collateral under securities loaned and other transactions	(6,696)	(837)
Stock options exercised	6	43
Common stock issued to settle stock forward contracts	1,035	
Treasury stock acquired		(1,250)
Treasury stock issued to settle stock forward contracts		1,035
Dividends on preferred stock	(91)	(94)
Other, net	(31)	(16)
Net cash (used in) provided by financing activities	(4,126)	9,208
Effect of change in foreign currency exchange rates on cash balances	88	(112)
Change in cash and cash equivalents	(8,677)	9,841
Cash and cash equivalents, beginning of period	24,239	10,368
Cash and cash equivalents, end of period	$ 15,562	$ 20,209

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows (Continued)
For the Nine Months Ended September 30, 2009 and 2008 (Unaudited)

(In millions)

	Nine Months Ended September 30, 2009	2008
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	$ 32	$ 407
Cash and cash equivalents, subsidiaries held-for-sale, end of period	$	$ 28
Cash and cash equivalents, from continuing operations, beginning of period	$ 24,207	$ 9,961
Cash and cash equivalents, from continuing operations, end of period	$ 15,562	$ 20,181
Supplemental disclosures of cash flow information:		
Net cash paid during the period for:		
Interest	$ 611	$ 677
Income tax	$ 298	$ 430
Non-cash transactions during the period:		
Business acquisitions:		
Assets acquired	$	$ 1,808
Cash paid		(778)
Liabilities assumed	$	$ 1,030
Disposal of subsidiary:		
Assets disposed	$	$ 22,135
Less: liabilities disposed		(20,689)
Net assets disposed		1,446
Add: cash disposed		270
Add: transaction costs, including cash paid of $19 and $11, respectively	2	60
Less: treasury stock received in common stock exchange		(1,318)
Loss on disposal of subsidiary	$ 2	$ 458
Remarketing of debt securities:		
Fixed maturity securities redeemed	$ 32	$ 32
Long-term debt issued	$ 1,035	$ 1,035

Junior subordinated debt securities redeemed	$	1,067	$	1,067
Fixed maturity securities received in connection with insurance contract commutation	$		$	115
Real estate and real estate joint ventures acquired in satisfaction of debt	$	211	$	1
Purchase money mortgage on real estate joint venture sale	$	74	$	

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

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). MetLife is a leading provider of insurance, employee benefits and financial services with operations throughout the United States and the Latin America, Europe, and Asia Pacific regions. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, auto and home 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.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed 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;

(iv) the application of the consolidation rules to certain investments;

(v) the existence and estimated fair value of embedded derivatives requiring bifurcation;

(vi) the estimated fair value of and accounting for derivatives;

(vii) the capitalization and amortization of deferred policy acquisition costs (DAC) and the establishment and amortization of value of business acquired (VOBA);

(viii) the measurement of goodwill and related impairment, if any;

(ix) the liability for future policyholder benefits;

(x) accounting for income taxes and the valuation of deferred income tax assets;

(xi) accounting for reinsurance transactions;

(xii) accounting for employee benefit plans; and

(xiii) the liability for litigation and regulatory matters.

In applying the Company s accounting policies, management makes 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.

The accompanying interim condensed consolidated financial statements include the accounts of the Holding Company and its subsidiaries as well as partnerships and joint ventures in which the Company has control. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 8. Intercompany accounts and transactions have been eliminated.

In addition, the Company has invested in certain structured transactions that are variable interest entities (VIEs). These structured transactions include reinsurance trusts, asset-backed securitizations, trust preferred securities, joint ventures, limited partnerships and limited liability companies. The Company is required to

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

consolidate those VIEs for which it is deemed to be the primary beneficiary. The Company reconsiders whether it is the primary beneficiary for investments designated as VIEs on a quarterly basis.

The Company uses the equity method of accounting for investments in equity securities in which it has a significant influence or more than a 20% interest and for real estate joint ventures and other limited partnership interests in which it has more than a minor equity interest or more than a minor influence over the joint venture s or partnership s operations, but does not have a controlling interest and is not the primary beneficiary. The Company uses the cost method of accounting for investments in real estate joint ventures and other limited partnership interests in which it has a minor equity investment and virtually no influence over the joint venture s or the partnership s operations.

Certain amounts in the prior year periods interim condensed consolidated financial statements have been reclassified to conform with the 2009 presentation. Such reclassifications include $112 million for the nine months ended September 30, 2008 relating to the effect of change in foreign currency exchange rates on cash balances. These amounts were reclassified from cash flows from operating activities in the consolidated statements of cash flows for the nine months ended September 30, 2008. See also Note 18 for reclassifications related to discontinued operations.

The accompanying interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to state fairly the consolidated financial position of the Company at September 30, 2009, its consolidated results of operations for the three months and nine months ended September 30, 2009 and 2008, its consolidated cash flows for the nine months ended September 30, 2009 and 2008, and its consolidated statements of stockholders equity for the nine months ended September 30, 2009 and 2008, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2008 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife s Annual Report on Form 10-K for the year ended December 31, 2008, as amended on Form 8-K on June 12, 2009, (the 2008 Annual Report) filed with the U.S. Securities and Exchange Commission (SEC), which includes all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2008 Annual Report.

In June 2009, the Financial Accounting Standards Board (FASB) approved *FASB Accounting Standards Codification* (Codification) as the single source of authoritative accounting guidance used in the preparation of financial statements in conformity with GAAP for all non-governmental entities. Codification, which changed the referencing and organization of accounting guidance without modification of existing GAAP, is effective for interim and annual periods ending after September 15, 2009. Since it did not modify existing GAAP, Codification did not have any impact on the Company s financial condition or results of operations. On the effective date of Codification, substantially all existing non-SEC accounting and reporting standards are superseded and, therefore, are no longer referenced by title in the accompanying interim condensed consolidated financial statements.

Adoption of New Accounting Pronouncements

Financial Instruments

Effective April 1, 2009, the Company adopted new guidance on the recognition and presentation of other-than-temporary impairments (OTTI guidance). This guidance amends previously used methodology for determining whether an other-than-temporary impairment (OTTI) exists for fixed maturity securities, changes the presentation of OTTI for fixed maturity securities and requires additional disclosures for OTTI on fixed maturity and equity securities in interim and annual financial statements. It requires that an OTTI be recognized in earnings for a fixed maturity security in an unrealized loss position when it is anticipated that the amortized cost will not be recovered. In such situations, the OTTI recognized in earnings is the entire difference between the fixed maturity security s amortized cost and its fair value only when either: (i) the Company has the intent to sell the fixed

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

maturity security; or (ii) it is more likely than not that the Company will be required to sell the fixed maturity security before recovery of the decline in fair value below amortized cost. If neither of these two conditions exists, the difference between the amortized cost basis of the fixed maturity security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings (credit loss). If the fair value is less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than credit factors (noncredit loss) is recorded as other comprehensive income (loss). When an unrealized loss on a fixed maturity security is considered temporary, the Company continues to record the unrealized loss in other comprehensive income (loss) and not in earnings. There was no change for equity securities which, when an OTTI has occurred, continue to be impaired for the entire difference between the equity security s cost or amortized cost and its fair value with a corresponding charge to earnings.

Prior to the adoption of the OTTI guidance, the Company recognized in earnings an OTTI for a fixed maturity security in an unrealized loss position unless it could assert that it had both the intent and ability to hold the fixed maturity security for a period of time sufficient to allow for a recovery of fair value to the security s amortized cost basis. Also prior to the adoption of this guidance the entire difference between the fixed maturity security s amortized cost basis and its fair value was recognized in earnings if it was determined to have an OTTI.

The Company s net cumulative effect adjustment of adopting the OTTI guidance was an increase of $76 million to retained earnings with a corresponding increase to accumulated other comprehensive loss to reclassify the noncredit loss portion of previously recognized OTTI losses on fixed maturity securities held at April 1, 2009. This cumulative effect adjustment was comprised of an increase in the amortized cost basis of fixed maturity securities of $126 million, net of policyholder related amounts of $10 million and net of deferred income taxes of $40 million, resulting in the net cumulative effect adjustment of $76 million. The increase in the amortized cost basis of fixed maturity securities of $126 million by sector was as follows: $53 million - asset-backed securities, $43 million residential mortgage-backed securities, $17 million U.S. corporate securities, and $13 million commercial mortgage-backed securities.

As a result of the adoption of the OTTI guidance, the Company s pre-tax earnings for the three months and nine months ended September 30, 2009 increased by $225 million and $441 million, respectively, offset by an increase in other comprehensive loss representing OTTI relating to noncredit losses recognized during the three months and nine months ended September 30, 2009.

The enhanced financial statement presentation of the total OTTI loss and the offset for the portion of noncredit OTTI loss transferred to, and recognized in, other comprehensive loss is presented in the consolidated statements of income and stockholders equity. The enhanced required disclosures are included in Note 3.

Effective April 1, 2009, the Company adopted two updates relating to fair value measurement and disclosure as follows:

> The first update provides guidance on: (i) estimating the 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 (ii) identifying transactions that are not orderly. Further, it requires disclosure in interim financial statements of the inputs and valuation techniques used to measure fair value. The adoption of this update did not have an impact on the Company s consolidated financial statements. Additionally, the Company has provided all of the material

required disclosures in its consolidated financial statements.

The second update requires interim financial instrument fair value disclosures similar to those included in annual financial statements. The Company has provided all of the material required disclosures in its consolidated financial statements.

Effective January 1, 2009, the Company adopted guidance on disclosures about derivative instruments and hedging. This guidance requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

instruments, and disclosures about credit risk-related contingent features in derivative agreements. The Company has provided all of the material required disclosures in its consolidated financial statements.

Effective January 1, 2009, the Company adopted prospectively an update on accounting for transfers of financial assets and repurchase financing transactions. This update provides guidance for evaluating whether to account for a transfer of a financial asset and repurchase financing as a single transaction or as two separate transactions. At adoption, this guidance did not have an impact on the Company s consolidated financial statements.

Business Combinations and Noncontrolling Interests

Effective January 1, 2009, the Company adopted revised guidance on business combinations and accounting for noncontrolling interests in the consolidated financial statements. Under this new guidance:

All business combinations (whether full, partial or step acquisitions) result in all assets and liabilities of an acquired business being recorded at fair value, with limited exceptions.

Acquisition costs are generally expensed as incurred; restructuring costs associated with a business combination are generally expensed as incurred subsequent to the acquisition date.

The fair value of the purchase price, including the issuance of equity securities, is determined on the acquisition date.

Assets acquired and liabilities assumed in a business combination that arise from contingencies are recognized at fair value if the acquisition-date fair value can be reasonably determined. If the fair value is not estimable, an asset or liability is recorded if existence or incurrence at the acquisition date is probable and its amount is reasonably estimable.

Changes in deferred income tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense.

Noncontrolling interests (formerly known as minority interests) are valued at fair value at the acquisition date and are presented as equity rather than liabilities.

Net income includes amounts attributable to noncontrolling interests.

When control is attained on previously noncontrolling interests, the previously held equity interests are remeasured at fair value and a gain or loss is recognized.

Purchases or sales of equity interests that do not result in a change in control are accounted for as equity transactions.

When control is lost in a partial disposition, realized gains or losses are recorded on equity ownership sold and the remaining ownership interest is remeasured and holding gains or losses are recognized.

The adoption of this guidance on a prospective basis did not have an impact on the Company s consolidated financial statements. Financial statements and disclosures for periods prior to 2009 reflect the retrospective application of the accounting for noncontrolling interests as required under this guidance.

Effective January 1, 2009, the Company adopted prospectively new guidance on the accounting for equity method investments. This guidance addresses a number of issues associated with the impact that business combinations and noncontrolling interest guidance might have on the accounting for equity method investments, including how an equity method investment should initially be measured, how it should be tested for impairment, and how changes in classification from equity method to cost method should be treated. The adoption of this guidance did not have an impact on the Company s consolidated financial statements.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Effective January 1, 2009, the Company adopted prospectively new guidance on accounting for defensive intangible assets. This guidance requires that an acquired defensive intangible asset (i.e., an asset an entity does not intend to actively use, but rather, intends to prevent others from using) be accounted for as a separate unit of accounting at time of acquisition, not combined with the acquirer s existing intangible assets. In addition, the guidance concludes that a defensive intangible asset may not be considered immediately abandoned following its acquisition or have indefinite life. The adoption of this guidance did not have an impact on the Company s consolidated financial statements.

Effective January 1, 2009, the Company adopted prospectively new guidance on determination of the useful life of intangible assets. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This change is intended to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. The Company determines useful lives and provides all of the material required disclosures prospectively on intangible assets acquired on or after January 1, 2009 in accordance with this guidance. Its adoption did not have an impact on the Company s consolidated financial statements.

Other Pronouncements

Effective April 1, 2009, the Company adopted prospectively new guidance which establishes general standards for accounting and disclosures of events that occur subsequent to the balance sheet date but before financial statements are issued or available to be issued. It also requires disclosure of the date through which management has evaluated subsequent events and the basis for that date. The Company has provided required disclosures in its consolidated financial statements.

Effective January 1, 2009, the Company implemented fair value measurements guidance for certain nonfinancial assets and liabilities that are recorded at fair value on a non-recurring basis. This guidance applies to such items as:
(i) nonfinancial assets and nonfinancial liabilities initially measured at estimated fair value in a business combination;
(ii) reporting units measured at estimated fair value in the first step of a goodwill impairment test; and
(iii) indefinite-lived intangible assets measured at estimated fair value for impairment assessment. Its adoption did not have an impact on the Company s consolidated financial statements.

Effective January 1, 2009, the Company adopted prospectively guidance on issuer s accounting for liabilities measured at fair value with a third-party credit enhancement. This guidance concludes that an issuer of a liability with a third-party credit enhancement should not include the effect of the credit enhancement in the fair value measurement of the liability. In addition, it requires disclosures about the existence of any third-party credit enhancement related to liabilities that are measured at fair value. The adoption of this guidance did not have a material impact on the Company s consolidated financial statements.

Effective January 1, 2009, the Company adopted guidance on determining whether an instrument (or embedded feature) is indexed to an entity s own stock. This guidance provides a framework for evaluating the terms of a particular instrument and whether such terms qualify the instrument as being indexed to an entity s own stock. The adoption of this guidance did not have an impact on the Company s consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12). ASU 2009-12 provides guidance on: (i) measuring the fair value of investments in certain entities that calculate net asset value (NAV) per share; (ii) how investments within its scope would be classified in the fair value hierarchy; and (iii) enhanced disclosure requirements, for both interim and annual periods, about the nature and risks of investments measured at fair value on a recurring or non-recurring

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basis. The update is effective for the fourth quarter of 2009. The Company is currently evaluating the impact of ASU 2009-12 on its consolidated financial statements.

In August 2009, the FASB issued ASU 2009-05, *Fair Value Measurements and Disclosures (Topic 820): Measuring Liabilities at Fair Value* (ASU 2009-05). ASU 2009-05 provides clarification for measuring fair value in circumstances in which a quoted price in an active market for the identical liability is not available. In such circumstances a company is required to measure fair value using either a valuation technique that uses: (i) the quoted price of the identical liability when traded as an asset; or (ii) quoted prices for similar liabilities or similar liabilities when traded as assets; or (iii) another valuation technique that is consistent with the principles of fair value measurement such as an income approach (e.g., present value technique) or a market approach (e.g., entry value technique). The update is effective for the fourth quarter of 2009. The Company is currently evaluating the impact of ASU 2009-05 on its consolidated financial statements.

In June 2009, the FASB issued additional guidance on financial instrument transfers and evaluation of special purpose entities for consolidation. The guidance must be adopted in the first quarter of 2010.

> The financial instrument transfer guidance eliminates the concept of a qualifying special purpose entity, eliminates the guaranteed mortgage securitization exception, changes the criteria for achieving sale accounting when transferring a financial asset and changes the initial recognition of retained beneficial interests. The guidance also requires additional disclosures about transfers of financial assets, including securitized transactions, as well as a company s continuing involvement in transferred financial assets. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.
>
> The consolidation guidance relating to special purpose entities changes the determination of the primary beneficiary of a VIE from a quantitative model to a qualitative model. Under the new qualitative model, the primary beneficiary must have both the ability to direct the activities of the VIE and the obligation to absorb either losses or gains that could be significant to the VIE. The guidance also changes when reassessment is needed, as well as requires enhanced disclosures, including the effects of a company s involvement with VIEs on its financial statements. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In December 2008, the FASB issued new guidance to enhance the transparency surrounding the types of assets and associated risks in an employer s defined benefit pension or other postretirement benefit plans. Effective for fiscal years ending after December 15, 2009, this guidance requires an employer to disclose information about the valuation of plan assets similar to that required under other fair value disclosure guidance. The Company will provide the required disclosures in the appropriate future annual periods.

2. Acquisitions and Dispositions

Disposition of Texas Life Insurance Company

On March 2, 2009, the Company sold Cova Corporation (Cova), the parent company of Texas Life Insurance Company (Texas Life) to a third party for $134 million in cash consideration, excluding $1 million of transaction costs. The net assets sold were $101 million, resulting in a gain on disposal of $32 million, net of income tax. The

Company also reclassified $4 million, net of income tax, of the 2009 operations of Texas Life into discontinued operations in the consolidated financial statements. As a result, the Company recognized income from discontinued operations of $36 million, net of income tax, during the first quarter of 2009. See also Note 18.

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3. Investments

Fixed Maturity and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized gain and loss, estimated fair value of the Company s fixed maturity and equity securities, and the percentage that each sector represents by the respective total holdings for the periods shown. The unrealized loss amounts presented below at September 30, 2009 include the noncredit loss component of OTTI loss:

	September 30, 2009					
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Temporary Loss	Gross Unrealized OTTI Loss	Estimated Fair Value	% of Total
	(In millions)					
U.S. corporate securities	$ 71,375	$ 3,416	$ 3,144	$ 5	$ 71,642	32.1%
Residential mortgage-backed securities	45,267	1,389	2,849	410	43,397	19.4
Foreign corporate securities	35,991	2,021	1,411	9	36,592	16.3
U.S. Treasury, agency and government guaranteed securities (1)	24,281	1,468	282		25,467	11.4
Commercial mortgage-backed securities	16,615	181	1,247	14	15,535	6.9
Asset-backed securities	14,703	198	1,541	109	13,251	5.9
Foreign government securities	10,473	1,107	133		11,447	5.1
State and political subdivision securities	6,551	282	284		6,549	2.9
Other fixed maturity securities	18		2		16	
Total fixed maturity securities (2), (3)	$ 225,274	$ 10,062	$ 10,893	$ 547	$ 223,896	100.0%
Common stock	$ 1,576	$ 91	$ 31	$	$ 1,636	52.5%
Non-redeemable preferred stock (2)	1,773	75	367		1,481	47.5
Total equity securities (4)	$ 3,349	$ 166	$ 398	$	$ 3,117	100.0%

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

	December 31, 2008				
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	% of Total
	(In millions)				
U.S. corporate securities	$ 72,211	$ 994	$ 9,902	$ 63,303	33.6%
Residential mortgage-backed securities	39,995	753	4,720	36,028	19.2
Foreign corporate securities	34,798	565	5,684	29,679	15.8
U.S. Treasury, agency and government guaranteed securities (1)	17,229	4,082	1	21,310	11.3
Commercial mortgage-backed securities	16,079	18	3,453	12,644	6.7
Asset-backed securities	14,246	16	3,739	10,523	5.6
Foreign government securities	9,474	1,056	377	10,153	5.4
State and political subdivision securities	5,419	80	942	4,557	2.4
Other fixed maturity securities	57		3	54	
Total fixed maturity securities (2), (3)	$ 209,508	$ 7,564	$ 28,821	$ 188,251	100.0%
Common stock	$ 1,778	$ 40	$ 133	$ 1,685	52.7%
Non-redeemable preferred stock (2)	2,353	4	845	1,512	47.3
Total equity securities (4)	$ 4,131	$ 44	$ 978	$ 3,197	100.0%

(1) The Company has classified within the U.S. Treasury, agency and government guaranteed securities caption above certain corporate fixed maturity securities issued by U.S. financial institutions that were guaranteed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC s Temporary Liquidity Guarantee Program (FDIC Program) of $560 million and $2 million at estimated fair value with unrealized gains (losses) of $4 million and less than ($1) million at September 30, 2009 and December 31, 2008, respectively.

(2) The Company classifies perpetual securities that have attributes of both debt and equity as fixed maturity securities if the security has a punitive interest rate step-up feature, as it believes in most instances this feature will compel the issuer to redeem the security at the specified call date. Perpetual securities that do not have a punitive interest rate step-up feature are classified as non-redeemable preferred stock. Many of such securities have been issued by non-U.S. financial institutions that are accorded Tier 1 and Upper Tier 2 capital treatment by their respective regulatory bodies and are commonly referred to as perpetual hybrid securities. The following table presents the perpetual hybrid securities held by the Company at:

Classification	September 30, 2009	December 31, 2008

Consolidated Balance Sheets	Sector Table	Primary Issuers	Estimated Fair Value	Estimated Fair Value
			(In millions)	
Equity securities	Non-redeemable preferred stock	Non-U.S. financial institutions	$ 1,136	$ 1,224
Equity securities	Non-redeemable preferred stock	U.S. financial institutions	$ 332	$ 288
Fixed maturity securities	Foreign corporate securities	Non-U.S. financial institutions	$ 2,719	$ 2,110
Fixed maturity securities	U.S. corporate securities	U.S. financial institutions	$ 59	$ 46

(3) At September 30, 2009 and December 31, 2008, the Company held $2,457 million and $2,052 million at estimated fair value, respectively, of redeemable preferred stock which have stated maturity dates. These securities, commonly referred to as capital securities , are primarily issued by U.S. financial institutions, have cumulative interest deferral features and are included in the U.S. corporate securities sector within fixed maturity securities.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

(4) Equity securities primarily consist of investments in common and preferred stocks, including certain perpetual hybrid securities, and mutual fund interests. Such securities include common stock of privately held companies with an estimated fair value of $1.1 billion at both September 30, 2009 and December 31, 2008.

The following table presents selected information about certain fixed maturity securities held by the Company at:

	September 30, 2009		December 31, 2008	
	(In millions)			
Below investment grade or non-rated fixed maturity securities:				
Estimated fair value	$	21,391	$	12,365
Net unrealized loss	$	4,085	$	5,094
Non-income producing fixed maturity securities:				
Estimated fair value	$	274	$	75
Net unrealized loss	$	22	$	19
Fixed maturity securities credit enhanced by financial guarantor insurers by sector at estimated fair value:				
State and political subdivision securities	$	2,177	$	2,005
U.S. corporate securities		1,736		2,007
Asset-backed securities		788		833
Other		89		51
Total fixed maturity securities credit enhanced by financial guarantor insurers	$	4,790	$	4,896
Ratings of the financial guarantor insurers providing the credit enhancement:				
Portion rated Aa/AA		19%		15%
Portion rated A		38%		%
Portion rated Baa/BBB		%		68%

Concentrations of Credit Risk (Fixed Maturity Securities) Summary. The following section contains a summary of the concentrations of credit risk related to fixed maturity securities holdings.

The Company is not exposed to any concentrations of credit risk of any single issuer greater than 10% of the Company s stockholders equity, other than securities of the U.S. government, certain U.S. government agencies, and certain securities guaranteed by the U.S. government. At September 30, 2009 and December 31, 2008, the Company s holdings in U.S. Treasury, agency and government guaranteed fixed maturity securities at estimated fair value were

$25.5 billion and $21.3 billion, respectively. As shown in the sector table above, at both September 30, 2009 and December 31, 2008, the three largest sectors in the Company s fixed maturity security portfolio were U.S. corporate securities, residential mortgage-backed securities and foreign corporate securities.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Concentrations of Credit Risk (Fixed Maturity Securities) U.S. and Foreign Corporate Securities. The Company maintains a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have an exposure in any single issuer in excess of 1% of total investments. The tables below present the major industry types that comprise the corporate fixed maturity securities holdings, the amount of holdings in the single largest issuer and the combined holdings in the ten issuers to which it had the largest exposure at:

	September 30, 2009		December 31, 2008	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
Corporate fixed maturity securities by industry type:				
Foreign (1)	$ 36,592	33.8%	$ 29,679	32.0%
Consumer	16,588	15.3	13,122	14.1
Industrial	16,539	15.3	13,324	14.3
Utility	14,942	13.8	12,434	13.4
Finance	14,188	13.1	14,996	16.1
Communications	6,554	6.1	5,714	6.1
Other	2,831	2.6	3,713	4.0
Total	$ 108,234	100.0%	$ 92,982	100.0%

(1) Includes U.S. Dollar-denominated debt obligations of foreign obligors and other fixed maturity securities foreign investments.

	September 30, 2009		December 31, 2008	
	Estimated Fair Value	% of Total Investments	Estimated Fair Value	% of Total Investments
	(In millions)			
Concentrations within corporate fixed maturity securities:				
Largest exposure to a single issuer	$ 1,250	0.4%	$ 1,469	0.5%
Holdings in top ten issuers	$ 8,009	2.5%	$ 8,446	2.8%

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Concentrations of Credit Risk (Fixed Maturity Securities) Residential Mortgage-Backed Securities. The Company s residential mortgage-backed securities consist of the following holdings and portion rated Aaa/AAA at:

	September 30, 2009		December 31, 2008	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
By security type:				
Collateralized mortgage obligations	$ 24,594	56.7%	$ 26,025	72.2%
Pass-through securities	18,803	43.3	10,003	27.8
Total residential mortgage-backed securities	$ 43,397	100.0%	$ 36,028	100.0%
By risk profile:				
Agency	$ 32,851	75.7%	$ 24,409	67.8%
Prime	6,711	15.5	8,254	22.9
Alternative residential mortgage loans	3,835	8.8	3,365	9.3
Total residential mortgage-backed securities	$ 43,397	100.0%	$ 36,028	100.0%
Portion rated Aaa/AAA	$ 35,341	81.4%	$ 33,265	92.3%

Collateralized mortgage obligations are a type of mortgage-backed security structured by dividing the cash flows of mortgages into separate pools or tranches of risk that create multiple classes of bonds with varying maturities and priority of payments. Pass-through mortgage-backed securities are a type of asset-backed security that is secured by a mortgage or collection of mortgages. The monthly mortgage payments from homeowners pass from the originating bank through an intermediary, such as a government agency or investment bank, which collects the payments, and for a fee, remits or passes these payments through to the holders of the pass-through securities.

The majority of the residential mortgage-backed securities were rated Aaa/AAA by Moody s Investors Service (Moody s), Standard & Poor s Ratings Services (S&P) or Fitch Ratings (Fitch) at September 30, 2009 and December 31, 2008, as presented above. The majority of the agency residential mortgage-backed securities were guaranteed or otherwise supported by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC) or the Government National Mortgage Association. In September 2008, the U.S. Treasury announced that FNMA and FHLMC had been placed into conservatorship. Prime residential mortgage lending includes the origination of residential mortgage loans to the most credit-worthy customers with high quality credit profiles. Alternative residential mortgage loans (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 customers with weak credit profiles. During 2009, there were significant ratings downgrades from investment grade to below investment grade for non-agency residential mortgage-backed securities, both Alt-A and prime residential mortgage-backed securities, contributing to the decrease in the percentage of residential mortgage-backed securities with a Aaa/AAA rating of 81.4% at September 30, 2009 as compared to 92.3% at December 31, 2008 as presented above; and contributing to the substantial decrease presented below in the Company s Alt-A securities holdings rated Aa/AA or better as compared to December 31, 2008. 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, and portion of Alt-A holdings backed by fixed rate collateral or hybrid adjustable rate mortgages (ARMs) at September 30, 2009 and December 31, 2008, are presented below. Vintage year refers to the year of origination and not to the year of purchase.

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The following table presents the Company s investment in Alt-A residential mortgage-backed securities by vintage year and certain other selected data:

	Alt-A Residential Mortgage Backed Securities										
	2003 & Prior	2004	2005	2006	2007	2008	2009	Estimated Fair Value	Net Unrealized Loss	Rated Aa/AA or Better	Fixed Rate%
						(In millions)					
0, 2009:											
	$ 53	$ 49	$ 1,338	$ 812	$ 781	$	$ 802	$ 3,835	$ 1,570		
	1.4%	1.3%	34.9%	21.2%	20.3%	%	20.9%	100.0%		26.9%	89.2%
1, 2008:											
	$ 113	$ 137	$ 1,493	$ 857	$ 765	$	$	$ 3,365	$ 1,951		
	3.3%	4.1%	44.4%	25.5%	22.7%	%	%	100.0%		63.4%	87.9%

Concentrations of Credit Risk (Fixed Maturity Securities) Commercial Mortgage-Backed Securities. At September 30, 2009 and December 31, 2008, the Company s holdings in commercial mortgage-backed securities were $15.5 billion and $12.6 billion, respectively, at estimated fair value. The estimated fair value of such securities held by the Company by vintage year, net unrealized loss, and portion of holdings rated Aaa/AAA by Moody s, S&P or Fitch at September 30, 2009 and December 31, 2008, are presented below. The rating distribution of the Company s commercial mortgage-backed securities holdings at September 30, 2009 was as follows: 89% Aaa, 5% Aa, 3% A, 2% Baa, and 1% Ba or below. The rating distribution of the Company s commercial mortgage-backed securities holdings at December 31, 2008 was as follows: 93% Aaa, 4% Aa, 1% A, 1% Baa, and 1% Ba or below. At September 30, 2009 and December 31, 2008, the Company had no exposure in the Commercial Mortgage-Backed Securities index securities and its holdings of commercial real estate collateralized debt obligations securities were $111 million and $121 million, respectively, at estimated fair value.

The following table presents the Company s investment in commercial mortgage-backed securities by vintage year and certain other selected data:

Commercial Mortgage Backed Securities		
	Estimated	Net

	2003 & Prior	2004	2005	2006	2007	2008	2009	Fair Value	Unrealized Loss	Rated Aaa
					(In millions)					
September 30, 2009:										
Amount	$ 7,485	$ 2,538	$ 3,104	$ 1,649	$ 759	$	$	$ 15,535	$ 1,080	
Percentage	48.2%	16.3%	20.0%	10.6%	4.9%	%	%	100.0%		88.9%
December 31, 2008:										
Amount	$ 5,412	$ 2,457	$ 2,737	$ 1,437	$ 600	$ 1	$	$ 12,644	$ 3,435	
Percentage	42.8%	19.4%	21.6%	11.4%	4.8%	%	%	100.0%		93.2%

Concentrations of Credit Risk (Fixed Maturity Securities) Asset-Backed Securities. At September 30, 2009 and December 31, 2008, the Company s holdings in asset-backed securities were $13.3 billion and $10.5 billion, respectively, at estimated fair value.

The Company s asset-backed securities are diversified both by sector and by issuer. The estimated fair value by collateral type, amount and portion rated Aaa/AAA by Moody s, S&P or Fitch of such securities held by the Company, and the portion of the asset-backed securities comprised of residential mortgage-backed securities backed by sub-prime mortgage loans credit enhanced by financial guarantor insurers and the related rating of the financial guarantor insurers at September 30, 2009 and December 31, 2008, are presented below.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

The following table presents the types of and certain other information about asset-backed securities held by the Company at:

	September 30, 2009 Estimated Fair Value	September 30, 2009 % of Total	December 31, 2008 Estimated Fair Value	December 31, 2008 % of Total
	(In millions)			
By collateral type:				
Credit card loans	$ 7,455	56.3%	$ 5,190	49.3%
Student loans	1,758	13.3	1,085	10.3
Automobile loans	1,035	7.8	1,051	10.0
Residential mortgage-backed securities backed by sub-prime mortgage loans	1,027	7.7	1,142	10.9
Other loans	1,976	14.9	2,055	19.5
Total	$ 13,251	100.0%	$ 10,523	100.0%
Portion rated Aaa/AAA	$ 9,638	72.7%	$ 7,934	75.4%
Residential mortgage-backed securities backed by sub-prime mortgage loans portion that is credit enhanced by financial guarantor insurers		37.6%		37.2%
Of the 37.6% and 37.2% credit enhanced, the financial guarantor insurers are rated as follows:				
By financial guarantor insurers rated Aa		16.3%		18.8%
By financial guarantor insurers rated A		7.6%		%
By financial guarantor insurers rated Baa		%		37.3%

Concentrations of Credit Risk (Equity Securities). The Company is not exposed to any concentrations of credit risk of any single issuer greater than 10% of the Company s stockholders equity in its equity securities holdings.

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date (excluding scheduled sinking funds), are as follows:

	September 30, 2009 Amortized Cost	September 30, 2009 Estimated Fair Value	December 31, 2008 Amortized Cost	December 31, 2008 Estimated Fair Value
	(In millions)			

Due in one year or less	$ 6,135	$ 6,222	$ 5,556	$ 5,491
Due after one year through five years	36,746	37,421	33,604	30,884
Due after five years through ten years	40,256	41,258	41,481	36,895
Due after ten years	65,552	66,812	58,547	55,786
Subtotal	148,689	151,713	139,188	129,056
Mortgage-backed and asset-backed securities	76,585	72,183	70,320	59,195
Total fixed maturity securities	$ 225,274	$ 223,896	$ 209,508	$ 188,251

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been included in the above table in the year of final

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contractual maturity. Mortgage-backed and asset-backed securities are shown separately in the table, as they are not due at a single maturity.

Evaluating Investments for an Other-Than-Temporary Impairment

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2008 Annual Report, the Company performs a regular evaluation, on a security-by-security basis, of its investment holdings in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired.

With respect to fixed maturity securities, the Company considers, amongst other criteria, whether it has the intent to sell a particular impaired fixed maturity security. The assessment of the Company s intent to sell a particular fixed maturity security considers broad portfolio management objectives such as asset/liability duration management, issuer and industry segment exposures, interest rate views and the overall total return focus. In following these portfolio management objectives, changes in facts and circumstances that were present in past reporting periods may trigger a decision to sell securities that were held in prior reporting periods. Decisions to sell are based on current conditions or the Company s need to shift the portfolio to maintain its portfolio management objectives including liquidity needs or duration targets on asset/liability managed portfolios. The Company attempts to anticipate these types of changes and if a sale decision has been made on an impaired security, the security will be deemed other-than-temporarily impaired in the period that the sale decision was made and an OTTI loss will be recorded in earnings. In certain circumstances, the Company may determine that it does not intend to sell a particular security but that it is more likely than not that it will be required to sell that security before recovery of the decline in fair value below amortized cost. In such instances, the fixed maturity security will be deemed other-than-temporarily impaired in the period during which it was determined more likely than not that the security will be required to be sold and an OTTI loss will be recorded in earnings. If the Company does not have the intent to sell (i.e., has not made the decision to sell) and it does not believe that it is more likely than not that it will be required to sell the security before recovery of its amortized cost, an impairment assessment is made, as described below. If the Company s estimate of the present value of the expected future cash flows to be received from the security is less than the amortized cost, the security will be deemed other-than-temporarily impaired in the period that such present value of the expected future cash flows falls below amortized cost and this difference, referred to as the credit loss, will be recognized in earnings. Any remaining difference between the present value of the expected future cash flows to be received and the estimated fair value of the security will be recognized as a separate component of other comprehensive loss and is referred to as the noncredit loss. Prior to April 1, 2009, the Company s assessment of OTTI for fixed maturity securities was performed in the same manner as described below for equity securities.

With respect to equity securities, the Company considers in its OTTI analysis its intent and ability to hold a particular equity security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost. Decisions to sell equity securities are based on current conditions in relation to the same broad portfolio management considerations in a manner consistent with that described above for fixed maturity securities. If a sale decision is made with respect to a particular equity security and that equity security is not expected to recover to an amount at least equal to cost prior to the expected time of the sale, the security will be deemed other-than-temporarily impaired in the period that the sale decision was made and an OTTI loss will be recorded in earnings.

With respect to perpetual hybrid securities, some of which are classified as fixed maturity securities and some of which are classified as non-redeemable preferred stock, the Company considers in its OTTI analysis whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of the securities that are in a severe and extended unrealized loss position. The Company also considers whether any perpetual hybrid securities, with severe unrealized losses, regardless of credit rating, have deferred any dividend payments.

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses), included in accumulated other comprehensive loss, are as follows:

	September 30, 2009	December 31, 2008
	(In millions)	
Fixed maturity securities that were temporarily impaired	$ (831)	$ (21,246)
Fixed maturity securities with noncredit OTTI losses in other comprehensive loss	(547)	
Total fixed maturity securities	(1,378)	(21,246)
Equity securities	(232)	(934)
Derivatives	(46)	(2)
Other	79	53
Subtotal	(1,577)	(22,129)
Amounts allocated from:		
Insurance liability loss recognition	(239)	42
DAC and VOBA on which noncredit OTTI losses have been recognized	48	
DAC and VOBA	475	3,025
Subtotal	284	3,067
Deferred income tax benefit (expense) on which noncredit OTTI losses have been recognized	172	
Deferred income tax benefit (expense)	322	6,508
Net unrealized investment gains (losses)	(799)	(12,554)
Net unrealized investment gains (losses) attributable to noncontrolling interests		(10)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ (799)	$ (12,564)

Fixed maturity securities with noncredit OTTI losses in other comprehensive loss, as presented above, of $547 million includes $126 million related to the transition adjustment, $245 million and $479 million ($225 million and $441 million, net of DAC) of noncredit losses recognized in the three months and nine months ended September 30, 2009, respectively, and $63 million and $58 million of subsequent increases in estimated fair value during the three months and nine months ended September 30, 2009, respectively, on such securities for which a noncredit loss was previously recognized in other comprehensive loss.

The $6.2 billion decrease in the deferred income tax benefit to $322 million at September 30, 2009, was primarily the result of the decrease in net unrealized investment gains (losses), which also is a major contributor to the overall decrease in total deferred income tax assets to $535 million.

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

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

	Nine Months Ended September 30, 2009 (In millions)	
Balance, end of prior period	$	(12,564)
Cumulative effect of change in accounting principle, net of income tax		(76)
Fixed maturity securities on which noncredit OTTI losses have been recognized		(421)
Unrealized investment gains (losses) during the period		21,099
Unrealized investment gains (losses) relating to:		
Insurance liability gain (loss) recognition		(281)
DAC and VOBA on which noncredit OTTI losses have been recognized		38
DAC and VOBA		(2,550)
Deferred income tax benefit (expense) on which noncredit OTTI losses have been recognized		132
Deferred income tax benefit (expense)		(6,186)
Net unrealized investment gains (losses)		(809)
Net unrealized investment gains (losses) attributable to noncontrolling interests		10
Balance, end of period	$	(799)
Change in net unrealized investment gains (losses)	$	11,755
Change in net unrealized investment gains (losses) attributable to noncontrolling interests		10
Change in net unrealized investment gains (losses) attributable to MetLife, Inc. s common shareholders	$	11,765

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Continuous Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale by Sector

The following tables present the estimated fair value and gross unrealized loss, of the Company s fixed maturity and equity securities in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position. The unrealized loss amounts presented below at September 30, 2009 include the noncredit component of OTTI loss. Fixed maturity securities on which a noncredit OTTI loss has been recognized in accumulated other comprehensive loss are categorized by length of time as being less than 12 months or equal to or greater than 12 months in a continuous unrealized loss position based on the point in time that the estimated fair value initially declined to below the amortized cost basis and not the period of time since the unrealized loss was deemed a noncredit OTTI loss.

	September 30, 2009					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
U.S. corporate securities	$ 3,948	$ 398	$ 20,536	$ 2,751	$ 24,484	$ 3,149
Residential mortgage-backed securities	2,587	264	9,463	2,995	12,050	3,259
Foreign corporate securities	2,323	194	8,400	1,226	10,723	1,420
U.S. Treasury, agency and government guaranteed securities	7,265	282	2		7,267	282
Commercial mortgage-backed securities	1,208	19	6,991	1,242	8,199	1,261
Asset-backed securities	652	152	6,655	1,498	7,307	1,650
Foreign government securities	1,366	45	539	88	1,905	133
State and political subdivision securities	184	28	1,894	256	2,078	284
Other fixed maturity securities	8	2			8	2
Total fixed maturity securities	$ 19,541	$ 1,384	$ 54,480	$ 10,056	$ 74,021	$ 11,440
Common stock	195	30	10	1	205	31
Non-redeemable preferred stock	173	65	924	302	1,097	367
Total equity securities	$ 368	$ 95	$ 934	$ 303	$ 1,302	$ 398
Total number of securities in an unrealized loss position	1,453		3,821			

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

	December 31, 2008					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
U.S. corporate securities	$ 30,076	$ 4,479	$ 18,011	$ 5,423	$ 48,087	$ 9,902
Residential mortgage-backed securities	10,032	2,711	4,572	2,009	14,604	4,720
Foreign corporate securities	15,634	3,157	6,609	2,527	22,243	5,684
U.S. Treasury, agency and government guaranteed securities	106	1			106	1
Commercial mortgage-backed securities	9,259	1,665	3,093	1,788	12,352	3,453
Asset-backed securities	6,412	1,325	3,777	2,414	10,189	3,739
Foreign government securities	2,030	316	403	61	2,433	377
State and political subdivision securities	2,035	405	948	537	2,983	942
Other fixed maturity securities	20	3	2		22	3
Total fixed maturity securities	$ 75,604	$ 14,062	$ 37,415	$ 14,759	$ 113,019	$ 28,821
Equity securities	$ 727	$ 306	$ 978	$ 672	$ 1,705	$ 978
Total number of securities in an unrealized loss position	9,066		3,539			

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

The following tables 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 September 30, 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:

	September 30, 2009					
	Cost or Amortized Cost		Gross Unrealized Loss		Number of Securities	
	Less than	20% or	Less than	20% or	Less than	20% or

	20%	more	20%	more	20%	more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 13,065	$ 1,879	$ 389	$ 540	1,030	144
Six months or greater but less than nine months	2,679	1,983	157	640	326	111
Nine months or greater but less than twelve months	3,539	6,288	228	2,116	359	372
Twelve months or greater	45,870	10,158	3,276	4,094	3,066	666
Total	$ 65,153	$ 20,308	$ 4,050	$ 7,390		
Percentage of cost or amortized cost			6%	36%		
Equity Securities:						
Less than six months	$ 44	$ 46	$ 2	$ 13	127	31
Six months or greater but less than nine months	32	113	6	45	8	7
Nine months or greater but less than twelve months	229	132	29	43	23	16
Twelve months or greater	393	711	48	212	69	25
Total	$ 698	$ 1,002	$ 85	$ 313		
Percentage of cost			12%	31%		

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

	December 31, 2008					
	Cost or Amortized Cost		Gross Unrealized Loss		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 32,658	$ 48,114	$ 2,358	$ 17,191	4,566	2,827
Six months or greater but less than nine months	14,975	2,180	1,313	1,109	1,314	157
Nine months or greater but less than twelve months	16,372	3,700	1,830	2,072	934	260
Twelve months or greater	23,191	650	2,533	415	1,809	102
Total	$ 87,196	$ 54,644	$ 8,034	$ 20,787		
Percentage of cost or amortized cost			9%	38%		
Equity Securities:						
Less than six months	$ 386	$ 1,190	$ 58	$ 519	351	551
Six months or greater but less than nine months	33	413	6	190	8	32
Nine months or greater but less than twelve months	3	487		194	5	15
Twelve months or greater	171		11		20	
Total	$ 593	$ 2,090	$ 75	$ 903		
Percentage of cost			13%	43%		

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

At September 30, 2009 and December 31, 2008, 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 at September 30, 2009, of $11.8 billion and $29.8 billion, respectively, were concentrated, calculated as a percentage of gross unrealized loss and OTTI loss, by sector and industry as follows:

	September 30, 2009	December 31, 2008
Sector:		
U.S. corporate securities	27%	33%
Residential mortgage-backed securities	27	16
Asset-backed securities	14	13
Foreign corporate securities	12	19
Commercial mortgage-backed securities	11	11
State and political subdivision securities	2	3
Foreign government securities	1	1
Other	6	4
Total	100%	100%
Industry:		
Mortgage-backed	38%	27%
Finance	25	24
Asset-backed	14	13
Consumer	5	11
Utility	3	8
Communications	2	5
Industrial	2	4
Foreign government	1	1
Other	10	7
Total	100%	100%

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Evaluating Temporarily Impaired Investments

The following table presents the gross unrealized loss of greater than $10 million for the Company s fixed maturity and equity securities at:

	September 30, 2009		December 31, 2008	
	Fixed Maturity Securities	Equity Securities	Fixed Maturity Securities	Equity Securities
	(In millions, except number of securities)			
Number of securities	260	15	699	33
Total gross unrealized loss	$5,341	$248	$14,485	$699
Percentage of gross unrealized loss	47%	62%	50%	71%

The fixed maturity and equity securities, each with a gross unrealized loss greater than $10 million, decreased $4.7 billion and $9.6 billion during the three months and nine months ended September 30, 2009, respectively. These securities were included in the regular evaluation of whether such investments are other-than-temporarily impaired. Based upon the Company s current evaluation of these securities in accordance with its impairment policy, the cause of the decline being primarily attributable to a rise in market yields caused principally by an extensive widening of credit spreads which resulted from a lack of market liquidity and a short-term market dislocation versus a long-term deterioration in credit quality, and its 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 of, and severity of an unrealized loss position for equity securities, such as unrealized losses of 20% or more for equity securities, is given greater weight and consideration than an unrealized loss position of 20% or more 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.

The following table presents certain information about equity securities available-for-sale with a gross unrealized loss of 20% or more at:

	September 30, 2009			
			Non-Redeemable Preferred Stock	
		All Types of		
	All Equity Securities	Non-Redeemable Preferred Stock	Investment Grade	
			All Industries	Financial Services Industry

	Gross Unrealized Loss	Gross Unrealized Loss	% of All Equity Securities	Gross Unrealized Loss	% of All Non-Redeemable Preferred Stock	Gross Unrealized Loss	% of All Industries	% A Rated or Better
	(In millions)							
Less than six months	$ 13	$ 9	69%	$ 1	11%	$ 1	100%	100%
More than six months and less than twelve months	88	88	100%	57	65%	51	89%	88%
Twelve months or greater	212	212	100%	212	100%	212	100%	61%
All equity securities with gross unrealized loss of 20% or more	$ 313	$ 309	99%	$ 270	87%	$ 264	98%	66%

In connection with the equity securities impairment review process at September 30, 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.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

The Company also considered whether any non-redeemable preferred stock with unrealized losses of 20% or more, 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)

Effective April 1, 2009, the Company adopted new guidance on the recognition and presentation of OTTI. With the adoption of this guidance, for those fixed maturity securities that are intended to be sold or for which it is more likely than not that the security will be required to be sold before recovery of the decline in fair value below amortized cost, the full OTTI loss from the fair value being less than the amortized cost is recognized in earnings. For those fixed maturity securities which the Company has no intent to sell (i.e., has not made the decision to sell) and the Company believes it is not more likely than not that it will be required to sell prior to recovery of the decline in fair value, and an assessment has been made that the amortized cost will not be fully recovered, only the OTTI credit loss component is recognized in earnings, while the remaining decline in fair value is recognized in accumulated other comprehensive income (loss), not in earnings, as a noncredit OTTI loss. Prior to the adoption of this new guidance, the Company recognized an OTTI loss in earnings for a fixed maturity security in an unrealized loss position unless it could assert that it had both the intent and ability to hold the fixed maturity security for a period of time to allow for a recovery of fair value to the security s amortized cost basis. There was no change in the impairment methodology for equity securities which, when an OTTI loss has occurred, continue to be impaired for the entire difference between the equity security s cost and its fair value with a corresponding charge to earnings. The discussion below describes the Company s methodology and significant inputs used to determine the amount of the credit loss effective April 1, 2009.

In order to determine the amount of the credit loss for a fixed maturity security, the Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows expected to be received. The discount rate is generally the effective interest rate of the fixed maturity security prior to impairment.

When determining the collectability and the period over which the fixed maturity security is expected to recover, the Company applies the same considerations utilized in its overall impairment evaluation process which incorporates information regarding the specific security, fundamentals of the industry and geographic area in which the security issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from management s best estimates of likely scenario-based outcomes after giving consideration to a variety of variables that include, but are not limited to: general payment terms of the security; the likelihood that the issuer can service the scheduled interest and principal payments; the quality and amount of any credit enhancements; the security s position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes to the rating of the security or the issuer by rating agencies. Additional considerations are made when assessing the unique features that apply to certain structured securities such as residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities. These additional factors for structured securities include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; current and forecasted loss severity; consideration of the

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

payment terms of the underlying assets backing a particular security; and the payment priority within the tranche structure of the security.

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(In millions)			
Total losses on fixed maturity securities:				
Total OTTI losses recognized	$ (650)	$ (748)	$ (1,769)	$ (961)
Less: Noncredit portion of OTTI losses transferred to and recognized in other comprehensive loss	245		479	
Net OTTI losses on fixed maturity securities recognized in earnings	(405)	(748)	(1,290)	(961)
Fixed maturity securities net gains (losses) on sales and disposals	(50)	(170)	(152)	(466)
Total losses on fixed maturity securities	(455)	(918)	(1,442)	(1,427)
Other net investment gains (losses):				
Equity securities	(53)	(181)	(430)	(191)
Mortgage and consumer loans	(129)	26	(400)	(36)
Real estate and real estate joint ventures	(70)	1	(163)	3
Other limited partnership interests	(12)	(16)	(356)	(31)
Freestanding derivatives	(821)	1,451	(5,508)	1,093
Embedded derivatives	(586)	31	1,424	(29)
Other	(13)	352	1	277
Total net investment gains (losses)	$ (2,139)	$ 746	$ (6,874)	$ (341)

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	
Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September 30,

	2009	2008	2009	2008	2009	2008	2009	2008
				(In millions)				
Proceeds	$ 11,041	$ 15,441	$ 30,392	$ 42,250	$ 334	$ 1,396	$ 587	$ 2,026
Gross investment gains	228	279	773	569	41	265	61	412
Gross investment losses	(278)	(449)	(925)	(1,035)	(58)	(167)	(125)	(207)
Total OTTI losses recognized in earnings:								
Credit-related	(223)	(593)	(966)	(803)				
Other (1)	(182)	(155)	(324)	(158)	(36)	(279)	(366)	(396)
Total OTTI losses recognized in earnings	(405)	(748)	(1,290)	(961)	(36)	(279)	(366)	(396)
Net investment gains (losses)	$ (455)	$ (918)	$ (1,442)	$ (1,427)	$ (53)	$ (181)	$ (430)	$ (191)

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

(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 fair value.

The Company periodically disposes of fixed maturity and equity securities at a loss. Generally, such losses are insignificant in amount or in relation to the cost basis of the investment, are attributable to declines in estimated fair value occurring in the period of the disposition or are as a result of management s decision to sell securities based on current conditions, or the Company s need to shift the portfolio to maintain its portfolio management objectives. Investment gains and losses on sales of securities are determined on a specific identification basis.

OTTI losses recognized in earnings on fixed maturity and equity securities were $441 million and $1,656 million for the three months and nine months ended September 30, 2009, respectively, and $1,027 million and $1,357 million for the three months and nine months ended September 30, 2008, respectively.

Three Months Ended September 30, 2009 compared to the Three Months Ended September 30, 2008 In the third quarter of 2008, the stress experienced in the global financial markets, caused several financial institutions to enter bankruptcy, enter FDIC receivership or receive significant government capital infusions. The Company incurred fixed maturity and equity securities impairments of $562 million ($482 million on fixed maturity security holdings and $80 million on equity security holdings) related to security holdings on three such financial institutions in the third quarter of 2008. In addition, the Company incurred fixed maturity security impairments of $155 million in the third quarter of 2008 on securities the Company either lacked the intent to hold, or due to extensive credit spread widening, the Company was uncertain of its intent to hold these securities for a period of time sufficient to allow for recovery of the market value decline. Accordingly, impairments on the Company s financial services industry holdings, and total impairments across all sectors, were higher in the third quarter of 2008 than the third quarter of 2009 as presented in the tables below.

Nine Months Ended September 30, 2009 compared to the Nine Months Ended September 30, 2008 Conversely, impairments for the nine months ended September 2009 were higher than for the nine months ended September 2008, due to increased fixed maturity security impairments across several industry sectors as presented in the tables below, and not as a result of a concentration in the financial services industry sector. Impairments across these several industry sectors increased due to financial restructurings, bankruptcy filings, ratings downgrades, or difficult operating environments of the issuers.

While financial services industry impairments were lower in the three and nine months ended September 2009 than the comparable prior periods, financial services industry impairments in the three months and nine months ended September 30, 2009 totaled $275 million and $753 million, comprised of $241 million and $429 million on fixed maturity securities and $34 million and $324 million on equity securities, respectively. These financial services industry impairments included $215 million and $577 million for the three months and nine months ended September 30, 2009, respectively, on perpetual hybrid securities, some classified as fixed maturity securities and some classified as non-redeemable preferred stock, where there had been a deterioration in the credit rating of the issuer to below investment grade and due to a severe and extended unrealized loss position.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Fixed maturity security OTTI losses recognized in earnings of $405 million and $1,290 million for the three months and nine months ended September 30, 2009, respectively, and $748 million and $961 million for the three months and nine months ended September 30, 2008, respectively, related to the following sectors and industries:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(In millions)			
U.S. and foreign corporate securities:				
Finance	$ 241	$ 491	$ 429	$ 605
Communications	29	32	232	49
Consumer	42	12	206	60
Utility	8	1	84	2
Industrial	7		27	
Other		177	26	182
Total U.S. and foreign corporate securities	327	713	1,004	898
Residential mortgage-backed securities	40		118	
Asset-backed securities	17	35	111	63
Commercial mortgage-backed securities	20		56	
Foreign government securities	1		1	
Total	$ 405	$ 748	$ 1,290	$ 961

The $36 million and $366 million of equity security OTTI losses recognized in earnings for the three months and nine months ended September 30, 2009, respectively, and $279 million and $396 million for the three months and nine months ended September 30, 2008, respectively, related to the following sectors and industries:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(In millions)			
Sector:				
Non-redeemable preferred stock	$ 34	$ 270	$ 314	$ 308
Common stock (1)	2	9	52	88
Total	$ 36	$ 279	$ 366	$ 396

Industry:				
Financial services industry:				
Perpetual hybrid securities (2)	$ 34	$ 84	$ 294	$ 86
Common and remaining non-redeemable preferred stock		191	30	245
Total financial services industry	34	275	324	331
Other	2	4	42	65
Total	$ 36	$ 279	$ 366	$ 396

(1) With respect to common stock holdings, the Company considered the duration and severity of the securities in an unrealized loss position of 20% or more; and the duration of the securities in an unrealized loss position of 20% or less in an extended unrealized loss position (i.e., 12 months or greater) in determining the other-than-temporary impairment charge for such securities.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

(2) Impairment due to a deterioration in the credit rating of the issuer to below investment grade and due to a severe and extended unrealized loss position.

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

The table below 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 September 30, 2009, for which a portion of the OTTI loss was recognized in other comprehensive loss:

	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
	(In millions)	
Balance, beginning of period	$ 380	$
Credit loss component of OTTI loss not reclassified to other comprehensive loss in the cumulative effect transition adjustment		230
Additions:		
Initial impairments credit loss OTTI recognized on securities not previously impaired	53	205
Additional impairments credit loss OTTI recognized on securities previously impaired	50	55
Reductions:		
Due to sales (or maturities, pay downs or prepayments) during the period of securities previously credit loss OTTI impaired	(15)	(22)
Balance, end of period	$ 468	$ 468

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Net Investment Income

The components of net investment income are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In millions)			
Fixed maturity securities	$ 2,955	$ 3,446	$ 8,709	$ 10,424
Equity securities	37	47	130	197
Trading securities (1)	163	(95)	310	(137)
Mortgage and consumer loans	677	712	2,055	2,109
Policy loans	163	148	481	447
Real estate and real estate joint ventures (2)	(25)	141	(184)	519
Other limited partnership interests (3)	128	(62)	(53)	141
Cash, cash equivalents and short-term investments	27	101	109	313
International joint ventures (4)	(16)	21	(86)	16
Other	37	83	156	230
Total investment income	4,146	4,542	11,627	14,259
Less: Investment expenses	223	495	713	1,598
Net investment income	$ 3,923	$ 4,047	$ 10,914	$ 12,661

(1) Net investment income from trading securities includes interest and dividends earned on trading securities in addition to the net realized gains (losses) and subsequent changes in estimated fair value recognized on trading securities and the short sale agreement liabilities. During the three months and nine months ended September 30, 2008, unfavorable changes in estimated fair value of trading securities, due to volatility in the equity and credit markets, were in excess of interest and dividends earned and net realized gains (losses) on securities sold. The changes in estimated fair value included in net investment income on trading securities are presented in the trading securities section below.

(2) Net investment income from wholly-owned real estate was more than offset by losses incurred on real estate joint ventures. Net investment income from real estate joint ventures within the real estate and real estate joint ventures caption represents distributions for investments accounted for under the cost method and equity in earnings for investments accounted for under the equity method. Overall, for the three months and nine months ended September 30, 2009, the net amount recognized were losses of $25 million and $184 million, respectively, resulting primarily from 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. The commercial real estate properties underlying these investment funds have experienced declines in estimated fair value driven by capital market factors and deteriorating market conditions, which has led to declining property valuations, while the development joint ventures have experienced fewer property sales due to declining real estate market fundamentals and decreased availability of lending to finance these types of transactions.

(3) Net investment income from other limited partnership interests, including hedge funds, represents distributions from other limited partnership interests accounted for under the cost method and equity in earnings from other limited partnership interests accounted for under the equity method. Overall for the nine months ended September 30, 2009, the net amount recognized was a loss of $53 million, resulting principally from losses on equity method investments. Such earnings and losses recognized for other limited partnership interests are impacted by volatility in the equity and credit markets.

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(4) Amounts are presented net of changes in estimated fair value of derivatives related to economic hedges of these equity method investments that do not qualify for hedge accounting of $1 million and ($115) million for the three months and nine months ended September 30, 2009, respectively, and $33 million and $41 million for the three months and nine months ended September 30, 2008, respectively. The increase in losses on the international joint ventures was driven by these derivatives, which moved from gains in the prior year to losses in the current year. The losses were primarily attributable to losses on equity derivatives (used to hedge embedded derivative risk) due to improving equity markets in the current period, as well as losses on foreign currency derivatives due to the U.S. Dollar weakening against several major foreign currencies.

Securities Lending

The Company participates in securities lending programs whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily major brokerage firms and commercial banks. The Company generally obtains collateral in an amount equal to 102% of the estimated fair value of the securities loaned. 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. The liability for cash collateral that is due back to the counterparties by aging category is presented below.

Elements of the securities lending programs are presented below at:

	September 30, 2009		December 31, 2008	
	(In millions)			
Securities on loan:				
Cost or amortized cost	$	19,790	$	20,791
Estimated fair value	$	20,556	$	22,885
Aging of cash collateral liability:				
Open (1)	$	2,473	$	5,118
Less than thirty days		9,091		14,711
Greater than thirty days to sixty days		5,222		3,471
Greater than sixty days to ninety days		1,659		
Greater than ninety days		2,606		
Total cash collateral liability	$	21,051	$	23,300
Security collateral on deposit from counterparties	$	40	$	279
Reinvestment portfolio estimated fair value	$	20,150	$	19,509

(1) Open terms meaning that the related loaned security could be returned to the Company on the next business day requiring the Company to immediately return the cash collateral.

The estimated fair value of the securities related to the cash collateral on open terms at September 30, 2009 has been reduced to $2,389 million from $4,986 million at December 31, 2008. Of the $2,389 million of estimated fair value of the securities related to the cash collateral on open terms at September 30, 2009, $2,222 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 greater than ninety days, are primarily U.S. Treasury, agency and government guaranteed securities, and very liquid residential mortgage-backed securities. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including residential mortgage-backed, asset-backed, U.S. corporate and foreign corporate securities).

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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.

Assets on Deposit, Held in Trust and Pledged as Collateral

The assets on deposit, assets held in trust and assets pledged as collateral are presented in the table below. The amounts presented in the table below are at estimated fair value for cash and cash equivalents, fixed maturity and equity securities and at carrying value for mortgage loans.

	September 30, 2009	December 31, 2008
	(In millions)	
Assets on deposit:		
Regulatory agencies (1)	$ 1,397	$ 1,282
Assets held in trust:		
Collateral financing arrangements (2)	5,887	4,754
Reinsurance arrangements (3)	1,537	1,714
Assets pledged as collateral:		
Debt and funding agreements FHLB of NY (4)	20,213	20,880
Debt and funding agreements FHLB of Boston (4)	424	1,284
Funding agreements Farmer MAC (5)	2,872	2,875
Federal Reserve Bank of New York (6)	2,456	1,577
Collateral financing arrangements Holding Company (7)	76	316
Derivative transactions (8)	1,563	1,744
Short sale agreements (9)	473	346
Other		180
Total assets on deposit, held in trust and pledged as collateral	$ 36,898	$ 36,952

(1) The Company had investment assets on deposit with regulatory agencies consisting primarily of fixed maturity and equity securities.

(2) The Company held in trust cash and securities, primarily fixed maturity and equity securities, to satisfy collateral requirements. The Company has also pledged certain fixed maturity securities in support of the collateral financing arrangements described in Note 10.

(3) The Company has pledged certain investments, primarily fixed maturity securities, in connection with certain reinsurance transactions.

(4)

The Company has pledged fixed maturity securities and mortgage loans in support of its debt and funding agreements with the Federal Home Loan Bank of New York (FHLB of NY) and has pledged fixed maturity securities to the Federal Home Loan Bank of Boston (FHLB of Boston). The nature of these Federal Home Loan Bank arrangements is described in Note 7 of the Notes to the Consolidated Financial Statements included in the 2008 Annual Report.

(5) The Company has pledged certain agricultural real estate mortgage loans in connection with funding agreements with the Federal Agricultural Mortgage Corporation (Farmer MAC). The nature of the Farmer MAC arrangements is described in Note 7 of the Notes to the Consolidated Financial Statements included in the 2008 Annual Report.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

(6) The Company has pledged qualifying mortgage loans and fixed maturity securities in connection with collateralized borrowings from the Federal Reserve Bank of New York s Term Auction Facility. The nature of the Federal Reserve Bank of New York arrangements is described in Note 9.

(7) The Holding Company has pledged certain collateral in support of the collateral financing arrangements described in Note 10.

(8) Certain of the Company s invested assets are pledged as collateral for various derivative transactions as described in Note 4.

(9) Certain of the Company s trading securities and cash and cash equivalents are pledged to secure liabilities associated with short sale agreements in the trading securities portfolio as described in the following section.

See also the immediately preceding section 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.

Trading Securities

The Company has trading securities portfolios 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.

Certain information about the Company s trading securities portfolios is as follows:

	September 30, 2009	December 31, 2008
	(In millions)	
Trading securities at estimated fair value	$ 1,970	$ 946
Short sale agreement liabilities (included in other liabilities)	$ 143	$ 57
Investments pledged to secure short sale agreement liabilities	$ 473	$ 346

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In millions)			
Net investment income (1)	$ 163	$ (95)	$ 310	$ (137)
Changes in estimated fair value included in net investment income	$ 101	$ (105)	$ 242	$ (149)

(1) Includes interest and dividends earned on trading securities, in addition to the net realized gains (losses) and subsequent changes in estimated fair value, recognized on the trading securities and the related short sale agreement liabilities.

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Mortgage Servicing Rights

The following table presents the changes in capitalized mortgage servicing rights (MSRs), which are included in other invested assets, at and for the nine months ended September 30, 2009:

	Carrying Value (In millions)
Fair value, beginning of period	$ 191
Acquisition of mortgage servicing rights	117
Origination of mortgage servicing rights	427
Reduction due to loan payments	(85)
Changes in estimated fair value due to:	
Changes in valuation model inputs or assumptions	70
Fair value, end of period	$ 720

The Company recognizes the rights to service residential mortgage loans as MSRs. MSRs are either acquired or are generated from the sale of originated residential mortgage loans where the servicing rights are retained by the Company. MSRs are carried at estimated fair value and changes in estimated fair value, primarily due to changes in valuation inputs and assumptions and to the collection of expected cash flows, are reported in other revenues in the period in which the change occurs. See also Note 19 for further information about how the estimated fair value of MSRs is determined and other related information.

Variable Interest Entities

The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated in the Company s financial statements at September 30, 2009 and December 31, 2008. Generally, creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company.

	September 30, 2009		December 31, 2008	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC collateral financing arrangement (1)	$ 3,159	$	$ 2,361	$
Real estate joint ventures (2)	21	15	26	15
Other limited partnership interests (3)	359	87	20	3
Other invested assets (4)	29	2	10	3

Total	$ 3,568	$ 104	$ 2,417	$ 21

(1) See Note 10 for a description of the MetLife Reinsurance Company of South Carolina (MRSC) collateral financing arrangement. At September 30, 2009 and December 31, 2008, these assets are presented at estimated fair value and consist of the following:

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	September 30, 2009	December 31, 2008
	(In millions)	
Fixed maturity securities available-for-sale:		
U.S. corporate securities	$ 1,069	$ 948
Asset-backed securities	857	409
Residential mortgage-backed securities	658	561
Commercial mortgage-backed securities	345	98
U.S. Treasury, agency and government guaranteed securities	100	
Foreign corporate securities	100	95
State and political subdivision securities	21	21
Foreign government securities	5	5
Cash and cash equivalents (including cash held in trust of less than $1 million and $60 million, respectively)	4	224
Total	$ 3,159	$ 2,361

(2) Real estate joint ventures include partnerships and other ventures which engage in the acquisition, development, management and disposal of real estate investments. Upon consolidation, the assets and liabilities are reflected at the VIE s carrying amounts. At September 30, 2009 and December 31, 2008, the assets consisted of $16 million and $20 million, respectively, of real estate and real estate joint ventures held-for-investment, $4 million and $5 million, respectively, of cash and cash equivalents and $1 million and $1 million, respectively, of other assets. At both September 30, 2009 and December 31, 2008, liabilities consisted of $15 million of other liabilities.

(3) Other limited partnership interests include partnerships established for the purpose of investing in public and private debt and equity securities. Upon consolidation, the assets and liabilities are reflected at the VIE s carrying amounts. At September 30, 2009, the assets consisted of $228 million of other limited partnership interests, $104 million of other invested assets, $12 million of cash and cash equivalents, and $15 million of other assets. At December 31, 2008, the assets of $20 million were included within other limited partnership interests. At September 30, 2009, liabilities of $75 million and $12 million were included within long-term debt and other liabilities, respectively, and at December 31, 2008, liabilities of $3 million were included within other liabilities.

(4) Other invested assets include tax-credit partnerships and other investments established for the purpose of investing in low-income housing and other social causes, where the primary return on investment is in the form of tax credits. Upon consolidation, the assets and liabilities are reflected at the VIE s carrying amounts. At September 30, 2009 and December 31, 2008, the assets of $29 million and $10 million, respectively, were included within other invested assets. At September 30, 2009 and December 31, 2008, the liabilities consisted of $1 million and $2 million, respectively, of long-term debt and $1 million and $1 million, respectively, of other liabilities.

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The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which the Company holds significant variable interests but is not the primary beneficiary and which have not been consolidated at September 30, 2009 and December 31, 2008:

	September 30, 2009		December 31, 2008	
	Carrying Amount (1)	Maximum Exposure to Loss (2)	Carrying Amount (1)	Maximum Exposure to Loss (2)
	(In millions)			
Fixed maturity securities available-for-sale:				
Foreign corporate securities	$ 1,212	$ 1,212	$ 1,080	$ 1,080
U.S. corporate securities	1,090	1,090	992	992
Real estate joint ventures	31	31	32	32
Other limited partnership interests	2,350	2,667	3,496	4,004
Other invested assets	388	225	318	108
Total	$ 5,071	$ 5,225	$ 5,918	$ 6,216

(1) See Note 1 of the Notes to the Consolidated Financial Statements included in the 2008 Annual Report for further discussion of the Company s accounting policies with respect to the basis for determining carrying value of these investments.

(2) The maximum exposure to loss relating to the fixed maturity securities available-for-sale is equal to the carrying amounts or carrying amounts of retained interests. The maximum exposure to loss relating to the real estate joint ventures and other limited partnership interests is equal to the carrying amounts plus any unfunded commitments. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee. For certain of its investments in other invested assets, the Company s return is in the form of tax credits which are guaranteed by a creditworthy third party. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by tax credits guaranteed by third parties of $237 million and $278 million at September 30, 2009 and December 31, 2008, respectively.

As described in Note 12, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during the nine months ended September 30, 2009.

4. Derivative Financial Instruments

Accounting for Derivative Financial Instruments

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter market. The Company uses a variety of derivatives, including swaps, forwards, futures and option contracts, to manage the risk associated with variability in cash flows or changes in estimated fair values related to the Company s financial instruments. The Company also uses derivative instruments to hedge its currency exposure associated with net investments in certain foreign 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 Company also purchases certain securities, issues certain insurance policies and investment contracts and engages in certain reinsurance contracts that have embedded derivatives.

Freestanding derivatives are carried on the Company s consolidated balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value as determined through the use of quoted market prices for exchange-traded derivatives and interest rate forwards to sell residential mortgage-backed securities or through the use of pricing models for over-the-counter derivatives. The determination of estimated fair

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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.

The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain over-the-counter derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Significant inputs that are unobservable generally include: independent broker quotes, credit correlation assumptions, references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are assumed to be consistent with what other market participants would use when pricing such instruments. Most inputs for over-the-counter derivatives are mid market inputs but, in certain cases, bid level inputs are used when they are deemed more representative of exit value. Market liquidity, as well as the use of different methodologies, assumptions and inputs may have a material effect on the estimated fair values of the Company s derivatives and could materially affect net income.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all over-the-counter derivatives after taking into account the effects of netting agreements and collateral arrangements. Credit risk is monitored and consideration of any potential credit adjustment is based on a net exposure by counterparty. This is due to the existence of netting agreements and collateral arrangements which effectively serve to mitigate credit risk. The Company values its derivative positions using the standard swap curve which includes a credit risk adjustment. This credit risk adjustment is appropriate for those parties that execute trades at pricing levels consistent with the standard swap curve. As the Company and its significant derivative counterparties consistently execute trades at such pricing levels, additional credit risk adjustments are not currently required in the valuation process. The need for such additional credit risk adjustments is monitored by the Company. The Company s ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. The evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

The Company s policy is to not offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are generally reported in net investment gains (losses) except for those (i) in policyholder benefits and claims for economic hedges of liabilities embedded in certain variable annuity products offered by the Company, (ii) in net investment income for economic hedges of equity method investments in joint ventures, or for all derivatives held in relation to the trading portfolios and (iii) in other revenues for derivatives held in connection with the Company s mortgage banking activities. The fluctuations in estimated fair value of derivatives which have not been designated for hedge accounting can result in significant volatility in net income.

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge as either (i) a hedge of the estimated fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge); (ii) a hedge of a forecasted transaction or of the variability of

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cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or (iii) a hedge of a net investment in a foreign operation. In this documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument s effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

The accounting for derivatives is complex and interpretations of the primary accounting standards continue to evolve in practice. Judgment is applied in determining the availability and application of hedge accounting designations and the appropriate accounting treatment under these accounting standards. 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.

Under a fair value hedge, changes in the estimated fair value of the hedging derivative, including amounts measured as ineffectiveness, and changes in the estimated fair value of the hedged item related to the designated risk being hedged, are reported within net investment gains (losses). The estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of income within interest income or interest expense to match the location of the hedged item. However, accruals that are not scheduled to settle until maturity are included in the estimated fair value of derivatives in the consolidated balance sheets.

Under a cash flow hedge, changes in the estimated fair value of the hedging derivative measured as effective are reported within other comprehensive income (loss), a separate component of stockholders equity, and the deferred gains or losses on the derivative are reclassified into the consolidated statement of income when the Company s earnings are affected by the variability in cash flows of the hedged item. Changes in the estimated fair value of the hedging instrument measured as ineffectiveness are reported within net investment gains (losses). The estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of income within interest income or interest expense to match the location of the hedged item. However, accruals that are not scheduled to settle until maturity are included in the estimated fair value of derivatives in the consolidated balance sheets.

In a hedge of a net investment in a foreign operation, changes in the estimated fair value of the hedging derivative that are measured as effective are reported within other comprehensive income (loss) consistent with the translation adjustment for the hedged net investment in the foreign operation. Changes in the estimated fair value of the hedging instrument measured as ineffectiveness are reported within net investment gains (losses).

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

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the consolidated balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net investment gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative

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adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in other comprehensive income (loss) related to discontinued cash flow hedges are released into the consolidated statement of income when the Company s earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur by the end of the specified time period or the hedged item no longer meets the definition of a firm commitment, the derivative continues to be carried on the consolidated balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net investment gains (losses). Any asset or liability associated with a recognized firm commitment is derecognized from the consolidated balance sheet, and recorded currently in net investment gains (losses). Deferred gains and losses of a derivative recorded in other comprehensive income (loss) pursuant to the cash flow hedge of a forecasted transaction are recognized immediately in net investment gains (losses).

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

The Company is also a party to financial instruments that contain terms which are deemed to be embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. If the instrument would not be accounted for in its entirety at estimated fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative. Such embedded derivatives are carried on the consolidated balance sheet at estimated fair value with the host contract and changes in their estimated fair value are reported currently in net investment gains (losses) or in policyholder benefits and claims. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or in policyholder benefits and claims. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or in policyholder benefits and claims if that contract contains an embedded derivative that requires bifurcation. There is a risk that embedded derivatives requiring bifurcation may not be identified and reported at estimated fair value in the consolidated financial statements and that their related changes in estimated fair value could materially affect reported net income.

See Note 19 for information about the fair value hierarchy for derivatives.

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Primary Risks Managed by Derivative Financial Instruments and Non Derivative Financial Instruments

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

		September 30, 2009			December 31, 2008		
			Current Market or Fair Value (1)			Current Market or Fair Value (1)	
Primary Underlying Risk Exposure	**Instrument Type**	**Notional Amount**	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
		(In millions)					
Interest rate	Interest rate swaps	$ 36,558	$ 2,306	$ 1,227	$ 34,060	$ 4,617	$ 1,468
	Interest rate floors	23,691	638	58	48,517	1,748	
	Interest rate caps	28,409	249		24,643	11	
	Interest rate futures	7,943	10	4	13,851	44	117
	Interest rate options	300	3		2,365	939	35
	Interest rate forwards	13,331	203	62	16,616	49	70
	Synthetic GICs	4,340			4,260		
Foreign currency	Foreign currency swaps	16,971	1,681	1,506	19,438	1,953	1,866
	Foreign currency forwards	6,566	137	74	5,167	153	129
	Currency options	649	19		932	73	
	Non-derivative hedging instruments (2)				351		323
Credit	Swap spreadlocks				2,338		99
	Credit default swaps	6,994	119	161	5,219	152	69
	Other	90	4				
Equity market	Equity futures	7,725	23	18	6,057	1	88
	Equity options	25,769	1,910	933	5,153	2,150	
	Variance swaps	13,570	254	25	9,222	416	
	Other	250		60	250		101
	Total	$ 193,156	$ 7,556	$ 4,128	$ 198,439	$ 12,306	$ 4,365

(1) The estimated fair value of all derivatives in an asset position is reported within other invested assets in the consolidated balance sheets and the estimated fair value of all derivatives in a liability position is reported within other liabilities in the consolidated balance sheets.

(2) The estimated fair value of non-derivative hedging instruments represents the amortized cost of the instruments, as adjusted for foreign currency transaction gains or losses. Non-derivative hedging instruments are reported within policyholder account balances in the consolidated balance sheets.

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. The Company utilizes interest rate swaps in fair value, cash flow, and non-qualifying hedging relationships.

The Company also enters into basis swaps to better match the cash flows from assets and related liabilities. In a basis swap, both legs of the swap are floating with each based on a different index. Generally, no cash is exchanged

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at the outset of the contract and no principal payments are made by either party. A single net payment is usually made by one counterparty at each due date. Basis swaps are included in interest rate swaps in the preceding table. The Company utilizes basis swaps in non-qualifying hedging relationships.

Inflation swaps are used as an economic hedge to reduce inflation risk generated from inflation-indexed liabilities. Inflation swaps are included in interest rate swaps in the preceding table. The Company utilizes inflation swaps in non-qualifying hedging relationships.

Implied volatility swaps are used by the Company primarily as economic hedges of interest rate risk associated with the Company s investments in mortgage-backed securities. In an implied volatility swap, the Company exchanges fixed payments for floating payments that are linked to certain market volatility measures. If implied volatility rises, the floating payments that the Company receives will increase, and if implied volatility falls, the floating payments that the Company receives will decrease. Implied volatility swaps are included in interest rate swaps in the preceding table. The Company utilizes implied volatility swaps in non-qualifying hedging relationships.

The Company purchases interest rate caps and floors primarily to protect its floating rate liabilities against rises in interest rates above a specified level, and against interest rate exposure arising from mismatches between assets and liabilities (duration mismatches), as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively. In certain instances, the Company locks in the economic impact of existing purchased caps and floors by entering into offsetting written caps and floors. The Company utilizes interest rate caps and floors in non-qualifying hedging relationships.

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, and to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance. The value of interest rate futures is substantially impacted by changes in interest rates and they can be used to modify or hedge existing interest rate risk. The Company utilizes exchange-traded interest rate futures in non-qualifying hedging relationships.

Swaptions are used by the Company to hedge interest rate risk associated with the Company s long-term liabilities. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. Swaptions are included in interest rate options in the preceding table. The Company utilizes swaptions in non-qualifying hedging relationships.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company also uses interest rate forwards to sell securities as economic hedges against the risk of changes in the fair value of mortgage loans held-for-sale and interest rate lock commitments. The Company utilizes interest rate forwards in cash flow and non-qualifying hedging relationships.

Interest rate lock commitments are short-term commitments to fund mortgage loan applications in process (the pipeline) for a fixed term at a fixed price. During the term of an interest rate lock commitment, the Company is exposed to the risk that interest rates will change from the rate quoted to the potential borrower. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivative instruments. Interest rate

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lock commitments are included in interest rate forwards in the preceding table. Interest rate lock commitments are not designated as hedging instruments.

A synthetic guaranteed interest contract is a contract that simulates the performance of a traditional guaranteed interest contract (GIC) through the use of financial instruments. Under a synthetic GIC, the policyholder owns the underlying assets. The Company guarantees a rate return on those assets for a premium. Synthetic GICs are not designated as hedging instruments.

Foreign currency derivatives, including foreign currency swaps, foreign currency forwards and currency option contracts, are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. The Company also uses foreign currency forwards and swaps to hedge the foreign currency risk associated with certain of its net investments in foreign operations.

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

In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date. The Company utilizes foreign currency forwards in net investment in foreign operations and non-qualifying hedging relationships.

The Company enters into currency option contracts that give it the right, but not the obligation, to sell the foreign currency amount in exchange for a functional currency amount within a limited time at a contracted price. The contracts may also be net settled in cash, based on differentials in the foreign exchange rate and the strike price. The Company uses currency options to hedge against the foreign currency exposure inherent in certain of its variable annuity products. The Company utilizes currency options in non-qualifying hedging relationships.

The Company uses certain of its foreign currency denominated GICs to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. Such contracts are included in non-derivative hedging instruments in the preceding table.

Swap spreadlocks are used by the Company to hedge invested assets on an economic basis against the risk of changes in credit spreads. Swap spreadlocks are forward transactions between two parties whose underlying reference index is a forward starting interest rate swap where the Company agrees to pay a coupon based on a predetermined reference swap spread in exchange for receiving a coupon based on a floating rate. The Company has the option to cash settle with the counterparty in lieu of maintaining the swap after the effective date. The Company utilizes swap spreadlocks in non-qualifying hedging relationships.

Certain credit default swaps are used by the Company to hedge against credit-related changes in the value of its investments and to diversify its credit risk exposure in certain portfolios. In a credit default swap transaction, the Company agrees with another party, at specified intervals, to pay a premium to hedge credit risk. If a credit event, as defined by the contract, occurs, generally the contract will require the swap to be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. The Company utilizes credit default swaps in non-qualifying hedging relationships.

Credit default swaps are also used to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and a cash instrument such as a U.S. Treasury or Agency security. The Company also enters into certain credit default swaps

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held in relation to trading portfolios for the purpose of generating profits on short-term differences in price. These credit default swaps are not designated as hedging instruments.

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange- traded equity futures are used primarily to hedge liabilities embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in non-qualifying hedging relationships.

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options. Equity index options are included in equity options in the preceding table. The Company utilizes equity index options in non-qualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period. Equity variance swaps are included in variance swaps in the preceding table. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

Total rate of return swaps (TRRs) are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and LIBOR, calculated by reference to an agreed notional principal amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. The Company uses TRRs to hedge its equity market guarantees in certain of its insurance products. TRRs can be used as hedges or to synthetically create investments. TRRs are included in the other classification in the preceding table. The Company utilizes TRRs in non-qualifying hedging relationships.

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Hedging

The following table presents the notional amount and estimated fair value of derivatives designated as hedging instruments by type of hedge designation at:

	September 30, 2009			December 31, 2008		
	Notional	Fair Value		Notional	Fair Value	
Derivatives Designated as Hedging Instruments	**Amount**	**Assets**	**Liabilities**	**Amount**	**Assets**	**Liabilities**
			(In millions)			
Fair Value Hedges:						
Foreign currency swaps	$ 5,007	$ 948	$ 137	$ 6,093	$ 467	$ 550
Interest rate swaps	4,791	767	97	4,141	1,338	153
Subtotal	9,798	1,715	234	10,234	1,805	703
Cash Flow Hedges:						
Foreign currency swaps	3,953	163	344	3,782	463	381
Interest rate swaps				286		6
Interest rate forwards	2,753	138				
Other	90	4				
Subtotal	6,796	305	344	4,068	463	387
Foreign Operations Hedges:						
Foreign currency forwards	1,906	18	42	1,670	32	50
Foreign currency swaps	102		14	164	1	
Non-derivative hedging instruments				351		323
Subtotal	2,008	18	56	2,185	33	373
Total Qualifying Hedges	$ 18,602	$ 2,038	$ 634	$ 16,487	$ 2,301	$ 1,463

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

The following table presents the notional amount and estimated fair value of derivatives that are not designated or do not qualify as hedging instruments by derivative type at:

	September 30, 2009			December 31, 2008		
Derivatives Not Designated or Not Qualifying as Hedging Instruments	**Notional Amount**	**Fair Value Assets**	**Fair Value Liabilities**	**Notional Amount**	**Fair Value Assets**	**Fair Value Liabilities**
			(In millions)			
Interest rate swaps	$ 31,767	$ 1,539	$ 1,130	$ 29,633	$ 3,279	$ 1,309
Interest rate floors	23,691	638	58	48,517	1,748	
Interest rate caps	28,409	249		24,643	11	
Interest rate futures	7,943	10	4	13,851	44	117
Interest rate options	300	3		2,365	939	35
Interest rate forwards	10,578	65	62	16,616	49	70
Synthetic GICs	4,340			4,260		
Foreign currency swaps	7,909	570	1,011	9,399	1,022	935
Foreign currency forwards	4,660	119	32	3,497	121	79
Currency options	649	19		932	73	
Swap spreadlocks				2,338		99
Credit default swaps	6,994	119	161	5,219	152	69
Equity futures	7,725	23	18	6,057	1	88
Equity options	25,769	1,910	933	5,153	2,150	
Variance swaps	13,570	254	25	9,222	416	
Other	250		60	250		101
Total non-designated or non-qualifying derivatives	$ 174,554	$ 5,518	$ 3,494	$ 181,952	$ 10,005	$ 2,902

The following table presents the settlement payments recorded in income for the:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
		(In millions)		
Qualifying hedges:				
Net investment income	$ 11	$ 6	$ 38	$ 8
Interest credited to policyholder account balances	58	26	155	89
Other expenses	(1)	(2)	(2)	(3)
Non-qualifying hedges:				

Net investment income (loss)	(1)	3	(2)	2
Net investment gains (losses)	(1)	5	62	(14)
Other revenues	25		47	
Total	$ 91	$ 38	$ 298	$ 82

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of fair value hedging: (i) interest rate swaps to convert fixed rate investments to floating rate

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

investments; (ii) interest rate swaps to convert fixed rate liabilities to floating rate liabilities; and (iii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments and liabilities.

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net investment gains (losses). The following table represents the amount of such net investment gains (losses) recognized for the three months and nine months ended September 30, 2009 and 2008:

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Investment Gains (Losses) Recognized for Derivatives	Net Investment Gains (Losses) Recognized for Hedged Items (In millions)	Ineffectiveness Recognized in Net Investment Gains (Losses)
For the Three Months Ended September 30, 2009:				
Interest rate swaps:	Fixed maturity securities	$ (13)	$ 12	$ (1)
	Policyholder account balances (1)	144	(142)	2
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(3)	2	(1)
	Foreign-denominated policyholder account balances (2)	190	(181)	9
Total		$ 318	$ (309)	$ 9
For the Three Months Ended September 30, 2008		$ (401)	$ 411	$ 10
For the Nine Months Ended September 30, 2009:				
Interest rate swaps:	Fixed maturity securities	$ 34	$ (29)	$ 5
	Policyholder account balances (1)	(668)	659	(9)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(16)	13	(3)
	Foreign-denominated policyholder account balances (2)	510	(489)	21
Total		$ (140)	$ 154	$ 14
For the Nine Months Ended September 30, 2008		$ (379)	$ 384	$ 5

(1) Fixed rate liabilities

(2) Fixed rate or floating rate liabilities

All components of each derivative s gain or loss were included in the assessment of hedge effectiveness. There were no instances in which the Company discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of cash flow hedging: (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities to fixed rate liabilities; (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; and (iv) interest rate forwards to lock in the price to be paid for forward purchases of fixed rate investments.

For the three months and nine months ended September 30, 2009, the Company recognized insignificant net investment losses which represented the ineffective portion of all cash flow hedges. For the three months and nine months ended September 30, 2008, the Company did not recognize any net investment gains (losses) which

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represented the ineffective portion of all cash flow hedges. All components of each derivative s gain or loss were included in the assessment of hedge effectiveness. In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or within two months of that date. The net amounts reclassified into net investment gains (losses) for the three months and nine months ended September 30, 2009 related to such discontinued cash flow hedges were gains (losses) of ($8) and ($7) million, respectively, and for the three months and nine months ended September 30, 2008, related to such discontinued cash flow hedges were gains (losses) of ($6) million and ($13) million, respectively. With the exception of certain cash flow hedges involving interest rate forwards, there were no hedged forecasted transactions, other than the variable payments or receipts on existing assets and liabilities, for the three months and nine months ended September 30, 2009. In connection with certain interest rate forwards, the maximum length of time over which the Company is hedging its exposure to variability in future cash flows for forecasted transactions does not exceed one year. There were no hedged forecasted transactions, other than the variable payments or receipts on existing assets and liabilities, for the three months and nine months ended September 30, 2008.

The following table presents the components of other comprehensive loss, before income tax, related to cash flow hedges:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In millions)			
Other comprehensive income (loss), beginning of period	$ 13	$ (318)	$ 82	$ (270)
Gains (losses) deferred in other comprehensive loss on the effective portion of cash flow hedges	12	123	(93)	77
Amounts reclassified to net investment gains (losses)	70	126	103	119
Amounts reclassified to net investment income	4	2	10	7
Amounts reclassified to other expenses			(1)	(1)
Amortization of transition adjustment			(2)	1
Other comprehensive income (loss), end of period	$ 99	$ (67)	$ 99	$ (67)

At September 30, 2009, $37 million of deferred net losses on derivatives accumulated in other comprehensive loss is expected to be reclassified to earnings within the next 12 months.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of income and the consolidated statements of stockholders equity for the three months and nine months ended September 30, 2009 and 2008:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Loss on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)			Amount and Location of Gains (Losses) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Net Investment Gains Losses	Net Investment Income	Other Expenses	Net Investment Gains (Losses)	Net Investment Income
			(In millions)			
For the Three Months Ended September 30, 2009:						
Interest rate swaps	$ 1	$	$ (2)	$	$	$
Foreign currency swaps	(121)	(107)	(2)			
Interest rate forwards	128	37				
Other	4					
Total	$ 12	$ (70)	$ (4)	$	$	$
For the Three Months Ended September 30, 2008:						
Interest rate swaps	$ 3	$	$	$	$	$
Foreign currency swaps	120	(126)	(2)			
Total	$ 123	$ (126)	$ (2)	$	$	$
For the Nine Months Ended September 30, 2009:						
Interest rate swaps	$ 2	$	$ (4)	$	$	$
Foreign currency swaps	(300)	(140)	(4)	1		

Interest rate forwards		201		37							
Other		4									
Total	$	(93)	$	(103)	$	(8)	$	1	$		$
For the Nine Months Ended September 30, 2008:											
Interest rate swaps	$	1	$		$		$		$		$
Foreign currency swaps		76		(119)		(8)		1			
Total	$	77	$	(119)	$	(8)	$	1	$		$

Hedges of Net Investments in Foreign Operations

The Company uses foreign exchange contracts, which may include foreign currency swaps, forwards and options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these contracts based upon the change in forward rates. In addition, the Company may also use non-derivative financial instruments to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on non-derivative financial instruments based upon the change in spot rates.

When net investments in foreign operations are sold or substantially liquidated, the amounts in accumulated other comprehensive income (loss) are reclassified to the consolidated statements of income, while a pro rata portion will be reclassified upon partial sale of the net investments in foreign operations.

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The following table presents the effects of derivatives and non-derivative financial instruments in net investment hedging relationships on the consolidated statements of income and the consolidated statements of stockholders equity for the three months and nine months ended September 30, 2009 and 2008:

Derivatives and Non-Derivative Hedging Instruments in Net Investment Hedging Relationships (1), (2)	**Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Loss (Effective Portion) (In millions)**	
For the Three Months Ended September 30, 2009:		
Foreign currency forwards	$	(43)
Foreign currency swaps		(9)
Non-derivative hedging instruments		(17)
Total	$	(69)
For the Three Months Ended September 30, 2008:		
Foreign currency forwards	$	157
Foreign currency swaps		18
Non-derivative hedging instruments		18
Total	$	193
For the Nine Months Ended September 30, 2009:		
Foreign currency forwards	$	(192)
Foreign currency swaps		(19)
Non-derivative hedging instruments		(37)
Total	$	(248)
For the Nine Months Ended September 30, 2008:		
Foreign currency forwards	$	119
Foreign currency swaps		28
Non-derivative hedging instruments		29
Total	$	176

(1) There were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from accumulated other comprehensive loss into income during the periods presented.

(2) There was no ineffectiveness recognized for the Company s hedges of net investments in foreign operations.

At September 30, 2009 and December 31, 2008, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive loss related to hedges of net investments in foreign operations was ($122) million and $126 million, respectively.

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company enters into the following derivatives that do not qualify for hedge accounting or for purposes other than hedging: (i) interest rate swaps, implied volatility swaps, caps and floors, and interest rate futures to economically hedge its exposure to interest rates; (ii) foreign currency forwards, swaps and option contracts to economically hedge its exposure to adverse movements in exchange rates; (iii) credit default swaps to economically hedge exposure to adverse movements in credit; (iv) equity futures, equity index options, interest rate futures and

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equity variance swaps to economically hedge liabilities embedded in certain variable annuity products; (v) swap spreadlocks to economically hedge invested assets against the risk of changes in credit spreads; (vi) interest rate forwards to buy and sell securities to economically hedge its exposure to interest rates; (vii) synthetic GICs; (viii) credit default swaps and TRRs to synthetically create investments; (ix) basis swaps to better match the cash flows of assets and related liabilities; (x) credit default swaps held in relation to trading portfolios; (xi) swaptions to hedge interest rate risk; (xii) inflation swaps to reduce risk generated from inflation-indexed liabilities; and (xiii) interest rate lock commitments.

The following table presents the amount and location of gains (losses) recognized in income for derivatives that are not designated or qualifying as hedging instruments:

	Net Investment Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)
		(In millions)		
For the Three Months Ended September 30, 2009:				
Interest rate swaps	$ 250	$ (1)	$	$ 88
Interest rate floors	87			
Interest rate caps	(73)			
Interest rate futures	108	(2)		
Equity futures	(284)	(20)	(194)	
Foreign currency swaps	(237)			
Foreign currency forwards	16	18		
Currency options				
Equity options	(605)	7		
Interest rate options				(1)
Interest rate forwards	12			(35)
Variance swaps	(46)	(1)		
Swap spreadlocks				
Credit default swaps	(100)	(3)		
Synthetic GICs				
Other	41			
Total	$ (831)	$ (2)	$ (194)	$ 52
For the Three Months Ended September 30, 2008	$ 1,453	$ 42	$ 62	$

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

	Net Investment Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)
	(In millions)			
For the Nine Months Ended September 30, 2009:				
Interest rate swaps	$ (1,222)	$ (4)	$	$ (58)
Interest rate floors	(766)			
Interest rate caps				
Interest rate futures	(376)	(2)		
Equity futures	(633)	(31)	(291)	
Foreign currency swaps	(399)			
Foreign currency forwards	(68)	(13)		
Currency options	(32)			
Equity options	(1,337)	(55)		
Interest rate options	(353)			1
Interest rate forwards	6			7
Variance swaps	(175)	(10)		
Swap spreadlocks	(38)			
Credit default swaps	(219)	(10)		
Synthetic GICs				
Other	49			
Total	$ (5,563)	$ (125)	$ (291)	$ (50)
For the Nine Months Ended September 30, 2008	$ 1,170	$ 81	$ 121	$

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures, and changes in estimated fair value related to derivatives held in relation to trading portfolios.

(2) Changes in estimated fair value related to economic hedges of liabilities embedded in certain variable annuity products offered by the Company.

(3) Changes in estimated fair value related to derivatives held in connection with the Company s mortgage banking activities.

Credit Derivatives

In connection with synthetically created investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event, as defined by the contract, occurs, generally the contract will require the Company to pay the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company s maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $2,639 million and $1,875 million at September 30, 2009 and December 31, 2008, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At September 30, 2009, the Company would have received $38 million to terminate all of these contracts, and at December 31, 2008, the Company would have paid $37 million to terminate all of these contracts.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table below. As a result, the maximum amounts of potential future recoveries available to offset the $2,639 million and $1,875 million from the table below were $3 million and $13 million at September 30, 2009 and December 31, 2008, respectively. The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps at September 30, 2009 and December 31, 2008:

Rating Agency Designation of Referenced Credit Obligations (1)	September 30, 2009 Estimated Fair Value of Credit Default Swaps	September 30, 2009 Maximum Amount of Future Payments under Credit Default Swaps (2)	September 30, 2009 Weighted Average Years to Maturity (3)	December 31, 2008 Estimated Fair Value of Credit Default Swaps	December 31, 2008 Maximum Amount of Future Payments under Credit Default Swaps (2)	December 31, 2008 Weighted Average Years to Maturity (3)
	(In millions)					
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 4	$ 135	4.3	$ 1	$ 143	5.0
Credit default swaps referencing indices	33	2,456	3.5	(33)	1,372	4.1
Subtotal	37	2,591	3.6	(32)	1,515	4.2
Baa						
Single name credit default swaps (corporate)	1	45	4.4	2	110	2.6
Credit default swaps referencing indices				(5)	215	4.1
Subtotal	1	45	4.4	(3)	325	3.6
Ba						
Single name credit default swaps (corporate)		3	5.3		25	1.6
Credit default swaps referencing indices						
Subtotal		3	5.3		25	1.6
B						
Single name credit default swaps (corporate)						
Credit default swaps referencing indices				(2)	10	5.0

Subtotal				(2)	10	5.0
Caa and lower						
Single name credit default swaps (corporate)						
Credit default swaps referencing indices						
Subtotal						
In or near default						
Single name credit default swaps (corporate)						
Credit default swaps referencing indices						
Subtotal						
Total	$ 38	$ 2,639	3.6	$ (37)	$ 1,875	4.0

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody s, S&P, and Fitch. If no rating is available from a rating agency, then the MetLife rating is used.

(2) Assumes the value of the referenced credit obligations is zero.

(3) The weighted average years to maturity of the credit default swaps is calculated based on weighted average notional amounts.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company s derivative contracts is limited to the net positive estimated fair value of derivative contracts at the reporting date after taking into consideration the existence of netting agreements and any collateral received pursuant to credit support annexes.

The Company manages its credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Because exchange traded futures are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivative instruments. See Note 24 of the Notes to the Consolidated Financial Statements included in the 2008 Annual Report for a description of the impact of credit risk on the valuation of derivative instruments.

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. At September 30, 2009 and December 31, 2008, the Company was obligated to return cash collateral under its control of $3,312 million and $7,758 million, respectively. This unrestricted cash collateral is included in cash and cash equivalents or in short-term investments and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. At September 30, 2009 and December 31, 2008, the Company had also accepted collateral consisting of various securities with a fair market value of $583 million and $1,249 million, respectively, which are held in separate custodial accounts. The Company is permitted by contract to sell or repledge this collateral, but at September 30, 2009, none of the collateral had been sold or repledged.

The Company s collateral arrangements for its over-the-counter derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the fair value of that counterparty s derivatives reaches a pre-determined threshold. Certain of these arrangements also include credit-contingent provisions that provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of the Company and/or the counterparty. In addition, certain of the Company s netting agreements for derivative instruments contain provisions that require the Company to maintain a specific investment grade credit rating from at least one of the major credit rating agencies. If the Company s credit ratings were to fall below that specific investment grade credit rating, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments that are in a net liability position after considering the effect of netting agreements.

The following table presents the estimated fair value of the Company s over-the-counter derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The table also presents the incremental collateral that the Company would be required to provide if there was a one notch downgrade in the Company s credit rating at the reporting date

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

or if the Company s credit rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date.

	Estimated Fair Value (1) of Derivatives in Net Liability Position September 30, 2009	Estimated Fair Value of Collateral Provided September 30, 2009	Fair Value of Incremental Collateral Provided Upon:	
		Fixed Maturity Securities (2)	One Notch Downgrade in the Company s Credit Rating	Downgrade in the Company s Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
		(In millions)		
Derivatives subject to credit-contingent provisions	$ 956	$ 815	$ 70	$ 188
Derivatives not subject to credit-contingent provisions	61	57		
Total	$ 1,017	$ 872	$ 70	$ 188

(1) After taking into consideration the existence of netting agreements.

(2) Included in fixed maturity securities in the consolidated balance sheet. The counterparties are permitted by contract to sell or repledge this collateral. At September 30, 2009, the Company did not provide any cash collateral.

Without considering the effect of netting agreements, the estimated fair value of the Company s over-the-counter derivatives with credit-contingent provisions that were in a gross liability position at September 30, 2009 was $3,913 million. At September 30, 2009, the Company provided securities collateral of $815 million in connection with these derivatives. In the unlikely event that both: (i) the Company s credit rating is downgraded to a level that triggers full overnight collateralization or termination of all derivative positions; and (ii) the Company s netting agreements are deemed to be legally unenforceable, then the additional collateral that the Company would be required to provide to its counterparties in connection with its derivatives in a gross liability position at September 30, 2009 would be $3,098 million. This amount does not consider gross derivative assets of $2,957 million for which the Company has the contractual right of offset.

At December 31, 2008, the Company provided securities collateral for various arrangements in connection with derivative instruments of $776 million, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral.

The Company also has exchange-traded futures, which require the pledging of collateral. At September 30, 2009 and December 31, 2008, the Company pledged securities collateral for exchange-traded futures of $70 million and $282 million, respectively, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral. At September 30, 2009 and December 31, 2008, the Company provided cash collateral for exchange-traded futures of $621 million and $686 million, respectively, which is included in premiums and other receivables.

Embedded Derivatives

The Company has certain embedded derivatives that are required to be separated from their host contracts and accounted for as derivatives. These host contracts principally include: variable annuities with guaranteed minimum withdrawal, guaranteed minimum accumulation and certain guaranteed minimum income riders; ceded reinsurance

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

contracts related to guaranteed minimum accumulation and certain guaranteed minimum income riders; and GICs with equity or bond indexed crediting rates.

The following table presents the estimated fair value of the Company s embedded derivatives at:

	September 30, 2009	December 31, 2008
	(In millions)	
Net embedded derivatives within asset host contracts:		
Ceded guaranteed minimum benefit riders	$ 114	$ 205
Call options in equity securities	(30)	(173)
Net embedded derivatives within asset host contracts	$ 84	$ 32
Net embedded derivatives within liability host contracts:		
Direct guaranteed minimum benefit riders	$ 1,828	$ 3,134
Other	8	(83)
Net embedded derivatives within liability host contracts	$ 1,836	$ 3,051

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In millions)			
Net investment gains (losses) (1)	$ (586)	$ 31	$ 1,424	$ (29)
Policyholder benefits and claims	$ (7)	$	$ (75)	$

(1) Effective January 1, 2008, the valuation of the Company s guaranteed minimum benefit riders includes an adjustment for the Company s own credit. Included in net investment gains (losses) for the three months and nine months ended September 30, 2009 were gains (losses) of ($895) million and ($1,605) million, respectively, in connection with this adjustment, and for the three months and nine months ended September 30, 2008, in connection with this adjustment, were gains (losses) of $677 million and $952 million, respectively.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

5. Deferred Policy Acquisition Costs and Value of Business Acquired

Information regarding DAC and VOBA at September 30, 2009 and December 31, 2008 is as follows:

	DAC	VOBA (In millions)	Total
Balance, beginning of period	$ 16,653	$ 3,491	$ 20,144
Capitalizations	2,265		2,265
Subtotal	18,918	3,491	22,409
Less: Amortization related to:			
Net investment gains (losses)	(544)	(72)	(616)
Other expenses	1,264	190	1,454
Total amortization	720	118	838
Less: Unrealized investment gains (losses)	2,042	470	2,512
Less: Other	(111)	(38)	(149)
Balance, end of period	$ 16,267	$ 2,941	$ 19,208

The estimated future amortization expense allocated to other expenses for the next five years for VOBA is $284 million in 2009, $353 million in 2010, $322 million in 2011, $289 million in 2012, and $250 million in 2013. For the nine months ended September 30, 2009, $190 million has been amortized resulting in $94 million estimated to be amortized for the remainder of 2009.

Amortization of VOBA and DAC is attributed to both investment gains and losses and to other expenses for the amount of gross margins or profits originating from transactions other than investment gains and losses. Unrealized investment gains and losses provide information regarding the amount of DAC and VOBA that would have been amortized if such gains and losses had been recognized.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Information regarding DAC and VOBA by segment and reporting unit is as follows:

	DAC		VOBA		Total	
	September 30, 2009	December 31, 2008	September 30, 2009	December 31, 2008	September 30, 2009	December 31, 2008
	(In millions)					
Institutional:						
Group life	$ 65	$ 74	$	$ 9	$ 65	$ 83
Retirement & savings	33	31	1	1	34	32
Non-medical health & other	931	898			931	898
Subtotal	1,029	1,003	1	10	1,030	1,013
Individual:						
Traditional life	4,937	5,813	110	154	5,047	5,967
Variable & universal life	3,393	3,682	930	968	4,323	4,650
Annuities	4,395	3,971	1,466	1,917	5,861	5,888
Other						
Subtotal	12,725	13,466	2,506	3,039	15,231	16,505
International:						
Latin America region	495	432	342	341	837	773
European region	399	303	19	22	418	325
Asia Pacific region	1,432	1,263	71	75	1,503	1,338
Subtotal	2,326	1,998	432	438	2,758	2,436
Auto & Home	184	183			184	183
Corporate & Other	3	3	2	4	5	7
Total	$ 16,267	$ 16,653	$ 2,941	$ 3,491	$ 19,208	$ 20,144

6. Goodwill

Goodwill is the excess of cost over the estimated fair value of net assets acquired. Information regarding goodwill is as follows:

		September 30, 2009 (In millions)
Balance, beginning of period	$	5,008
Other, net (1)		25
Balance, end of period	$	5,033

(1) Consisting principally of foreign currency translation adjustments.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Information regarding goodwill by segment and reporting unit is as follows:

	September 30, 2009	December 31, 2008
	(In millions)	
Institutional:		
Group life	$ 15	$ 15
Retirement & savings	887	887
Non-medical health & other	149	149
Subtotal	1,051	1,051
Individual:		
Traditional life	73	73
Variable & universal life	1,172	1,174
Annuities	1,692	1,692
Other	18	18
Subtotal	2,955	2,957
International:		
Latin America region	200	184
European region	40	37
Asia Pacific region	160	152
Subtotal	400	373
Auto & Home	157	157
Corporate & Other (1)	470	470
Total	$ 5,033	$ 5,008

(1) The allocation of the goodwill to the reporting units was performed at the time of the respective acquisition. The $470 million of goodwill within Corporate & Other relates to goodwill acquired as a part of the Travelers acquisition of $405 million, as well as acquisitions by MetLife Bank, National Association (MetLife Bank) which resides within Corporate & Other. For purposes of goodwill impairment testing, the $405 million of Corporate & Other goodwill has been attributed to the Individual and Institutional segment reporting units. The Individual segment was attributed $210 million (traditional life $23 million, variable & universal life

$11 million and annuities — $176 million), and the Institutional segment was attributed $195 million (group life — $2 million, retirement & savings — $186 million, and non-medical health & other — $7 million) at both September 30, 2009 and December 31, 2008.

The Company performs its annual goodwill impairment tests during the third quarter based upon data at June 30th and 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.

In performing its goodwill impairment tests, when management believes 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, the Company uses a discounted cash flow model. For reporting units which are particularly sensitive to market assumptions, such as the annuities and variable & universal life reporting units within the Individual segment, the Company may corroborate its estimated fair values by using additional valuation methodologies.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

The key inputs, judgments and assumptions necessary in determining estimated fair value include projected earnings, current book value (with and without accumulated other comprehensive loss), the 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 management believes appropriate to the risk associated with the respective reporting unit. The estimated fair value of the annuity and variable & universal life reporting units are particularly sensitive to the equity market levels.

Management applies significant judgment when determining the estimated fair value of the Company s reporting units. 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 the Company s reporting units could result in goodwill impairments in future periods which could materially adversely affect the Company s results of operations or financial position.

The Company performed its annual goodwill impairment tests during the third quarter of 2009 based upon data at June 30, 2009. The impairment tests indicated that goodwill was not impaired. Previously, due to economic conditions, the sustained low level of equity markets, declining market capitalizations in the insurance industry and lower operating earnings projections, particularly for the Individual segment, management performed an interim goodwill impairment test at December 31, 2008 and again, for certain reporting units most affected by the economic environment, at March 31, 2009. Based upon the tests performed, management concluded no impairment of goodwill had occurred for any of the Company s reporting units at March 31, 2009 and December 31, 2008.

7. Insurance

Insurance Liabilities

Insurance liabilities are as follows:

	Future Policy Benefits		Policyholder Account Balances		Other Policyholder Funds	
	September 30, 2009	December 31, 2008	September 30, 2009	December 31, 2008	September 30, 2009	December 31, 2008
	(In millions)					
Institutional:						
Group life	$ 3,379	$ 3,346	$ 14,565	$ 14,044	$ 2,816	$ 2,532
Retirement & savings	40,814	40,320	51,054	60,787	42	58
Non-medical health & other	12,367	11,619	501	501	600	609
Individual:						
Traditional life	53,604	52,968	1	1	1,546	1,423

Variable & universal life	1,327	1,129	15,472	15,062	1,472	1,452
Annuities	3,938	3,655	47,450	44,282	98	88
Other		2	2,898	2,524	1	1
International	10,682	9,241	7,177	5,654	1,559	1,227
Auto & Home	3,015	3,083			43	43
Corporate & Other	5,366	5,192	8,425	6,950	372	329
Total	$ 134,492	$ 130,555	$ 147,543	$ 149,805	$ 8,549	$ 7,762

Guarantees

The Company issues annuity contracts which may include contractual guarantees to the contractholder for: (i) return of no less than total deposits made to the contract less any partial withdrawals (return of net deposits);

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

and (ii) the highest contract value on a specified anniversary date minus any withdrawals following the contract anniversary, or total deposits made to the contract less any partial withdrawals plus a minimum return (anniversary contract value or minimum return). The Company also issues annuity contracts that apply a lower rate of funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize (two tier annuities). These guarantees include benefits that are payable in the event of death or at annuitization.

The Company also issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.

Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts is as follows:

	September 30, 2009		December 31, 2008	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Return of Net Deposits				
Separate account value	$ 23,158	N/A	$ 15,882	N/A
Net amount at risk (2)	$ 1,924(3)	N/A	$ 4,384(3)	N/A
Average attained age of contractholders	62 years	N/A	62 years	N/A
Anniversary Contract Value or Minimum Return				
Separate account value	$ 75,526	$ 37,007	$ 62,345	$ 24,328
Net amount at risk (2)	$ 10,513(3)	$ 7,855(4)	$ 18,637(3)	$ 11,312(4)
Average attained age of contractholders	61 years	61 years	60 years	61 years
Two Tier Annuities				
General account value	N/A	$ 282	N/A	$ 283
Net amount at risk (2)	N/A	$ 50(5)	N/A	$ 50(5)
Average attained age of contractholders	N/A	61 years	N/A	60 years

	September 30, 2009		December 31, 2008	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
Universal and Variable Life Contracts (1)				
Account value (general and separate account)	$ 9,230	$ 4,140	$ 7,825	$ 4,135

Net amount at risk (2)	$ 153,225(3)	$ 29,362(3)	$ 145,927(3)	$ 31,274(3)
Average attained age of policyholders	52 years	57 years	50 years	56 years

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

(2) The net amount at risk is based on the direct amount at risk (excluding reinsurance).

(3) The net amount at risk for guarantees of amounts in the event of death is defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

(4) The net amount at risk for guarantees of amounts at annuitization is defined as the present value of the minimum guaranteed annuity payments available to the contractholder determined in accordance with the terms of the contract in excess of the current account balance.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

(5) The net amount at risk for two tier annuities is based on the excess of the upper tier, adjusted for a profit margin, less the lower tier.

Information regarding the liabilities for guarantees (excluding base policy liabilities) relating to annuity and universal and variable life contracts at September 30, 2009 and December 31, 2008 is as follows:

	Annuity Contracts		Universal and Variable Life Contracts		
	Guaranteed Death Benefits	Guaranteed Annuitization Benefits	Secondary Guarantees	Paid-Up Guarantees	Total
			(In millions)		
Direct:					
Balance, beginning of period	$ 251	$ 403	$ 271	$ 140	$ 1,065
Incurred guaranteed benefits	74	97	185	16	372
Paid guaranteed benefits	(167)				(167)
Balance, end of period	$ 158	$ 500	$ 456	$ 156	$ 1,270
Ceded:					
Balance, beginning of period	$ 8	$	$ 80	$ 90	$ 178
Incurred guaranteed benefits	21		85	19	125
Paid guaranteed benefits	(23)				(23)
Balance, end of period	$ 6	$	$ 165	$ 109	$ 280
Net:					
Balance, beginning of period	$ 243	$ 403	$ 191	$ 50	$ 887
Incurred guaranteed benefits	53	97	100	(3)	247
Paid guaranteed benefits	(144)				(144)
Balance, end of period	$ 152	$ 500	$ 291	$ 47	$ 990

Account balances of contracts with insurance guarantees are invested in separate account asset classes as follows:

	September 30, 2009	December 31, 2008
	(In millions)	

Mutual Fund Groupings:				
Equity	$	46,106	$	39,842
Balanced		28,026		14,548
Bond		7,117		5,671
Money Market		2,043		2,456
Specialty		1,958		488
Total	$	85,250	$	63,005

8. Closed Block

On April 7, 2000 (the Demutualization Date), MLIC converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance approving MLIC s plan of reorganization, as amended

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

(the Plan). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC.

Recent experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized losses, has resulted in a policyholder dividend obligation of zero at both September 30, 2009 and December 31, 2008. The policyholder dividend obligation of zero and the Company s decision to revise the expected policyholder dividend scales, which are based upon statutory results, has resulted in a reduction to both actual and expected cumulative earnings of the closed block. Amortization of the closed block DAC, which resides outside of the closed block, will be based upon actual cumulative earnings rather than expected cumulative earnings of the closed block until such time as the actual cumulative earnings of the closed block exceed the expected cumulative earnings, at which time the policyholder dividend obligation will be reestablished. Actual cumulative earnings less than expected cumulative earnings will result in future adjustments to DAC and net income of the Company and increase sensitivity of the Company s net income to movements in closed block results.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Information regarding the closed block liabilities and assets designated to the closed block is as follows:

	September 30, 2009	December 31, 2008
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 43,458	$ 43,520
Other policyholder funds	299	315
Policyholder dividends payable	772	711
Payables for collateral under securities loaned and other transactions	2,327	2,852
Other liabilities	1,024	254
Total closed block liabilities	47,880	47,652
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $28,053 and $27,947, respectively)	28,515	26,205
Equity securities available-for-sale, at estimated fair value (cost: $263 and $280, respectively)	278	210
Mortgage loans	6,593	7,243
Policy loans	4,507	4,426
Real estate and real estate joint ventures held-for-investment	323	381
Short-term investments	2	52
Other invested assets	1,553	952
Total investments	41,771	39,469
Cash and cash equivalents	650	262
Accrued investment income	487	484
Premiums and other receivables	81	98
Current income tax recoverable	55	
Deferred income tax assets	629	1,632
Total assets designated to the closed block	43,673	41,945
Excess of closed block liabilities over assets designated to the closed block	4,207	5,707
Amounts included in accumulated other comprehensive income (loss):		
Unrealized investment gains (losses), net of income tax of $152 and ($633), respectively	282	(1,174)
	15	(15)

Unrealized gains (losses) on derivative instruments, net of income tax of $8 and ($8), respectively				
Total amounts included in accumulated other comprehensive income (loss)		297		(1,189)
Maximum future earnings to be recognized from closed block assets and liabilities	$	4,504	$	4,518

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Information regarding the closed block revenues and expenses is as follows:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(In millions)			
Revenues				
Premiums	$ 649	$ 667	$ 1,953	$ 2,004
Net investment income and other revenues	547	573	1,633	1,714
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(12)	(87)	(69)	(90)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive loss	6		14	
Other net investment gains (losses), net	58	110	166	40
Total net investment gains (losses)	52	23	111	(50)
Total revenues	1,248	1,263	3,697	3,668
Expenses				
Policyholder benefits and claims	800	812	2,412	2,459
Policyholder dividends	375	384	1,114	1,134
Other expenses	50	54	154	164
Total expenses	1,225	1,250	3,680	3,757
Revenues, net of expenses before income tax	23	13	17	(89)
Provision (benefit) for income tax	6	2	3	(38)
Revenues, net of expenses and income tax	$ 17	$ 11	$ 14	$ (51)

The change in the maximum future earnings of the closed block is as follows:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(In millions)			

Balance, beginning of period	$ 4,521	$ 4,491	$ 4,518	$ 4,429
Change during period	(17)	(11)	(14)	51
Balance, end of period	$ 4,504	$ 4,480	$ 4,504	$ 4,480

MLIC charges the closed block with federal income taxes, state and local premium taxes, and other additive state or local taxes, as well as investment management expenses relating to the closed block as provided in the Plan. MLIC also charges the closed block for expenses of maintaining the policies included in the closed block.

9. Long-term and Short-term Debt

The following represents significant changes in debt from the amounts reported in Note 10 of the Notes to the Consolidated Financial Statements included in the 2008 Annual Report.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)

Senior Notes

In May 2009, the Holding Company issued $1,250 million senior notes due June 1, 2016. The notes bear interest at a fixed rate of 6.75%, payable semiannually. 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 floating rate senior notes due June 29, 2012 under the FDIC Program. The notes bear interest at a rate equal to three-month LIBOR, reset quarterly, plus 0.32%. The notes are not redeemable prior to their maturity. 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 closed the successful remarketing of the $1,035 million Series B portion of the junior subordinated debt securities constituting part of its common equity units issued in June 2005. The common equity units consisted of a debt security and a stock purchase contract under which the holders of the units would be required to purchase common stock. The remarketing of the Series A portion of the junior subordinated debt securities and the associated stock purchase contract settlement occurred in August 2008. In the February 2009 remarketing, 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 stock purchase contracts. 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 contracts, the terms of the debt they received are the same as the terms of the remarketed debt. The subsequent settlement of the stock purchase contracts provided 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 February 17, 2009.

Repurchase Agreements with the Federal Home Loan Bank of New York

MetLife Bank is a member of the FHLB of NY and holds $122 million and $89 million of common stock of the FHLB of NY at September 30, 2009 and December 31, 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 September 30, 2009 and December 31, 2008, respectively, which is included in long-term debt and short-term debt depending upon the original tenor of the advance. During the nine months ended September 30, 2009 and 2008, MetLife Bank received advances related to long-term borrowings totaling $950 million and $945 million, respectively, from the FHLB of NY. MetLife Bank made repayments to the FHLB of NY of $220 million and $171 million related to long-term borrowings for the nine months ended September 30, 2009 and 2008, 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

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securities with estimated fair values of $4.4 billion and $3.1 billion at September 30, 2009 and December 31, 2008, respectively.

Collateralized Borrowing from the Federal Reserve Bank of New York

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. In order to utilize these facilities, MetLife Bank has pledged qualifying loans and investment securities to the Federal Reserve Bank of New York as collateral. At September 30, 2009 and December 31, 2008, MetLife Bank s liability for advances from the Federal Reserve Bank of New York under these facilities was $1.2 billion and $950 million, respectively, which is included in short-term debt. The estimated fair value of loan and investment security collateral pledged by MetLife Bank to the Federal Reserve Bank of New York at September 30, 2009 and December 31, 2008 was $2.5 billion and $1.6 billion, respectively. During the nine months ended September 30, 2009, the weighted average interest rate on these advances was 0.19%. During the nine months ended September 30, 2009, the average daily balance of these advances was $1.9 billion and these advances were outstanding for an average of 23 days. The Company did not participate in these programs during the nine months ended September 30, 2008.

Short-term Debt

Short-term debt was $2.1 billion and $2.7 billion at September 30, 2009 and December 31, 2008, respectively. At September 30, 2009, short-term debt consisted of $340 million of commercial paper, $1.2 billion related to the aforementioned collateralized borrowings from the Federal Reserve Bank of New York and $590 million related to MetLife Bank s liability under the aforementioned repurchase agreements with the FHLB of NY with original maturities of less than one year. At December 31, 2008, short-term debt consisted of $714 million of commercial paper, $950 million related to the aforementioned collateralized borrowing from the Federal Reserve Bank of New York, $695 million related to MetLife Bank s liability under the aforementioned repurchase agreements with the FHLB of NY with original maturities of less than one year and $300 million related to MetLife Insurance Company of Connecticut s liability for borrowings from the FHLB of Boston with original maturities of less than one year. During the nine months ended September 30, 2009 and 2008, the weighted average interest rate on short-term debt was 0.44% and 2.6%, respectively. During the nine months ended September 30, 2009 and 2008, the average daily balance of short-term debt was $3.4 billion and $808 million, respectively, and short-term debt was outstanding for an average of 15 days and 31 days, respectively.

Credit and Committed Facilities and Letters of Credit

Credit Facilities. The Company maintains unsecured credit facilities aggregating $3.2 billion at September 30, 2009. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements. The facilities are used for general corporate purposes. These facilities contain various administrative, reporting, legal and financial covenants, including a requirement for the Company to maintain a specified minimum consolidated net worth. Management has no reason to believe that its lending counterparties are unable to fulfill their respective contractual obligations.

Total fees associated with these credit facilities were $7 million and $37 million for the three months and nine months ended September 30, 2009, respectively, and $2 million and $5 million for the three months and nine

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months ended September 30, 2008, respectively. Information on these credit facilities at September 30, 2009 is as follows:

Borrower(s)	Expiration	Capacity	Letter of Credit Issuances	Drawdowns	Unused Commitments
			(In millions)		
MetLife, Inc. and MetLife Funding, Inc.	June 2012 (1)	$ 2,850	$ 537	$	$ 2,313
MetLife Bank, N.A	August 2010	300			300
Total		$ 3,150	$ 537	$	$ 2,613

(1) Proceeds are available to be used for general corporate purposes, to support the borrowers commercial paper programs and for the issuance of letters of credit. All borrowings under the credit agreement must be repaid by June 2012, except that letters of credit outstanding upon termination may remain outstanding until June 2013.

Committed Facilities. The Company maintains committed facilities aggregating $11.3 billion at September 30, 2009. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements. The facilities are used for collateral for certain of the Company s reinsurance liabilities. These facilities contain various administrative, reporting, legal and financial covenants, including a requirement for the Company to maintain a specified minimum consolidated net worth. Management has no reason to believe that its lending counterparties are unable to fulfill their respective contractual obligations.

Total fees associated with these committed facilities were $12 million and $37 million for the three months and nine months ended September 30, 2009, respectively, and $10 million and $17 million for the three months and nine months ended September 30, 2008, respectively. Information on committed facilities at September 30, 2009 is as follows:

Account Party/Borrower(s)	Expiration	Capacity	Letter of Credit Issuances	Drawdowns	Unused Commitments	Maturity (Years)
			(In millions)			
MetLife, Inc.	August 2010	$ 300	$ 300	$	$	
Exeter Reassurance Company Ltd., MetLife, Inc., & Missouri Reinsurance (Barbados), Inc.	June 2016 (1)	500	490		10	6
Exeter Reassurance Company Ltd.	December 2027 (2)	650	410		240	18

MetLife Reinsurance Company of South Carolina & MetLife, Inc.	June 2037	3,500		2,797	703	27
MetLife Reinsurance Company of Vermont & MetLife, Inc.	December 2037 (2)	2,896	1,452		1,444	28
MetLife Reinsurance Company of Vermont & MetLife, Inc.	September 2038 (2)	3,500	1,448		2,052	28
Total		$ 11,346	$ 4,100	$ 2,797	$ 4,449	

(1) Letters of credit and replacements or renewals thereof issued under this facility of $280 million, $10 million and $200 million are set to expire no later than December 2015, March 2016 and June 2016, respectively.

(2) The Holding Company is a guarantor under this agreement.

Letters of Credit. At September 30, 2009, the Company had outstanding $4.7 billion in letters of credit from various financial institutions, of which $537 million and $4.1 billion were part of credit and committed facilities, respectively. 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 is in compliance with all covenants at September 30, 2009.

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10. Collateral Financing Arrangements

Associated with the Closed Block

In December 2007, MLIC reinsured a portion of its closed block liabilities to MetLife Reinsurance Company of Charleston (MRC), a wholly-owned subsidiary of the Company. In connection with this transaction, MRC issued to investors, placed by an unaffiliated financial institution, a $2.5 billion, 35-year surplus note to provide statutory reserve support for the assumed closed block liabilities. Interest on the surplus note accrues at an annual rate of 3-month LIBOR plus 0.55%, payable quarterly. The ability of MRC to make interest and principal payments on the surplus note is contingent upon South Carolina regulatory approval. At both September 30, 2009 and December 31, 2008, the amount of the surplus note outstanding was $2.5 billion.

Simultaneous with the issuance of the surplus note, the Holding Company entered into an agreement with the unaffiliated financial institution, under which the Holding Company is entitled to the interest paid by MRC on the surplus note 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. 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 note. 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 note. 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 note. At December 31, 2008, the Company had paid $800 million and had pledged collateral with an estimated fair value of $230 million to the unaffiliated financial institution. As a result of continued fluctuations in the estimated fair value of the surplus note, the Holding Company paid an additional $400 million to the unaffiliated financial institution in April 2009, and received $400 million from the unaffiliated financial institution in June 2009. Both of these payments reduced collateral pledged between the Holding Company and the unaffiliated financial institution. At September 30, 2009, the unaffiliated financial institution had pledged collateral with an estimated fair value of $257 million to the Holding Company related to an increase in estimated fair value of the surplus note. In addition, 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. See Note 20 for discussion of a payment received by the Holding Company under this agreement in October 2009.

A majority of the proceeds from the offering of the surplus note was placed in trust, which is consolidated by the Company, to support MRC s statutory obligations associated with the assumed closed block liabilities.

At September 30, 2009 and December 31, 2008, the estimated fair value of assets held in trust by the Company was $2.4 billion and $2.1 billion, respectively. The assets are principally invested in fixed maturity securities and are presented as such within the Company s interim condensed consolidated balance sheets, with the related income included within net investment income in the Company s consolidated statements of income. Interest on the collateral financing arrangement is included as a component of other expenses. Total interest expense was $11 million and

$42 million for the three months and nine months ended September 30, 2009, respectively, and $25 million and $86 million for the three months and nine months ended September 30, 2008, respectively.

Associated with Secondary Guarantees

In May 2007, the Holding Company and MetLife Reinsurance Company of South Carolina, a wholly-owned subsidiary of the Company, entered into a 30-year collateral financing arrangement with an unaffiliated financial institution that provides up to $3.5 billion of statutory reserve support for MRSC associated with reinsurance obligations under intercompany reinsurance agreements. Such statutory reserves are associated with universal life

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secondary guarantees and are required under U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation A-XXX). At September 30, 2009 and December 31, 2008, $2.8 billion and $2.7 billion, respectively, had been drawn upon under the collateral financing arrangement. The collateral financing arrangement may be extended by agreement of the Holding Company and the unaffiliated financial institution on each anniversary of the closing.

Proceeds from the collateral financing arrangement were placed in trust to support MRSC s statutory obligations associated with the reinsurance of secondary guarantees. The trust is a VIE which is consolidated by the Company. The unaffiliated financial institution is entitled to the return on the investment portfolio held by the trust.

In connection with the collateral financing arrangement, the Holding Company entered into an agreement with the same unaffiliated financial institution under which the Holding Company is entitled to the return on the investment portfolio held by the trust 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 Holding Company may also be required to make payments to the unaffiliated financial institution, for deposit into the trust, related to any decline in the estimated fair value of the assets held by the trust, as well as amounts outstanding upon maturity or early termination of the collateral financing arrangement. In January 2009, the Holding Company paid $360 million to the unaffiliated financial institution as a result of the decline in the estimated fair value of the assets in the trust. Cumulatively, the Holding Company has contributed $680 million as a result of declines in the estimated fair value of the assets in the trust. All of the $680 million was deposited into the trust.

In addition, the Holding Company may be required to pledge collateral to the unaffiliated financial institution under this agreement. At September 30, 2009 and December 31, 2008, the Holding Company had pledged $76 million and $86 million under the agreement, respectively.

At September 30, 2009 and December 31, 2008, the Company held assets in trust with an estimated fair value of $3.2 billion and $2.4 billion, respectively, associated with this transaction. The assets were principally invested in fixed maturity securities and were presented as such within the Company s consolidated balance sheet, with the related income included within net investment income in the Company s consolidated statements of income. Interest on the collateral financing arrangement was included as a component of other expenses. Total interest expense was $9 million and $37 million for the three months and nine months ended September 30, 2009, respectively, and $23 million and $77 million for the three months and nine months ended September 30, 2008, respectively.

11. Junior Subordinated Debt Securities

On July 8, 2009, the Holding Company issued junior subordinated debt securities with a face amount of $500 million. The securities are scheduled for redemption on August 1, 2039 and the final maturity of the securities is August 1, 2069. The Holding Company may redeem the securities: (i) in whole or in part, at any time on or after August 1, 2034 at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption; or (ii) in certain circumstances, in whole or in part, prior to August 1, 2034 at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption or, if greater, a make-whole price. Interest is payable semi-annually at a fixed rate of 10.75% up to, but not including, the scheduled redemption date. In the event the securities are not redeemed on or before the scheduled redemption date, interest will accrue at an annual rate of three-month LIBOR plus a margin equal to 7.548%, payable quarterly in arrears. The Holding Company has the right to, and in certain circumstances the requirement to, defer interest payments on the securities for a period up to ten years. Interest compounds during such periods of deferral. If interest is deferred for more than five consecutive years, the Holding Company is required to use proceeds from the sale of its common stock or warrants on common stock to satisfy its obligation. In connection with the issuance of the securities, the Holding Company entered into a replacement capital covenant (RCC). As part of the RCC, the Holding Company agreed that it will not repay,

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redeem or purchase the securities on or before August 1, 2059, unless, subject to certain limitations, it has received proceeds during a specified period from the sale of specified replacement securities. The RCC will terminate upon the occurrence of certain events, including an acceleration of the securities due to the occurrence of an event of default. The RCC is not intended for the benefit of holders of the securities and may not be enforced by them. The RCC is for the benefit of holders of one or more other designated series of the Holding Company s indebtedness (which will initially be its 5.70% senior notes due June 2035). The Holding Company also entered into a replacement capital obligation which will commence in 2039 and under which the Holding Company must use reasonable commercial efforts to raise replacement capital to permit repayment of the securities through the issuance of certain qualifying capital securities. Issuance costs associated with the offering of these securities of $5 million have been capitalized and included in other assets and are being amortized over the period from the issuance date of these securities until their scheduled redemption. Interest expense on the securities was $12 million for both the three and nine months ended September 30, 2009.

12. Contingencies, Commitments and Guarantees

Contingencies

Litigation

The Company is a defendant in a large number of litigation matters. In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the United States permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with the actual experience of the Company in litigating or resolving through settlement numerous claims over an extended period of time, demonstrate to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value. Thus, unless stated below, the specific monetary relief sought is not noted.

Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be inherently impossible to ascertain with any degree of certainty. Inherent uncertainties can include how fact finders will view individually and in their totality documentary evidence, the credibility and effectiveness of witnesses testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

On a quarterly and annual basis, the Company reviews relevant information with respect to litigation and contingencies to be reflected in the Company s consolidated financial statements. The review includes senior legal and financial personnel. Unless stated below, estimates of possible losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated at September 30, 2009.

Demutualization Actions

Several lawsuits were brought in 2000 challenging the fairness of the Plan and the adequacy and accuracy of MLIC s disclosure to policyholders regarding the Plan. The actions discussed below name as defendants some or all of MLIC, the Holding Company, and individual directors. MLIC, the Holding Company, and the individual

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directors believe they have meritorious defenses to the plaintiffs claims and have contested vigorously all of the plaintiffs claims in these actions.

Fiala, et al. v. Metropolitan Life Ins. Co., et al. (Sup. Ct., N.Y. County, filed March 17, 2000). The plaintiffs in the consolidated state court class action seek compensatory relief and punitive damages against MLIC, the Holding Company, and individual directors. The court has certified a litigation class of present and former policyholders on plaintiffs claim that defendants violated section 7312 of the New York Insurance Law. Pursuant to the court s order, plaintiffs have given notice to the class of the pendency of this action. Defendants motion for summary judgment is pending. On November 2, 2009, the court was informed that the parties had reached a proposed settlement in principle. The settlement cannot be finalized until notice of the proposed settlement is provided to class members and the court approves the settlement.

In re MetLife Demutualization Litig. (E.D.N.Y., filed April 18, 2000). In this class action against MLIC and the Holding Company, plaintiffs served a second consolidated amended complaint in 2004. Plaintiffs assert violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 (Exchange Act) in connection with the Plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts and contained certain material misstatements. They seek rescission and compensatory damages. By orders dated July 19, 2005 and August 29, 2006, the federal trial court certified a litigation class of present and former policyholders. Pursuant to the court s order, plaintiffs have given notice to the class of the pendency of this action. On March 30, 2009, the court denied MLIC s and the Holding Company s motion for summary judgment and plaintiffs motion for partial summary judgment. On July 17, 2009, the court entered an order setting the trial to begin on September 8, 2009. On October 2, 2009, after an interlocutory appeal of conflict of interest issues, the court entered an order resetting the trial to begin on November 2, 2009. On November 2, 2009, the parties informed the court that they had reached a proposed settlement in principle. The settlement cannot be finalized until reasonable notice of the proposed settlement is provided to class members and the court determines, after a hearing, that the settlement proposal is fair, reasonable, and adequate.

Asbestos-Related Claims

MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos and seek both actual and punitive damages. MLIC has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has MLIC issued liability or workers compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. The lawsuits principally have focused on allegations with respect to certain research, publication and other activities of one or more of MLIC s employees during the period from the 1920 s through approximately the 1950 s and allege that MLIC learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. MLIC believes that it should not have legal liability in these cases. The outcome of most asbestos litigation matters, however, is uncertain and can be impacted by numerous variables, including differences in legal rulings in various jurisdictions, the nature of the alleged injury, and factors unrelated to the ultimate legal merit of the claims asserted against MLIC. MLIC employs a number of resolution strategies to manage its asbestos loss exposure, including seeking resolution of pending litigation by judicial rulings and settling individual or groups of claims or lawsuits under appropriate circumstances.

Claims asserted against MLIC have included negligence, intentional tort and conspiracy concerning the health risks associated with asbestos. MLIC s defenses (beyond denial of certain factual allegations) include that: (i) MLIC owed no duty to the plaintiffs it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs did not rely on any actions of MLIC; (iii) MLIC s conduct was not the cause of the plaintiffs injuries; (iv) plaintiffs exposure occurred after the dangers of asbestos were known; and (v) the applicable time with respect to filing suit has expired. During

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the course of the litigation, certain trial courts have granted motions dismissing claims against MLIC, while other trial courts have denied MLIC s motions to dismiss. There can be no assurance that MLIC will receive favorable decisions on motions in the future. While most cases brought to date have settled, MLIC intends to continue to defend aggressively against claims based on asbestos exposure, including defending claims at trials.

As reported in the 2008 Annual Report, MLIC received approximately 5,063 asbestos-related claims in 2008. During the nine months ended September 30, 2009 and 2008, MLIC received approximately 2,800 and 3,700 new asbestos-related claims, respectively. See Note 16 of the Notes to the Consolidated Financial Statements included in the 2008 Annual Report for historical information concerning asbestos claims and MLIC s increase in its recorded liability at December 31, 2002. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

The ability of MLIC to estimate its ultimate asbestos exposure is subject to considerable uncertainty, and the conditions impacting its liability can be dynamic and subject to change. The availability of reliable data is limited and it is difficult to predict with any certainty the numerous variables that can affect liability estimates, including 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 MLIC 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.

The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years further in the future. In the Company s judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasonably possible that the Company s total exposure to asbestos claims may be materially greater than the asbestos liability currently accrued and that future charges to income may be necessary. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material adverse effect on the Company s financial position.

During 1998, MLIC paid $878 million in premiums for excess insurance policies for asbestos-related claims. The excess insurance policies for asbestos-related claims provided for recovery of losses up to $1.5 billion in excess of a $400 million self-insured retention. The Company s initial option to commute the excess insurance policies for asbestos-related claims would have arisen at the end of 2008. On September 29, 2008, MLIC entered into agreements commuting the excess insurance policies at September 30, 2008. As a result of the commutation of the policies, MLIC received cash and securities totaling $632 million. Of this total, MLIC received $115 million in fixed maturity securities on September 26, 2008, $200 million in cash on October 29, 2008, and $317 million in cash on January 29, 2009. MLIC recognized a loss on commutation of the policies in the amount of $35.3 million during 2008.

In the years prior to commutation, the excess insurance policies for asbestos-related claims were subject to annual and per claim sublimits. Amounts exceeding the sublimits during 2007, 2006 and 2005 were approximately $16 million, $8 million and $0, respectively. Amounts were recoverable under the policies annually with respect to claims paid during the prior calendar year. Each asbestos-related policy contained an experience fund and a reference fund that provided for payments to MLIC at the commutation date if the reference fund was greater than zero at commutation or pro rata reductions from time to time in the loss reimbursements to MLIC if the cumulative return on the reference fund was less than the return specified in the experience fund. The return in the reference fund was tied to performance of the S&P 500 Index and the Lehman Brothers Aggregate Bond Index. A claim with respect to the prior year was made under the excess insurance policies in each year from 2003 through 2008 for the amounts paid with respect to asbestos litigation in excess of the retention. The foregone loss reimbursements were approximately $62.2 million with respect to claims for the period of 2002 through 2007. Because the policies were

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commuted at September 30, 2008, there will be no claims under the policies or forgone loss reimbursements with respect to payments made in 2008 and thereafter.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. MLIC s recorded asbestos liability is based on its estimation of the following elements, as informed by the facts presently known to it, its understanding of current law, and its past experiences: (i) the probable and reasonably estimable liability for asbestos claims already asserted against MLIC, including claims settled but not yet paid; (ii) the probable and reasonably estimable liability for asbestos claims not yet asserted against MLIC, but which MLIC believes are reasonably probable of assertion; and (iii) the legal defense costs associated with the foregoing claims. Significant assumptions underlying MLIC s analysis of the adequacy of its recorded liability with respect to asbestos litigation include: (i) the number of future claims; (ii) the cost to resolve claims; and (iii) the cost to defend claims.

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants, and the jurisdictions in which claims are pending. Based upon its regular reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims through September 30, 2009.

Regulatory Matters

The Company receives and responds to subpoenas or other inquiries from state regulators, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the SEC; federal governmental authorities, including congressional committees; and the Financial Industry Regulatory Authority (FINRA) seeking a broad range of information. The issues involved in information requests and regulatory matters vary widely. Certain regulators have requested information and documents regarding contingent commission payments to brokers, the Company s awareness of any sham bids for business, bids and quotes that the Company submitted to potential customers, incentive agreements entered into with brokers, or compensation paid to intermediaries. Regulators also have requested information relating to market timing and late trading of mutual funds and variable insurance products and, generally, the marketing of products. The Company has received a subpoena from and has had discussions with the Office of the U.S. Attorney for the Southern District of California regarding the insurance broker Universal Life Resources. The Company has been cooperating fully.

Regulatory authorities in a small number of states have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by MLIC; New England Mutual Life Insurance Company, New England Life Insurance Company and New England Securities Corporation; General American Life Insurance Company; Walnut Street Securities, Inc. and MetLife Securities, Inc. (MSI). Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. The Company may continue to resolve investigations in a similar manner.

MSI is a defendant in two regulatory matters brought by the Illinois Department of Securities. In 2005, MSI received a notice from the Illinois Department of Securities asserting possible violations of the Illinois Securities Act in connection with alleged failure to disclose portability with respect to sales of a former affiliate s mutual funds and representative compensation with respect to proprietary products. A response has been submitted and in January 2008, MSI received notice of the commencement of an administrative action by the Illinois Department of Securities. In May 2008, MSI s motion to dismiss the action was denied. In the second matter, in December 2008 MSI received a Notice of Hearing from the Illinois Department of Securities based upon a complaint alleging that

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MSI failed to reasonably supervise one of its former registered representatives in connection with the sale of variable annuities to Illinois investors. MSI intends to vigorously defend against the claims in these matters.

On April 14, 2009, MSI received a Wells Notice from FINRA stating that FINRA is considering recommending that a disciplinary action be brought against MSI. FINRA contends that during the period from March 1999 through December 2006, MSI s registered representative supervisory system was not reasonably designed to achieve compliance with National Association of Securities Dealers Conduct Rules relating to the review of registered representatives electronic correspondence. Under FINRA procedures, MSI can avail itself of the opportunity to respond to the FINRA staff before it makes a formal recommendation regarding whether any disciplinary action should be considered.

In June 2008, the Environmental Protection Agency issued a Notice of Violation (NOV) regarding the operations of the Homer City Generating Station, an electrical generation facility. The NOV alleges, among other things, that the electrical generation facility is being operated in violation of certain federal and state Clean Air Act requirements. Homer City OL6 LLC, an entity owned by MLIC, is a passive investor with a noncontrolling interest in the electrical generation facility, which is solely operated by the lessee, EME Homer City Generation L.P. (EME Homer). Homer City OL6 LLC and EME Homer are among the respondents identified in the NOV. EME Homer has been notified of its obligation to indemnify Homer City OL6 LLC and MLIC for any claims resulting from the NOV and has expressly acknowledged its obligation to indemnify Homer City OL6 LLC.

Other Litigation

Jacynthe Evoy-Larouche v. Metropolitan Life Ins. Co. (Que. Super. Ct., filed March 1998). This putative class action lawsuit involving sales practices claims was filed against MLIC in Canada. Plaintiff alleged misrepresentations regarding dividends and future payments for life insurance policies and sought unspecified damages. Pursuant to a judgment dated March 11, 2009, this lawsuit was dismissed.

Travelers Ins. Co., et al. v. Banc of America Securities LLC (S.D.N.Y., filed December 13, 2001). On January 6, 2009, after a jury trial, the district court entered a judgment in favor of The Travelers Insurance Company, now known as MetLife Insurance Company of Connecticut, in the amount of approximately $42 million in connection with securities and common law claims against the defendant. On May 14, 2009, the district court issued an opinion and order denying the defendant s post judgment motion seeking a judgment in its favor or, in the alternative, a new trial. On June 3, 2009, the defendant filed a notice of appeal from the January 6, 2009 judgment and the May 14, 2009 opinion and order. As it is possible that the judgment could be affected during appellate practice, and the Company has not collected any portion of the judgment, the Company has not recognized any award amount in its consolidated financial statements.

Shipley v. St. Paul Fire and Marine Ins. Co. and Metropolitan Property and Casualty Ins. Co. (Ill. Cir. Ct., Madison County, filed February 26 and July 2, 2003). Two putative nationwide class actions have been filed against Metropolitan Property and Casualty Insurance Company in Illinois. One suit claims breach of contract and fraud due to the alleged underpayment of medical claims arising from the use of a purportedly biased provider fee pricing system. The second suit currently alleges breach of contract arising from the alleged use of preferred provider organizations to reduce medical provider fees covered by the medical claims portion of the insurance policy. Motions for class certification have been filed and briefed in both cases. A third putative nationwide class action relating to the payment of medical providers, *Innovative Physical Therapy, Inc. v. MetLife Auto & Home, et ano (D. N.J., filed November 12, 2007),* was filed against Metropolitan Property and Casualty Insurance Company in federal court in New Jersey. The court granted the defendants motion to dismiss, and the U.S. Court of Appeals for the Third Circuit issued an order on July 22, 2009 affirming the dismissal. *Simon v. Metropolitan Property and Casualty Ins. Co. (W.D. Okla., filed September 23, 2008),* a fourth putative nationwide class action lawsuit relating to payment of medical providers, is pending in federal court in Oklahoma. The Company is vigorously defending against the claims in these matters.

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The American Dental Association, et al. v. MetLife Inc., et al. (S.D. Fla., filed May 19, 2003). The American Dental Association and three individual providers had sued the Holding Company, MLIC and other non-affiliated insurance companies in a putative class action lawsuit. The plaintiffs purported to represent a nationwide class of in-network providers who alleged that their claims were being wrongfully reduced by downcoding, bundling, and the improper use and programming of software. The complaint alleged federal racketeering and various state law theories of liability. On February 10, 2009, the district court granted the Company s motion to dismiss plaintiffs second amended complaint, dismissing all of plaintiffs claims except for breach of contract claims. Plaintiffs were provided with an opportunity to re-plead the dismissed claims by February 26, 2009. Since plaintiffs never amended these claims, they were dismissed with prejudice on March 2, 2009. By order dated March 20, 2009, the district court declined to retain jurisdiction over the remaining breach of contract claims and dismissed the lawsuit. On April 17, 2009, plaintiffs filed a notice of appeal from this order.

In Re Ins. Brokerage Antitrust Litig. (D. N.J., filed February 24, 2005). In this multi-district class action proceeding, plaintiffs complaint alleged that the Holding Company, MLIC, several non-affiliated insurance companies and several insurance brokers violated the Racketeer Influenced and Corrupt Organizations Act (RICO), the Employee Retirement Income Security Act of 1974 (ERISA), and antitrust laws and committed other misconduct in the context of providing insurance to employee benefit plans and to persons who participate in such employee benefit plans. In August and September 2007 and January 2008, the court issued orders granting defendants motions to dismiss with prejudice the federal antitrust, the RICO, and the ERISA claims. In February 2008, the court dismissed the remaining state law claims on jurisdictional grounds. Plaintiffs appeal from the orders dismissing their RICO and federal antitrust claims is pending with the U.S. Court of Appeals for the Third Circuit. A putative class action alleging that the Holding Company and other non-affiliated defendants violated state laws was transferred to the District of New Jersey but was not consolidated with other related actions. Plaintiffs motion to remand this action to state court in Florida is pending.

Metropolitan Life Ins. Co. v. Park Avenue Securities, et. al. (FINRA Arbitration, filed May 2006). MLIC commenced an action against Park Avenue Securities LLC., a registered investment adviser and broker-dealer that is an indirect wholly-owned subsidiary of The Guardian Life Insurance Company of America, alleging misappropriation of confidential and proprietary information and use of prohibited methods to solicit the Company s customers and recruit the Company s financial services representatives. On February 12, 2009, a FINRA arbitration panel awarded MLIC $21 million in damages, including punitive damages and attorneys fees. In March 2009, Park Avenue Securities filed a motion to vacate the decision. In September 2009, the parties reached a settlement of this action together with related and similar matters brought by MLIC against Park Avenue Securities and The Guardian Life Insurance Company of America.

Roberts, et al. v. Tishman Speyer Properties, et al. (Sup. Ct., N.Y. County, filed January 22, 2007). This lawsuit was filed by a putative class of market rate tenants at Stuyvesant Town and Peter Cooper Village against parties including Metropolitan Tower Life Insurance Company and Metropolitan Insurance and Annuity Company. This group of tenants claim that the Company and the current owner, Tishman Speyer, improperly deregulated apartments while receiving J-51 tax abatements. The lawsuit seeks declaratory relief and damages for rent overcharges. In August 2007, the trial court granted the Company s motion to dismiss. In March 2009, New York s intermediate appellate court reversed the trial court s decision and reinstated the lawsuit. Tishman Speyer and the Company appealed this ruling to the New York State Court of Appeals, which in October 2009 issued an opinion affirming the ruling of the intermediate appellate court. The lawsuit will now return to the trial court for further proceedings. The Company will continue to vigorously defend against the claims in the lawsuit.

Thomas, et al. v. Metropolitan Life Ins. Co., et al. (W.D. Okla., filed January 31, 2007). A putative class action complaint was filed against MLIC and MSI. Plaintiffs asserted legal theories of violations of the federal securities laws and violations of state laws with respect to the sale of certain proprietary products by the Company s agency distribution group. Plaintiffs sought rescission, compensatory damages, interest, punitive damages and attorneys fees and expenses. In January and May 2008, the court issued orders granting the defendants motion to

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dismiss in part, dismissing all of plaintiffs claims except for claims under the Investment Advisers Act. In August 2009, the Court granted defendants motion for summary judgment, dismissing the claims under the Investment Advisers Act.

Sales Practices Claims. Over the past several years, the Company has faced numerous claims, including class action lawsuits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. Some of the current cases seek substantial damages, including punitive and treble damages and attorneys fees. At September 30, 2009, there were approximately 130 sales practices litigation matters pending against the Company. The Company continues to vigorously defend against the claims in these matters. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices matters.

Summary

Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to those discussed previously 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 the ultimate outcome of all pending investigations and legal proceedings or provide reasonable ranges of potential losses, except as noted previously in connection with specific matters. In some of the matters referred to previously, 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 outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company s consolidated net income or cash flows in particular quarterly or annual periods.

Argentina

The Argentine economic, regulatory and legal environment, including interpretations of laws and regulations by regulators and courts, is uncertain. Potential legal or governmental actions related to pension reform, fiduciary responsibilities, performance guarantees and tax rulings could adversely affect the results of the Company.

Upon acquisition of Citigroup s insurance operations in Argentina, the Company established insurance and contingent liabilities, most significantly related to death and disability policy coverages and to litigation against the government s 2002 Pesification Law. These liabilities were established based upon the Company s interpretation of Argentine law at the time and the Company s best estimate of its obligations under laws applicable at the time.

In 2006, a decree was issued by the Argentine Government regarding the taxability of pesification related gains resulting in the $8 million, net of income tax, reduction of certain tax liabilities during the year ended December 31, 2006.

In 2007, pension reform legislation in Argentina was enacted which relieved the Company of its obligation to provide death and disability policy coverages and resulted in the elimination of related insurance liabilities. The reform reinstituted the government s pension plan system and allowed for pension participants to transfer their future contributions to the government pension plan system.

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Although it no longer received compensation, the Company continued to be responsible for managing the funds of those participants that transferred to the government system. This change resulted in the establishment of a liability for future servicing obligations and the elimination of the Company s obligations under death and disability policy coverages. The impact of the 2007 Argentine pension reform was an increase to net income of $114 million, net of income tax, due to the reduction of the insurance liabilities and other balances associated with the death and disability coverages of $197 million, net of income tax, which exceeded the establishment of the liability for future service obligations of $83 million, net of income tax, during the year ended December 31, 2007. During the first quarter of 2008, the future servicing obligation was reduced by $23 million, net of income tax, when information regarding the level of participation in the government pension plan became fully available.

In October 2008, the Argentine government announced its intention to nationalize private pensions and, in December 2008, the Argentine government nationalized the private pension system seizing the underlying investments of participants which were being managed by the Company. With this action, the Company s pension business in Argentina ceased to exist and the Company eliminated certain assets and liabilities held in connection with the pension business. Deferred acquisition costs, deferred tax assets, and liabilities primarily the liability for future servicing obligation referred to above were eliminated and the Company incurred severance costs associated with the termination of employees. The impact of the elimination of assets and liabilities and the incurral of severance costs was an increase to net income of $6 million, net of income tax, during the year ended December 31, 2008.

In September 2008, the Argentine Supreme Court issued a ruling in an individual lawsuit that was contrary to the 2002 Pesification Law enacted by the Argentine government. This ruling relates to certain social security pension annuity contractholders who had filed lawsuits challenging the 2002 Pesification Law. The annuity contracts impacted by this ruling, which were deemed peso denominated under the 2002 Pesification Law, are now considered to be U.S. Dollar denominated obligations of the Company. Contingent liabilities that were established at acquisition in 2005 in connection with the outstanding lawsuits have been adjusted and refined to be consistent with the ruling. The impact of the refinements resulting from the change in these contingent liabilities and the associated future policyholder benefits was an increase to net income of $34 million, net of income tax, during the year ended December 31, 2008.

In March 2009, in light of market developments resulting from the Supreme Court ruling contrary to the Pesification Law and the implementation by the Company of a program to allow the contractholders that had not filed a lawsuit to convert to U.S. Dollars the social security annuity contracts denominated in pesos by the Law, the Company reassessed the corresponding contingent liability established at acquisition in 2005. The impact of this reassessment is an increase to net income of $95 million, net of income tax, due to the reduction of the contingent liability established in 2005 of $108 million, net of income tax, which was partially offset by the establishment of contingent liabilities from the implementation of the program to convert these contracts to U.S. Dollars of $13 million, net of income tax, during the quarter ended March 31, 2009.

Commitments

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $4.1 billion and $4.5 billion at September 30, 2009 and December 31, 2008, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company has issued interest rate lock commitments on certain residential mortgage loan applications totaling $4.2 billion and $8.0 billion at September 30, 2009 and December 31, 2008, respectively. The Company

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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 in Note 4.

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 $3.5 billion and $2.7 billion at September 30, 2009 and December 31, 2008, respectively.

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 $932 million and $971 million at September 30, 2009 and December 31, 2008, respectively.

Guarantees

During the nine months ended September 30, 2009, the Company did not record additional liabilities for indemnities, guarantees and commitments. The Company s recorded liabilities were $6 million at both September 30, 2009 and December 31, 2008.

13. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of the Holding Company (the Subsidiaries) sponsor and/or administer various qualified and non-qualified defined benefit pension plans and other postretirement employee benefit plans covering employees and sales representatives who meet specified eligibility requirements. The Subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for retired employees. The Subsidiaries have issued group annuity and life insurance contracts supporting approximately 99% of all pension and postretirement employee benefit plan assets sponsored by the Subsidiaries. A December 31 measurement date is used for all of the Subsidiaries defined benefit pension and other postretirement benefit plans.

The components of net periodic benefit cost were as follows:

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
	(In millions)							
Service cost	$ 44	$ 41	$ 130	$ 123	$ 6	$ 6	$ 17	$ 16

Interest cost	98	94	296	285	31	25	94	77
Expected return on plan assets	(111)	(130)	(331)	(393)	(18)	(22)	(55)	(66)
Amortization of prior service cost (credit)	3	3	7	11	(9)	(9)	(27)	(27)
Amortization of net actuarial (gains) losses	57	7	170	18	10		31	
Net periodic benefit cost	$ 91	$ 15	$ 272	$ 44	$ 20	$	$ 60	$

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The components of net periodic benefit cost amortized from accumulated other comprehensive loss were as follows:

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
	(In millions)							
Amortization of prior service cost (credit)	$ 3	$ 3	$ 7	$ 11	$ (9)	$ (9)	$ (27)	$ (27)
Amortization of net actuarial (gains) losses	57	7	170	18	10		31	
Subtotal	60	10	177	29	1	(9)	4	(27)
Deferred income tax expense (benefit)	(20)	(4)	(60)	(11)		3	(1)	9
Components of net periodic benefit cost amortized from accumulated other comprehensive loss, net of income tax (1)	$ 40	$ 6	$ 117	$ 18	$ 1	$ (6)	$ 3	$ (18)