METLIFE INC
Form 10-Q
November 07, 2013
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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, 2013

or

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-15787

MetLife, Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-4075851
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Park Avenue, New York, N.Y.	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 ¨

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 ¨

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 ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

At October 31, 2013, 1,121,056,612 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

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As used in this Form 10-Q, "MetLife," the "Company," "we," "our" and "us" refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain 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 future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission (the "SEC"). These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain of our captive reinsurers or hedging arrangements associated with those risks; (3) exposure to financial and capital market risks, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact of comprehensive financial services regulation reform on us, as a potential non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (9) investment losses and defaults, and changes to investment valuations; (10) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (15) downgrades in our claims paying ability, financial strength or credit ratings; (16) a deterioration in the experience of the "closed block" established in connection with the reorganization of Metropolitan Life Insurance Company; (17) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (18) differences between actual claims experience and underwriting and reserving assumptions; (19) ineffectiveness of risk management policies and procedures; (20) catastrophe losses; (21) increasing cost and limited market capacity for statutory life insurance reserve financings; (22) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (23) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates,

unanticipated policyholder behavior, mortality or longevity, and the adjustment for nonperformance risk; (24) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from business acquisitions, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company, and integrating and managing the growth of such acquired businesses, or arising from dispositions of businesses or legal entity reorganizations; (25) the dilutive impact on our stockholders resulting from the settlement of our outstanding common equity units; (26) regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (27) MetLife, Inc.'s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (28) the possibility that MetLife, Inc.'s Board of Directors may control the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (29) changes in accounting standards, practices and/or policies; (30) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (31) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (32) inability to attract and retain sales representatives; (33) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (34) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (35) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (36) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the SEC.

MetLife, Inc. does not undertake any obligation to publicly correct or update any forward-looking statement if MetLife, Inc. later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures MetLife, Inc. makes on related subjects in reports to the SEC.

Note Regarding Reliance on Statements in Our Contracts

See "Exhibit Index — Note Regarding Reliance on Statements in Our Contracts" for information regarding agreements included as exhibits to this Quarterly Report on Form 10-Q.

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Part I — Financial Information
Item 1. Financial Statements
MetLife, Inc.
Interim Condensed Consolidated Balance Sheets
September 30, 2013 (Unaudited) and December 31, 2012
(In millions, except share and per share data)

	September 30, 2013	December 31, 2012
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $330,900 and $340,870, respectively: includes $3,940 and $3,378, respectively, relating to variable interest entities)	$348,787	$374,266
Equity securities available-for-sale, at estimated fair value (cost: $2,978 and $2,838, respectively)	3,241	2,891
Fair value option and trading securities, at estimated fair value (includes $636 and $659, respectively, of actively traded securities; and $91 and $112, respectively, relating to variable interest entities)	16,646	16,348
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of $326 and $347, respectively; includes $2,119 and $2,715, respectively, at estimated fair value, relating to variable interest entities)	57,508	56,592
Held-for-sale, principally at estimated fair value (includes $0 and $49, respectively, under the fair value option)	225	414
Mortgage loans, net	57,733	57,006
Policy loans (includes $3 and $0, respectively, relating to variable interest entities)	11,782	11,884
Real estate and real estate joint ventures (includes $9 and $10, respectively, relating to variable interest entities)	10,053	9,918
Other limited partnership interests (includes $151 and $274, respectively, relating to variable interest entities)	7,253	6,688
Short-term investments, principally at estimated fair value (includes $6 and $0, respectively, relating to variable interest entities)	12,664	16,906
Other invested assets, principally at estimated fair value (includes $78 and $81, respectively, relating to variable interest entities)	16,766	21,145
Total investments	484,925	517,052
Cash and cash equivalents, principally at estimated fair value (includes $64 and $99, respectively, relating to variable interest entities)	11,376	15,738
Accrued investment income (includes $27 and $13, respectively, relating to variable interest entities)	4,519	4,374
Premiums, reinsurance and other receivables (includes $19 and $5, respectively, relating to variable interest entities)	23,473	21,634
Deferred policy acquisition costs and value of business acquired (includes $251 and $0, respectively, relating to variable interest entities)	25,639	24,761
Goodwill	9,509	9,953
	7,952	7,876

Other assets (includes $133 and $5, respectively, relating to variable interest entities)		
Separate account assets (includes $984 and $0, respectively, relating to variable interest entities)	255,250	235,393
Total assets	$822,643	$836,781
Liabilities and Equity		
Liabilities		
Future policy benefits (includes $468 and $0, respectively, relating to variable interest entities)	$186,528	$192,351
Policyholder account balances (includes $55 and $0, respectively, relating to variable interest entities)	214,512	225,821
Other policy-related balances (includes $124 and $0, respectively, relating to variable interest entities)	15,530	15,463
Policyholder dividends payable	769	728
Policyholder dividend obligation	2,013	3,828
Payables for collateral under securities loaned and other transactions	31,866	33,687
Bank deposits	—	6,416
Short-term debt	100	100
Long-term debt (includes $1,946 and $2,527, respectively, at estimated fair value, relating to variable interest entities)	18,252	19,062
Collateral financing arrangements	4,196	4,196
Junior subordinated debt securities	3,193	3,192
Current income tax payable	199	401
Deferred income tax liability	5,955	8,693
Other liabilities (includes $89 and $40, respectively, relating to variable interest entities)	22,902	22,492
Separate account liabilities (includes $984 and $0, respectively, relating to variable interest entities)	255,250	235,393
Total liabilities	761,265	771,823
Contingencies, Commitments and Guarantees (Note 15)		
Redeemable noncontrolling interests in partially-owned consolidated subsidiaries	110	121
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; 1,124,039,249 and 1,094,880,623 shares issued at September 30, 2013 and December 31, 2012, respectively; 1,120,845,362 and 1,091,686,736 shares outstanding at September 30, 2013 and December 31, 2012, respectively	11	11
Additional paid-in capital	29,221	28,011
Retained earnings	26,766	25,205
Treasury stock, at cost; 3,193,887 shares at September 30, 2013 and December 31, 2012	(172)	(172)
Accumulated other comprehensive income (loss)	5,100	11,397
Total MetLife, Inc.’s stockholders’ equity	60,927	64,453
Noncontrolling interests	341	384
Total equity	61,268	64,837
Total liabilities and equity	$822,643	$836,781

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Nine Months Ended September 30, 2013 and 2012 (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
Premiums	$9,094	$9,096	$27,403	$27,386
Universal life and investment-type product policy fees	2,372	2,131	7,034	6,306
Net investment income	5,026	5,517	16,385	16,436
Other revenues	476	455	1,446	1,445
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(13)	(57)	(77)	(310)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(21)	10	(56)	39
Other net investment gains (losses)	(51)	69	472	119
Total net investment gains (losses)	(85)	22	339	(152)
Net derivative gains (losses)	(546)	(718)	(2,866)	(604)
Total revenues	16,337	16,503	49,741	50,817
Expenses				
Policyholder benefits and claims	9,472	8,943	27,827	26,958
Interest credited to policyholder account balances	1,600	2,102	6,036	5,681
Policyholder dividends	312	355	954	1,050
Goodwill impairment	—	1,868	—	1,868
Other expenses	3,977	4,245	12,140	13,341
Total expenses	15,361	17,513	46,957	48,898
Income (loss) from continuing operations before provision for income tax	976	(1,010)	2,784	1,919
Provision for income tax expense (benefit)	3	(53)	308	710
Income (loss) from continuing operations, net of income tax	973	(957)	2,476	1,209
Income (loss) from discontinued operations, net of income tax	2	—	1	17
Net income (loss)	975	(957)	2,477	1,226
Less: Net income (loss) attributable to noncontrolling interests	3	(3)	17	29
Net income (loss) attributable to MetLife, Inc.	972	(954)	2,460	1,197
Less: Preferred stock dividends	30	30	91	91
Net income (loss) available to MetLife, Inc.’s common shareholders	$942	$(984)	$2,369	$1,106
Comprehensive income (loss)	$(188)	$1,655	$(3,891)	$6,474
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	(58)	19	(54)	35
Comprehensive income (loss) attributable to MetLife, Inc.	$(130)	$1,636	$(3,837)	$6,439
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.’s common shareholders per common share:				
Basic	$0.85	$(0.92)	$2.15	$1.02

Diluted	$0.84	$(0.92)	$2.14	$1.01
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:				
Basic	$0.85	$(0.92)	$2.15	$1.04
Diluted	$0.84	$(0.92)	$2.14	$1.03
Cash dividends declared per common share	$—	$—	$0.735	$—

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Nine Months Ended September 30, 2013 (Unaudited)
(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)				Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests (1)	Total Equity
						Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment			
Balance at December 31, 2012	$1	$11	$28,011	$25,205	$(172)	$14,642	$(223)	$(533)	$(2,489)	$64,453	$384	$64,837
Common stock issuance — newly issued shares			1,000							1,000		1,000
Stock-based compensation			249							249		249
Dividends on preferred stock				(91)						(91)		(91)
Dividends on common stock				(808)						(808)		(808)
Change in equity of noncontrolling interests			(39)							(39)	11	(28)
Net income (loss)				2,460						2,460	17	2,477
Other comprehensive income (loss), net of income tax						(5,389)	70	(1,085)	107	(6,297)	(71)	(6,368)
Balance at September 30, 2013	$1	$11	$29,221	$26,766	$(172)	$9,253	$(153)	$(1,618)	$(2,382)	$60,927	$341	$61,268

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of less than $1 million.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity — (Continued)
For the Nine Months Ended September 30, 2012 (Unaudited)
(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)				Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests (1)	Total Equity
						Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment			
Balance at December 31, 2011	$1	$11	$26,782	$24,814	$(172)	$9,115	$(441)	$(648)	$(1,943)	$57,519	$370	$57,889
Stock-based compensation			182							182		182
Dividends on preferred stock				(91)						(91)		(91)
Change in equity of noncontrolling interests											(56)	(56)
Net income (loss)				1,197						1,197	24	1,221
Other comprehensive income (loss), net of income tax						4,908	170	89	75	5,242	11	5,253
Balance at September 30, 2012	$1	$11	$26,964	$25,920	$(172)	$14,023	$(271)	$(559)	$(1,868)	$64,049	$349	$64,398

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of $5 million.

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, 2013 and 2012 (Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2013	2012
Net cash provided by (used in) operating activities	$9,984	$15,288
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	95,972	78,296
Equity securities	567	1,011
Mortgage loans	8,000	6,696
Real estate and real estate joint ventures	323	669
Other limited partnership interests	546	690
Purchases of:		
Fixed maturity securities	(93,304)	(91,998)
Equity securities	(812)	(499)
Mortgage loans	(9,570)	(7,585)
Real estate and real estate joint ventures	(991)	(595)
Other limited partnership interests	(1,077)	(1,017)
Cash received in connection with freestanding derivatives	1,333	1,560
Cash paid in connection with freestanding derivatives	(5,593)	(2,534)
Net change in securitized reverse residential mortgage loans	—	(1,198)
Sales of businesses, net of cash and cash equivalents disposed of $13 and $0, respectively	386	—
Sale of bank deposits	(6,395)	—
Net change in policy loans	(93)	(116)
Net change in short-term investments	4,272	2,825
Net change in other invested assets	(121)	(206)
Other, net	(18)	(74)
Net cash provided by (used in) investing activities	(6,575)	(14,075)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	60,168	69,438
Withdrawals	(65,141)	(64,718)
Net change in payables for collateral under securities loaned and other transactions	(1,821)	4,777
Net change in bank deposits	8	(4,052)
Net change in short-term debt	—	(586)
Long-term debt issued	—	750
Long-term debt repaid	(765)	(1,106)
Collateral financing arrangements repaid	—	(349)
Cash received (paid) in connection with collateral financing arrangements	—	(44)
Net change in liability for securitized reverse residential mortgage loans	—	1,198
Common stock issued, net of issuance costs	1,000	—
Dividends on preferred stock	(91)	(91)
Dividends on common stock	(808)	—

Other, net	(134)	35
Net cash provided by (used in) financing activities	(7,584)	5,252
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(187)	24
Change in cash and cash equivalents	(4,362)	6,489
Cash and cash equivalents, beginning of period	15,738	10,461
Cash and cash equivalents, end of period	$11,376	$16,950
Supplemental disclosures of cash flow information:		
Net cash paid (received) for:		
Interest	$891	$946
Income tax	$539	$442
Non-cash transactions:		
Real estate and real estate joint ventures acquired in satisfaction of debt	$55	$334
Collateral financing arrangements repaid	$—	$102
Redemption of advances agreements in long-term debt (1)	$—	$3,806
Issuance of funding agreements in policyholder account balances (1)	$—	$3,806

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(1) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

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, its subsidiaries and affiliates. MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East. MetLife offers life insurance, annuities, property & casualty insurance, and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

MetLife is organized into six segments: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the "Americas"); Asia; and Europe, the Middle East and Africa ("EMEA").

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

The accompanying interim condensed consolidated financial statements include the accounts of MetLife, Inc. and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities ("VIEs") for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company's interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of August 31, 2013 and November 30, 2012 and the operating results of such subsidiaries for the three months and nine months ended August 31, 2013 and 2012.

The Company uses the equity method of accounting for investments in equity securities when it has significant influence or at least a 20% interest and for investments in real estate joint ventures and other limited partnership interests ("investees") when it has more than a minor ownership interest or more than minor influence over the investee's operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee's earnings on a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee's operations.

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2013 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2012 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012, (the "2012 Annual Report"), filed with the U.S. Securities and Exchange Commission ("SEC"), which include 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 2012 Annual Report.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

Adoption of New Accounting Pronouncements

Effective July 17, 2013, the Company adopted new guidance regarding derivatives that permits the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to the United States Treasury and London Interbank Offered Rate ("LIBOR"). Also, this new guidance removes the restriction on using different benchmark rates for similar hedges. The new guidance did not have a material impact on the consolidated financial statements upon adoption, but may impact the selection of benchmark interest rates for hedging relationships in the future.

Effective January 1, 2013, the Company adopted new guidance regarding comprehensive income that requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (loss) ("AOCI") by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The adoption was prospectively applied and resulted in additional disclosures in Note 11.

Effective January 1, 2013, the Company adopted new guidance regarding balance sheet offsetting disclosures which requires an entity to disclose information about offsetting and related arrangements for derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions, to enable users of its financial statements to understand the effects of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The adoption was retrospectively applied and resulted in additional disclosures related to derivatives in Note 7.

Future Adoption of New Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board ("FASB") issued new guidance regarding foreign currency (Accounting Standards Update ("ASU") 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity), effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013. The amendments require an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to apply the guidance in Subtopic 830-30, Foreign Currency Matters — Translation of Financial Statements, to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance in section 830-30-40, Derecognition, still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In February 2013, the FASB issued new guidance regarding liabilities (ASU 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date), effective retrospectively for fiscal years beginning after December 15, 2013 and interim periods within those years. The amendments require an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligation. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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

In July 2011, the FASB issued new guidance on other expenses (ASU 2011-06, Other Expenses (Topic 720): Fees Paid to the Federal Government by Health Insurers), effective for calendar years beginning after December 31, 2013. The objective of this standard is to address how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act. The amendments in this standard specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using the straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

2. Segment Information

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the "Americas"); Asia; and EMEA. In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Home Loans LLC ("MLHL"), the surviving, non-bank entity of the merger of MetLife Bank, National Association ("MetLife Bank") with and into MLHL (see Note 3) and other business activities.

Americas

The Americas consists of the following segments:

Retail

The Retail segment offers a broad range of protection products and services and a variety of annuities to individuals and employees of corporations and other institutions, and is organized into two businesses: Life & Other and Annuities. Life & Other insurance products and services include variable life, universal life, term life and whole life products. Additionally, through broker-dealer affiliates, the Company offers a full range of mutual funds and other securities products. Life & Other products and services also include individual disability income products and personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance. Annuities includes a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs.

Group, Voluntary & Worksite Benefits

The Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals and corporations, as well as other institutions and their respective employees, and is organized into two businesses: Group and Voluntary & Worksite. Group insurance products and services include variable life, universal life and term life products. Group insurance products and services also include dental, group short- and long-term disability and accidental death & dismemberment coverages. The Voluntary & Worksite business includes personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance offered to employees on a voluntary basis. The Voluntary & Worksite business also includes long-term care, prepaid legal plans and critical illness products.

Corporate Benefit Funding

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

Latin America

The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, group medical, dental, credit insurance, endowment and retirement & savings products written in Latin America. Starting in the first quarter of 2013, the Latin America segment includes U.S. sponsored direct business, comprised of group products sold through sponsoring organizations and affinity groups. Products included are life, dental, group short-

and long-term disability, accidental death & dismemberment coverages, property & casualty and critical illness.

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Asia
The Asia segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include whole life, term life, variable life, universal life, accident and health insurance, fixed and variable annuities and endowment products.
EMEA
The EMEA segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, credit insurance, annuities, endowment and retirement & savings products.
Corporate & Other
Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, and various start-up and certain run-off businesses. Start-up businesses include expatriate benefits insurance, as well as direct and digital marketing products. Corporate & Other also includes assumed reinsurance of certain variable annuity products from the Company's former operating joint venture in Japan. Under this in-force reinsurance agreement, the Company reinsures living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.
Financial Measures and Segment Accounting Policies
Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is the Company's measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of operating earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business.
Operating earnings is defined as operating revenues less operating expenses, both net of income tax.
Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.
The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees");
- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other revenues are adjusted for settlements of foreign currency earnings hedges.

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The following additional adjustments are made to GAAP expenses, in the line items indicated, in calculating operating expenses:

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (iii) benefits and hedging costs related to GMIBs ("GMIB Costs"), and (iv) market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments");
- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances ("PABs") but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;
- Amortization of deferred policy acquisition costs ("DAC") and value of business acquired ("VOBA") excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;
- Amortization of negative VOBA excludes amounts related to Market Value Adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition and integration costs.

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the three months and nine months ended September 30, 2013 and 2012. The segment accounting policies are the same as those used to prepare the Company's consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in the Company's business.

The Company's economic capital model aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistical based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon and applying an industry standard method for the inclusion of diversification benefits among risk types.

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

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

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MetLife, Inc.

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

Three Months Ended September 30, 2013	Operating Earnings										
	Americas										
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$1,607	$3,767	$490	$692	$6,556	$1,922	$586	$30	$9,094	$—	$9,094
Universal life and investment-type product policy fees	1,257	171	54	222	1,704	438	100	34	2,276	96	2,372
Net investment income	1,928	459	1,424	354	4,165	696	124	58	5,043	(17)	5,026
Other revenues	267	103	68	—	438	22	21	5	486	(10)	476
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(85)	(85)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(546)	(546)
Total revenues	5,059	4,500	2,036	1,268	12,863	3,078	831	127	16,899	(562)	16,337
Expenses											
Policyholder benefits and claims and policyholder dividends	2,234	3,527	1,144	637	7,542	1,506	243	25	9,316	468	9,784
Interest credited to policyholder account balances	582	38	292	106	1,018	407	37	10	1,472	128	1,600
Goodwill impairment	—	—	—	—	—	—	—	—	—	—	—
Capitalization of DAC	(318)	(37)	(2)	(103)	(460)	(515)	(173)	(5)	(1,153)	—	(1,153)
Amortization of DAC and VOBA	315	37	4	63	419	393	166	1	979	(138)	841
Amortization of negative VOBA	—	—	—	(1)	(1)	(99)	(13)	—	(113)	(13)	(126)
Interest expense on debt	(1)	—	3	—	2	—	—	286	288	29	317
Other expenses	1,245	595	134	395	2,369	1,040	443	179	4,031	67	4,098
Total expenses	4,057	4,160	1,575	1,097	10,889	2,732	703	496	14,820	541	15,361
Provision for income tax expense (benefit)	343	114	161	38	656	89	43	(239)	549	(546)	
Operating earnings	$659	$226	$300	$133	$1,318	$257	$85	$(130)	1,530		
Adjustments to:											
Total revenues									(562)		
Total expenses									(541)		
Provision for income tax (expense) benefit									546		
Income (loss) from continuing operations, net of income tax									$973		$973

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MetLife, Inc.

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

Three Months Ended September 30, 2012	Operating Earnings										
	Americas										
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolida
	(In millions)										
Revenues											
Premiums	$1,604	$3,753	$450	$610	$6,417	$2,112	$536	$15	$9,080	$16	$9,096
Universal life and investment-type product policy fees	1,132	166	53	189	1,540	388	82	38	2,048	83	2,131
Net investment income	1,930	450	1,421	299	4,100	709	122	117	5,048	469	5,517
Other revenues	221	100	64	3	388	4	35	8	435	20	455
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	22	22
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(718)	(718)
Total revenues	4,887	4,469	1,988	1,101	12,445	3,213	775	178	16,611	(108)	16,503
Expenses											
Policyholder benefits and claims and policyholder dividends	2,228	3,449	1,070	507	7,254	1,455	255	31	8,995	303	9,298
Interest credited to policyholder account balances	598	42	339	99	1,078	468	32	11	1,589	513	2,102
Goodwill impairment	—	—	—	—	—	—	—	—	—	1,868	1,868
Capitalization of DAC	(430)	(38)	(13)	(83)	(564)	(579)	(158)	—	(1,301)	(1)	(1,302)
Amortization of DAC and VOBA	438	40	4	42	524	396	130	1	1,051	(43)	1,008
Amortization of negative VOBA	—	—	—	(1)	(1)	(128)	(26)	—	(155)	(15)	(170)
Interest expense on debt	—	1	2	(4)	(1)	—	2	285	286	40	326
Other expenses	1,308	547	120	353	2,328	1,206	440	146	4,120	263	4,383
Total expenses	4,142	4,041	1,522	913	10,618	2,818	675	474	14,585	2,928	17,513
Provision for income tax expense (benefit)	253	145	163	36	597	136	38	(192)	579	(632)	(53)
Operating earnings	$492	$283	$303	$152	$1,230	$259	$62	$(104)	1,447		
Adjustments to:											
Total revenues									(108)		
Total expenses									(2,928)		
Provision for income tax (expense) benefit									632		
Income (loss) from continuing operations, net of income tax									$(957)		$(957)

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MetLife, Inc.

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

Nine Months Ended September 30, 2013	Operating Earnings Americas										
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjus	T C
	(In millions)										
Revenues											
Premiums	$4,735	$11,438	$1,457	$2,077	$19,707	$5,900	$1,711	$84	$27,402	$1	$
Universal life and investment-type product policy fees	3,662	521	187	682	5,052	1,324	287	105	6,768	266	7
Net investment income	5,876	1,384	4,302	912	12,474	2,151	372	282	15,279	1,106	1
Other revenues	767	316	208	9	1,300	63	82	22	1,467	(21)	1
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	339	3
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(2,8	6
Total revenues	15,040	13,659	6,154	3,680	38,533	9,438	2,452	493	50,916	(1,1	4
Expenses											
Policyholder benefits and claims and policyholder dividends	6,659	10,681	3,352	1,792	22,484	4,354	736	52	27,626	1,155	2
Interest credited to policyholder account balances	1,750	116	940	313	3,119	1,286	109	33	4,547	1,489	6
Goodwill impairment	—	—	—	—	—	—	—	—	—	—	—
Capitalization of DAC	(1,036)	(105)	(25)	(316)	(1,482)	(1,583)	(542)	(14)	(3,621)	—	(3
Amortization of DAC and VOBA	1,042	104	21	220	1,387	1,186	526	1	3,100	(47)	2
Amortization of negative VOBA	—	—	—	(2)	(2)	(325)	(41)	—	(368)	(42)	(4
Interest expense on debt	—	1	7	—	8	—	—	855	863	96	9
Other expenses	3,788	1,761	398	1,157	7,104	3,188	1,351	489	12,132	457	1
Total expenses	12,203	12,558	4,693	3,164	32,618	8,106	2,139	1,416	44,279	2,678	4
Provision for income tax expense (benefit)	971	370	512	115	1,968	412	73	(635)	1,818	(1,5	1
Operating earnings	$1,866	$731	$949	$401	$3,947	$920	$240	$(288)	4,819		
Adjustments to:											
Total revenues									(1,175)		
Total expenses									(2,678)		
Provision for income tax (expense) benefit									1,510		
Income (loss) from continuing operations, net of income tax									$2,476		$

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MetLife, Inc.

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

Nine Months Ended September 30, 2012	Operating Earnings Americas									
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjust
	(In millions)									
Revenues										
Premiums	$4,804	$11,021	$1,480	$1,948	$19,253	$6,215	$1,815	$43	$27,326	$60
Universal life and investment-type product policy fees	3,365	497	161	581	4,604	1,102	233	117	6,056	250
Net investment income	5,735	1,325	4,253	881	12,194	2,150	406	547	15,297	1,139
Other revenues	647	320	193	11	1,171	17	98	27	1,313	132
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(152)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(604)
Total revenues	14,551	13,163	6,087	3,421	37,222	9,484	2,552	734	49,992	825
Expenses										
Policyholder benefits and claims and policyholder dividends	6,668	10,153	3,293	1,667	21,781	4,250	941	94	27,066	942
Interest credited to policyholder account balances	1,784	127	1,016	289	3,216	1,323	91	23	4,653	1,028
Goodwill impairment	—	—	—	—	—	—	—	—	—	1,868
Capitalization of DAC	(1,352)	(102)	(28)	(238)	(1,720)	(1,721)	(535)	—	(3,976)	(5)
Amortization of DAC and VOBA	1,319	98	18	151	1,586	1,188	456	1	3,231	(30)
Amortization of negative VOBA	—	—	—	(4)	(4)	(387)	(65)	—	(456)	(50)
Interest expense on debt	—	1	6	(3)	4	5	3	886	898	128
Other expenses	4,060	1,692	368	1,002	7,122	3,550	1,333	409	12,414	1,187
Total expenses	12,479	11,969	4,673	2,864	31,985	8,208	2,224	1,413	43,830	5,068
Provision for income tax expense (benefit)	703	401	495	122	1,721	437	116	(516)	1,758	(1,048)
Operating earnings	$1,369	$793	$919	$435	$3,516	$839	$212	$(163)	4,404	
Adjustments to:										
Total revenues									825	
Total expenses									(5,068)	
Provision for income tax (expense) benefit									1,048	
Income (loss) from continuing operations, net of income tax									$1,209	

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

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

	September 30, 2013	December 31, 2012
	(In millions)	
Retail	$342,665	$332,387
Group, Voluntary & Worksite Benefits	43,648	44,138
Corporate Benefit Funding	218,819	217,352
Latin America	24,116	23,272
Asia	119,742	131,138
EMEA	24,203	23,474
Corporate & Other	49,450	65,020
Total	$822,643	$836,781

3. Acquisitions and Disposition

2013 Acquisition

Provida

On October 1, 2013, MetLife, Inc. completed its previously announced acquisition of Administradora de Fondos de Pensiones Provida S.A. ("Provida"), the largest private pension fund administrator in Chile based on assets under management and number of pension fund contributors. The acquisition of Provida supports the Company's growth strategy in emerging markets and further strengthens the Company's overall position in Chile. A subsidiary of MetLife, Inc. conducted a public cash tender offer for all of the outstanding shares of Provida, and under the terms of the acquisition agreement with Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") and BBVA Inversiones Chile S.A (together with BBVA, the "BBVA Sellers"), acquired 64.32% of the outstanding shares of Provida from the BBVA Sellers. An additional 27.06% of remaining publicly traded shares were acquired through the public cash tender offer, resulting in a 91.38% total ownership in Provida by MetLife as of October 1, 2013, for a total acquisition price of $1.9 billion. Due to limited access to Provida's financial information prior to the acquisition and limited time since the transaction closing, initial accounting for the acquisition is incomplete. The Company is unable to provide its valuation of assets and liabilities acquired, intangible assets associated with the acquired business and goodwill. The Company will complete the allocation of the acquisition price to identifiable assets and liabilities in the fourth quarter of 2013 and provide required disclosures in the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013.

2013 Disposition

MetLife Bank

On January 11, 2013, MetLife Bank and MetLife, Inc. completed the sale of MetLife Bank's $6.4 billion of deposits to GE Capital Retail Bank for $6.4 billion in net consideration paid. On February 14, 2013, MetLife, Inc. announced that it had received the required approvals from both the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") to de-register as a bank holding company. Subsequently, MetLife Bank terminated its deposit insurance and MetLife, Inc. de-registered as a bank holding company. In August 2013, MetLife Bank merged with and into MLHL, its former subsidiary, with MLHL as the surviving, non-bank entity.

MetLife Bank has sold or has otherwise committed to exit substantially all of its operations. In conjunction with exiting its businesses (the "MetLife Bank Divestiture"), the Company recorded net losses of $22 million and $96 million, net of income tax, for the three months and nine months ended September 30, 2013, respectively, related to the gain on disposal of the depository business and other costs related to MetLife Bank's businesses. For the three months and nine months ended September 30, 2012, the Company recorded net losses of $45 million and $155 million, respectively, net of income tax, related to the loss on disposal of mortgage servicing rights ("MSRs"), gains (losses) on securities and mortgage loans sold and other costs related to MetLife Bank's businesses. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. The Company expects to incur

additional charges of $40 million to $65 million, net of income tax, exclusive of incremental legal settlements, related to the MetLife Bank Divestiture. See Note 15.

Each of the businesses that were exited as part of the MetLife Bank Divestiture could not be separated from the rest of the operations since the Company did not separately manage the businesses as a reportable segment, operating segment, or reporting unit. As a result, the businesses have not been reported as discontinued operations in the consolidated financial statements.

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2010 Acquisition
American Life Insurance Company
Branch Restructuring
During the first quarter of 2013, and in accordance with the closing agreement, American Life Insurance Company ("American Life") entered into on March 4, 2010 (the "Closing Agreement") with the Commissioner of the Internal Revenue Service (see Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report), the Company transferred the business of American Life in Portugal and Spain to wholly-owned subsidiaries. The deferred tax asset valuation allowance associated with this branch restructuring was reduced from $25 million at December 31, 2012 to $0 at September 30, 2013. For further information, see Note 19 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.
A liability of $277 million was recognized in purchase accounting at November 1, 2010 for the anticipated and estimated costs associated with restructuring American Life's foreign branches into subsidiaries in connection with the Closing Agreement. This liability has been reduced based on payments and revised estimates through September 30, 2013 resulting in a liability of $42 million at September 30, 2013.
Japan Income Tax Refund
In December 2012, the Tokyo District Court ruled in favor of the Japan branch of American Life in a tax case related to the deduction of unrealized foreign exchange losses on certain securities held by American Life prior to its acquisition by MetLife. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. During the first quarter of 2013, American Life received a refund of ¥16 billion ($176 million) related to income tax, interest and penalties. Under the indemnification provisions of the stock purchase agreement dated March 7, 2010, as amended, by and among MetLife, Inc., American International Group, Inc. ("AIG") and AM Holdings LLC (formerly known as ALICO Holdings LLC), MetLife, Inc. has remitted the refund to AIG, net of certain amounts it can retain as a counter claim. The receipt of the refund, net of obligations to AIG with related foreign currency exchange impact and corresponding U.S. tax effects, resulted in a net charge of $16 million in the interim condensed consolidated statements of operations and comprehensive income (loss) for the nine months ended September 30, 2013, which was comprised of a $154 million charge included in other expenses, a $19 million gain included in other net investment gains (losses) and a $119 million benefit included in provision for income tax expense (benefit).
4. Insurance
Guarantees
As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. The non-life-contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and the portion of certain GMIBs that does not require annuitization are accounted for as embedded derivatives in PABs and are further discussed in Note 7.
The Company also issues annuity contracts that apply a lower rate on 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, maturity or at annuitization. Additionally, the Company issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.
Based on the type of guarantee, the Company defines net amount at risk as listed below. These amounts include direct and assumed business, but exclude offsets from hedging or reinsurance, if any.
Variable Annuity Guarantees
In the Event of Death
Defined as the guaranteed minimum death benefit less the total contract account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.

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At Annuitization
Defined as the amount (if any) that would be required to be added to the total contract account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contractholders have achieved.
Two Tier Annuities
Defined as the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date. These contracts apply a lower rate of funds if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize.
Universal and Variable Life Contracts
Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.
Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as follows at:

	September 30, 2013		December 31, 2012	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Variable Annuity Guarantees				
Total contract account value (2)	$195,725	$97,145	$184,095	$89,137
Separate account value	$157,974	$92,961	$143,893	$84,354
Net amount at risk	$5,543	$1,405	$9,501	$4,593
Average attained age of contractholders	63 years	63 years	62 years	62 years
Two Tier Annuities				
General account value	N/A	$862	N/A	$848
Net amount at risk	N/A	$229	N/A	$232
Average attained age of contractholders	N/A	50 years	N/A	51 years

	September 30, 2013		December 31, 2012	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
Universal and Variable Life Contracts (1)				
Account value (general and separate account)	$15,394	$3,727	$14,256	$3,828
Net amount at risk	$187,686	$22,084	$189,197	$23,276
Average attained age of policyholders	55 years	60 years	54 years	60 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) Includes amounts, which are not reported in the consolidated balance sheets, from assumed reinsurance of certain variable annuity products from the Company's former operating joint venture in Japan.

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5. Closed Block

On April 7, 2000 (the "Demutualization Date"), Metropolitan Life Insurance Company ("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 (the "Plan"). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC.

Experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized gains and losses, directly impact the policyholder dividend obligation. Amortization of the closed block DAC, which resides outside of the closed block, is based upon cumulative actual and expected earnings within the closed block. Accordingly, the Company's net income continues to be sensitive to the actual performance of the closed block.

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.

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

	September 30, 2013	December 31, 2012
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$42,105	$42,586
Other policy-related balances	301	298
Policyholder dividends payable	507	466
Policyholder dividend obligation	2,013	3,828
Other liabilities	724	602
Total closed block liabilities	45,650	47,780
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	28,124	30,546
Equity securities available-for-sale, at estimated fair value	87	41
Mortgage loans	6,520	6,192
Policy loans	4,669	4,670
Real estate and real estate joint ventures	481	459
Other invested assets	923	953
Total investments	40,804	42,861
Cash and cash equivalents	404	381
Accrued investment income	497	481
Premiums, reinsurance and other receivables	101	107
Current income tax recoverable	15	2
Deferred income tax assets	292	319
Total assets designated to the closed block	42,113	44,151
Excess of closed block liabilities over assets designated to the closed block	3,537	3,629
Amounts included in AOCI:		
Unrealized investment gains (losses), net of income tax	1,682	2,891
Unrealized gains (losses) on derivatives, net of income tax	2	9
Allocated to policyholder dividend obligation, net of income tax	(1,309)	(2,488)
Total amounts included in AOCI	375	412
Maximum future earnings to be recognized from closed block assets and liabilities	$3,912	$4,041

Information regarding the closed block policyholder dividend obligation was as follows:

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
	(In millions)	
Balance, beginning of period	$3,828	$2,919
Change in unrealized investment and derivative gains (losses)	(1,815)	909
Balance, end of period	$2,013	$3,828

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Revenues				
Premiums	$478	$512	$1,431	$1,538
Net investment income	514	555	1,576	1,644
Net investment gains (losses)	(7)	6	20	30
Net derivative gains (losses)	(16)	(9)	(1)	(7)
Total revenues	969	1,064	3,026	3,205
Expenses				
Policyholder benefits and claims	651	654	1,963	2,016
Policyholder dividends	251	278	740	821
Other expenses	39	45	124	136
Total expenses	941	977	2,827	2,973
Revenues, net of expenses before provision for income tax expense (benefit)	28	87	199	232
Provision for income tax expense (benefit)	10	30	70	82
Revenues, net of expenses and provision for income tax expense (benefit) from continuing operations	18	57	129	150
Revenues, net of expenses and provision for income tax expense (benefit) from discontinued operations	—	—	—	4
Revenues, net of expenses and provision for income tax expense (benefit)	$18	$57	$129	$154

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.

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6. Investments
Fixed Maturity and Equity Securities Available-for-Sale
Fixed Maturity and Equity Securities Available-for-Sale by Sector
The following table presents the fixed maturity and equity securities available-for-sale ("AFS") by sector. The unrealized loss amounts presented below include the noncredit loss component of other-than-temporary impairments ("OTTI") losses. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS").

	September 30, 2013					December 31, 2012				
	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value
	(In millions)									
Fixed maturity securities:										
U.S. corporate	$101,107	$7,650	$1,266	$—	$107,491	$102,669	$11,887	$430	$—	$114,126
Foreign corporate (1)	60,374	3,871	597	—	63,648	61,806	5,654	277	(1)	67,184
Foreign government	49,400	3,969	365	—	53,004	51,967	5,440	71	—	57,336
U.S. Treasury and agency	41,926	2,967	739	—	44,154	41,874	6,104	11	—	47,967
RMBS	34,412	1,698	403	229	35,478	35,666	2,477	315	349	37,479
CMBS	16,425	635	164	—	16,896	18,177	1,009	57	—	19,129
ABS	14,023	296	146	12	14,161	15,762	404	156	13	15,997
State and political subdivision	13,233	985	263	—	13,955	12,949	2,169	70	—	15,048
Total fixed maturity securities	$330,900	$22,071	$3,943	$241	$348,787	$340,870	$35,144	$1,387	$361	$374,266
Equity securities:										
Common stock	$1,948	$336	$14	$—	$2,270	$2,034	$147	$19	$—	$2,162
Non-redeemable preferred stock	1,030	60	119	—	971	804	65	140	—	729
Total equity securities	$2,978	$396	$133	$—	$3,241	$2,838	$212	$159	$—	$2,891

(1) OTTI losses, as presented above, represent the noncredit portion of OTTI losses that is included in AOCI. OTTI losses include both the initial recognition of noncredit losses, and the effects of subsequent increases and decreases in estimated fair value for those fixed maturity securities that were previously noncredit loss impaired. The noncredit loss component of OTTI losses for foreign corporate securities was in an unrealized gain position of $1 million at December 31, 2012, due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also "— Net Unrealized Investment Gains (Losses)."

The Company held non-income producing fixed maturity securities with an estimated fair value of $60 million and $85 million with unrealized gains (losses) of $25 million and $11 million at September 30, 2013 and December 31, 2012, respectively.

Maturities of Fixed Maturity Securities

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

	September 30, 2013		December 31, 2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$13,648	$13,890	$24,177	$24,394
Due after one year through five years	72,766	76,296	66,973	70,759
Due after five years through ten years	77,195	82,484	82,376	91,975
Due after ten years	102,431	109,582	97,739	114,533
Subtotal	266,040	282,252	271,265	301,661
Structured securities (RMBS, CMBS and ABS)	64,860	66,535	69,605	72,605
Total fixed maturity securities	$330,900	$348,787	$340,870	$374,266

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

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity securities AFS in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position. The unrealized loss amounts include the noncredit component of OTTI loss.

	September 30, 2013				December 31, 2012			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions, except number of securities)							
Fixed maturity securities:								
U.S. corporate	$17,625	$978	$2,427	$288	$3,799	$88	$3,695	$342
Foreign corporate	10,709	484	1,491	113	2,783	96	2,873	180
Foreign government	6,431	332	247	33	1,431	22	543	49
U.S. Treasury and agency	11,326	734	47	5	1,951	11	—	—
RMBS	8,457	263	2,357	369	735	31	4,098	633
CMBS	3,893	147	228	17	842	11	577	46
ABS	2,949	70	695	88	1,920	30	1,410	139
State and political subdivision	2,801	198	225	65	260	4	251	66
Total fixed maturity securities	$64,191	$3,206	$7,717	$978	$13,721	$293	$13,447	$1,455
Equity securities:								
Common stock	$92	$13	$15	$1	$201	$18	$14	$1
Non-redeemable preferred stock	361	59	198	60	—	—	295	140
Total equity securities	$453	$72	$213	$61	$201	$18	$309	$141
Total number of securities in an unrealized loss position	4,868		807		1,941		1,335	

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

As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

Current Period Evaluation

Based on the Company's current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired at September 30, 2013. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic

fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities in an unrealized loss position increased $2.5 billion during the nine months ended September 30, 2013 from $1.7 billion to $4.2 billion. The increase in gross unrealized losses for the nine months ended September 30, 2013, was primarily attributable to an increase in interest rates.

At September 30, 2013, $282 million of the total $4.2 billion of gross unrealized losses were from 95 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

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Investment Grade Fixed Maturity Securities
Of the $282 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $129 million, or 46%, are related to gross unrealized losses on 48 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed rate fixed maturity securities, rising interest rates since purchase.
Below Investment Grade Fixed Maturity Securities
Of the $282 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $153 million, or 54%, are related to gross unrealized losses on 47 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans), ABS (primarily foreign ABS) and foreign government securities (primarily European sovereign bonds) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over unemployment levels, sovereign debt levels and valuations of residential real estate supporting non-agency RMBS. Management evaluates foreign government securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuer; and evaluates non-agency RMBS and ABS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security.
Equity Securities
Equity securities in an unrealized loss position decreased $26 million during the nine months ended September 30, 2013 from $159 million to $133 million. Of the $133 million, $46 million were from 13 equity securities with gross unrealized losses of 20% or more of cost for 12 months or greater, all of which were financial services industry investment grade non-redeemable preferred stock, of which 63% were rated A or better.
Fair Value Option and Trading Securities
See Note 8 for tables that present the categories of securities that comprise fair value option (“FVO”) and trading securities. See “— Net Investment Income” and “— Net Investment Gains (Losses)” for the net investment income recognized on FVO and trading securities and the related changes in estimated fair value subsequent to purchase included in net investment income and net investment gains (losses) for securities still held as of the end of the respective periods, as applicable.
Mortgage Loans
Mortgage Loans Held-for-Investment and Held-for-Sale by Portfolio Segment
Mortgage loans are summarized as follows at:

	September 30, 2013		December 31, 2012	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Mortgage loans held-for-investment:				
Commercial	$40,262	69.8 %	$40,472	71.0 %
Agricultural	12,830	22.2	12,843	22.5
Residential	2,434	4.2	958	1.7
Subtotal (1)	55,526	96.2	54,273	95.2
Valuation allowances	(326)	(0.6)	(347)	(0.6)
Subtotal mortgage loans held-for-investment, net	55,200	95.6	53,926	94.6
Residential — FVO	212	0.4	—	—
Commercial mortgage loans held by CSEs	2,096	3.6	2,666	4.7
Total mortgage loans held-for-investment, net	57,508	99.6	56,592	99.3
Mortgage loans held-for-sale	225	0.4	414	0.7

Total mortgage loans, net	$57,733	100.0	%	$57,006	100.0	%

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(1) Purchases of mortgage loans were $676 million and $1.6 billion for the three months and nine months ended September 30, 2013, respectively, and $100 million for both the three months and nine months ended September 30, 2012.

See "— Variable Interest Entities" for discussion of consolidated securitization entities ("CSEs").

Mortgage Loans and Valuation Allowance by Portfolio Segment

The carrying value prior to valuation allowance ("recorded investment") in mortgage loans held-for-investment, by portfolio segment, by method of evaluation of credit loss, and the related valuation allowances, by type of credit loss, were as follows at:

	September 30, 2013				December 31, 2012			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Mortgage loans:								
Evaluated individually for credit losses	$520	$170	$14	$704	$539	$181	$13	$733
Evaluated collectively for credit losses	39,742	12,660	2,420	54,822	39,933	12,662	945	53,540
Total mortgage loans	40,262	12,830	2,434	55,526	40,472	12,843	958	54,273
Valuation allowances:								
Specific credit losses	62	12	2	76	94	21	2	117
Non-specifically identified credit losses	197	38	15	250	199	31	—	230
Total valuation allowances	259	50	17	326	293	52	2	347
Mortgage loans, net of valuation allowances	$40,003	$12,780	$2,417	$55,200	$40,179	$12,791	$956	$53,926

Valuation Allowance Rollforward by Portfolio Segment

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

	Three Months Ended September 30,							
	2013				2012			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$242	$49	$11	$302	$300	$59	$2	$361
Provision (release)	17	1	6	24	2	6	—	8
Charge-offs, net of recoveries	—	—	—	—	(2)	(8)	—	(10)
Transfers to held-for-sale (1)	—	—	—	—	—	(5)	—	(5)
Balance, end of period	$259	$50	$17	$326	$300	$52	$2	$354

Nine Months Ended September 30,	2013				2012			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$293	$52	$2	$347	$398	$81	$2	$481
Provision (release)	(34)	8	15	(11)	(96)	—	6	(90)
Charge-offs, net of recoveries	—	(10)	—	(10)	(2)	(24)	—	(26)
Transfers to held-for-sale (1)	—	—	—	—	—	(5)	(6)	(11)
Balance, end of period	$259	$50	$17	$326	$300	$52	$2	$354

(1) The valuation allowance on and the related carrying value of certain residential mortgage loans held-for-investment were transferred to mortgage loans held-for-sale in connection with the MetLife Bank Divestiture. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

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Credit Quality of Commercial Mortgage Loans

Information about the credit quality of commercial mortgage loans held-for-investment is presented below at:

	Recorded Investment Debt Service Coverage Ratios					Estimated Fair Value		
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total		% of Total	
	(In millions)					(In millions)		
September 30, 2013:								
Loan-to-value ratios:								
Less than 65%	$29,992	$ 751	$746	$31,489	78.2 %	$ 33,188	79.0	%
65% to 75%	6,029	501	199	6,729	16.7	6,860	16.3	
76% to 80%	290	192	258	740	1.8	737	1.7	
Greater than 80%	902	261	141	1,304	3.3	1,246	3.0	
Total	$37,213	$ 1,705	$1,344	$40,262	100.0 %	$ 42,031	100.0	%
December 31, 2012:								
Loan-to-value ratios:								
Less than 65%	$29,839	$ 730	$722	$31,291	77.3 %	$ 33,730	78.3	%
65% to 75%	5,057	672	153	5,882	14.6	6,129	14.2	
76% to 80%	938	131	316	1,385	3.4	1,436	3.3	
Greater than 80%	1,085	552	277	1,914	4.7	1,787	4.2	
Total	$36,919	$ 2,085	$1,468	$40,472	100.0 %	$ 43,082	100.0	%

Credit Quality of Agricultural Mortgage Loans

Information about the credit quality of agricultural mortgage loans held-for-investment is presented below at:

	September 30, 2013		December 31, 2012	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Loan-to-value ratios:				
Less than 65%	$12,024	93.7 %	$11,908	92.7 %
65% to 75%	560	4.4	590	4.6
76% to 80%	132	1.0	92	0.7
Greater than 80%	114	0.9	253	2.0
Total	$12,830	100.0 %	$12,843	100.0 %

The estimated fair value of agricultural mortgage loans held-for-investment was $13.2 billion and $13.3 billion at September 30, 2013 and December 31, 2012, respectively.

Credit Quality of Residential Mortgage Loans

Information about the credit quality of residential mortgage loans held-for-investment is presented below at:

	September 30, 2013		December 31, 2012	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Performance indicators:				
Performing	$2,381	97.8 %	$929	97.0 %
Nonperforming	53	2.2	29	3.0
Total	$2,434	100.0 %	$958	100.0 %

The estimated fair value of residential mortgage loans held-for-investment was $2.4 billion and $1.0 billion at September 30, 2013 and December 31, 2012, respectively.

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Past Due and Interest Accrual Status of Mortgage Loans

The Company has a high quality, well performing, mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both September 30, 2013 and December 31, 2012. The Company defines delinquency consistent with industry practice, when the mortgage loan is past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The recorded investment in mortgage loans held-for-investment, prior to valuation allowances, past due according to these aging categories, greater than 90 days past due and still accruing interest and in nonaccrual status, by portfolio segment, were as follows at:

	Past Due		Greater than 90 Days Past Due and Still Accruing Interest		Nonaccrual Status	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	(In millions)					
Commercial	$12	$2	$11	$—	$196	$84
Agricultural	93	116	2	53	106	67
Residential	53	29	11	—	18	18
Total	$158	$147	$24	$53	$320	$169

Impaired Mortgage Loans

Information regarding impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, by portfolio segment, was as follows at:

	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans	
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Carrying Value
	(In millions)							
September 30, 2013:								
Commercial	$230	$224	$ 62	$162	$303	$296	$533	$458
Agricultural	85	82	12	70	93	88	178	158
Residential	12	12	2	10	2	2	14	12
Total	$327	$318	$ 76	$242	$398	$386	$725	$628
December 31, 2012:								
Commercial	$445	$436	$ 94	$342	$103	$103	$548	$445
Agricultural	110	107	21	86	79	74	189	160
Residential	13	13	2	11	—	—	13	11
Total	$568	$556	$ 117	$439	$182	$177	$750	$616

Unpaid principal balance is generally prior to any charge-offs.

The average recorded investment in impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, and the related interest income, which is primarily recognized on a cash basis, by portfolio segment, was:

	Impaired Mortgage Loans							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
	Average Recorded	Interest Income	Average Recorded	Interest Income	Average Recorded	Interest Income	Average Recorded	Interest Income

	Investment		Investment		Investment		Investment	
	(In millions)							
Commercial	$525	$4	$395	$1	$530	$11	$334	$4
Agricultural	165	5	191	2	167	8	210	5
Residential	14	—	12	—	14	—	13	—
Total	$704	$9	$598	$3	$711	$19	$557	$9

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

Mortgage Loans Modified in a Troubled Debt Restructuring
The number of mortgage loans and carrying value after specific valuation allowance of mortgage loans modified during the period in a troubled debt restructuring were as follows:

	Three Months Ended September 30, 2013			2012		
	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance		Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance	
		Pre-Modification (In millions)	Post-Modification		Pre-Modification (In millions)	Post-Modification
Commercial	1	$49	$49	—	$—	$—
Agricultural	2	24	24	5	17	16
Residential	5	1	1	—	—	—
Total	8	$74	$74	5	$17	$16

	Nine Months Ended September 30, 2013			2012		
	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance		Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance	
		Pre-Modification (In millions)	Post-Modification		Pre-Modification (In millions)	Post-Modification
Commercial	1	$49	$49	—	$—	$—
Agricultural	3	28	28	5	17	16
Residential	11	2	2	—	—	—
Total	15	$79	$79	5	$17	$16

During the three months and nine months ended September 30, 2013 and 2012, the Company had no mortgage loans with subsequent payment defaults that were modified in a troubled debt restructuring during the previous 12 months. Payment default is determined in the same manner as delinquency status as described above.

Cash Equivalents
The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $5.6 billion and $6.1 billion at September 30, 2013 and December 31, 2012, respectively.

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Net Unrealized Investment Gains (Losses)
The components of net unrealized investment gains (losses), included in AOCI, were as follows at:

	September 30, 2013	December 31, 2012
	(In millions)	
Fixed maturity securities	$18,075	$33,641
Fixed maturity securities with noncredit OTTI losses in AOCI	(241)	(361)
Total fixed maturity securities	17,834	33,280
Equity securities	262	97
Derivatives	624	1,274
Other	(21)	(30)
Subtotal	18,699	34,621
Amounts allocated from:		
Insurance liability loss recognition	(1,099)	(6,049)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	7	19
DAC and VOBA	(1,306)	(2,485)
Policyholder dividend obligation	(2,013)	(3,828)
Subtotal	(4,411)	(12,343)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	81	119
Deferred income tax benefit (expense)	(5,299)	(7,973)
Net unrealized investment gains (losses)	9,070	14,424
Net unrealized investment gains (losses) attributable to noncontrolling interests	30	(5)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$9,100	$14,419

The changes in fixed maturity securities with noncredit OTTI losses included in AOCI were as follows:

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
	(In millions)	
Balance, beginning of period	$(361)	$(724)
Noncredit OTTI losses and subsequent changes recognized (1)	56	(29)
Securities sold with previous noncredit OTTI loss	132	177
Subsequent changes in estimated fair value	(68)	215
Balance, end of period	$(241)	$(361)

(1) Noncredit OTTI losses and subsequent changes recognized, net of DAC, were $47 million and ($21) million for the nine months ended September 30, 2013 and year ended December 31, 2012, respectively.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

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

	Nine Months Ended September 30, 2013
	(In millions)
Balance, beginning of period	$14,419
Fixed maturity securities on which noncredit OTTI losses have been recognized	120
Unrealized investment gains (losses) during the period	(16,042)
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	4,950
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(12)
DAC and VOBA	1,179
Policyholder dividend obligation	1,815
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(38)
Deferred income tax benefit (expense)	2,674
Net unrealized investment gains (losses)	9,065
Net unrealized investment gains (losses) attributable to noncontrolling interests	35
Balance, end of period	$9,100
Change in net unrealized investment gains (losses)	$(5,354)
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	35
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$(5,319)

Concentrations of Credit Risk

Investments in any counterparty that were greater than 10% of the Company's equity, other than the U.S. government and its agencies, were in fixed income securities of the Japanese government and its agencies with an estimated fair value of $21.2 billion and $22.4 billion at September 30, 2013 and December 31, 2012, respectively. The Company's investment in fixed maturity and equity securities to counterparties that primarily conduct business in Japan, including Japan government and agency fixed maturity securities, was $26.4 billion and $28.7 billion at September 30, 2013 and December 31, 2012, respectively.

Securities Lending

The Company participates in a securities lending program. Elements of the securities lending program are presented below at:

	September 30, 2013	December 31, 2012
	(In millions)	
Securities on loan: (1)		
Amortized cost	$27,781	$23,380
Estimated fair value	$28,810	$27,077
Cash collateral on deposit from counterparties (2)	$29,416	$27,727
Security collateral on deposit from counterparties (3)	$18	$104
Reinvestment portfolio — estimated fair value	$29,676	$28,112

(1) Included within fixed maturity securities, cash and cash equivalents, short-term investments and equity securities.
(2) Included within payables for collateral under securities loaned and other transactions.
(3) Security collateral on deposit from counterparties may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements.

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MetLife, Inc.
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Invested Assets on Deposit, Held in Trust and Pledged as Collateral

Invested assets on deposit, held in trust and pledged as collateral are presented below at estimated fair value for cash and cash equivalents, short-term investments, fixed maturity and equity securities, and FVO and trading securities, and at carrying value for mortgage loans.

	September 30, 2013	December 31, 2012
	(In millions)	
Invested assets on deposit (regulatory deposits)	$2,229	$2,362
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	10,928	12,434
Invested assets pledged as collateral (1)	22,927	23,251
Total invested assets on deposit, held in trust and pledged as collateral	$36,084	$38,047

(1) The Company has pledged fixed maturity securities, mortgage loans and cash and cash equivalents in connection with various agreements and transactions, including funding agreements (see Notes 4 and 12 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report), collateral financing arrangements (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report) and derivative transactions (see Note 7).

Variable Interest Entities

The Company has invested in certain structured transactions (including CSEs), formed trusts to invest proceeds from certain collateral financing arrangements and has insurance operations, that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity.

The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary. However, for VIEs that are investment companies or apply measurement principles consistent with those utilized by investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will absorb a majority of a VIE's expected losses, receive a majority of a VIE's expected residual returns if no single entity absorbs a majority of expected losses, or both. The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

Consolidated VIEs

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 at September 30, 2013 and December 31, 2012. Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.

	September 30, 2013		December 31, 2012	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	$3,430	$—	$3,439	$—
CSEs (assets (primarily loans) and liabilities (primarily debt)) (2)	2,130	1,953	2,730	2,545
Operating joint venture (3)	1,982	1,681	—	—

Investments:				
Other limited partnership interests	172	10	356	8
FVO and trading securities	69	—	71	—
Other invested assets	82	7	85	—
Real estate joint ventures	10	15	11	14
Total	$7,875	$3,666	$6,692	$2,567

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

(1) See Note 13 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for a description of the MetLife Reinsurance Company of South Carolina ("MRSC") collateral financing arrangement. These assets primarily consist of fixed maturity securities.

(2) The Company consolidates former qualified special purpose entities ("QSPEs") that are structured as CMBS and as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The assets and liabilities of these CSEs are primarily commercial mortgage loans held-for-investment and long-term debt, respectively. The Company's exposure was limited to that of its remaining investment in the former QSPEs of $158 million and $168 million at estimated fair value at September 30, 2013 and December 31, 2012, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $29 million and $96 million for the three months and nine months ended September 30, 2013, respectively, and $40 million and $125 million for the three months and nine months ended September 30, 2012, respectively.

(3) Assets of the operating joint venture are primarily fixed maturity securities and separate account assets. Liabilities of the operating joint venture are primarily future policy benefits, other policyholder funds and separate account liabilities. The assets and liabilities of the operating joint venture were consolidated in earlier periods; however, as a result of the quarterly reassessment in the first quarter of 2013, it was determined to be a consolidated VIE.

Unconsolidated VIEs

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

	September 30, 2013		December 31, 2012	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured securities (RMBS, CMBS and ABS) (2)	$66,535	$66,535	$72,605	$72,605
U.S. and foreign corporate	4,437	4,437	5,287	5,287
Other limited partnership interests	4,925	6,782	4,436	5,908
Other invested assets	1,348	1,607	1,117	1,431
FVO and trading securities	598	598	563	563
Mortgage loans	162	162	351	351
Real estate joint ventures	106	110	150	157
Equity securities AFS:				
Non-redeemable preferred stock	32	32	32	32
Total	$78,143	$80,263	$84,541	$86,334

(1) The maximum exposure to loss relating to fixed maturity securities AFS, FVO and trading securities and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests, mortgage loans and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments of the Company. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of $271 million and $318 million at September 30, 2013 and December 31, 2012, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.

(2) For these variable interests, the Company's involvement is limited to that of a passive investor.

As described in Note 15, 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, 2013 and 2012.

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Net Investment Income
The components of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Investment income:				
Fixed maturity securities	$3,784	$3,825	$11,319	$11,370
Equity securities	28	26	88	96
FVO and trading securities — Actively Traded Securities and FVO general account securities (1)	14	24	24	68
Mortgage loans	725	811	2,179	2,405
Policy loans	158	157	465	471
Real estate and real estate joint ventures	227	173	663	630
Other limited partnership interests	144	145	665	593
Cash, cash equivalents and short-term investments	42	40	136	115
International joint ventures	16	7	7	11
Other	25	27	137	148
Subtotal	5,163	5,235	15,683	15,907
Less: Investment expenses	302	276	889	793
Subtotal, net	4,861	4,959	14,794	15,114
FVO and trading securities — FVO contractholder-directed unit-linked investments (1)	132	512	1,485	1,010
Securitized reverse residential mortgage loans	—	3	—	177
FVO CSEs — interest income:				
Commercial mortgage loans	33	42	104	131
Securities	—	1	2	4
Subtotal	165	558	1,591	1,322
Net investment income	$5,026	$5,517	$16,385	$16,436

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Actively Traded Securities and FVO general account securities	$2	$6	$(14)	$36
FVO contractholder-directed unit-linked investments	$(9)	$247	$1,069	$741

See “— Variable Interest Entities” for discussion of CSEs.

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Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized — by sector and industry:				
U.S. and foreign corporate securities — by industry:				
Utility	$(1)	$(10)	$(33)	$(61)
Finance	—	—	(10)	(32)
Consumer	(3)	(4)	(11)	(16)
Communications	—	(1)	(2)	(19)
Industrial	—	(4)	—	(5)
Transportation	(3)	(11)	(3)	(17)
Total U.S. and foreign corporate securities	(7)	(30)	(59)	(150)
RMBS	(27)	(15)	(74)	(61)
CMBS	—	—	—	(50)
ABS	—	(2)	—	(9)
State and political subdivision	—	—	—	(1)
OTTI losses on fixed maturity securities recognized in earnings	(34)	(47)	(133)	(271)
Fixed maturity securities — net gains (losses) on sales and disposals	(44)	80	504	146
Total gains (losses) on fixed maturity securities (1)	(78)	33	371	(125)
Total gains (losses) on equity securities:				
Total OTTI losses recognized — by sector:				
Non-redeemable preferred stock	—	—	(20)	—
Common stock	—	(9)	(2)	(26)
OTTI losses on equity securities recognized in earnings	—	(9)	(22)	(26)
Equity securities — net gains (losses) on sales and disposals	3	12	2	39
Total gains (losses) on equity securities	3	3	(20)	13
FVO and trading securities — FVO general account securities — changes in estimated fair value subsequent to purchase	1	1	9	4
Mortgage loans (1)	(13)	—	22	49
Real estate and real estate joint ventures	4	(15)	(19)	(35)
Other limited partnership interests	—	(7)	(41)	(18)
Other investment portfolio gains (losses)	12	15	46	(20)
Subtotal — investment portfolio gains (losses) (1)	(71)	30	368	(132)
FVO CSEs — changes in estimated fair value subsequent to consolidation:				
Commercial mortgage loans	(14)	9	(46)	8
Securities	1	—	1	—
Long-term debt — related to commercial mortgage loans	18	(2)	66	8
Long-term debt — related to securities	(1)	8	(1)	(2)
Non-investment portfolio gains (losses) (2)	(18)	(23)	(49)	(34)
Subtotal FVO CSEs and non-investment portfolio gains (losses)	(14)	(8)	(29)	(20)

Total net investment gains (losses)	$(85)	$22	$339	$(152)

(1) For the three months and nine months ended September 30, 2012, net investment gains (losses) includes a net gain (loss) of ($26) million and $34 million, respectively, as a result of the MetLife Bank Divestiture, which is comprised of gains (losses) on investments sold of $0 and $75 million, respectively, and impairments on mortgage loans of ($26) million and ($41) million, respectively. See Note 3.

(2) For the three months and nine months ended September 30, 2013, there were $0 and $30 million, respectively, in non-investment portfolio gains (losses) related to the MetLife Bank Divestiture. For both the three months and nine months ended September 30, 2012, there were $41 million in non-investment portfolio gains (losses), related to the MetLife Bank Divestiture. See Note 3.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

See "— Variable Interest Entities" for discussion of CSEs.
Gains (losses) from foreign currency transactions included within net investment gains (losses) were $90 million and $165 million for the three months and nine months ended September 30, 2013, respectively, and ($79) million and ($56) million for the three months and nine months ended September 30, 2012, respectively.
Sales or Disposals and Impairments of Fixed Maturity and Equity Securities
Proceeds from sales or disposals of fixed maturity and equity securities and the components of fixed maturity and equity securities net investment gains (losses) are as shown in the tables below. Investment gains and losses on sales of securities are determined on a specific identification basis.

	Three Months Ended September 30,					
	2013	2012	2013	2012	2013	2012
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$20,003	$12,004	$173	$231	$20,176	$12,235
Gross investment gains	$238	$192	$5	$23	$243	$215
Gross investment losses	(282)	(112)	(2)	(11)	(284)	(123)
Total OTTI losses recognized in earnings:						
Credit-related	(33)	(36)	—	—	(33)	(36)
Other (1)	(1)	(11)	—	(9)	(1)	(20)
Total OTTI losses recognized in earnings	(34)	(47)	—	(9)	(34)	(56)
Net investment gains (losses)	$(78)	$33	$3	$3	$(75)	$36

	Nine Months Ended September 30,					
	2013	2012	2013	2012	2013	2012
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$61,625	$47,023	$528	$594	$62,153	$47,617
Gross investment gains	$1,061	$742	$23	$56	$1,084	$798
Gross investment losses	(557)	(596)	(21)	(17)	(578)	(613)
Total OTTI losses recognized in earnings:						
Credit-related	(114)	(177)	—	—	(114)	(177)
Other (1)	(19)	(94)	(22)	(26)	(41)	(120)
Total OTTI losses recognized in earnings	(133)	(271)	(22)	(26)	(155)	(297)
Net investment gains (losses)	$371	$(125)	$(20)	$13	$351	$(112)

(1) Other OTTI losses recognized in earnings include impairments on (i) equity securities, (ii) 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 (iii) fixed maturity securities where there is an intent to sell or it is more likely than not that the Company will be required to sell the security before recovery of the decline in estimated fair value.

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Credit Loss Rollforward
The table below presents a 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 income (loss) ("OCI"):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Balance, beginning of period	$381	$391	$392	$471
Additions:				
Initial impairments — credit loss OTTI recognized on securities not previously impaired	3	2	5	39
Additional impairments — credit loss OTTI recognized on securities previously impaired	23	15	64	41
Reductions:				
Sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	(21)	(36)	(75)	(155)
Securities impaired to net present value of expected future cash flows	—	—	—	(23)
Increases in cash flows accretion of previous credit loss OTTI	(1)	(1)	(1)	(2)
Balance, end of period	$385	$371	$385	$371

7. Derivatives
Accounting for Derivatives
Freestanding Derivatives
Freestanding derivatives are carried in the Company's consolidated balance sheets either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. See "— Credit Risk on Freestanding Derivatives."
Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.
If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

Statement of Operations Presentation:	Derivative:
Policyholder benefits and claims	• Economic hedges of variable annuity guarantees included in future policy benefits
Net investment income	• Economic hedges of equity method investments in joint ventures • All derivatives held in relation to trading portfolios • Derivatives held within contractholder-directed unit-linked investments
Other revenues	• Derivatives held in connection with the Company's mortgage banking activities prior to the MetLife Bank Divestiture

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Hedge Accounting

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

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the consolidated statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).
- Net investment in a foreign operation hedge - effectiveness in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation; ineffectiveness in net derivative gains (losses).

The change in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of operations within interest income or interest expense to match the location of the hedged item. Accruals on derivatives in net investment hedges are recognized in OCI.

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

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; or (iv) the derivative is de-designated as a hedging instrument.

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried in the consolidated balance sheets at its estimated fair value, with changes in estimated fair value recognized in net derivative 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 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 OCI related to discontinued cash flow hedges are released into the consolidated statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

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

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

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Embedded Derivatives
The Company purchases certain securities, issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:
- the combined instrument is not accounted for in its entirety at fair value with changes in fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried in the consolidated balance sheets at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses) except for those in policyholder benefits and claims related to ceded reinsurance of GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent “excess” fees and are reported in universal life and investment-type product policy fees. See Note 8 for information about the fair value hierarchy for derivatives.

Derivative Strategies
The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.
Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter (“OTC”) market. Certain of the Company’s OTC derivatives are cleared and settled through central clearing counterparties (“OTC-cleared”), while others are bilateral contracts between two counterparties (“OTC-bilateral”). The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps and structured interest rate swaps to synthetically replicate investment risks and returns which are not readily available in the cash market.

Interest Rate Derivatives
The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, caps, floors, swaptions, futures and forwards.
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 amount. The Company utilizes interest rate swaps in fair value, cash flow and non-qualifying hedging relationships.
The Company uses structured interest rate swaps 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, agency, or other fixed maturity security. Structured interest rate swaps are included in interest rate swaps. Structured interest rate swaps are not designated as hedging instruments.

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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, 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 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 and invested assets. 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. The Company utilizes swaptions in non-qualifying hedging relationships. Swaptions are included in interest rate options.

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 utilizes interest rate forwards in cash flow hedging relationships.

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency exchange rate derivatives including foreign currency swaps, foreign currency forwards and currency options, 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 derivatives to hedge the foreign currency exchange rate 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 notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow 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 at the specified future date. The Company utilizes foreign currency forwards in fair value, net investment in foreign operations and non-qualifying hedging relationships.

The Company enters into currency options 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 also uses currency options as an economic hedge of foreign currency exposure related to the Company's international subsidiaries. The Company utilizes currency options in net investment in foreign operations and non-qualifying hedging relationships.

To a lesser extent, the Company uses exchange-traded currency futures to hedge currency mismatches between assets and liabilities. The Company utilizes exchange-traded currency futures in non-qualifying hedging relationships.

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Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may 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. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, or involuntary restructuring. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("ISDA") deems that a credit event has occurred. The Company utilizes credit default swaps in non-qualifying hedging relationships.

The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. Treasury securities, agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

The Company also enters into certain purchased and written credit default swaps 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.

The Company enters into forwards to lock in the price to be paid for forward purchases of certain securities. The price is agreed upon at the time of the contract and payment for the contract is made at a specified future date. When the primary purpose of entering into these transactions is to hedge against the risk of changes in purchase price due to changes in credit spreads, the Company designates these as credit forwards. The Company utilizes credit forwards in cash flow hedging relationships.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, variance swaps, exchange-traded equity futures and total rate of return swaps ("TRRs").

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. Certain of these contracts may also contain settlement provisions linked to interest rates. 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. 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. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

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.

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 the LIBOR, calculated by reference to an agreed notional 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. 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. The Company utilizes TRRs in non-qualifying hedging relationships.

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

	Primary Underlying Risk Exposure	September 30, 2013			December 31, 2012		
		Notional Amount	Estimated Fair Value		Notional Amount	Estimated Fair Value	
			Assets	Liabilities		Assets	Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments							
Fair value hedges:							
Interest rate swaps	Interest rate	$6,452	$1,412	$61	$5,397	$1,921	$90
Foreign currency swaps	Foreign currency exchange rate	3,004	264	123	3,187	332	85
Subtotal		9,456	1,676	184	8,584	2,253	175
Cash flow hedges:							
Interest rate swaps	Interest rate	3,221	174	85	3,642	705	—
Interest rate forwards	Interest rate	495	21	—	675	139	—
Foreign currency swaps	Foreign currency exchange rate	11,813	329	541	9,038	219	355
Subtotal		15,529	524	626	13,355	1,063	355
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	3,448	10	94	2,552	43	61
Currency options	Foreign currency exchange rate	5,769	161	11	4,375	43	3
Subtotal		9,217	171	105	6,927	86	64
Total qualifying hedges		34,202	2,371	915	28,866	3,402	594
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	112,153	3,584	1,671	83,250	5,201	2,043
Interest rate floors	Interest rate	63,064	587	456	56,246	1,174	837
Interest rate caps	Interest rate	34,960	157	—	49,465	74	—
Interest rate futures	Interest rate	7,217	3	7	11,684	1	38
Interest rate options	Interest rate	40,871	335	203	16,328	640	60
Synthetic GICs	Interest rate	4,406	—	—	4,162	—	—
Foreign currency swaps	Foreign currency exchange rate	8,626	143	641	8,208	199	736
Foreign currency forwards	Foreign currency exchange rate	11,873	70	143	9,202	26	288
Currency futures	Foreign currency exchange rate	1,334	2	—	1,408	4	—
Currency options	Foreign currency exchange rate	949	43	5	129	1	—
Credit default swaps — purchased	Credit	3,511	10	38	3,674	11	34
Credit default swaps — written	Credit	9,387	119	2	8,879	79	5

Equity futures	Equity market	5,430	30	4	7,008	14	132
Equity options	Equity market	37,374	1,699	823	22,920	2,825	356
Variance swaps	Equity market	21,961	147	530	19,830	122	310
Total rate of return swaps	Equity market	3,794	1	120	3,092	4	103
Total non-designated or non-qualifying derivatives		366,910	6,930	4,643	305,485	10,375	4,942
Total		$401,112	$9,301	$5,558	$334,351	$13,777	$5,536

Based on notional amounts, a substantial portion of the Company’s derivatives was not designated or did not qualify as part of a hedging relationship at both September 30, 2013 and December 31, 2012. The Company’s use of derivatives includes (i) derivatives that serve as macro hedges of the Company’s exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these non-qualified derivatives, changes in market factors can lead to the recognition of fair value changes in the consolidated statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

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Net Derivative Gains (Losses)
The components of net derivative gains (losses) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Derivatives and hedging gains (losses) (1)	$(1,444)	$(945)	$(6,527)	$(1,277)
Embedded derivatives	898	227	3,661	673
Total net derivative gains (losses)	$(546)	$(718)	$(2,866)	$(604)

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

The following table presents earned income on derivatives:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Qualifying hedges:				
Net investment income	$31	$27	$102	$82
Interest credited to policyholder account balances	39	39	110	122
Other expenses	(1)	(2)	(5)	(4)
Non-qualifying hedges:				
Net investment income	(2)	(1)	(5)	(4)
Other revenues	—	11	—	44
Net derivative gains (losses)	62	109	277	338
Policyholder benefits and claims	(147)	(52)	(203)	(62)
Total	$(18)	$131	$276	$516

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Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging
The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not designated or qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)
	(In millions)			
Three Months Ended September 30, 2013:				
Interest rate derivatives	$(487)	$—	$—	$—
Foreign currency exchange rate derivatives	(259)	—	—	—
Credit derivatives — purchased	(3)	(5)	—	—
Credit derivatives — written	45	1	—	—
Equity derivatives	(884)	(11)	(160)	—
Total	$(1,588)	$(15)	$(160)	$—
Three Months Ended September 30, 2012:				
Interest rate derivatives	$(251)	$—	$—	$30
Foreign currency exchange rate derivatives	(145)	—	—	—
Credit derivatives — purchased	(91)	(6)	—	—
Credit derivatives — written	79	—	—	—
Equity derivatives	(679)	2	(186)	—
Total	$(1,087)	$(4)	$(186)	$30
Nine Months Ended September 30, 2013:				
Interest rate derivatives	$(2,848)	$—	$(17)	$—
Foreign currency exchange rate derivatives	(1,243)	—	—	—
Credit derivatives — purchased	(8)	(9)	—	—
Credit derivatives — written	72	1	—	—
Equity derivatives	(2,766)	(22)	(516)	—
Total	$(6,793)	$(30)	$(533)	$—
Nine Months Ended September 30, 2012:				
Interest rate derivatives	$467	$—	$—	$35
Foreign currency exchange rate derivatives	(167)	—	—	—
Credit derivatives — purchased	(262)	(13)	—	—
Credit derivatives — written	130	—	—	—
Equity derivatives	(1,825)	(6)	(399)	—
Total	$(1,657)	$(19)	$(399)	$35

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures; changes in estimated fair value related to derivatives held in relation to trading portfolios; and changes in estimated fair value related to derivatives held within contractholder-directed unit-linked investments.

(2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

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

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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 assets and liabilities to floating rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated assets and liabilities; and (iii) foreign currency forwards to hedge the foreign currency fair value exposure of foreign currency denominated fixed rate investments.
The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table presents the amount of such net derivative gains (losses):

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
		(In millions)		
Three Months Ended September 30, 2013:				
Interest rate swaps:	Fixed maturity securities	$(3)	$ 3	$ —
	Policyholder liabilities (1)	(102)	105	3
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(7)	6	(1)
	Foreign-denominated PABs (2)	103	(100)	3
Foreign currency forwards:	Foreign-denominated fixed maturity securities	—	—	—
Total		$(9)	$ 14	$ 5
Three Months Ended September 30, 2012:				
Interest rate swaps:	Fixed maturity securities	$(9)	$ 7	$ (2)
	Policyholder liabilities (1)	(47)	51	4
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(2)	2	—
	Foreign-denominated PABs (2)	66	(68)	(2)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	18	(19)	(1)
Total		$26	$ (27)	$ (1)
Nine Months Ended September 30, 2013:				
Interest rate swaps:	Fixed maturity securities	$35	$ (35)	$ —
	Policyholder liabilities (1)	(638)	638	—
Foreign currency swaps:	Foreign-denominated fixed maturity securities	10	(10)	—
	Foreign-denominated PABs (2)	(91)	96	5
Foreign currency forwards:	Foreign-denominated fixed maturity securities	—	—	—
Total		$(684)	$ 689	$ 5
Nine Months Ended September 30, 2012:				
Interest rate swaps:	Fixed maturity securities	$(13)	$ 10	$ (3)
	Policyholder liabilities (1)	67	(54)	13
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(1)	1	—

	Foreign-denominated PABs (2)	(10)	(7)	(17)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	11	(13)	(2)
Total		$54	$ (63)	$ (9)

(1) Fixed rate liabilities reported in PABs or future policy benefits.

(2) Fixed rate or floating rate liabilities.

For the Company's foreign currency forwards, the change in the fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative's gain or loss were included in the assessment of hedge effectiveness. For both the three months and nine months ended September 30, 2013, no component of the change in fair value of derivatives was excluded from the assessment of hedge effectiveness. For both the three months and nine months ended September 30, 2012, the component of the change in fair value of derivatives that was excluded from the assessment of hedge effectiveness was $3 million.

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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 assets and liabilities to fixed rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated assets and liabilities; (iii) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; (iv) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed-rate investments; and (v) interest rate swaps and interest rate forwards to hedge forecasted fixed-rate borrowings.
In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified certain amounts from AOCI into net derivative gains (losses). These amounts were not significant for both the three months and nine months ended September 30, 2013, and were ($1) million and $3 million for the three months and nine months ended September 30, 2012, respectively.
At both September 30, 2013 and December 31, 2012, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed eight years.
At September 30, 2013 and December 31, 2012, the balance in AOCI associated with cash flow hedges was $624 million and $1.3 billion, respectively.
The following table presents the effects of derivatives in cash flow hedging relationships on the interim condensed consolidated statements of operations and comprehensive income (loss) and the interim condensed consolidated statements of equity:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss) (Effective Portion)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
		(In millions)			
Three Months Ended September 30, 2013:					
Interest rate swaps	$ (110)	$3	$ 2	$—	$(4)
Interest rate forwards	(11)	2	1	(1)	—
Foreign currency swaps	(165)	216	—	1	(2)
Credit forwards	(1)	—	—	—	—
Total	$ (287)	$221	$ 3	$—	$(6)
Three Months Ended September 30, 2012:					
Interest rate swaps	$ (93)	$2	$ 2	$1	$—
Interest rate forwards	(16)	—	—	(1)	—
Foreign currency swaps	(215)	(3)	(1)	—	(7)
Credit forwards	—	—	—	—	—
Total	$ (324)	$(1)	$ 1	$—	$(7)
Nine Months Ended September 30, 2013:					

Interest rate swaps	$ (507)	$17	$ 6	$—	$—
Interest rate forwards	(41)	8	2	(2)	1
Foreign currency swaps	(108)	(41)	(2)	1	4
Credit forwards	(4)	—	1	—	—
Total	$ (660)	$(16)	$ 7	$(1)	$5
Nine Months Ended September 30, 2012:					
Interest rate swaps	$ 105	$1	$ 3	$(2)	$—
Interest rate forwards	(4)	—	1	(1)	—
Foreign currency swaps	(105)	2	(4)	1	(6)
Credit forwards	—	—	1	—	—
Total	$ (4)	$3	$ 1	$(2)	$(6)

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

At September 30, 2013, ($25) million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earnings within the next 12 months.

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Hedges of Net Investments in Foreign Operations

The Company uses foreign currency exchange rate derivatives, which may include foreign currency forwards and currency options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these derivatives based upon the change in forward rates. When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the consolidated statement of operations, while a pro rata portion will be reclassified upon partial sale of the net investments in foreign operations.

The following table presents the effects of derivatives in net investment hedging relationships in the interim condensed consolidated statements of operations and comprehensive income (loss) and the interim condensed consolidated statements of equity:

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI (Effective Portion) (In millions)
Three Months Ended September 30, 2013:	
Foreign currency forwards	$ (154)
Currency options	(122)
Total	$ (276)
Three Months Ended September 30, 2012:	
Foreign currency forwards	$ (54)
Currency options	(24)
Total	$ (78)
Nine Months Ended September 30, 2013:	
Foreign currency forwards	$ 11
Currency options	99
Total	$ 110
Nine Months Ended September 30, 2012:	
Foreign currency forwards	$ (64)
Currency options	(48)
Total	$ (112)

(1) During the three months and nine months ended September 30, 2013 and 2012, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings.

(2) There was no ineffectiveness recognized for the Company's hedges of net investments in foreign operations. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

At September 30, 2013 and December 31, 2012, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $12 million and ($98) million, respectively.

Credit Derivatives

In connection with synthetically created credit 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 occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying 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 $9.4 billion and $8.9 billion at September 30, 2013 and December 31, 2012, 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, 2013 and December 31,

2012, the Company would have received $117 million and $74 million, respectively, to terminate all of these contracts.

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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, 2013			December 31, 2012		
Rating Agency Designation of Referenced Credit Obligations (1)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	$8	$ 652	2.4	$10	$ 777	2.7
Credit default swaps referencing indices	28	2,814	1.5	42	2,713	2.1
Subtotal	36	3,466	1.6	52	3,490	2.2
Baa						
Single name credit default swaps (corporate)	20	1,645	3.5	8	1,314	3.4
Credit default swaps referencing indices	43	3,886	4.9	11	3,750	4.9
Subtotal	63	5,531	4.5	19	5,064	4.5
Ba						
Single name credit default swaps (corporate)	—	15	4.5	—	25	2.7
Credit default swaps referencing indices	—	—	0.0	—	—	0.0
Subtotal	—	15	4.5	—	25	2.7
B						
Single name credit default swaps (corporate)	—	—	0.0	—	—	0.0
Credit default swaps referencing indices	18	375	5.1	3	300	4.9
Subtotal	18	375	5.1	3	300	4.9
Total	$117	$ 9,387	3.4	$74	$ 8,879	3.6

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings. If no rating is available from a rating agency, then an internally developed 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.

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table above. As a result, the maximum amounts of potential future recoveries available to offset the $9.4 billion and $8.9 billion from the table above were $81 million and $150 million at September 30, 2013 and December 31, 2012, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $10 million in notional and $0 in fair value at both September 30, 2013 and December 31, 2012.

Credit Risk on Freestanding Derivatives

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

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

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The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis, and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.
See Note 8 for a description of the impact of credit risk on the valuation of derivatives.
The estimated fair value of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

	September 30, 2013		December 31, 2012	
Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$9,252	$5,443	$14,048	$5,480
OTC-cleared (1)	214	153	—	—
Exchange-traded	35	11	19	170
Total gross estimated fair value of derivatives (1)	9,501	5,607	14,067	5,650
Amounts offset in the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented in the consolidated balance sheets (1)	9,501	5,607	14,067	5,650
Gross amounts not offset in the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(4,308)	(4,308)	(4,562)	(4,562)
OTC-cleared	(147)	(147)	—	—
Exchange-traded	(7)	(7)	(19)	(19)
Cash collateral: (3)				
OTC-bilateral	(2,336)	(3)	(5,960)	(1)
OTC-cleared	(67)	(6)	—	—
Exchange-traded	—	(4)	—	(151)
Securities collateral: (4)				
OTC-bilateral	(2,299)	(848)	(3,526)	(875)
OTC-cleared	—	—	—	—
Exchange-traded	—	—	—	—
Net amount after application of master netting agreements and collateral	$337	$284	$—	$42

(1) At September 30, 2013 and December 31, 2012, derivative assets include income or expense accruals reported in accrued investment income or in other liabilities of $200 million and $290 million, respectively, and derivative liabilities include income or expense accruals reported in accrued investment income or in other liabilities of $49 million and $114 million, respectively.

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

(3) Cash collateral received is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables in the consolidated balance sheets. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting

agreements. At September 30, 2013 and December 31, 2012, the Company received excess cash collateral of $47 million and $0, respectively, and provided excess cash collateral of $389 million and $290 million, respectively, which is not included in the table above due to the foregoing limitation.

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(4) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the consolidated balance sheets. Subject to certain constraints, the Company is permitted by contract to sell or repledge this collateral, but at September 30, 2013 none of the collateral had been sold or repledged. Securities collateral pledged by the Company is reported in fixed maturity securities in the consolidated balance sheets. Subject to certain constraints, the counterparties are permitted by contract to sell or repledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At September 30, 2013 and December 31, 2012, the Company received excess securities collateral of $202 million and $161 million, respectively, for its OTC-bilateral derivatives which are not included in the table above due to the foregoing limitation. At September 30, 2013 and December 31, 2012, the Company provided excess securities collateral of $169 million and $0, respectively, for its OTC-bilateral derivatives, $123 million and $0, respectively, for its OTC-cleared derivatives, and $39 million and $40 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

The Company's collateral arrangements for its OTC-bilateral derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the 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 derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody's and S&P. If a party's credit ratings were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party's reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company's OTC-bilateral 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 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. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

		Estimated Fair Value of Collateral Provided:		Fair Value of Incremental Collateral Provided Upon:	
	Estimated Fair Value of Derivatives in Net Liability Position (1)	Fixed Maturity Securities	Cash	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)				
September 30, 2013:					
Derivatives subject to credit-contingent provisions	$1,068	$1,017	$—	$25	$ 49
Derivatives not subject to credit-contingent provisions	12	—	5	—	—
Total	$1,080	$1,017	$5	$25	$ 49
December 31, 2012:					

Derivatives subject to credit-contingent provisions	$771	$775	$—	$35	$ 73
Derivatives not subject to credit-contingent provisions	79	100	1	—	—
Total	$850	$875	$1	$35	$ 73

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

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Embedded Derivatives
The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, guaranteed minimum accumulation benefits ("GMABs") and certain GMIBs; ceded reinsurance of guaranteed minimum benefits related to GMABs and certain GMIBs; assumed reinsurance of guaranteed minimum benefits related to GMWBs and GMABs; funding agreements with equity or bond indexed crediting rates; funds withheld on assumed and ceded reinsurance; and certain debt and equity securities.
The following table presents the estimated fair value and balance sheet location of the Company's embedded derivatives that have been separated from their host contracts at:

	Balance Sheet Location	September 30, 2013	December 31, 2012
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$280	$439
Funds withheld on assumed reinsurance	Other invested assets	42	66
Options embedded in debt or equity securities	Investments	(136)	(88)
Other	Other invested assets	—	1
Net embedded derivatives within asset host contracts		$186	$418
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	PABs	$(1,414)	$923
Assumed guaranteed minimum benefits	PABs	1,705	2,582
Funds withheld on ceded reinsurance	Other liabilities	84	162
Other	PABs	7	17
Net embedded derivatives within liability host contracts		$382	$3,684

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Net derivative gains (losses) (1)	$898	$227	$3,661	$673
Policyholder benefits and claims	$(30)	$(4)	$(110)	$(9)

(1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses), in connection with this adjustment were ($145) million and ($795) million for the three months and nine months ended September 30, 2013, respectively, and ($534) million and ($1.2) billion for the three months and nine months ended September 30, 2012, respectively.

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

The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are presented below.

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	September 30, 2013 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate	$—	$101,605	$5,886	$107,491
Foreign corporate	—	57,384	6,264	63,648
Foreign government	—	50,941	2,063	53,004
U.S. Treasury and agency	23,460	20,629	65	44,154
RMBS	657	31,803	3,018	35,478
CMBS	—	15,720	1,176	16,896
ABS	—	10,098	4,063	14,161
State and political subdivision	—	13,939	16	13,955
Total fixed maturity securities	24,117	302,119	22,551	348,787
Equity securities:				
Common stock	1,102	983	185	2,270
Non-redeemable preferred stock	—	566	405	971
Total equity securities	1,102	1,549	590	3,241
FVO and trading securities:				
Actively Traded Securities	4	621	11	636
FVO general account securities	5	139	47	191
FVO contractholder-directed unit-linked investments	10,302	4,888	606	15,796
FVO securities held by CSEs	—	23	—	23
Total FVO and trading securities	10,311	5,671	664	16,646
Short-term investments (1)	3,615	6,799	192	10,606
Mortgage loans:				
Residential mortgage loans — FVO	—	—	212	212
Commercial mortgage loans held by CSEs	—	2,096	—	2,096
Mortgage loans held-for-sale (2)	—	—	—	—
Total mortgage loans	—	2,096	212	2,308
Other invested assets:				
Other investments	161	78	—	239
Derivative assets: (3)				
Interest rate	3	6,206	64	6,273
Foreign currency exchange rate	2	995	25	1,022
Credit	—	98	31	129
Equity market	30	1,543	304	1,877
Total derivative assets	35	8,842	424	9,301
Total other invested assets	196	8,920	424	9,540
Net embedded derivatives within asset host contracts (4)	—	—	322	322
Separate account assets (5)	35,689	218,144	1,417	255,250
Total assets	$75,030	$545,298	$26,372	$646,700
Liabilities:				

Derivative liabilities: (3)				
Interest rate	$7	$2,457	$19	$2,483
Foreign currency exchange rate	—	1,542	16	1,558
Credit	—	40	—	40
Equity market	4	918	555	1,477
Total derivative liabilities	11	4,957	590	5,558
Net embedded derivatives within liability host contracts (4)	—	7	375	382
Long-term debt of CSEs	—	1,920	26	1,946
Trading liabilities (6)	228	4	—	232
Total liabilities	$239	$6,888	$991	$8,118

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	December 31, 2012 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate	$—	$106,693	$7,433	$114,126
Foreign corporate	—	60,976	6,208	67,184
Foreign government	—	55,522	1,814	57,336
U.S. Treasury and agency	27,441	20,455	71	47,967
RMBS	—	35,442	2,037	37,479
CMBS	—	17,982	1,147	19,129
ABS	—	12,341	3,656	15,997
State and political subdivision	—	14,994	54	15,048
Total fixed maturity securities	27,441	324,405	22,420	374,266
Equity securities:				
Common stock	932	1,040	190	2,162
Non-redeemable preferred stock	—	310	419	729
Total equity securities	932	1,350	609	2,891
FVO and trading securities:				
Actively Traded Securities	7	646	6	659
FVO general account securities	—	151	32	183
FVO contractholder-directed unit-linked investments	9,103	5,425	937	15,465
FVO securities held by CSEs	—	41	—	41
Total FVO and trading securities	9,110	6,263	975	16,348
Short-term investments (1)	9,426	6,295	429	16,150
Mortgage loans:				
Residential mortgage loans — FVO	—	—	—	—
Commercial mortgage loans held by CSEs	—	2,666	—	2,666
Mortgage loans held-for-sale (2)	—	—	49	49
Total mortgage loans	—	2,666	49	2,715
Other invested assets:				
Other investments	303	123	—	426
Derivative assets: (3)				
Interest rate	1	9,648	206	9,855
Foreign currency exchange rate	4	819	44	867
Credit	—	47	43	90
Equity market	14	2,478	473	2,965
Total derivative assets	19	12,992	766	13,777
Total other invested assets	322	13,115	766	14,203
Net embedded derivatives within asset host contracts (4)	—	1	505	506
Separate account assets (5)	31,620	202,568	1,205	235,393
Total assets	$78,851	$556,663	$26,958	$662,472
Liabilities:				

Derivative liabilities: (3)				
Interest rate	$38	$3,001	$29	$3,068
Foreign currency exchange rate	—	1,521	7	1,528
Credit	—	39	—	39
Equity market	132	424	345	901
Total derivative liabilities	170	4,985	381	5,536
Net embedded derivatives within liability host contracts (4)	—	17	3,667	3,684
Long-term debt of CSEs	—	2,483	44	2,527
Trading liabilities (6)	163	—	—	163
Total liabilities	$333	$7,485	$4,092	$11,910

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(1) Short-term investments as presented in the tables above differ from the amounts presented in the consolidated balance sheets because certain short-term investments are not measured at estimated fair value on a recurring basis.

(2) See "— Fair Value Option" for additional information on mortgage loans held-for-sale. The amounts in the preceding tables differ from the amounts presented in the consolidated balance sheets as these tables do not include mortgage loans that are stated at lower of amortized cost or estimated fair value.

(3) Derivative assets are presented within other invested assets in the consolidated balance sheets and derivative liabilities are presented within other liabilities in the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation in the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

(4) Net embedded derivatives within asset host contracts are presented primarily within premiums, reinsurance and other receivables in the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented primarily within PABs in the consolidated balance sheets. At September 30, 2013 and December 31, 2012, equity securities also included embedded derivatives of ($136) million and ($88) million, respectively.

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

(6) Trading liabilities are presented within other liabilities in the consolidated balance sheets.

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

Investments

Valuation Controls and Procedures

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

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management's knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as "consensus pricing," represent a reasonable estimate of fair value by considering such pricing relative to the Company's knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 7% of the total estimated fair

value of Level 3 fixed maturity securities.

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

Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities

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

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

The estimated fair value of FVO securities held by CSEs, other investments, long-term debt of CSEs and trading liabilities is determined on a basis consistent with the methodologies described herein for securities. The Company consolidates certain securitization entities that hold securities that have been accounted for under the FVO and classified within FVO and trading securities.

Level 2 Valuation Techniques and Key Inputs:

This level includes securities priced principally by independent pricing services using observable inputs. FVO and trading securities, short-term investments and other investments within this level are of a similar nature and class to the Level 2 fixed maturity securities and equity securities. Contractholder-directed unit-linked investments reported within FVO and trading securities include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported net asset value ("NAV") provided by the fund managers, which were based on observable inputs.

U.S. corporate and foreign corporate securities

These securities are principally valued using the market and income approaches. Valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Privately-placed securities are valued using matrix pricing methodologies using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer, and in certain cases, delta spread adjustments to reflect specific credit-related issues.

Foreign government and state and political subdivision securities

These securities are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs, including a benchmark U.S. Treasury yield or other yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar securities, including those

within the same sub-sector or with a similar maturity or credit rating.

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U.S. Treasury and agency securities
These securities are principally valued using the market approach. Valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques using standard market observable inputs such as a benchmark U.S. Treasury yield curve, the spread off the U.S. Treasury yield curve for the identical security and comparable securities that are actively traded.
Structured securities comprised of RMBS, CMBS and ABS
These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using standard market inputs, including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information, including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans.
Common and non-redeemable preferred stock
These securities are principally valued using the market approach. Valuations are based principally on observable inputs, including quoted prices in markets that are not considered active.
Level 3 Valuation Techniques and Key Inputs:
In general, securities classified within Level 3 use many of the same valuation techniques and inputs as described previously for Level 2. However, if key inputs are unobservable, or if the investments are less liquid and there is very limited trading activity, the investments are generally classified as Level 3. The use of independent non-binding broker quotations to value investments generally indicates there is a lack of liquidity or a lack of transparency in the process to develop the valuation estimates, generally causing these investments to be classified in Level 3.
FVO and trading securities and short-term investments within this level are of a similar nature and class to the Level 3 securities described below; accordingly, the valuation techniques and significant market standard observable inputs used in their valuation are also similar to those described below.
U.S. corporate and foreign corporate securities
These securities, including financial services industry hybrid securities classified within fixed maturity securities, are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques that utilize unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including illiquidity premium, delta spread adjustments to reflect specific credit-related issues, credit spreads; and inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain valuations are based on independent non-binding broker quotations.
Foreign government and state and political subdivision securities
These securities are principally valued using the market approach. Valuations are based primarily on independent non-binding broker quotations and inputs, including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain valuations are based on matrix pricing that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads.
Structured securities comprised of RMBS, CMBS and ABS
These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads. Below investment grade securities and sub-prime RMBS included in this level are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain of these valuations are based on independent non-binding broker quotations.

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Common and non-redeemable preferred stock
These securities, including privately-held securities and financial services industry hybrid securities classified within equity securities, are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using inputs such as comparable credit rating and issuance structure. Certain of these securities are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 and independent non-binding broker quotations.
Mortgage Loans
The Company has elected the FVO for certain residential mortgage loans held-for-investment, commercial mortgage loans held by CSEs and certain residential mortgage loans held-for-sale.
Level 2 Valuation Techniques and Key Inputs:
Commercial mortgage loans held by CSEs
These investments are principally valued using the market approach. The principal market for these investments is the securitization market. The Company uses the quoted securitization market price of the obligations of the CSEs to determine the estimated fair value of these commercial loan portfolios. These market prices are determined principally by independent pricing services using observable inputs.
Level 3 Valuation Techniques and Key Inputs:
Residential mortgage loans — FVO
For these investments, the estimated fair values are based primarily on matrix pricing or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data.
Mortgage loans held-for-sale
For these investments, when pricing for securities backed by similar adjustable-rate loans is not observable, the estimated fair value is determined using unobservable independent broker quotations or valuation models using significant unobservable inputs.
Separate Account Assets
Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets is based on the estimated fair value of the underlying assets. Separate account assets include: mutual funds, fixed maturity securities, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents.
Level 2 Valuation Techniques and Key Inputs:
These assets are comprised of investments that are similar in nature to the instruments described under “— Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities” and “— Derivatives — Freestanding Derivatives.” Also included are certain mutual funds and hedge funds without readily determinable fair values as prices are not published publicly. Valuation of the mutual funds and hedge funds is based upon quoted prices or reported NAVs provided by the fund managers.
Level 3 Valuation Techniques and Key Inputs:
These assets are comprised of investments that are similar in nature to the instruments described under “— Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities” and “— Derivatives — Freestanding Derivatives.” Also included are other limited partnership interests, which are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables that may impact the exit value of the particular partnership interest.

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Derivatives

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

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared 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 OTC-bilateral and OTC-cleared 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 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 management believes they are consistent with what other market participants would use when pricing such instruments.

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

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

Freestanding Derivatives

Level 2 Valuation Techniques and Key Inputs:

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3. These derivatives are principally valued using the income approach.

Interest rate

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and basis curves.

Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, basis curves and interest rate volatility.

Foreign currency exchange rate

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, basis curves, currency spot rates and cross currency basis curves.

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Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, basis curves, currency spot rates, cross currency basis curves and currency volatility.
Credit
Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, credit curves and recovery rates.
Equity market
Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, spot equity index levels and dividend yield curves.
Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, spot equity index levels, dividend yield curves and equity volatility.
Level 3 Valuation Techniques and Key Inputs:
These derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. These valuation methodologies generally use the same inputs as described in the corresponding sections above for Level 2 measurements of derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.
Interest rate
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve and basis curves.
Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, basis curves and interest rate volatility.
Foreign currency exchange rate
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, basis curves, cross currency basis curves and currency correlation.
Option-based. Significant unobservable inputs may include currency correlation and the extrapolation beyond observable limits of the swap yield curve, basis curves, cross currency basis curves and currency volatility.
Credit
Non-option-based. Significant unobservable inputs may include credit spreads, repurchase rates and the extrapolation beyond observable limits of the swap yield curve and credit curves. Certain of these derivatives are valued based on independent non-binding broker quotations.
Equity market
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves and equity volatility.
Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves, equity volatility and unobservable correlation between model inputs.

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Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees and equity or bond indexed crediting rates within certain funding agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

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

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

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

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

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

The Company ceded the risk associated with certain of the GMIBs, GMABs and GMWBs previously described. These reinsurance agreements contain embedded derivatives which are included within premiums, reinsurance and other receivables in the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses) or policyholder benefits and claims depending on the statement of operations classification of the direct risk. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

The estimated fair value of the embedded derivatives within funds withheld related to certain ceded reinsurance is determined based on the change in estimated fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The estimated fair value of the underlying assets is determined as previously described in "— Investments — Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities." The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities in the consolidated balance sheets with changes in estimated fair value recorded in net derivative gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially

affect net income.

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The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including a nonperformance risk adjustment. The estimated fair value of these embedded derivatives are included, along with their funding agreements host, within PABs with changes in estimated fair value recorded in net derivative gains (losses). Changes in equity and bond indices, interest rates and the Company's credit standing may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Techniques and Key Inputs:

Direct and assumed guaranteed minimum benefits

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

Reinsurance ceded on certain guaranteed minimum benefits

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

Transfers between Levels

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

Transfers between Levels 1 and 2:

For assets and liabilities measured at estimated fair value and still held at both September 30, 2013 and December 31, 2012, transfers between Levels 1 and 2 were not significant.

Transfers into or out of Level 3:

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

Transfers into Level 3 for fixed maturity securities, equity securities, short-term investments, mortgage loans and separate account assets were due primarily to a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of independent non-binding broker quotations and unobservable inputs, such as illiquidity premiums, delta spread adjustments, or credit spreads.

Transfers out of Level 3 for fixed maturity securities, FVO and trading securities, short-term investments and separate account assets resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from, independent pricing services with observable inputs (such as observable spreads used in pricing securities) or increases in market activity and upgraded credit ratings.

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

			September 30, 2013			December 31, 2012			Impa
	Valuation Techniques	Significant Unobservable Inputs	Range		Weighted Average (1)	Range		Weighted Average (1)	Incre on E Fair
Fixed maturity securities: (3)									
U.S. corporate and foreign corporate	• Matrix pricing	•Delta spread adjustments (4)	(40)	-240	66	(50)	-500	90	Decr
		•Illiquidity premium (4)	30	-30	30	30	-30	30	Decr
		•Credit spreads (4)	(1,508)	-711	195	(1,416)	-876	272	Decr
		•Offered quotes (5)	—	-134	101	—	-348	115	Incre
	• Consensus pricing	•Offered quotes (5)	56	-116	92	—	-555	92	Incre
Foreign government	• Matrix pricing	•Credit spreads (4)	9	-1,434	490	(58)	-150	72	Decr
	• Market pricing	•Quoted prices (5)	62	-157	98	77	-146	99	Incre
	• Consensus pricing	•Offered quotes (5)	90	-152	112	82	-200	117	Incre
RMBS	• Matrix pricing and discounted cash flow	•Credit spreads (4)	(205)	-3,662	295	9	-2,980	521	Decr
	• Market pricing	•Quoted prices (5)	22	-100	97	13	-109	100	Incre
	• Consensus pricing	•Offered quotes (5)	37	-100	90	28	-100	75	Incre
CMBS	• Matrix pricing and discounted cash flow	•Credit spreads (4)	130	-2,515	349	1	-9,164	374	Decr
	• Market pricing	•Quoted prices (5)	75	-104	99	1	-106	99	Incre
	• Consensus pricing	•Offered quotes (5)	96	-96	96				Incre
ABS	• Matrix pricing and discounted cash flow	•Credit spreads (4)	30	-1,877	129	—	-1,829	109	Decr
	• Market pricing	•Quoted prices (5)	—	-107	101	40	-105	100	Incre
	• Consensus pricing	•Offered quotes (5)	—	-106	89	—	-111	97	Incre

Derivatives:							
Interest rate	Present value techniques	•Swap yield (7)	247	-427	186	-353	Incre
Foreign currency exchange rate	Present value techniques	•Swap yield (7)	193	-769	228	-795	Incre
		•Correlation (8)	38%	-49%	43%	-57%	
Credit	Present value techniques	•Credit spreads (9)	99	-100	100	-100	Decr
	Consensus pricing	•Offered quotes (10)					
Equity market	Present value techniques or option pricing models	•Volatility (11)	14%	-29%	13%	-32%	Incre
		•Correlation (8)	60%	-60%	65%	-65%	
Embedded derivatives:							
Direct and assumed guaranteed minimum benefits	Option pricing techniques	•Mortality rates:					
		Ages 0 - 40	0%	-0.14%	0%	-0.14%	Decr
		Ages 41 - 60	0.04%	-0.88%	0.05%	-0.88%	Decr
		Ages 61 - 115	0.26%	-100%	0.26%	-100%	Decr
		•Lapse rates:					
		Durations 1 - 10	0.50%	-100%	0.50%	-100%	Decr
		Durations 11 - 20	2%	-100%	2%	-100%	Decr
		Durations 21 - 116	2%	-100%	2%	-100%	Decr
		•Utilization rates	20%	-50%	20%	-50%	Incre
		•Withdrawal rates	0%	-20%	0.07%	-20%	(16)
		•Long-term equity volatilities	15.20%	-40%	15.18%	-40%	Incre
		•Nonperformance risk spread	(0.19)%	-1.01%	0.10%	-1.72%	Decr

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

(2) The impact of a decrease in input would have the opposite impact on the estimated fair value. For embedded derivatives, changes are based on liability positions.

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

(4) Range and weighted average are presented in basis points.

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

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

(7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curve is utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.

(8) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.

(9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. The range being provided is a single quoted spread in the valuation model. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.

(10) At both September 30, 2013 and December 31, 2012, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

(11) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.

(12) Changes are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.

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

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

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

(16) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract,

and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.

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

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

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The residential mortgage loans — FVO and long-term debt of CSEs are valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in "— Nonrecurring Fair Value Measurements."

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities:							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Three Months Ended September 30, 2013:								
Balance, beginning of period	$5,918	$6,008	$ 1,971	$ 82	$2,735	$1,050	$3,758	$ 41
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	3	5	(6)	—	9	4	3	—
Net investment gains (losses)	4	(14)	2	—	1	(1)	5	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
OCI	(32)	71	(42)	—	(16)	22	(4)	—
Purchases (3)	297	684	209	—	563	305	636	—
Sales (3)	(249)	(273)	(61)	(2)	(138)	(71)	(309)	(1)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	117	173	68	—	—	—	—	—
Transfers out of Level 3 (4)	(172)	(390)	(78)	(15)	(136)	(133)	(26)	(24)

Balance, end of period	$5,886	$6,264	$ 2,063	$ 65	$3,018	$1,176	$4,063	$ 16
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$2	$5	$ (6)	$ —	$9	$4	$3	$ —
Net investment gains (losses)	$—	$(3)	$ —	$ —	$—	$—	$—	$ —
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—	$ —
Other revenues	$—	$—	$ —	$ —	$—	$—	$—	$ —
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—	$ —
Other expenses	$—	$—	$ —	$ —	$—	$—	$—	$ —

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		FVO and Trading Securities:				Mortgage Loans:	
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)							
Three Months Ended September 30, 2013:								
Balance, beginning of period	$183	$ 408	$11	$46	$ 593	$ 344	$150	$—
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	1	(43)	3	(2)	—
Net investment gains (losses)	1	(4)	—	—	—	(2)	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
OCI	6	11	—	—	—	7	—	—
Purchases (3)	6	52	6	—	308	106	67	—
Sales (3)	(11)	(42)	(1)	—	(232)	(266)	—	—
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	(3)	—
Transfers into Level 3 (4)	1	—	—	—	—	—	—	—
Transfers out of Level 3 (4)	(1)	(20)	(5)	—	(20)	—	—	—
Balance, end of period	$185	$ 405	$11	$47	$ 606	$ 192	$212	$—
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$1	$ (1)	$ 2	$(2)	$—
Net investment gains (losses)	$—	$ —	$—	$—	$ —	$ —	$—	$—
Net derivative gains (losses)	$—	$ —	$—	$—	$ —	$ —	$—	$—
Other revenues	$—	$ —	$—	$—	$ —	$ —	$—	$—
Policyholder benefits and claims	$—	$ —	$—	$—	$ —	$ —	$—	$—
Other expenses	$—	$ —	$—	$—	$ —	$ —	$—	$—

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Net Derivatives: (6)						
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs
	(In millions)						
Three Months Ended September 30, 2013:							
Balance, beginning of period	$98	$6	$25	$(171)	$ (678)	$1,225	$(31)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	4	—
Net derivative gains (losses)	5	3	3	(85)	888	—	—
Other revenues	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	5	(30)	—	—
Other expenses	—	—	—	—	—	—	—
OCI	(11)	—	(1)	—	(16)	—	—
Purchases (3)	—	—	—	—	—	106	—
Sales (3)	—	—	—	—	—	(84)	—
Issuances (3)	—	—	—	—	—	51	—
Settlements (3)	(47)	1	4	—	(217)	(2)	5
Transfers into Level 3 (4)	—	—	—	—	—	162	—
Transfers out of Level 3 (4)	—	(1)	—	—	—	(45)	—
Balance, end of period	$45	$9	$31	$(251)	$ (53)	$1,417	$(26)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$ —	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$ —	$—	$—
Net derivative gains (losses)	$5	$6	$3	$(86)	$ 882	$—	$—
Other revenues	$—	$—	$—	$—	$ —	$—	$—
Policyholder benefits and claims	$—	$—	$—	$6	$ (29)	$—	$—
Other expenses	$—	$—	$—	$—	$ —	$—	$—

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities:							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Three Months Ended September 30, 2012:								
Balance, beginning of period	$7,394	$4,813	$ 2,386	$ 74	$2,363	$1,038	$2,680	$ 76
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	5	5	4	—	8	—	4	—
Net investment gains (losses)	(6)	(13)	6	—	(3)	(1)	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
OCI	323	135	43	—	108	7	32	1
Purchases (3)	442	630	370	—	249	416	215	15
Sales (3)	(348)	(276)	(254)	—	(114)	(249)	(47)	(6)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	128	172	51	—	11	26	2	—
Transfers out of Level 3 (4)	(239)	(156)	(16)	—	(49)	(23)	(36)	(21)
Balance, end of period	$7,699	$5,310	$ 2,590	$ 74	$2,573	$1,214	$2,850	$ 65
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$3	$5	$ 5	$ —	$8	$—	$4	$ —
Net investment gains (losses)	$(3)	$(10)	$ —	$ —	$—	$—	$—	$ —
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—	$ —
Other revenues	$—	$—	$ —	$ —	$—	$—	$—	$ —
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—	$ —
Other expenses	$—	$—	$ —	$ —	$—	$—	$—	$ —

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		FVO and Trading Securities:				Mortgage Loans:	
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)							
Three Months Ended September 30, 2012:								
Balance, beginning of period	$282	$ 432	$13	$26	$ 1,096	$ 717	$—	$211
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	7	32	1	—	—
Net investment gains (losses)	8	1	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	(23)
Policyholder benefits and claims	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
OCI	(2)	4	—	—	—	15	—	—
Purchases (3)	76	1	14	—	903	515	—	—
Sales (3)	(102)	(60)	(11)	(2)	(909)	(337)	—	(145)
Issuances (3)	—	—	—	—	—	—	—	2
Settlements (3)	—	—	—	—	—	—	—	(10)
Transfers into Level 3 (4)	—	48	—	—	1	186	—	30
Transfers out of Level 3 (4)	—	—	(2)	—	(2)	—	—	(1)
Balance, end of period	$262	$ 426	$14	$31	$ 1,121	$ 1,097	$—	$64
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$6	$ 6	$ —	$—	$—
Net investment gains (losses)	$(1)	$ —	$—	$—	$ —	$ —	$—	$—
Net derivative gains (losses)	$—	$ —	$—	$—	$ —	$ —	$—	$—
Other revenues	$—	$ —	$—	$—	$ —	$ —	$—	$(22)
Policyholder benefits and claims	$—	$ —	$—	$—	$ —	$ —	$—	$—
Other expenses	$—	$ —	$—	$—	$ —	$ —	$—	$—

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Net Derivatives: (6)								
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs	MSRs (9)	Liability Related to Securitized Reverse Mortgage Loans (9)
	(In millions)								
Three Months Ended September 30, 2012:									
Balance, beginning of period	$228	$ 40	$24	$575	$(3,961)	$ 1,445	$ (81)	$564	$(98)
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	18	7	—	—
Net derivative gains (losses)	(7)	20	16	(187)	291	—	—	—	—
Other revenues	—	—	—	—	—	—	—	(37)	—
Policyholder benefits and claims	—	—	—	11	(4)	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—	—
OCI	(16)	—	—	1	(78)	—	—	—	—
Purchases (3)	—	—	—	7	—	144	—	—	—
Sales (3)	—	—	—	—	—	(74)	—	—	97
Issuances (3)	—	—	—	—	—	—	—	4	—
Settlements (3)	12	(2)	—	(82)	(170)	—	26	(41)	1
Transfers into Level 3 (4)	—	—	—	—	—	2	—	—	—
Transfers out of Level 3 (4)	—	—	—	—	—	(128)	—	—	—
Balance, end of period	$217	$ 58	$40	$325	$(3,922)	$ 1,407	$ (48)	$490	$—
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$—	$ —	$—	$—	$—	$ —	$ —	$—	$—
Net investment gains (losses)	$—	$ —	$—	$—	$—	$ —	$ 7	$—	$—
Net derivative gains (losses)	$(4)	$ 19	$16	$(195)	$283	$ —	$ —	$—	$—
Other revenues	$—	$ —	$—	$—	$—	$ —	$ —	$(24)	$—
Policyholder benefits and claims	$—	$ —	$—	$10	$(3)	$ —	$ —	$—	$—
Other expenses	$—	$ —	$—	$—	$—	$ —	$ —	$—	$—

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities:							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Nine Months Ended September 30, 2013:								
Balance, beginning of period	$7,433	$6,208	$ 1,814	$ 71	$2,037	$1,147	$3,656	$ 54
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	10	11	3	—	20	2	12	—
Net investment gains (losses)	(27)	(34)	8	—	4	(2)	5	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
OCI	(38)	(97)	(104)	(2)	108	(28)	(60)	(1)
Purchases (3)	824	1,364	551	—	1,155	549	1,510	1
Sales (3)	(907)	(714)	(105)	(4)	(242)	(339)	(651)	(6)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	324	254	91	—	12	113	—	—
Transfers out of Level 3 (4)	(1,733)	(728)	(195)	—	(76)	(266)	(409)	(32)
Balance, end of period	$5,886	$6,264	$ 2,063	$ 65	$3,018	$1,176	$4,063	$ 16
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$9	$10	$ 3	$ —	$26	$2	$10	$ —
Net investment gains (losses)	$(34)	$(3)	$ —	$ —	$(1)	$—	$—	$ —
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—	$ —
Other revenues	$—	$—	$ —	$ —	$—	$—	$—	$ —
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—	$ —
Other expenses	$—	$—	$ —	$ —	$—	$—	$—	$ —

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		FVO and Trading Securities:				Mortgage Loans:	
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)							
Nine Months Ended September 30, 2013:								
Balance, beginning of period	$190	$ 419	$6	$32	$ 937	$ 429	$—	$ 49
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	6	(12)	3	(2)	—
Net investment gains (losses)	2	(28)	—	—	—	(24)	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
OCI	—	77	—	—	—	15	—	—
Purchases (3)	11	55	8	—	348	189	214	—
Sales (3)	(15)	(118)	—	(5)	(430)	(414)	—	(45)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(4)
Transfers into Level 3 (4)	1	—	—	14	57	—	—	—
Transfers out of Level 3 (4)	(4)	—	(3)	—	(294)	(6)	—	—
Balance, end of period	$185	$ 405	$11	$47	$ 606	$ 192	$212	$ —
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$6	$ (5)	$ 2	$(2)	$ —
Net investment gains (losses)	$(1)	$ (17)	$—	$—	$ —	$ (1)	$—	$ —
Net derivative gains (losses)	$—	$ —	$—	$—	$ —	$ —	$—	$ —
Other revenues	$—	$ —	$—	$—	$ —	$ —	$—	$ —
Policyholder benefits and claims	$—	$ —	$—	$—	$ —	$ —	$—	$ —
Other expenses	$—	$ —	$—	$—	$ —	$ —	$—	$ —

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Net Derivatives: (6)						
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs
	(In millions)						
Nine Months Ended September 30, 2013:							
Balance, beginning of period	$177	$37	$43	$128	$ (3,162)	$1,205	$(44)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	25	(1)
Net derivative gains (losses)	(23)	(30)	(12)	(390)	3,609	—	—
Other revenues	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	15	(110)	—	—
Other expenses	—	—	—	—	—	—	—
OCI	(83)	—	—	(1)	193	—	—
Purchases (3)	—	—	—	4	—	249	—
Sales (3)	—	—	—	—	—	(223)	—
Issuances (3)	—	—	—	—	—	71	—
Settlements (3)	(27)	2	—	(7)	(583)	—	19
Transfers into Level 3 (4)	—	—	—	—	—	161	—
Transfers out of Level 3 (4)	1	—	—	—	—	(71)	—
Balance, end of period	$45	$9	$31	$(251)	$ (53)	$1,417	$(26)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$ —	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$ —	$—	$(1)
Net derivative gains (losses)	$(14)	$(28)	$(11)	$(390)	$ 3,589	$—	$—
Other revenues	$—	$—	$—	$—	$ —	$—	$—
Policyholder benefits and claims	$—	$—	$—	$15	$ (106)	$—	$—
Other expenses	$—	$—	$—	$—	$ —	$—	$—

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities:							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Nine Months Ended September 30, 2012:								
Balance, beginning of period	$6,784	$4,370	$ 2,322	$ 31	$1,602	$753	$1,850	$ 53
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	10	16	4	—	20	7	14	—
Net investment gains (losses)	4	(68)	(1)	—	(7)	(37)	2	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
OCI	351	233	26	—	149	21	19	4
Purchases (3)	1,371	1,535	1,003	49	1,060	695	1,293	15
Sales (3)	(865)	(708)	(467)	(6)	(315)	(253)	(286)	(7)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	266	254	53	—	76	40	6	—
Transfers out of Level 3 (4)	(222)	(322)	(350)	—	(12)	(12)	(48)	—
Balance, end of period	$7,699	$5,310	$ 2,590	$ 74	$2,573	$1,214	$2,850	$ 65
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$8	$18	$ 12	$ —	$20	$2	$14	$ —
Net investment gains (losses)	$(6)	$(27)	$ —	$ —	$(3)	$(4)	$—	$ —
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—	$ —
Other revenues	$—	$—	$ —	$ —	$—	$—	$—	$ —
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—	$ —
Other expenses	$—	$—	$ —	$ —	$—	$—	$—	$ —

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		FVO and Trading Securities:				Mortgage Loans:	
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)							
Nine Months Ended September 30, 2012:								
Balance, beginning of period	$281	$ 438	$—	$23	$ 1,386	$ 590	$—	$1,414
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	10	12	1	—	—
Net investment gains (losses)	(1)	1	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	(31)
Policyholder benefits and claims	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—
OCI	7	23	—	—	—	10	—	—
Purchases (3)	111	5	14	—	918	1,059	—	1
Sales (3)	(126)	(89)	—	(2)	(1,159)	(455)	—	(1,348)
Issuances (3)	—	—	—	—	—	—	—	6
Settlements (3)	—	—	—	—	—	—	—	(46)
Transfers into Level 3 (4)	3	48	—	—	2	—	—	72
Transfers out of Level 3 (4)	(13)	—	—	—	(38)	(108)	—	(4)
Balance, end of period	$262	$ 426	$14	$31	$ 1,121	$ 1,097	$—	$64
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$9	$ 1	$ (1)	$—	$—
Net investment gains (losses)	$(11)	$ —	$—	$—	$ —	$ —	$—	$—
Net derivative gains (losses)	$—	$ —	$—	$—	$ —	$ —	$—	$—
Other revenues	$—	$ —	$—	$—	$ —	$ —	$—	$(25)
Policyholder benefits and claims	$—	$ —	$—	$—	$ —	$ —	$—	$—
Other expenses	$—	$ —	$—	$—	$ —	$ —	$—	$—

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Net Derivatives: (6)								
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs	MSRs (9)	Liability Related to Securitized Reverse Mortgage Loans (9)
	(In millions)								
Nine Months Ended September 30, 2012:									
Balance, beginning of period	$300	$ 44	$1	$889	$ (4,203)	$ 1,325	$ (116)	$666	$(1,175)
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	95	(2)	—	—
Net derivative gains (losses)	16	30	44	(470)	802	—	—	—	—
Other revenues	(67)	—	—	—	—	—	—	(122)	1
Policyholder benefits and claims	—	—	—	22	(9)	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—	—
OCI	13	—	—	(1)	(39)	—	—	—	—
Purchases (3)	—	—	—	16	—	294	—	—	—
Sales (3)	—	—	—	—	—	(289)	—	—	1,149
Issuances (3)	—	—	(3)	—	—	1	—	109	—
Settlements (3)	(45)	(16)	(3)	(131)	(473)	(3)	70	(163)	23
Transfers into Level 3 (4)	—	—	—	—	—	25	—	—	—
Transfers out of Level 3 (4)	—	—	1	—	—	(41)	—	—	2
Balance, end of period	$217	$ 58	$40	$325	$ (3,922)	$ 1,407	$ (48)	$490	$—
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$—	$ —	$—	$—	$ —	$ —	$ —	$—	$—
Net investment gains (losses)	$—	$ —	$—	$—	$ —	$ —	$ (2)	$—	$—
Net derivative gains (losses)	$2	$ 10	$43	$(474)	$ 781	$ —	$ —	$—	$—
Other revenues	$—	$ —	$—	$—	$ —	$ —	$ —	$(88)	$—
Policyholder benefits and claims	$—	$ —	$—	$22	$ (7)	$ —	$ —	$—	$—

Other expenses	$—	$ —	$—	$—	$ —	$ —	$ —	$—	$—

(1) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities and certain mortgage loans are included in net investment gains (losses) while changes in the estimated fair value of certain mortgage loans and MSRs are included in other revenues. Lapses associated with net embedded derivatives are included in net derivative gains (losses).

(2) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.

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

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

(5) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods.

(6) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.

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

(8) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income. For the purpose of this disclosure, these changes are presented within net investment gains (losses).

(9) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for a discussion of the MetLife Bank Divestiture. See Note 10 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for discussion of the valuation techniques and key inputs. Other revenues related to MSRs represent the changes in estimated fair value due to changes in valuation model inputs or assumptions.

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Fair Value Option
The following table presents information for certain assets and liabilities accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	Residential Mortgage Loans — FVO (1)		Mortgage Loans Held-for-Sale (2)		Certain Assets and Liabilities of CSEs (3)	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	(In millions)					
Assets:						
Unpaid principal balance	$325	$—	$—	$80	$2,020	$2,539
Difference between estimated fair value and unpaid principal balance	(113)	—	—	(31)	76	127
Carrying value at estimated fair value	$212	$—	$—	$49	$2,096	$2,666
Loans in non-accrual status	$—	$—	$—	$3	$—	$—
Loans more than 90 days past due	$—	$—	$—	$23	$—	$—
Loans in non-accrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance	$—	$—	$—	$(14)	$—	$—
Liabilities:						
Contractual principal balance					$1,918	$2,430
Difference between estimated fair value and contractual principal balance					28	97
Carrying value at estimated fair value					$1,946	$2,527

(1) Interest income, changes in estimated fair value and gains or losses on sales are recognized in net investment income. Changes in estimated fair value for these loans were due to the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$—	$—	$—	$—
Other changes in estimated fair value	(2)	—	(2)	—
Total gains (losses) recognized in net investment income	$(2)	$—	$(2)	$—

(2) Interest income is included in net investment income. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales are recognized in other revenues. Changes in estimated fair value for these loans were due to the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$—	$(2)	$—	$—
Other changes in estimated fair value	—	(27)	—	71
Total gains (losses) recognized in other revenues	$—	$(29)	$—	$71

(3) These assets and liabilities are comprised of commercial mortgage loans and long-term debt. Changes in estimated fair value on these assets and liabilities and gains or losses on sales of these assets are recognized in net investment gains (losses). Interest income on commercial mortgage loans held by CSEs is recognized in net investment income. Interest expense from long-term debt of CSEs is recognized in other expenses.

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Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held at the reporting dates; that is, they are not measured at fair value on a recurring basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	At September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012	2013	2012
	Carrying Value After Measurement (In millions)		Gains (Losses)			
Mortgage loans: (1)						
Held-for-investment	$232	$379	$(4)	$(4)	$13	$9
Held-for-sale	$—	$174	$—	$(10)	$—	$(39)
Other limited partnership interests (2)	$70	$61	$—	$(9)	$(39)	$(23)
Real estate joint ventures (3)	$3	$10	$—	$—	$(2)	$(5)
Goodwill (4)	$—	$—	$—	$(1,868)	$—	$(1,868)

(1) Estimated fair values for impaired mortgage loans are based on independent broker quotations or valuation models using unobservable inputs or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, are based on the estimated fair value of the underlying collateral or the present value of the expected future cash flows.

(2) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments at both September 30, 2013 and 2012 were not significant.

(3) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include several real estate funds that typically invest primarily in commercial real estate and mezzanine debt. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next one to 10 years. Unfunded commitments for these investments at both September 30, 2013 and 2012 were not significant.

(4) As discussed in Note 11 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, the Company recorded an impairment of goodwill associated with the Retail Annuities reporting unit. This impairment has been categorized as Level 3 due to the significant unobservable inputs used in the determination of the estimated fair value.

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents,

accrued investment income, payables for collateral under securities loaned and other transactions, short-term debt and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three level hierarchy table disclosed in the "— Recurring Fair Value Measurements" section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2 and, to a lesser extent, in Level 1, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the table below are not considered financial instruments subject to this disclosure.

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

	September 30, 2013				
		Fair Value Hierarchy			
	Carrying Value (In millions)	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets:					
Mortgage loans:					
Held-for-investment	$55,200	$—	$—	$57,639	$57,639
Held-for-sale	225	—	—	225	225
Mortgage loans, net	$55,425	$—	$—	$57,864	$57,864
Policy loans	$11,782	$—	$1,701	$11,900	$13,601
Real estate joint ventures	$107	$—	$—	$177	$177
Other limited partnership interests	$1,013	$—	$—	$1,171	$1,171
Other invested assets	$855	$234	$276	$345	$855
Premiums, reinsurance and other receivables	$4,470	$—	$2,080	$2,466	$4,546
Other assets	$276	$—	$211	$94	$305
Liabilities:					
PABs	$140,721	$—	$—	$147,010	$147,010
Bank deposits	$—	$—	$—	$—	$—
Long-term debt	$16,275	$—	$17,889	$—	$17,889
Collateral financing arrangements	$4,196	$—	$—	$3,947	$3,947
Junior subordinated debt securities	$3,193	$—	$3,738	$—	$3,738
Other liabilities	$3,428	$—	$2,161	$1,270	$3,431
Separate account liabilities	$62,984	$—	$62,984	$—	$62,984
Commitments: (1)					
Mortgage loan commitments	$—	$—	$—	$(14)	$(14)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$—	$—	$(1)	$—	$(1)

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	December 31, 2012				
		Fair Value Hierarchy			
	Carrying Value (In millions)	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets:					
Mortgage loans:					
Held-for-investment	$53,926	$—	$—	$57,381	$57,381
Held-for-sale	365	—	—	365	365
Mortgage loans, net	$54,291	$—	$—	$57,746	$57,746
Policy loans	$11,884	$—	$1,690	$12,567	$14,257
Real estate joint ventures	$113	$—	$—	$171	$171
Other limited partnership interests	$1,154	$—	$—	$1,277	$1,277
Other invested assets	$815	$305	$144	$366	$815
Premiums, reinsurance and other receivables	$3,287	$—	$745	$2,960	$3,705
Other assets	$260	$—	$214	$78	$292
Liabilities:					
PABs	$149,928	$—	$—	$158,040	$158,040
Bank deposits	$6,416	$—	$2,018	$4,398	$6,416
Long-term debt	$16,502	$—	$18,978	$—	$18,978
Collateral financing arrangements	$4,196	$—	$—	$3,839	$3,839
Junior subordinated debt securities	$3,192	$—	$3,984	$—	$3,984
Other liabilities	$1,913	$—	$673	$1,243	$1,916
Separate account liabilities	$58,726	$—	$58,726	$—	$58,726
Commitments: (1)					
Mortgage loan commitments	$—	$—	$—	$12	$12
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$—	$—	$22	$—	$22

(1) Commitments are off-balance sheet obligations. Negative estimated fair values represent off-balance sheet liabilities. See Note 15 for additional information on these off-balance sheet obligations.

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

Mortgage Loans

Mortgage loans held-for-investment

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

Mortgage loans held-for-sale

For mortgage loans held-for-sale, estimated fair value is determined using independent non-binding broker quotations or internal valuation models using significant unobservable inputs.

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of

the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity determined through experience studies of the past performance of policyholder repayment behavior for similar loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk as these loans are fully collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time period between interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest rates.

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Real Estate Joint Ventures and Other Limited Partnership Interests
The estimated fair values of these cost method investments are generally based on the Company's share of the NAV as provided in the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.
Other Invested Assets
These other invested assets are principally comprised of various interest-bearing assets held in foreign subsidiaries and certain amounts due under contractual indemnifications. For the various interest-bearing assets held in foreign subsidiaries, the Company evaluates the specific facts and circumstances of each instrument to determine the appropriate estimated fair values. These estimated fair values were not materially different from the recognized carrying values.
Premiums, Reinsurance and Other Receivables
Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for securities sold but not yet settled.
Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.
The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value.
Other Assets
These other assets are principally comprised of a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston ("MRC") collateral financing arrangement described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. The estimated fair value of the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement is determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.
PABs
These PABs include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in "— Recurring Fair Value Measurements."
The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.
Bank Deposits
Due to the frequency of interest rate resets on customer bank deposits held in money market accounts, the Company believes that there is minimal risk of a material change in interest rates such that the estimated fair value approximates carrying value. For time deposits, the Company has taken into consideration the sale price for the disposition of the depository business of MetLife Bank to determine the estimated fair value of bank deposits. See Note 3.
Long-term Debt, Collateral Financing Arrangements and Junior Subordinated Debt Securities
The estimated fair values of long-term debt and junior subordinated debt securities are principally determined using market standard valuation methodologies. Capital leases, which are not required to be disclosed at estimated fair value, and debt carried at fair value are excluded from the preceding tables.

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Valuations classified as Level 2 are based primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues.

Valuations classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount rates that can vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair values of collateral financing arrangements incorporates valuations obtained from the counterparties to the arrangements, as part of the collateral management process.

Other Liabilities

Other liabilities consist primarily of interest and dividends payable, amounts due for securities purchased but not yet settled, funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements, and amounts payable under certain assumed reinsurance agreements, which are recorded using the deposit method of accounting. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values, with the exception of certain deposit type reinsurance payables. For such payables, the estimated fair value is determined as the present value of expected future cash flows, which are discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.

Separate Account Liabilities

Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.

Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortality risk to the Company such that the death benefit is equal to the account balance, funding agreements related to group life contracts and certain contracts that provide for benefit funding.

Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section "— Recurring Fair Value Measurements," the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

Mortgage Loan Commitments and Commitments to Fund Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments

The estimated fair values for mortgage loan commitments that will be held for investment and commitments to fund bank credit facilities, bridge loans and private corporate bonds that will be held for investment represent the difference between the discounted expected future cash flows using interest rates that incorporate current credit risk for similar instruments on the reporting date and the principal amounts of the commitments.

9. Goodwill

At September 30, 2013, the effect of foreign currency translation was a decrease to goodwill of $445 million. The impact by segment was $415 million, $10 million and $20 million related to Asia, EMEA and Latin America, respectively. Other than these foreign currency translation changes, there were no other significant changes to goodwill.

In addition, the Company performed its annual goodwill impairment tests of its reporting units during the third quarter of 2013 primarily using a market multiple valuation approach based upon data at June 30, 2013 and concluded that the fair values of all such reporting units were in excess of their carrying values and, therefore, goodwill was not impaired. Management continues to evaluate current market conditions that may affect the estimated fair values of the reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions may have a significant impact on the estimated fair values of certain reporting units and could result in future impairments of goodwill.

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10. Common Equity Units

Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts

In September 2013, MetLife, Inc. closed the successful remarketing of a portion of the senior debt securities underlying common equity units issued in November 2010 in connection with the acquisition of American Life Insurance Company and Delaware American Life Insurance Company (collectively, "ALICO"). The senior debt securities, which are due September 15, 2023, were remarketed as 4.368% senior debt securities. MetLife, Inc. did not receive any proceeds from the remarketing. Most holders of common equity units used remarketing proceeds to settle their payment obligations under the applicable stock purchase contracts. The subsequent settlement of the stock purchase contracts provided proceeds to MetLife, Inc. of $1.0 billion in exchange for shares of MetLife, Inc.'s common stock. MetLife, Inc. delivered 22,679,955 shares of its newly issued common stock to settle the stock purchase contracts. See Note 15 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for additional information.

11. Equity

Common Stock

Issuances

In September 2013, MetLife, Inc. issued 22,679,955 new shares of its common stock for $1.0 billion. The issuance was made in connection with the settlement of stock purchase contracts. See Note 10.

Stock-Based Compensation Plans

Performance Shares and Performance Units

For awards granted prior to the January 1, 2013 – December 31, 2015 performance period, vested Performance Shares and Performance Units are multiplied by a performance factor of 0.0 to 2.0 based on MetLife, Inc.'s adjusted income, total shareholder return, and performance in change in annual net operating earnings and total shareholder return compared to the performance of its competitors, each measured with respect to the applicable three-year performance period or portions thereof.

For the January 1, 2013 – December 31, 2015 performance period, the vested Performance Shares and Performance Units will be multiplied by a performance factor of 0.00 to 1.75. Assuming that MetLife, Inc. has met threshold performance goals related to its adjusted income or total shareholder return, the MetLife, Inc. Compensation Committee will determine the performance factor in its discretion. In doing so, the Compensation Committee may consider MetLife, Inc.'s total shareholder return relative to the performance of its competitors and MetLife, Inc.'s operating return on equity relative to its financial plan. The estimated fair value of performance shares will be remeasured each quarter until final settlement.

Payout of 2010 - 2012 Performance Shares

Final Performance Shares are paid in shares of MetLife, Inc. common stock. The performance factor for the January 1, 2010 – December 31, 2012 performance period was 0.92. This factor has been applied to the 1,346,025 Performance Shares associated with that performance period that vested on December 31, 2012 and, as a result, 1,238,343 shares of MetLife, Inc.'s common stock (less withholding for taxes and other items, as applicable) were issued, aside from shares that payees choose to defer, in April 2013.

Payout of 2010 - 2012 Performance Units

Final Performance Units are payable in cash equal to the closing price of MetLife, Inc. common stock on a date following the last day of the three-year performance period. The performance factor for the January 1, 2010 – December 31, 2012 performance period was 0.92. This factor has been applied to the 51,650 Performance Units associated with that performance period that vested on December 31, 2012 and, as a result, the cash value of 47,518 units was paid in April 2013.

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Accumulated Other Comprehensive Income (Loss)
Information regarding changes in the balances of each component of AOCI attributable to MetLife, Inc., net of income tax, was as follows:

	Three Months Ended September 30, 2013				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$9,709	$734	$(1,825)	$(2,416)	$6,202
OCI before reclassifications	(1,060)	(184)	207	(1)	(1,038)
Amounts reclassified from AOCI	55	(154)	—	35	(64)
Balance, end of period	$8,704	$396	$(1,618)	$(2,382)	$5,100

	Nine Months Ended September 30, 2013				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$13,590	$829	$(533)	$(2,489)	$11,397
OCI before reclassifications	(4,635)	(439)	(1,085)	1	(6,158)
Amounts reclassified from AOCI	(251)	6	—	106	(139)
Balance, end of period	$8,704	$396	$(1,618)	$(2,382)	$5,100

(1) See Note 6 for information on offsets to investments related to insurance liabilities, DAC and VOBA and the policyholder dividend obligation.

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

AOCI Components	Amounts Reclassified from AOCI		Statement of Operations and Comprehensive Income (Loss) Location
	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	
	(In millions)		
Net unrealized investment gains (losses):			
Net unrealized investment gains (losses)	$(96)	$365	Other net investment gains (losses)
Net unrealized investment gains (losses)	22	65	Net investment income
OTTI	(21)	(56)	OTTI on fixed maturity securities
Net unrealized investment gains (losses), before income tax	(95)	374	
Income tax (expense) benefit	40	(123)	
Net unrealized investment gains (losses), net of income tax	$(55)	$251	
Unrealized gains (losses) on derivatives - cash flow hedges:			
Interest rate swaps	$3	$17	Net derivative gains (losses)
Interest rate swaps	2	6	Net investment income
Interest rate forwards	2	8	Net derivative gains (losses)
Interest rate forwards	1	2	Net investment income
Interest rate forwards	(1)	(2)	Other expenses
Foreign currency swaps	216	(41)	Net derivative gains (losses)
Foreign currency swaps	—	(2)	Net investment income
Foreign currency swaps	1	1	Other expenses
Credit forwards	—	1	Net investment income
Gains (losses) on cash flow hedges, before income tax	224	(10)	
Income tax (expense) benefit	(70)	4	
Gains (losses) on cash flow hedges, net of income tax	$154	$(6)	
Defined benefit plans adjustment: (1)			
Amortization of net actuarial gains (losses)	$(71)	$(212)	
Amortization of prior service (costs) credit	17	51	
Amortization of defined benefit plan items, before income tax	(54)	(161)	
Income tax (expense) benefit	19	55	
Amortization of defined benefit plan items, net of income tax	$(35)	$(106)	
Total reclassifications, net of income tax	$64	$139	

(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 13.

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12. Other Expenses
Information on other expenses was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Compensation	$1,310	$1,307	$3,828	$4,196
Pension, postretirement and postemployment benefit costs	122	117	367	345
Commissions	1,309	1,442	4,084	4,466
Volume-related costs	239	154	618	402
Interest credited to bank deposits	—	19	2	60
Capitalization of DAC	(1,153)	(1,302)	(3,621)	(3,981)
Amortization of DAC and VOBA	841	1,008	2,623	3,201
Amortization of negative VOBA	(126)	(170)	(410)	(506)
Interest expense on debt and debt issuance costs	317	326	959	1,026
Premium taxes, licenses and fees	173	176	498	519
Professional services	349	432	976	1,210
Rent, net of sublease income	89	107	283	339
Other (1)	507	629	1,933	2,064
Total other expenses	$3,977	$4,245	$12,140	$13,341

(1) See Note 3 for information on the Japan income tax refund included in other expenses for the nine months ended September 30, 2013.

Restructuring Charges
The Company commenced in 2012 an enterprise-wide strategic initiative. This global strategy focuses on leveraging the Company’s scale to improve the value it provides to customers and shareholders in order to reduce costs, enhance revenues, achieve efficiencies and reinvest in its technology, platforms and functionality to improve its current operations and develop new capabilities.

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These restructuring charges are included in other expenses. As the expenses relate to an enterprise-wide initiative, they are reported in Corporate & Other. Estimated restructuring costs may change as management continues to execute this enterprise-wide strategic initiative. Such restructuring charges were as follows:

	Three Months Ended September 30,					
	2013			2012		
	Severance	Lease and Asset Impairment	Total	Severance	Lease and Asset Impairment	Total
	(In millions)					
Balance, beginning of period	$12	$9	$21	$21	$—	$21
Restructuring charges	14	2	16	46	8	54
Cash payments	(13)	(4)	(17)	(40)	—	(40)
Balance, end of period	$13	$7	$20	$27	$8	$35

	Nine Months Ended September 30,					
	2013			2012		
	Severance	Lease and Asset Impairment	Total	Severance	Lease and Asset Impairment	Total
	(In millions)					
Balance, beginning of period	$23	$—	$23	$—	$—	$—
Restructuring charges	51	14	65	93	8	101
Cash payments	(61)	(7)	(68)	(66)	—	(66)
Balance, end of period	$13	$7	$20	$27	$8	$35
Total restructuring charges incurred since inception of initiative	$192	$32	$224	$93	$8	$101

Management anticipates further restructuring charges including severance, as well as lease and asset impairments, through the year ending December 31, 2015. However, such restructuring plans were not sufficiently developed to enable management to make an estimate of such restructuring charges at September 30, 2013.

ALICO Acquisition Integration-Related Expenses

Integration-related costs were $25 million and $115 million for the three months and nine months ended September 30, 2013, respectively, and were $95 million and $239 million for the three months and nine months ended September 30, 2012, respectively. Integration-related costs represent costs directly related to integrating ALICO, including expenses for consulting and the integration of information systems. Such costs have been expensed as incurred and, as the integration of ALICO is an enterprise-wide initiative, these expenses are reported in Corporate & Other.

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13. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of MetLife, Inc. (the "Subsidiaries") sponsor and/or administer various U.S. 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 components of net periodic benefit costs were as follows:

	Pension Benefits				Other Postretirement Benefits			
	U.S. Plans Three Months Ended September 30,		Non-U.S. Plans Three Months Ended September 30,		U.S. Plans Three Months Ended September 30,		Non-U.S. Plans Three Months Ended September 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
	(In millions)							
Service costs	$59	$56	$16	$19	$5	$5	$—	$—
Interest costs	98	102	4	4	23	26	1	1
Expected return on plan assets	(121)	(121)	(2)	(1)	(18)	(19)	(1)	(1)
Amortization of net actuarial (gains) losses	57	48	—	—	14	15	—	1
Amortization of prior service costs (credit)	2	2	—	—	(19)	(26)	—	—
Net periodic benefit costs	$95	$87	$18	$22	$5	$1	$—	$1

	Pension Benefits				Other Postretirement Benefits			
	U.S. Plans Nine Months Ended September 30,		Non-U.S. Plans Nine Months Ended September 30,		U.S. Plans Nine Months Ended September 30,		Non-U.S. Plans Nine Months Ended September 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
	(In millions)							
Service costs	$177	$168	$50	$55	$15	$16	$1	$1
Interest costs	292	305	11	13	69	77	2	2
Expected return on plan assets	(363)	(363)	(5)	(5)	(56)	(57)	(1)	(1)
Amortization of net actuarial (gains) losses	171	146	—	—	41	43	—	1
Amortization of prior service costs (credit)	5	5	—	—	(56)	(78)	—	—
Net periodic benefit costs	$282	$261	$56	$63	$13	$1	$2	$3

As disclosed in Note 18 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, no contributions are required to be made to the Subsidiaries' U.S. qualified pension plans during 2013; however, during the nine months ended September 30, 2013, $313 million of discretionary contributions were made by the Subsidiaries to those plans.

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14. Earnings Per Common Share

The following table presents the weighted average shares used in calculating basic earnings per common share and those used in calculating diluted earnings per common share for each income category presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions, except share and per share data)			
Weighted Average Shares:				
Weighted average common stock outstanding for basic earnings per common share	1,104,892,638	1,065,041,874	1,099,496,305	1,063,991,836
Incremental common shares from assumed:				
Stock purchase contracts underlying common equity units (1)	1,886,275	—	628,758	—
Exercise or issuance of stock-based awards (2)	10,517,925	—	8,756,239	5,963,399
Weighted average common stock outstanding for diluted earnings per common share	1,117,296,838	1,065,041,874	1,108,881,302	1,069,955,235
Income (Loss) from Continuing Operations:				
Income (loss) from continuing operations, net of income tax	$973	$(957)	$2,476	$1,209
Less: Income (loss) from continuing operations, net of income tax, attributable to noncontrolling interests	3	(3)	17	29
Less: Preferred stock dividends	30	30	91	91
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	$940	$(984)	$2,368	$1,089
Basic	$0.85	$(0.92)	$2.15	$1.02
Diluted	$0.84	$(0.92)	$2.14	$1.01
Income (Loss) from Discontinued Operations:				
Income (loss) from discontinued operations, net of income tax	$2	$—	$1	$17
Less: Income (loss) from discontinued operations, net of income tax, attributable to noncontrolling interests	—	—	—	—
Income (loss) from discontinued operations, net of income tax, available to MetLife, Inc.'s common shareholders	$2	$—	$1	$17
Basic	$—	$—	$—	$0.02
Diluted	$—	$—	$—	$0.02
Net Income (Loss):				
Net income (loss)	$975	$(957)	$2,477	$1,226
Less: Net income (loss) attributable to noncontrolling interests	3	(3)	17	29
Less: Preferred stock dividends	30	30	91	91
Net income (loss) available to MetLife, Inc.'s common shareholders	$942	$(984)	$2,369	$1,106
Basic	$0.85	$(0.92)	$2.15	$1.04
Diluted	$0.84	$(0.92)	$2.14	$1.03

(1) See Note 15 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for a description of the Company's common equity units. For the three months and nine months ended September 30, 2012, all shares related to the assumed issuance of shares in settlement of the applicable purchase contracts have been excluded from the calculation of diluted earnings per common share, as these assumed shares are anti-dilutive.

(2) For the three months ended September 30, 2012, 5,928,114 shares related to the assumed exercise or issuance of stock-based awards have been excluded from the calculation of diluted earnings per common share, as these assumed shares would be anti-dilutive.

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15. 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 U.S. 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, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

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 difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness 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.

The Company establishes liabilities for litigation and regulatory loss contingencies 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, 2013. 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 to management, management does not believe any such charges are likely to have a material effect on the Company’s financial position.

Matters as to Which an Estimate Can Be Made

For some of the matters disclosed below, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. As of September 30, 2013, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be approximately $0 to $445 million.

Matters as to Which an Estimate Cannot Be Made

For other matters disclosed below, the Company is not currently able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlement negotiations. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation contingencies and updates its accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

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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 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 2012 Annual Report, MLIC received approximately 5,303 asbestos-related claims in 2012. During the nine months ended September 30, 2013 and 2012, MLIC received approximately 4,256 and 3,909 new asbestos-related claims, respectively. See Note 21 of the Notes to the Consolidated Financial Statements included in the 2012 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 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 effect on the Company's financial position.

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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 U.S., 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, 2013.

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. The Company cooperates in these inquiries.

Mortgage Regulatory and Law Enforcement Authorities' Inquiries

MetLife, through its affiliate, MetLife Bank, was engaged in the origination, sale and servicing of forward and reverse residential mortgage loans since 2008. In 2012, MetLife Bank exited the business of originating residential mortgage loans. In 2012 and 2013, MetLife Bank sold its residential mortgage servicing portfolios, and in 2013 wound down its mortgage servicing business. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for information regarding the MetLife Bank Divestiture. In August 2013, MetLife Bank merged with and into MLHL, its former subsidiary, with MLHL as the surviving, non-bank entity.

On April 13, 2011, the Office of the Comptroller of the Currency (the "OCC") entered into a consent order with MetLife Bank (the "OCC consent order"). The OCC consent order required an independent review of foreclosure practices and set forth new residential mortgage servicing standards. In February 2013, MetLife Bank entered into an agreement with the OCC to amend the OCC consent order, and paid approximately $46 million to settle its obligations and end the foreclosure review. In addition, the Federal Reserve Board entered into a consent order with MetLife, Inc. in 2011 (the "Federal Reserve Board consent order"), to enhance its supervision of the mortgage servicing activities of MetLife Bank. On August 6, 2012, the Federal Reserve Board issued an Order of Assessment of a Civil Monetary Penalty Issued Upon Consent against MetLife, Inc. that imposes a penalty of up to $3.2 million for the alleged deficiencies in oversight of MetLife Bank's servicing of residential mortgage loans and processing foreclosures that were the subject of the Federal Reserve Board consent order.

In May 2013, MetLife Bank received a subpoena from the U.S. Department of Justice requiring production of documents relating to MetLife Bank's payment of certain foreclosure-related expenses to law firms and business entities affiliated with law firms and relating to MetLife Bank's supervision of such payments, including expenses submitted to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corp. and the U.S. Department of Housing and Urban Development ("HUD") for reimbursement. It is possible that various state or federal regulatory and law enforcement authorities may seek monetary penalties from MLHL relating to foreclosure practices.

MetLife Bank has also responded to a subpoena issued by the New York State Department of Financial Services ("Department of Financial Services") regarding hazard insurance and flood insurance that MetLife Bank obtained to protect the lienholder's interest when the borrower's insurance has lapsed.

In April and May 2012, MetLife Bank received two subpoenas issued by the Office of Inspector General for HUD regarding Federal Housing Administration ("FHA") insured loans. In June and September 2012, MetLife Bank received two Civil Investigative Demands that the U.S. Department of Justice issued as part of a False Claims Act investigation of allegations that MetLife Bank had improperly originated and/or underwritten loans insured by the FHA. MetLife Bank has met with the U.S. Department of Justice to discuss the allegations and possible resolution of the FHA False Claims Act investigation. The Company has included what it currently believes to be the probable and estimable amount of such loss in the Company's consolidated financial statements and is continuing to investigate matters raised during that meeting.

The consent decrees, as well as the inquiries or investigations referred to above, could adversely affect MetLife's reputation or result in significant fines, penalties, equitable remedies or other enforcement actions, and result in significant legal costs in responding to governmental investigations or other litigation. The MetLife Bank Divestiture may not relieve MetLife from complying with the consent decrees, or protect it from inquiries and investigations relating to residential mortgage servicing and foreclosure activities, or any fines, penalties, equitable remedies or enforcement actions that may result, the costs of responding to any such governmental investigations, or other litigation. Management believes that the Company's consolidated financial statements as a whole will not be materially affected by these regulatory matters.

In the Matter of Chemform, Inc. Site, Pompano Beach, Broward County, Florida

In July 2010, the Environmental Protection Agency ("EPA") advised MLIC that it believed payments were due under two settlement agreements, known as "Administrative Orders on Consent," that New England Mutual Life Insurance Company ("New England Mutual") signed in 1989 and 1992 with respect to the cleanup of a Superfund site in Florida (the "Chemform Site"). The EPA originally contacted MLIC (as successor to New England Mutual) and a third party in 2001, and advised that they owed additional clean-up costs for the Chemform Site. The matter was not resolved at that time. The EPA is requesting payment of an amount under $1 million from MLIC and such third party for past costs and an additional amount for future environmental testing costs at the Chemform Site. In June 2012, the EPA, MLIC and the third party executed an Administrative Order on Consent under which MLIC and the third party have agreed to be responsible for certain environmental testing at the Chemform site. The Company estimates that its costs for the environmental testing will not exceed $100,000. The June 2012 Administrative Order on Consent does not resolve the EPA's claim for past clean-up costs. The EPA may seek additional costs if the environmental testing identifies issues. The Company estimates that the aggregate cost to resolve this matter will not exceed $1 million.

Metco Site, Hicksville, Nassau County, New York

On February 22, 2012, the New York State Department of Environmental Conservation ("Department of Environmental Conservation") issued a notice to MLIC, as purported successor in interest to New England Mutual, that it is a potentially responsible party with respect to hazardous substances and hazardous waste located on a property that New England Mutual owned for a time in 1978. MLIC has responded to the Department of Environmental Conservation and asserted that it is not a potentially responsible party under the law.

New York Licensing Inquiry

The Company continues to work with the Department of Financial Services and the Manhattan District Attorney's Office regarding their inquiries into whether from January 2007 to the present American Life Insurance Company and Delaware American Life Insurance Company conducted insurance business in New York without a license and whether representatives acting on behalf of these companies solicited, sold or negotiated insurance products in New York without a license. Additionally, the New York State Office of the Attorney General Taxpayer Protection Bureau is inquiring concerning American Life Insurance Company's and Delaware American Life Insurance Company's New York State premium and franchise tax filings. The Company is cooperating with all regulators.

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Sales Practices Regulatory Matters
Regulatory authorities in a small number of states and FINRA, and occasionally the SEC, have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by MLIC, MetLife Insurance Company of Connecticut ("MICC"), New England Life Insurance Company ("NELICO") and General American Life Insurance Company ("GALIC"), and broker-dealers MetLife Securities, Inc. and New England Securities Corporation. These investigations often focus on the conduct of particular financial services representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. The Company may continue to resolve investigations in a similar manner. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for these sales practices-related investigations or inquiries.
Unclaimed Property Litigation and Inquiries
In 2012, the Company reached agreements with representatives of the U.S. jurisdictions that were conducting audits of MetLife, Inc. and certain of its affiliates for compliance with unclaimed property laws, and with state insurance regulators directly involved in a multistate targeted market conduct examination relating to claim-payment practices and compliance with unclaimed property laws. In the first quarter of 2012, the Company recorded a $52 million after tax charge for the multistate examination payment and the expected acceleration of benefit payments to policyholders under the settlements. On September 20, 2012, the West Virginia Treasurer filed an action against MLIC in West Virginia state court (West Virginia ex rel. John D. Perdue v. Metropolitan Life Insurance Company, Circuit Court of Putnam County, Civil Action No. 12-C-295) alleging that the Company violated the West Virginia Uniform Unclaimed Property Act, seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On November 14, 2012, November 21, 2012, December 28, 2012, and January 9, 2013, the Treasurer filed substantially identical suits against MetLife Investors USA Insurance Company, NELICO, MICC and GALIC, respectively. At least one other jurisdiction is pursuing a market conduct examination concerning compliance with unclaimed property statutes. It is possible that other jurisdictions may pursue similar examinations, audits, or lawsuits and that such actions may result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, administrative penalties, interest, and/or further changes to the Company's procedures. The Company is not currently able to estimate these additional possible costs.
Total Asset Recovery Services, LLC on behalf of the State of Florida v. MetLife, Inc., et. al. (Cir. Ct. Leon County, FL, filed October 27, 2010)
Alleging that MetLife, Inc. and another company have violated the Florida Disposition of Unclaimed Property law by failing to escheat to Florida benefits of 9,022 life insurance contracts, Total Asset Recovery Services, LLC ("the Relator") has brought an action under the Florida False Claims Act seeking to recover damages on behalf of Florida. The action had been sealed by court order until December 17, 2012. The Relator alleges that the aggregate damages attributable to MetLife, Inc., including statutory damages and treble damages, are $767 million. The Relator also bases its damage calculation in part on its assumption that the average face amount of the subject policies is $120,000. MetLife, Inc. strongly disputes this assumption, the Relator's alleged damages amounts, and other allegations in the complaint. On December 14, 2012, the Florida Attorney General apprised the court that the State of Florida declined to intervene in the action and noted that the allegations in the complaint ". . . are very similar (if not identical) to those raised in regulatory investigations of the defendants that predated the filing of the action" and that those regulatory investigations have been resolved. On August 20, 2013, the court granted defendants' motion to dismiss the action. The Relator has filed notice of its intent to appeal the dismissal.
City of Westland Police and Fire Retirement System v. MetLife, Inc., et. al. (S.D.N.Y., filed January 12, 2012)
Seeking to represent a class of persons who purchased MetLife, Inc. common shares between February 2, 2010, and October 6, 2011, the plaintiff filed a second amended complaint alleging that MetLife, Inc. and several current and former executive officers of MetLife, Inc. violated the Securities Act of 1933 as well as the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing, or causing MetLife, Inc. to issue, materially false and

misleading statements concerning MetLife, Inc.’s potential liability for millions of dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensatory damages and other relief. The defendants intend to defend this action vigorously.

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City of Birmingham Retirement and Relief System v. MetLife, Inc., et al. (N.D. Alabama, filed in state court on July 5, 2012 and removed to federal court on August 3, 2012)

Seeking to represent a class of persons who purchased MetLife, Inc. common equity units in or traceable to a public offering in March 2011, the plaintiff filed an action alleging that MetLife, Inc., certain current and former directors and executive officers of MetLife, Inc., and various underwriters violated several provisions of the Securities Act of 1933 related to the filing of the registration statement by issuing, or causing MetLife, Inc. to issue, materially false and misleading statements and/or omissions concerning MetLife, Inc.'s potential liability for millions of dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensatory damages and other relief. Defendants removed this action to federal court, and plaintiff has moved to remand the action to state court. The magistrate judge recommended granting the motion to remand to state court and the defendants have objected to that recommendation. The defendants intend to defend this action vigorously.

Derivative Actions and Demands

Seeking to sue derivatively on behalf of MetLife, Inc., four shareholders commenced separate actions against members of the MetLife, Inc. Board of Directors, alleging that they breached their fiduciary and other duties to the Company. The actions are Fishbaum v. Kandarian, et al. (Sup. Ct., New York County, filed January 27, 2012), Batchelder v. Burwell, et al. (Sup. Ct., New York County, filed March 6, 2012), Mallon v. Kandarian, et al. (S.D.N.Y., filed March 28, 2012), and Martino v. Kandarian, et al. (S.D.N.Y., filed April 19, 2012). The two federal court actions have been consolidated and have been stayed pending further order of the court. The two state court actions have been consolidated under the caption In re: MetLife Shareholder Derivative Action and an amended complaint has been filed. Plaintiffs in all four actions allege that the defendants failed to ensure that the Company complied with state unclaimed property laws and to ensure that the Company accurately reported its earnings. Plaintiffs allege that because of the defendants' breaches of duty, MetLife, Inc. has incurred damage to its reputation and has suffered other unspecified damages. The defendants intend to defend these actions vigorously. A fifth shareholder, Western Pennsylvania Electrical Workers Pension Fund, has written to the MetLife, Inc. Board of Directors demanding that MetLife, Inc. take action against current and former Board members, executive officers, and MetLife, Inc.'s independent auditor, for similar alleged breaches of duty with respect to the Company's compliance with unclaimed property laws and financial disclosures. The MetLife, Inc. Board of Directors appointed a Special Committee to investigate these allegations. On September 24, 2012, counsel for the Special Committee apprised this shareholder that the Board of Directors had reviewed the issues and rejected the demand.

Total Control Accounts Litigation

MLIC is a defendant in a consolidated lawsuit related to its use of retained asset accounts, known as Total Control Accounts ("TCA"), as a settlement option for death benefits.

Keife, et al. v. Metropolitan Life Insurance Company (D. Nev., filed in state court on July 30, 2010 and removed to federal court on September 7, 2010); and Simon v. Metropolitan Life Insurance Company (D. Nev., filed November 3, 2011)

These putative class action lawsuits, which have been consolidated, raise breach of contract claims arising from MLIC's use of the TCA to pay life insurance benefits under the Federal Employees' Group Life Insurance program. On March 8, 2013, the court granted MLIC's motion for summary judgment. Plaintiffs have appealed that decision to the United States Court of Appeals for the Ninth Circuit.

Other Litigation

Merrill Haviland, et al. v. Metropolitan Life Insurance Company (E.D. Mich., removed to federal court on July 22, 2011)

This lawsuit was filed by 45 retired General Motors ("GM") employees against MLIC and the amended complaint includes claims for conversion, unjust enrichment, breach of contract, fraud, intentional infliction of emotional distress, fraudulent insurance acts, unfair trade practices, and Employee Retirement Income Security Act of 1974 ("ERISA") claims based upon GM's 2009 reduction of the employees' life insurance coverage under GM's ERISA-governed plan. The complaint includes a count seeking class action status. MLIC is the insurer of GM's group

life insurance plan and administers claims under the plan. According to the complaint, MLIC had previously provided plaintiffs with a “written guarantee” that their life insurance benefits under the GM plan would not be reduced for the rest of their lives. On June 26, 2012, the district court granted MLIC’s motion to dismiss the complaint. Plaintiffs appealed and the United States Court of Appeals for the Sixth Circuit affirmed the dismissal of the action on September 12, 2013.

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McGuire v. Metropolitan Life Insurance Company (E.D. Mich., filed February 22, 2012)
This lawsuit was filed by the fiduciary for the Union Carbide Employees' Pension Plan and alleges that MLIC, which issued annuity contracts to fund some of the benefits the Plan provides, engaged in transactions that ERISA prohibits and violated duties under ERISA and federal common law by determining that no dividends were payable with respect to the contracts from and after 1999. On September 26, 2012, the court denied MLIC's motion to dismiss the complaint. The parties have begun discovery.
Sun Life Assurance Company of Canada v. Metropolitan Life Ins. Co. (Super. Ct., Ontario, October 2006)
In 2006, Sun Life Assurance Company of Canada ("Sun Life"), as successor to the purchaser of MLIC's Canadian operations, filed this lawsuit in Toronto, seeking a declaration that MLIC remains liable for "market conduct claims" related to certain individual life insurance policies sold by MLIC and that have been transferred to Sun Life. Sun Life had asked that the court require MLIC to indemnify Sun Life for these claims pursuant to indemnity provisions in the sale agreement for the sale of MLIC's Canadian operations entered into in June of 1998. In January 2010, the court found that Sun Life had given timely notice of its claim for indemnification but, because it found that Sun Life had not yet incurred an indemnifiable loss, granted MLIC's motion for summary judgment. Both parties appealed. In September 2010, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Toronto, Fehr v. Sun Life Assurance Co. (Super. Ct., Ontario, September 2010), alleging sales practices claims regarding the same individual policies sold by MLIC and transferred to Sun Life. An amended class action complaint in that case was served on Sun Life, again without naming MLIC as a party. On August 30, 2011, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Vancouver, Alamwala v. Sun Life Assurance Co. (Sup. Ct., British Columbia, August 2011), alleging sales practices claims regarding certain of the same policies sold by MLIC and transferred to Sun Life. Sun Life contends that MLIC is obligated to indemnify Sun Life for some or all of the claims in these lawsuits. The Company is unable to estimate the reasonably possible loss or range of loss arising from this litigation.
C-Mart, Inc. v. Metropolitan Life Ins. Co., et al. (S.D. Fla., January 10, 2013)
Plaintiff filed this lawsuit against defendants, including MLIC and a former MetLife financial services representative, alleging that the defendants sent unsolicited fax advertisements to plaintiff and others in violation of the Telephone Consumer Protection Act, as amended by the Junk Fax Prevention Act, 47 U.S.C. § 227 ("TCPA"). Plaintiff has moved to certify a nationwide class of persons who were allegedly sent millions of unsolicited faxes in violation of the TCPA. Plaintiff seeks an award of statutory damages under the TCPA in the amount of $500 for each violation and to have such damages trebled. Trial is scheduled to begin on February 10, 2014.
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. 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, mortgage lending bank, 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.

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

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 $4.5 billion and $3.4 billion at September 30, 2013 and December 31, 2012, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $3.2 billion and $3.0 billion at September 30, 2013 and December 31, 2012, 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 $975 million and $1.2 billion at September 30, 2013 and December 31, 2012, respectively.

16. Subsequent Events

Common Stock Dividend

On October 22, 2013, MetLife, Inc.'s Board of Directors declared a fourth quarter 2013 common stock dividend of $0.275 per share payable on December 13, 2013 to shareholders of record as of November 8, 2013. The Company estimates the aggregate dividend payment to be $311 million.

Credit Facilities

In October 2013, unused availability under the unsecured credit facilities increased by $1.9 billion, as the Company no longer required and therefore canceled $1.9 billion of outstanding letters of credit.

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

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Forward-Looking Statements and Other Financial Information

For purposes of this discussion, “MetLife,” the “Company,” “we,” “our” and “us” refer to MetLife, Inc., a Delaware corporatio incorporated in 1999, its subsidiaries and affiliates. Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with MetLife, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2012 (the “2012 Annual Report”), the forward-looking statement information included below, the “Risk Factors” set forth in Part II, Item 1A, and the additional risk factors referred to therein, and the Company’s interim condensed consolidated financial statements included elsewhere herein.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. Any or all forward-looking statements may turn out to be wrong. Actual results could differ materially from those expressed or implied in the forward-looking statements. See “Note Regarding Forward-Looking Statements.”

This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes references to our performance measures, operating earnings and operating earnings available to common shareholders, that are not based on accounting principles generally accepted in the United States of America (“GAAP”). Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is our measure of segment performance. Operating earnings is also a measure by which senior management’s and many other employees’ performance is evaluated for the purposes of determining their compensation under applicable compensation plans. See “— Non-GAAP and Other Financial Disclosures” for definitions of such measures.

Executive Summary

MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, property & casualty insurance, and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and Europe, the Middle East and Africa (“EMEA”). In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Home Loans LLC (“MLHL”), the surviving, non-bank entity of the merger of MetLife Bank, National Association (“MetLife Bank”) with and into MLHL. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for information regarding MetLife Bank’s exit from substantially all of its businesses (the “MetLife Bank Divestiture”) and other business activities.

On October 1, 2013, MetLife, Inc. completed its previously announced acquisition of Administradora de Fondos de Pensiones Provida S.A. ("Provida"), the largest private pension fund administrator in Chile based on assets under management and number of pension fund contributors. The acquisition of Provida supports the Company's growth strategy in emerging markets and further strengthens the Company's overall position in Chile. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on the acquisition of Provida.

Management continues to evaluate the Company’s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability. For example, starting in the first quarter of 2013, the Latin America segment includes U.S. sponsored direct business, comprised of group products sold through sponsoring organizations and affinity groups. Products included are life, dental, group short- and long-term disability,

accidental death & dismemberment (“AD&D”) coverages, property & casualty and critical illness. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on the Company’s segments and Corporate & Other.

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We continue to experience an increase in sales in several of our businesses; however, global economic conditions continue to negatively impact the demand for several of our products. Also, with the continued focus on pricing discipline and risk management in this challenging economic environment, additional changes to product features resulted in a decrease in sales of variable annuities. An increase in average separate accounts from both equity market performance and positive net flows produced higher asset-based fee revenue. The sustained low interest rate environment reduced investment yields, but also reduced crediting rates. In addition, the impact of the nonperformance risk adjustment on variable annuity embedded derivatives and changes in interest rates resulted in a decrease in derivative losses. Also, the prior period included a goodwill impairment charge.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Income (loss) from continuing operations, net of income tax	$973	$(957)	$2,476	$1,209
Less: Net investment gains (losses)	(85)	22	339	(152)
Less: Net derivative gains (losses)	(546)	(718)	(2,866)	(604)
Less: Goodwill impairment	—	(1,868)	—	(1,868)
Less: Other adjustments to continuing operations (1)	(472)	(472)	(1,326)	(1,619)
Less: Provision for income tax (expense) benefit	546	632	1,510	1,048
Operating earnings	1,530	1,447	4,819	4,404
Less: Preferred stock dividends	30	30	91	91
Operating earnings available to common shareholders	$1,500	$1,417	$4,728	$4,313

(1) See definitions of operating revenues and operating expenses under "— Non-GAAP and Other Financial Disclosures" for the components of such adjustments.

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

During the three months ended September 30, 2013, income (loss) from continuing operations, net of income tax, increased $1.9 billion over the prior period. The change was predominantly due to a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment associated with our U.S. Retail annuities business that was recorded in the prior period. A favorable change in net derivatives gains (losses) of $172 million ($112 million, net of income tax) was primarily driven by the impact of the nonperformance risk adjustment on variable annuity embedded derivatives and changes in interest rates. An increase in operating earnings available to common shareholders also contributed to the increase in income (loss) from continuing operations, net of income tax. Also included in income (loss) from continuing operations, net of income tax, were the results of the Divested Businesses, which improved $49 million to a loss of $22 million compared with a loss of $71 million in the prior period.

The increase in operating earnings available to common shareholders was primarily driven by higher asset-based fee revenues due to growth in our average separate account assets and a higher tax benefit, partially offset by unfavorable mortality and claims experience and an increase in expenses. The sustained low interest rate environment negatively impacted investment yields; however, it also resulted in lower crediting rates.

Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

During the nine months ended September 30, 2013, income (loss) from continuing operations, net of income tax, increased $1.3 billion over the prior period. The change was predominantly due to a non-cash charge in the prior period of $1.9 billion ($1.6 billion, net of income tax) for goodwill impairment associated with our U.S. Retail annuities business. In addition, operating earnings available to common shareholders increased by $415 million and net investment gains (losses) increased by $491 million ($319 million, net of income tax) primarily due to an increase in net gains on sales of fixed maturity securities in the current period coupled with a decrease in impairments of fixed maturity securities. These increases were partially offset by an unfavorable change in net derivatives gains (losses) of

$2.3 billion ($1.5 billion, net of income tax) which was primarily driven by changes in interest rates and foreign currency exchange rates. Also included in income (loss) from continuing operations, net of income tax, were the results of the Divested Businesses, which improved $207 million to a loss of $120 million from a loss of $327 million in the prior period.

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The increase in operating earnings available to common shareholders was primarily driven by higher asset-based fee revenues due to growth in our average separate account assets and an increase in net investment income due to growth in our investment portfolio. The sustained low interest rate environment negatively impacted investment yields; however, it also resulted in lower crediting rates. These favorable results were partially offset by unfavorable mortality and claims experience. In addition, the prior period included a $52 million charge representing a multi-state examination payment related to unclaimed property and our use of the U.S. Social Security Administration's Death Master File to identify potential life insurance claims, as well as the acceleration of benefit payments to policyholders under the settlements of such claims.

Consolidated Company Outlook

In 2013, despite pressure from low interest rates, we expect a solid improvement in operating earnings over 2012, driven primarily by the following:

- Growth in premiums, fees and other revenues driven by:
  - Rational pricing strategy in the group insurance marketplace;
  - Increased fee revenue reflecting the benefit of higher equity markets on our separate account balances; and
  - Increases in our businesses outside of the U.S., notably accident & health, from continuing organic growth throughout our various geographic regions and leveraging of our multichannel distribution network.
- Expanding our presence in emerging markets, including potential merger and acquisition activity. We expect that by 2016, more than 20% of our operating earnings will come from emerging markets, with the acquisition of Provida contributing to this increase.
- Focus on disciplined underwriting. We see no significant changes to the underlying trends that drive underwriting results; however, unanticipated catastrophes could result in a high volume of claims.
- Focus on expense management in the light of the low interest rate environment, and continued focus on expense control throughout the Company.
- Continued disciplined approach to investing and asset/liability management ("ALM"), including significant hedging to protect against low interest rates and the purchasing of derivatives to protect against higher interest rates.

We expect only modest net investment gains in 2013, but more difficult to predict is the impact of potential changes in fair value of freestanding and embedded derivatives as even relatively small movements in market variables, including interest rates, equity levels and volatility, can have a large impact on the fair value of derivatives and net derivative gains (losses). Additionally, changes in fair value of embedded derivatives within certain insurance liabilities may have a material impact on net derivative gains (losses) related to the inclusion of a nonperformance risk adjustment.

As part of an enterprise-wide strategic initiative, by 2016, we expect to increase our operating return on common equity, excluding accumulated other comprehensive income ("AOCI"), to the low end of the 12% to 14% range, driven by higher operating earnings. If we were to assume no share buybacks through year-end 2016, our estimated operating return on equity target range for 2016 would be approximately 100 basis points lower than this previously noted range, all other assumptions held constant. We will leverage our scale to improve the value we provide to customers and shareholders in order to achieve $1 billion in efficiencies, $600 million of which we expect to be related to net pre-tax expense savings, and $400 million of which we expect to be reinvested in our technology, platforms and functionality to improve our current operations and develop new capabilities. We also continue to shift our product mix toward protection products and away from more capital-intensive products, in order to generate more predictable operating earnings and cash flows, and improve our risk profile and free cash flow.

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In the second quarter of 2013, MetLife, Inc. announced its plans to merge three U.S.-based life insurance companies and an offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurance company. The companies to be merged consist of MetLife Insurance Company of Connecticut ("MICC"), MetLife Investors USA Insurance Company ("MLI-USA") and MetLife Investors Insurance Company ("MLIIC"), each a U.S. insurance company that issues variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd. ("Exeter"), a reinsurance company that mainly reinsures guarantees associated with variable annuity products issued by our U.S. insurance companies. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. Exeter, formerly a Cayman Islands company, was domesticated to Delaware in October 2013. These mergers are expected to occur towards the end of 2014, subject to regulatory approvals. As a result of these mergers, it is anticipated that the need to use holding company cash to fund derivative collateral requirements will be alleviated and transparency will be increased relative to our capital allocation and variable annuity risk management. See "— Industry Trends — Regulatory Developments — U.S. Regulatory Developments," "Liquidity and Capital Resources — The Company – Liquidity and Capital Sources — Credit and Committed Facilities" and "— Liquidity and Capital Resources — MetLife, Inc. – Liquidity and Capital Sources — Dividends from Subsidiaries" for further information regarding the domestication of Exeter.

Industry Trends

We continue to be impacted by the unstable global financial and economic environment that has been affecting the industry.

Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect the business and economic environment and, ultimately, the amount and profitability of our business. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our business through their effects on general levels of economic activity, employment and customer behavior. While our diversified business mix and geographically diverse business operations partially mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification.

Financial markets have also been affected by concerns over U.S. fiscal policy. While uncertainty regarding the "fiscal cliff" (a series of tax increases and automatic government spending cuts that would have become effective at the beginning of 2013) was abated following a last minute Congressional compromise on January 1, 2013, questions over the direction of U.S. fiscal policy remain, as illustrated by the most recent debt ceiling crisis. Just before the October 17, 2013 deadline, on October 16, 2013, Congress reached an agreement to temporarily avert a default on U.S. debt obligations by again raising the U.S. federal government's debt ceiling until February 7, 2014. However, unless long-term steps are taken to raise the debt ceiling and reduce the federal deficit, rating agencies have warned of the possibility of future downgrades of U.S. Treasury securities. These issues could, on their own, or combined with the possible slowing of the global economy generally, send the U.S. into a new recession, have severe repercussions to the U.S. and global credit and financial markets, further exacerbate concerns over sovereign debt of other countries and disrupt economic activity in the U.S. and elsewhere.

Concerns about the economic conditions, capital markets and the solvency of certain European Union ("EU") member states, including Portugal, Ireland, Italy, Greece and Spain ("Europe's perimeter region") and Cyprus, and of financial institutions that have significant direct or indirect exposure to debt issued by these countries, have been a cause of elevated levels of market volatility. See "— Investments — Current Environment" for information regarding credit ratings downgrades, support programs for Europe's perimeter region and Cyprus and our exposure to obligations of European governments and private obligors.

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The financial markets have also been affected by concerns that other EU member states could experience similar financial troubles, that some countries could default on their obligations, have to restructure their outstanding debt, or be unable or unwilling to comply with the terms of any aid provided to them, that financial institutions with significant holdings of sovereign or private debt issued by borrowers in Europe's perimeter region or Cyprus could experience financial stress, or that one or more countries may exit the Euro zone, any of which could have significant adverse effects on the European and global economies and on financial markets, generally. In September 2012, the European Central Bank ("ECB") announced a new bond buying program, Outright Monetary Transactions, intended to stabilize the European financial crisis and help certain countries struggling with their levels of sovereign debt. This program involves the purchase by the ECB of unlimited quantities of short-term sovereign bonds, with maturities of one to three years. These large scale purchases of short-term sovereign bonds are intended to increase the price of the bonds, and lower their interest rates, making it less expensive for certain countries to borrow money. As a condition to participating in this program, countries must agree to strict levels of economic reform and oversight. This bond buying program has not been activated to date, but the possibility of its use by the ECB has succeeded in reducing investor concerns over Euro zone break-up risk and lowering sovereign yields in Europe's perimeter region and Cyprus. The Euro zone has recently emerged from its recession, but growth is expected to remain relatively muted, as structural reforms still need to be implemented. See "Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period," included in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013. See also "Risk Factors — Economic Environment and Capital Markets-Related Risks — If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations."

The Japanese economy, to which we face substantial exposure given our operations there, has been weak for over two decades and has endured a long period of deflation, which have led to a deterioration in public finances. The global financial crisis and March 2011 earthquake and related events further pressured Japan's budget outcomes and public debt levels. Going forward, Japan's structural and demographic challenges may continue to limit its potential growth unless reforms that boost productivity are put into place. Japan's high public sector debt levels are mitigated by low refinancing risks and its nominal yields on government debt have remained at a lower level than that of any other advanced country. However, frequent changes in government have prevented policy makers from implementing fiscal reform measures to put public finances on a sustainable path. In January 2013, the government and the Bank of Japan pledged to strengthen policy coordination to end deflation and to achieve sustainable economic growth. This was followed by the announcement of a supplementary budget stimulus program totaling 2% of gross domestic product and the adoption of a 2% inflation target by the Bank of Japan. In early April 2013, the Bank of Japan announced a new round of monetary easing measures including increased government bond purchases at longer maturities. In October 2013, the government agreed to raise the consumption tax from 5% to 8% effective April 1, 2014. While this was a positive step, the fiscal impact is likely to be neutral given the accompanying stimulus spending package. Although the yen has weakened, deflationary pressures have eased and the stock market has rallied on the back of these announcements, it is too soon to tell whether these actions will have a sustained impact on Japan's economy. Japan's public debt trajectory could continue to rise until a strategy to consolidate public finances and growth-enhancing reforms are implemented.

Impact of a Sustained Low Interest Rate Environment

As a global insurance company, we are affected by the monetary policy of central banks around the world. In the United States, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") has taken a number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level of product sales.

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On October 30, 2013, the Federal Reserve Board's Federal Open Market Committee ("FOMC") decided to await further evidence of sustained growth in the economy before adjusting the pace of its purchases of agency mortgage-backed securities from the current $40 billion per month and the pace of its purchases of longer-term U.S. Treasury securities from the current $45 billion per month. These quantitative easing measures are intended to stimulate the economy by keeping interest rates at low levels. The FOMC will closely monitor economic and financial developments in determining when to moderate these quantitative easing measures, including with respect to the rates of unemployment, inflation and long-term inflation. Any determination by the Federal Reserve Board to moderate the pace of its bond purchases will be dependent on subsequent economic data remaining broadly aligned with its current expectations for a strengthening in the U.S. economy. Any action by the Federal Reserve Board to reduce its quantitative easing program will potentially increase U.S. interest rates from recent historically low levels, with uncertain impacts on U.S. risk markets, and may affect interest rates and risk markets in other developed and emerging economies. Even after the quantitative easing program ends and the economy strengthens, the FOMC indicated that it anticipates keeping the target range for the federal funds rate at 0 to .25%, again subject to certain unemployment, inflation and long-term inflation thresholds. On October 9, 2013, President Obama nominated Janet Yellen as the new Chairman of the Federal Reserve Board. The appointment, subject to confirmation by the U.S. Senate, will be effective in January 2014. The appointment may affect monetary policy in an uncertain manner as current monetary policies may or may not be followed under a new Chairman.

Central banks in other parts of the world, including the ECB, the Bank of England, the Bank of Australia and the Central Bank of China, have followed the actions of the Federal Reserve Board to lower interest rates. The collective effort globally to lower interest rates was in response to concerns about Europe's sovereign debt crisis and slowing global economic growth. We cannot predict with certainty the effect of these programs and policies on interest rates or the impact on the pricing levels of risk-bearing investments at this time. See "— Investments — Current Environment."

In periods of declining interest rates, we may have to invest insurance cash flows and reinvest the cash flows we received as interest or return of principal on our investments in lower yielding instruments. Moreover, borrowers may prepay or redeem the fixed income securities, commercial, agricultural or residential mortgage loans and mortgage-backed securities in our investment portfolio with greater frequency in order to borrow at lower market rates. Therefore, some of our products expose us to the risk that a reduction in interest rates will reduce the difference between the amounts that we are required to credit on contracts in our general account and the rate of return we are able to earn on investments intended to support obligations under these contracts. This difference between interest earned and interest credited, or margin, is a key metric for the management of, and reporting for, many of our businesses.

Our expectations regarding future margins are an important component impacting the amortization of certain intangible assets such as deferred policy acquisition costs ("DAC") and value of business acquired ("VOBA"). Significantly lower margins may cause us to accelerate the amortization, thereby reducing net income in the affected reporting period. Additionally, lower margins may also impact the recoverability of intangible assets such as goodwill, require the establishment of additional liabilities or trigger loss recognition events on certain policyholder liabilities. We review this long-term margin assumption, along with other assumptions, as part of our annual assumption review. The Company has performed sensitivity analyses based on our 2012 annual assumption review to estimate the potential effect on the Company of a protracted low interest rate environment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment" included in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013. The Company is currently performing a sensitivity analysis based on assumptions determined during its 2013 annual assumption review completed during the third quarter of 2013. Updated information regarding the Company's sensitivity analysis will be disclosed in its Annual Report on Form 10-K for the year ended December 31, 2013.

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Mitigating Actions

The Company has been and continues to be proactive in its investment strategies and interest crediting rate strategies, as well as its product design, product mix and availability to mitigate the risk of unfavorable consequences from the low interest rate environment. The Company applies disciplined ALM strategies, including the use of derivatives, primarily interest rate swaps, floors and swaptions, to mitigate the risk of sustained low interest rates in the U.S. A significant portion of these derivatives were entered into prior to the onset of the current low U.S. interest rate environment. In some cases, the Company has entered into offsetting positions as part of its overall ALM strategy and to reduce volatility in net income. Lowering interest crediting rates on some products, or adjusting the dividend scale on traditional products, can help offset decreases in investment margins on some products. Our ability to lower interest crediting rates could be limited by competition, requirements to obtain regulatory approval, or contractual guarantees of minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our margins could decrease or potentially become negative. We are able to limit or close certain products to new sales in order to manage exposures. Business actions, such as shifting the sales focus to less interest rate sensitive products, can also mitigate this risk. In addition, the Company is well diversified across product, distribution, and geography. Certain of our non-U.S. businesses, reported within our Latin America and EMEA segments, which accounted for approximately 15% of our operating earnings in 2012, are not significantly interest rate or market sensitive; in particular, they do not have any direct sensitivity to U.S. interest rates. The Company's primary exposure within these segments is insurance risk. We expect our non-U.S. businesses to grow faster than our U.S. businesses and, over time, to become a larger percentage of our total business. As a result of the foregoing, the Company expects to be able to substantially mitigate the negative impact of a sustained low interest rate environment in the U.S. on the Company's profitability. Based on a near to intermediate term analysis of a sustained lower interest rate environment in the U.S., the Company anticipates operating earnings will continue to increase, although at a slower growth rate.

Competitive Pressures

The life insurance industry remains highly competitive. The product development and product life-cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development, technology and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry's products can be quite homogeneous and subject to intense price competition. Sufficient scale, financial strength and financial flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base. We believe that the continued volatility of the financial markets, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have altered the competitive environment. In particular, we believe that these factors have highlighted financial strength as the most significant differentiator from the perspective of some customers and certain distributors. We believe the Company is well positioned to compete in this environment.

Regulatory Developments

The U.S. life insurance industry is regulated primarily at the state level, with some products and services also subject to Federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially impact the statutory reserve and capital requirements of the industry. In addition, regulators have undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products.

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The regulation of the global financial services industry has received renewed scrutiny as a result of the recent financial crisis. Significant regulatory reforms have been recently adopted and additional reforms proposed, and these or other reforms could be implemented. See "Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth." See also "Business — U.S. Regulation," "Business — International Regulation," "Risk Factors — Risks Related to Our Business — Our Statutory Life Insurance Reserve Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity," and "Risk Factors — Regulatory and Legal Risks — Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability" included in the 2012 Annual Report. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which was signed by President Obama in July 2010, effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank which are in various stages of implementation, many of which are not likely to be completed for some time. See "Business — U.S. Regulation" included in the 2012 Annual Report.

U.S. Regulatory Developments

Insurance Regulatory Examinations

Regulatory authorities in a small number of states, Financial Industry Regulatory Authority ("FINRA") and, occasionally, the U.S. Securities and Exchange Commission ("SEC"), have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by Metropolitan Life Insurance Company ("MLIC"), MetLife Securities, Inc., New England Life Insurance Company, New England Securities Corporation, General American Life Insurance Company and MICC. These investigations often focus on the conduct of particular financial services representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. We may continue to resolve investigations in a similar manner.

Like many life insurance companies, we utilize captive reinsurers to satisfy statutory reserve requirements related to universal life and term life insurance policies. We also cede variable annuity risks to a captive reinsurer, which allows us to consolidate hedging and other risk management programs. If the New York State Department of Financial Services ("Department of Financial Services") or other state insurance regulators restrict the use of such captive reinsurers or if we otherwise are unable to continue to use captive reinsurers in the future, our ability to write certain products or to hedge the associated risks efficiently, and/or our risk based capital ratios and ability to deploy excess capital, could be adversely affected or we may need to increase prices on those products, which could adversely impact our competitive position and our results of operations. In the second quarter of 2013, MetLife, Inc. announced its plans to merge three U.S.-based life insurance companies and an offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurance company. The companies to be merged consist of MICC, MLI-USA and MLIIC, each a U.S. insurance company that issues variable annuity products in addition to other products, and Exeter, a reinsurance company that mainly reinsures guarantees associated with variable annuity products issued by our U.S. insurance companies. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. Exeter, formerly a Cayman Islands company, was domesticated to Delaware in October 2013. These anticipated mergers may mitigate to some degree the impact of any restrictions on the use of captive reinsurers that could be adopted by the Department of Financial Services or other state insurance regulators. For more information on our use of captive reinsurers, see "Business — U.S. Regulation — Holding Company Regulation — Insurance Regulatory Examinations" and Note 11 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

The International Association of Insurance Supervisors ("IAIS") has encouraged U.S. insurance supervisors, such as the Department of Financial Services, to establish Supervisory Colleges for U.S.-based insurance groups with international operations, including MetLife, to facilitate cooperation and coordination among the insurance groups'

supervisors and to enhance the member regulators' understanding of an insurance group's risk profile. In January 2013, MetLife, Inc. was the subject of a Supervisory College meeting which was chaired by the Department of Financial Services and was attended by MetLife, Inc.'s key U.S. and international insurance regulators. MetLife, Inc. has not received any report or recommendations from the Supervisory College meeting, and we do not expect any outcome of the meeting to have a material adverse effect on our business.

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Surplus and Capital; Risk-Based Capital

The Department of Financial Services recently announced a discontinuation of its most recent amendment to Regulation 147 which governed the valuation of life insurance policies. The amendment reflected the recent changes made by the NAIC to Actuarial Guideline 38 (which impacts the valuation of universal life policies with secondary guarantees ("ULSG")). Following this action, effective December 31, 2013, New York licensed insurers will be required to comply with a prior version of the regulation. The change in the regulation is expected to have a minimal reserve impact on new sales of our one remaining ULSG product but is expected to result in increases of statutory reserves on in-force ULSG policies issued by MLIC. Such increases to reserves are not expected to have a material impact on MLIC's statutory financial results.

The Department of Financial Services issues an annual "Special Considerations" circular letter to New York licensed insurers dictating tests to be performed as part of insurers' asset adequacy testing. The Department of Financial Services issued its 2013 Special Considerations letter on October 31, 2013. The letter mandates the use of certain assumptions in the 2013 asset adequacy testing which were previously required as sensitivity test disclosures. The Company is currently assessing the impact on its statutory financial results, however, these mandated assumptions are expected to reduce asset adequacy testing margins and may result in the need for statutory reserve strengthening. Further, these provisions in the Special Considerations letter may result in increases in risk-based capital requirements.

On July 26, 2013, the NAIC adopted a change to the methodology for calculating the RBC risk charges associated with commercial and agricultural mortgage loans. Prior to the adoption of this methodology change, the risk charges were calculated based on an insurance company's portfolio level experience as compared to an industry average. The newly adopted change considers each loan's risk in the calculation of these risk charges. This methodology applies to each of MetLife, Inc.'s U.S. insurance subsidiaries. The Company is currently evaluating the impact of this adoption on its RBC ratio, which is provided in its statutory annual statements. We are not aware of any other potential NAIC actions that would have a material impact on the RBC of our U.S. insurance subsidiaries.

Regulation of Over-the-Counter Derivatives

Dodd-Frank includes a new framework of regulation of the over-the-counter ("OTC") derivatives markets which requires clearing of certain types of transactions currently traded OTC and imposes additional costs, including new reporting and margin requirements and will likely impose additional regulation on the Company, including new capital requirements. Our costs of risk mitigation are increasing under Dodd-Frank. For example, increased margin requirements including the requirement to pledge initial margin for OTC Cleared transactions entered into after June 10, 2013 and for OTC Uncleared transactions entered into after the phase-in period, which would be applicable to us in 2019 if the U.S. Commodity Futures Trading Commission and the SEC adopt the final margin requirements for non-centrally cleared derivatives published by the Bank of International Settlements and International Organization of Securities Commissions in September 2013, combined with restrictions on securities that will qualify as eligible collateral, will require increased holdings of cash and highly liquid securities with lower yields causing a reduction in income. Centralized clearing of certain OTC derivatives exposes MetLife, Inc. to the risk of a default by a clearing member or clearinghouse with respect to our cleared derivative transactions. MetLife, Inc. uses derivatives to mitigate a wide range of risks in connection with its businesses, including the impact of increased benefit exposures from our annuity products that offer guaranteed benefits. We have always been subject to the risk that hedging and other management procedures might prove ineffective in reducing the risks to which insurance policies expose us or that unanticipated policyholder behavior or mortality, combined with adverse market events, could produce economic losses beyond the scope of the risk management techniques employed. Any such losses could be increased by higher costs of writing derivatives (including customized derivatives) and the reduced availability of customized derivatives that might result from the enactment and implementation of Dodd-Frank.

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Potential Regulation as a Non-Bank SIFI

Regulation of MetLife as a non-bank systemically important financial institution ("non-bank SIFI") could materially and adversely affect our business. The Federal Reserve Board has proposed a set of prudential standards that would apply to non-bank SIFIs, including enhanced risk-based capital requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediation procedures, and recovery and resolution planning through international crisis management groups and under federal regulation. The Federal Reserve Board's proposal contemplates that these standards would be subject to the authority of the Federal Reserve Board to determine, on its own or in response to a recommendation by the Financial Stability Oversight Council ("FSOC"), to tailor the application of the enhanced standards to different companies on an individual basis or by category, taking into consideration their capital structure, riskiness, complexity, financial activities, size, and any other risk-related factors that the Federal Reserve Board deems appropriate. Accordingly, the manner in which these proposed standards might apply to MetLife, Inc. remains unclear. The Federal Reserve Board has stated that it believes other provisions of Dodd-Frank, known as the Collins Amendment, constrain its ability to tailor capital standards for non-bank SIFIs. However, on October 24, 2013, the Federal Reserve Board proposed a rule that would set standardized liquidity requirements for banking organizations, as well as some non-bank SIFIs. The proposed rule would require covered institutions to hold minimum amounts of high quality-liquid assets, but expressly excepts from coverage non-bank SIFIs with substantial insurance operations. Therefore, this proposed rule would not be applicable to MetLife even were it to be designated by the FSOC as a non-bank SIFI. See "Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth — Insurance Regulation-U.S. — Federal Regulatory Agencies."

Consumer Protection Laws

Numerous federal and state laws affect MetLife, Inc.'s earnings and activities, including federal and state consumer protection laws. As part of Dodd-Frank, Congress established the Consumer Financial Protection Bureau ("CFPB") to supervise and regulate institutions that provide certain financial products and services to consumers. Although the consumer financial services subject to the CFPB's jurisdiction generally exclude insurance business of the kind in which we engage, the CFPB does have authority to regulate non-insurance consumer services we provide.

In August 2013, MetLife Bank merged with and into MLHL, its former subsidiary, with MLHL as the surviving, non-bank entity. The sole purpose of MLHL is to wind-down the limited remaining activities and fulfill remaining obligations and duties of MetLife Bank, some of which subject MLHL to certain federal consumer financial protection laws and certain state laws.

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

We provide products and services to certain employee benefit plans that are subject to ERISA, or the Internal Revenue Code of 1986, as amended (the "Code"). As such, our activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and the requirement under ERISA and the Code that fiduciaries may not cause a covered plan to engage in prohibited transactions with persons who have certain relationships with respect to such plans. The applicable provisions of ERISA and the Code are subject to enforcement by the Department of Labor ("DOL"), the Internal Revenue Service ("IRS") and the Pension Benefit Guaranty Corporation.

The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and Individual Retirement Accounts ("IRAs") if the investment recommendation results in fees paid to the individual advisor, his or her firm or their affiliates that vary according to the investment recommendation chosen. In October 2011, the DOL issued final regulations that provide limited relief from these investment advice restrictions. If additional relief is not provided, the ability of our affiliated broker-dealers and their registered representatives to provide investment advice to ERISA plans and participants and IRAs would likely be significantly restricted. Also, the fee and revenue arrangements of certain advisory programs may be required to be revenue neutral, resulting in potential lost revenues for these broker-dealers and their affiliates.

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Other proposed investment advice regulatory initiatives under ERISA also may negatively impact the current business model of our broker-dealers. In particular, the DOL issued a proposed regulation in October 2010 that would, if adopted as proposed, significantly broaden the circumstances under which a person or entity providing investment advice with respect to ERISA plans or IRAs would be deemed a fiduciary under ERISA or the Code. If adopted, the proposed regulations may make it easier for the DOL in enforcement actions, and for plaintiffs' attorneys in ERISA litigation, to attempt to extend fiduciary status to advisors who would not be deemed fiduciaries under current regulations. In September 2011, the DOL announced it will re-propose these fiduciary definition regulations, and a new proposal is expected in 2014. See "Business — U.S. Regulation — Employee Retirement Income Security Act of 1974 ("ERISA") Considerations" included in the 2012 Annual Report.

International Regulatory Developments

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate and are exposed to increased political, legal, financial, operational and other risks. A significant portion of our revenues is generated through operations in foreign jurisdictions, including many countries in early stages of economic and political development. Our international operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as through nationalization or expropriation of assets, the imposition of limits on foreign ownership of local companies, changes in laws (including tax laws and regulations), their application or interpretation, political instability, dividend limitations, price controls, changes in applicable currency, currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold into U.S. dollars or other currencies, as well as other adverse actions by foreign governmental authorities and regulators. For example, the current administration in Mexico has announced a number of broad-ranging financial, regulatory and other reform proposals, including proposals relating to taxes, some of which could adversely affect our businesses in Mexico if enacted. See "— Solvency II" below, as well as "Business — International Regulation" and "Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability" included in the 2012 Annual Report. In addition, in October 2013, the government of Poland released draft legislation regarding the country's pension system reform that, if adopted, will negatively impact future operating earnings related to our pension business in Poland. This legislation, if adopted, is expected to be effective in early 2014. See "— Results of Operations — Segment Results and Corporate & Other — EMEA— Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012" for a discussion of a write-down of DAC associated with this business.

Solvency II

Our insurance business throughout the European Economic Area is also subject to the evolving Solvency II package of measures. Solvency II was adopted by the EU institutions (European Council, Commission and Parliament) in 2009. The law codifies and harmonizes EU regulation for insurance undertakings established in the EU. It establishes new risk management practices, solvency capital standards and disclosure requirements. Solvency II is accompanied by Omnibus II, an implementing directive that also contains provisions on the capital treatment of products with long-term guarantees. Omnibus II is still being negotiated, despite the fact that Solvency II has already been adopted by the EU institutions referenced above. However, Solvency II cannot be implemented without Omnibus II. Uncertainty about the implementation of the Solvency II package has been reduced since the European Commission published a "quick-fix" directive officially extending the implementation date to January 1, 2016, from January 1, 2014. The industry is in general agreement that this implementation date will be met, because agreement on Omnibus II is expected by the end of 2013. Meanwhile, due to the delays to the Solvency II package, the European Insurance and Occupational Pensions Authority ("EIOPA") will introduce Interim Guidelines on January 1, 2014 that would require national EU regulators to prepare firms for Solvency II implementation in 2016 (by requiring certain reporting and organizational requirements). The final guidelines were published on September 27, 2013. Since EIOPA and EU member states continue to consider what aspects could be adopted to continue the development of a more risk-based prudential framework, we may need to accelerate or adjust our implementation accordingly.

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In addition, our insurance business in Mexico will be impacted by Mexico's insurance law reform, adopted in February 2013 (effective in April 2015). The law reform envisions a Solvency II-type regulatory framework, instituting changes to reserve and capital requirements and corporate governance and fostering greater transparency. The new regime includes secondary regulations subject to a 16-month consultation period, during which quantitative and qualitative impact studies will be performed and input from affected companies will be reviewed. Our Solvency II program is governed by steering committees comprised of senior management. See "Business — International Regulation" included in the 2012 Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — Regulatory Developments Relating to Solvency II" included in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

Global Systemically Important Insurers

The IAIS, an association of insurance supervisors and regulators and a member of the Financial Stability Board ("FSB"), an international entity established to coordinate, develop and promote regulatory, supervisory and other financial sector policies in the interest of financial stability, is participating in the FSB's initiative to identify global systemically important financial institutions by devising a process for designating global systemically important insurers ("G-SIIs"). On July 18, 2013, the IAIS published a revised assessment methodology for identifying G-SIIs and a framework of policy measures to be applied to G-SIIs, and the FSB published its initial list of nine G-SIIs, which includes MetLife, Inc. The FSB will update the list annually beginning in 2014.

For G-SIIs which engage in activities deemed to be systemically risky, the framework of policy measures calls for imposition of additional capital requirements on those activities. G-SII backstop capital requirements for the calculation of additional capital are to be developed by the end of 2014, for application beginning in 2019. In addition, the IAIS has confirmed that it will develop a risk-based global insurance capital standard by 2016. This global insurance capital standard will apply to all internationally active insurance groups, including G-SIIs, with implementation to begin in 2019 after two years of testing and refinement. The FSB and IAIS propose that national authorities ensure that any insurers identified as G-SIIs be subject to additional requirements consistent with the framework of policy measures, which include preparation of a systemic risk management plan, preparation of a recovery and resolution plan, enhanced liquidity planning and management, more intensive supervision, closer coordination among regulators led by a regulator with group-wide supervisory authority and a policy bias in favor of separation of non-traditional insurance and non-insurance activities from traditional insurance activities. The IAIS policy measures would need to be implemented by legislation or regulation in each applicable jurisdiction, and the impact on MetLife Inc. and other designated G-SIIs in the U.S., is uncertain. See "Business — International Regulation" included in the 2012 Annual Report.

Mortgage and Foreclosure-Related Exposures

MetLife, through its affiliate, MetLife Bank, was engaged in the origination, sale and servicing of forward and reverse residential mortgage loans since 2008. In 2012, MetLife Bank exited the business of originating residential mortgage loans. In 2012 and 2013, MetLife Bank sold its residential mortgage servicing portfolios, and in 2013 wound down its mortgage servicing business. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for information regarding the MetLife Bank Divestiture. In August 2013, MetLife Bank merged with and into MLHL, its former subsidiary, with MLHL as the surviving, non-bank entity.

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In conjunction with the sales of residential mortgage loans and servicing portfolios, MetLife Bank has made representations and warranties that the loans sold met certain requirements (relating, for example, to the underwriting and origination of the loans), and that the loans were serviced in accordance with investor guidelines. Notwithstanding its exit from the origination and servicing businesses, MetLife Bank remained obligated to repurchase loans or compensate for losses upon demand due to alleged defects by MetLife Bank or its predecessor servicers in past servicing of the loans and material representations made in connection with MetLife Bank's sale of the loans. Estimation of repurchase liability arising from breaches of origination representations and warranties requires considerable management judgment. MetLife Bank considers the level of outstanding unresolved repurchase demands and challenges to mortgage insurance, probable future demands in light of historical experience and changes in general economic conditions such as unemployment and the housing market, and the likelihood of recovery from indemnifications made to MetLife Bank relating to loans that MetLife Bank acquired rather than originated. Reserves for representation and warranty repurchases and indemnifications were $101 million and $95 million at September 30, 2013 and December 31, 2012, respectively. Reserves for estimated future losses due to alleged deficiencies on loans originated and sold, as well as servicing of the loans including servicing acquired, are estimated based on unresolved claims as well as projected losses under investor servicing contracts where MetLife Bank's past actions or inactions are likely to result in missing certain stipulated investor timelines. Reserves for servicing defects were $44 million and $54 million at September 30, 2013 and December 31, 2012, respectively. Management is satisfied that adequate provision has been made in the Company's interim condensed consolidated financial statements for those representation and warranty obligations that are currently probable and reasonably estimable.

State and federal regulatory and law enforcement authorities have initiated various inquiries, investigations or examinations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry. Mortgage servicing practices have also been the subject of Congressional attention. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to include mortgage loan modification and loss mitigation practices.

On April 13, 2011, the Office of the Comptroller of the Currency (the "OCC") entered into a consent order with MetLife Bank (the "OCC consent order"). The OCC consent order required an independent review of foreclosure practices and set forth new residential mortgage servicing standards. In February 2013, MetLife Bank entered into an agreement with the OCC to amend the OCC consent order, and paid approximately $46 million to settle its obligations and end the foreclosure review. In addition, the Federal Reserve Board entered into a consent order with MetLife, Inc. in 2011 (the "Federal Reserve Board consent order"), to enhance its supervision of the mortgage servicing activities of MetLife Bank. On August 6, 2012, the Federal Reserve Board issued an Order of Assessment of a Civil Monetary Penalty Issued Upon Consent against MetLife, Inc. that imposes a penalty of up to $3.2 million for the alleged deficiencies in oversight of MetLife Bank's servicing of residential mortgage loans and processing foreclosures that were the subject of the Federal Reserve Board consent order.

In May 2013, MetLife Bank received a subpoena from the U.S. Department of Justice requiring production of documents relating to MetLife Bank's payment of certain foreclosure-related expenses to law firms and business entities affiliated with law firms and relating to MetLife Bank's supervision of such payments, including expenses submitted to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corp. and the U.S. Department of Housing and Urban Development ("HUD") for reimbursement. It is possible that various state or federal regulatory and law enforcement authorities may seek monetary penalties from MLHL relating to foreclosure practices. MetLife Bank has also responded to a subpoena issued by the Department of Financial Services regarding hazard insurance and flood insurance that MetLife Bank obtained to protect the lienholder's interest when the borrower's insurance has lapsed.

In April and May 2012, MetLife Bank received two subpoenas issued by the Office of Inspector General for HUD regarding Federal Housing Administration ("FHA") insured loans. In June and September 2012, MetLife Bank received two Civil Investigative Demands that the U.S. Department of Justice issued as part of a False Claims Act investigation of allegations that MetLife Bank had improperly originated and/or underwritten loans insured by the FHA. MetLife Bank has met with the U.S. Department of Justice to discuss the allegations and possible resolution of the FHA False

Claims Act investigation. The Company has included what it currently believes to be the probable and estimable amount of such loss in the Company's consolidated financial statements and is continuing to investigate matters raised during that meeting.

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The consent decrees, as well as the inquiries or investigations referred to above, could adversely affect MetLife's reputation or result in significant fines, penalties, equitable remedies or other enforcement actions, and result in significant legal costs in responding to governmental investigations or other litigation. The MetLife Bank Divestiture may not relieve MetLife from complying with the consent decrees, or protect it from inquiries and investigations relating to residential mortgage servicing and foreclosure activities, or any fines, penalties, equitable remedies or enforcement actions that may result, the costs of responding to any such governmental investigations, or other litigation. Management believes that the Company's consolidated financial statements as a whole will not be materially affected by these regulatory matters.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with 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) liabilities for future policyholder benefits and the accounting for reinsurance;
(ii) capitalization and amortization of DAC and the establishment and amortization of VOBA;
(iii) estimated fair values of investments in the absence of quoted market values;
(iv) investment impairments;
(v) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;
(vi) measurement of goodwill and related impairment;
(vii) measurement of employee benefit plan liabilities;
(viii) measurement of income taxes and the valuation of deferred tax assets; and
(ix) liabilities for litigation and regulatory matters.

In addition, the application of acquisition accounting requires the use of estimation techniques in determining the estimated fair values of assets acquired and liabilities assumed — the most significant of which relate to aforementioned critical accounting estimates. In applying our accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to our business and operations. Actual results could differ from these estimates.

The above critical accounting estimates are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" and Note 1 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

Economic Capital

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in our business.

Our economic capital model aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistical based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon and applying an industry standard method for the inclusion of diversification benefits among risk types. Economic capital based risk estimation is an evolving science and industry best practices have emerged and continue to evolve. Areas of evolving industry best practices include stochastic liability valuation techniques, alternative methodologies for the calculation of diversification benefits, and the quantification of appropriate shock levels. MetLife staff is responsible for the on-going production and enhancement to the framework and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact our consolidated net investment income, operating earnings or income (loss) from continuing operations, net of income tax.

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Acquisitions and Disposition

See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

Results of Operations

Consolidated Results

We have experienced growth and an increase in sales in several of our businesses, both domestic and foreign. In the U.S., economic recovery, while continuing to be slow and unsteady, resulted in growth in our dental business through increased enrollment, improved persistency, and the positive impact of pricing actions on existing business. Despite the sustained low interest rate environment, we have seen modest growth in our closeout premiums in the U.S., however our U.K. closeout premiums have declined. Sales of variable annuities declined in response to additional changes to guarantee features as we continue to focus on pricing discipline and risk management in this challenging economic environment. In our property & casualty businesses, we experienced higher policy sales, as well as an increase in premiums for new policies. Sales in the majority of our businesses abroad have improved despite the challenging economic environment in certain European countries.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Revenues				
Premiums	$9,094	$9,096	$27,403	$27,386
Universal life and investment-type product policy fees	2,372	2,131	7,034	6,306
Net investment income	5,026	5,517	16,385	16,436
Other revenues	476	455	1,446	1,445
Net investment gains (losses)	(85)	22	339	(152)
Net derivative gains (losses)	(546)	(718)	(2,866)	(604)
Total revenues	16,337	16,503	49,741	50,817
Expenses				
Policyholder benefits and claims and policyholder dividends	9,784	9,298	28,781	28,008
Interest credited to policyholder account balances	1,600	2,102	6,036	5,681
Goodwill impairment	—	1,868	—	1,868
Capitalization of DAC	(1,153)	(1,302)	(3,621)	(3,981)
Amortization of DAC and VOBA	841	1,008	2,623	3,201
Amortization of negative VOBA	(126)	(170)	(410)	(506)
Interest expense on debt	317	326	959	1,026
Other expenses	4,098	4,383	12,589	13,601
Total expenses	15,361	17,513	46,957	48,898
Income (loss) from continuing operations before provision for income tax	976	(1,010)	2,784	1,919
Provision for income tax expense (benefit)	3	(53)	308	710
Income (loss) from continuing operations, net of income tax	973	(957)	2,476	1,209
Income (loss) from discontinued operations, net of income tax	2	—	1	17
Net income (loss)	975	(957)	2,477	1,226
Less: Net income (loss) attributable to noncontrolling interests	3	(3)	17	29
Net income (loss) attributable to MetLife, Inc.	972	(954)	2,460	1,197
Less: Preferred stock dividends	30	30	91	91
Net income (loss) available to MetLife, Inc.’s common shareholders	$942	$(984)	$2,369	$1,106

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Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

During the three months ended September 30, 2013, income (loss) from continuing operations, before provision for income tax, increased $2.0 billion ($1.9 billion, net of income tax) from the prior period primarily driven by a prior period goodwill impairment charge, along with a favorable change in net derivative gains (losses). Also included in income (loss) from continuing operations, before provision for income tax, are the improved results of the Divested Businesses.

We manage our investment portfolio using disciplined ALM principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. Other invested asset classes including, but not limited to, equity securities, other limited partnership interests and real estate and real estate joint ventures, provide additional diversification and opportunity for long-term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our specific mix of products and business segments. In addition, the general account investment portfolio includes, within fair value option (“FVO”) and trading securities, contractholder-directed unit-linked investments supporting unit-linked variable annuity type liabilities, which do not qualify as separate account assets. The returns on these contractholder-directed unit-linked investments, which can vary significantly from period to period, include changes in estimated fair value subsequent to purchase, inure to contractholders and are offset in earnings by a corresponding change in policyholder account balances (“PABs”) through interest credited to policyholder account balances.

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

Investments are purchased to support our insurance liabilities and not to generate net investment gains and losses. However, net investment gains and losses are incurred and can change significantly from period to period due to changes in external influences, including changes in market factors such as interest rates, foreign currency exchange rates, credit spreads and equity markets; counterparty specific factors such as financial performance, credit rating and collateral valuation; and internal factors such as portfolio rebalancing. Changes in these factors from period to period can significantly impact the levels of both impairments and realized gains and losses on investments sold.

We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. Certain of these hedges are designated and qualify as accounting hedges, which reduce volatility in earnings. For those hedges not designated as accounting hedges, changes in market factors lead to the recognition of fair value changes in net derivative gains (losses) generally without an offsetting gain or loss recognized in earnings for the item being hedged.

Certain variable annuity products with guaranteed minimum benefits contain embedded derivatives that are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value recorded in net derivative gains (losses). The Company uses freestanding derivatives to hedge the market risks inherent in these variable annuity guarantees. The valuation of these embedded derivatives includes a nonperformance risk adjustment, which is unhedged and can be a significant driver of net derivative gains (losses) but does not have an economic impact on the Company.

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The variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as “VA program derivatives” in the following table. All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as “non-VA program derivatives” in the following table. The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Three Months Ended September 30,	
	2013	2012
	(In millions)	
Non-VA program derivatives		
Interest rate	$(286)	$(135)
Foreign currency exchange rate	(176)	(174)
Credit	65	2
Equity	(54)	1
Non-VA embedded derivatives	6	(31)
Total non-VA program derivatives	(445)	(337)
VA program derivatives		
Market risks in embedded derivatives	1,247	1,036
Nonperformance risk on embedded derivatives	(145)	(534)
Other risks in embedded derivatives	(210)	(244)
Total embedded derivatives	892	258
Freestanding derivatives hedging embedded derivatives	(993)	(639)
Total VA program derivatives	(101)	(381)
Net derivative gains (losses)	$(546)	$(718)

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was $108 million ($70 million, net of income tax). This was primarily due to long-term interest rates increasing more significantly in the current period than in the prior period, unfavorably impacting receive-fixed interest rate swaps, receiver swaptions and net long interest rate floors. These freestanding derivatives were primarily hedging long duration liability portfolios. Additionally, an increase in key equity index levels in the current period unfavorably impacted recently purchased equity put options hedging macro exposure to adverse changes in equity index levels. These unfavorable changes were partially offset by the favorable impact of credit spreads narrowing less in the current period than the prior period on net purchased credit default swaps, as well as a reduction in the average notional amount of certain purchased credit default swaps in the current period compared to the prior period. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The favorable change in net derivative gains (losses) on VA program derivatives was $280 million ($182 million, net of income tax). This was due to a favorable change of $389 million ($253 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives and a favorable change of $34 million ($22 million, net of income tax) on other risks in embedded derivatives, partially offset by an unfavorable change of $143 million ($93 million, net of income tax) on market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The nonperformance risk adjustment loss of $145 million ($94 million, net of income tax) in the current period was comprised of a loss of $129 million due to a decrease in the Company’s own credit spread, as well as a loss of $16 million due to the impact of changes in capital market inputs, such as long-term interest rates and key equity index levels, on the variable annuity guarantees. The Company calculates the nonperformance risk adjustment as the change in the embedded derivative discounted at the risk adjusted rate (which includes the Company’s own credit spread to the

extent that the embedded derivative is in-the-money) less the change in the embedded derivative discounted at the risk free rate.

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When equity index levels decrease in isolation, the variable annuity guarantees become more valuable to policyholders, which results in an increase in the undiscounted embedded derivative liability. Discounting this unfavorable change by the risk adjusted rate yields a smaller loss than by discounting at the risk free rate, thus creating a gain from including an adjustment for nonperformance risk.

When the risk free interest rate decreases in isolation, discounting the embedded derivative liability produces a higher valuation of the liability than if the risk free interest rate had remained constant. Discounting this unfavorable change by the risk adjusted rate yields a smaller loss than by discounting at the risk free rate, thus creating a gain from including an adjustment for nonperformance risk.

When the Company's own credit spread increases in isolation, discounting the embedded derivative liability produces a lower valuation of the liability than if the Company's own credit spread had remained constant. As a result, a gain is created from including an adjustment for nonperformance risk. For each of these primary market drivers, the opposite effect occurs when they move in the opposite direction.

The foregoing $34 million ($22 million, net of income tax) favorable change in other risks in embedded derivatives was primarily due to:

- Periodic updates to actuarial assumptions, such as changes in policyholder behavior and mortality, which resulted in an unfavorable period over period change in the valuation of the embedded derivatives. Beginning this year, the timing of the annual global review of assumptions was changed from the fourth quarter to the third quarter.
- The mismatch of fund performance between actual and modeled funds, which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- A decrease in the risk margin adjustment caused by lower policyholder behavior risks, which resulted in a favorable period over period change in the valuation of the embedded derivatives.
- Refinements in the valuation model to better reflect product features, which resulted in a favorable period over period change in the valuation of the embedded derivatives.
- A combination of other factors, such as in-force changes, the cross effect of capital markets changes, and the basis mismatch between assets and liabilities, which resulted in a favorable period over period change in the valuation of the embedded derivatives.

The foregoing $143 million ($93 million, net of income tax) unfavorable change is comprised of a $354 million ($230 million, net of income tax) unfavorable change in freestanding derivatives that hedge market risks in embedded derivatives, which was offset by a $211 million ($137 million, net of income tax) favorable change in market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

- Long-term U.S. interest rates increased more significantly in the current period than in the prior period and long-term Japanese interest rates decreased more significantly in the current period than in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.
- Key equity index levels increased more significantly in the current period than in the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.
- Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.

The unfavorable change in net investment gains (losses) primarily reflects net losses on sales of fixed maturity securities in the current period.

In addition, the prior period included a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment associated with our U.S. Retail annuities businesses. During 2013, the actuarial assumptions review process was accelerated from the fourth quarter to the third quarter to be in line with the annual goodwill testing. As such, we performed our annual review of actuarial assumptions during the current period. The results of the current period include a $101 million ($69 million, net of income tax) charge associated with the global review of assumptions related to reserves and DAC, of which $138 million ($90 million, net of income tax) was recognized in net derivative gains (losses). Of the $101 million charge, $228 million ($150 million, net of income tax) is related to reserves, offset by $127 million ($81 million, net of income tax) associated with DAC. The foregoing $138 million

loss recorded in net derivative gains (losses) associated with the global review of assumptions was included within the other risks in embedded derivatives caption in the table above.

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As a result of the global review of assumptions, changes were made to policyholder behavior and mortality assumptions, as well as to economic assumptions. The most significant impacts were in Retail annuities.

- Changes to policyholder behavior and mortality assumptions resulted in reserve increases, offset by favorable DAC, for a net loss of $154 million ($103 million, net of income tax).
- Changes in economic assumptions resulted in a decrease in reserves, offset by unfavorable DAC, for a net benefit of $53 million ($34 million, net of income tax).

Income (loss) from continuing operations, before provision for income tax, related to the Divested Businesses increased $78 million to a loss of $30 million in the third quarter of 2013 from a loss of $108 million in the prior period. Included in this earnings improvement was a decrease in total revenues of $52 million, before income tax, and a decrease in total expenses of $130 million, before income tax.

Income tax expense for the three months ended September 30, 2013 was $3 million, or less than 1% of income (loss) from continuing operations before income tax, compared with an income tax benefit of $53 million, or 5% of income (loss) from continuing operations before income tax, for the prior period. The Company's third quarter 2013 effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for investments in low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate, including tax benefits in Japan related to the 2012 branch restructuring and the estimated reversal of temporary differences. The Company's third quarter 2012 effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for investments in low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. In addition, as previously mentioned, the prior period included a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment. The tax benefit associated with this charge was limited to $247 million on the associated tax goodwill.

As more fully described in " Non-GAAP and Other Financial Disclosures," we use operating earnings, which does not equate to income (loss) from continuing operations, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings and operating earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for income (loss) from continuing operations, net of income tax, and net income (loss) available to MetLife, Inc.'s common shareholders, respectively. Operating earnings available to common shareholders increased $83 million, net of income tax, to $1.5 billion, net of income tax, for the three months ended September 30, 2013 from $1.4 billion, net of income tax, in the prior period.

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Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

During the nine months ended September 30, 2013, income (loss) from continuing operations, before provision for income tax, increased $865 million ($1.3 billion, net of income tax) over the prior period primarily driven by a prior period goodwill impairment charge combined with favorable changes in net investment gains (losses) and operating earnings, partially offset by an unfavorable change in net derivative gains (losses). Also included in income (loss) from continuing operations, before provision for income tax, are the improved results of the Divested Businesses.

The variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as “VA program derivatives” in the following table. All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as “non-VA program derivatives” in the following table. The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Nine Months Ended September 30,	
	2013	2012
	(In millions)	
Non-VA program derivatives		
Interest rate	$(1,452)	$453
Foreign currency exchange rate	(988)	(161)
Credit	124	(105)
Equity	(37)	1
Non-VA embedded derivatives	108	(79)
Total non-VA program derivatives	(2,245)	109
VA program derivatives		
Market risks in embedded derivatives	4,433	2,430
Nonperformance risk on embedded derivatives	(795)	(1,170)
Other risks in embedded derivatives	(85)	(508)
Total embedded derivatives	3,553	752
Freestanding derivatives hedging embedded derivatives	(4,174)	(1,465)
Total VA program derivatives	(621)	(713)
Net derivative gains (losses)	$(2,866)	$(604)

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The unfavorable change in net derivative gains (losses) on non-VA program derivatives was $2.4 billion ($1.5 billion, net of income tax). This was primarily due to long-term interest rates increasing in the current period and decreasing in the prior period, unfavorably impacting receive-fixed interest rate swaps, long interest rate floors and receiver swaptions. These freestanding derivatives were primarily hedging long duration liability portfolios. The weakening of the Japanese yen relative to other key currencies unfavorably impacted foreign currency forwards and futures that primarily hedge certain bonds. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The favorable change in net derivative gains (losses) on VA program derivatives was $92 million ($60 million, net of income tax). This was due to a favorable change of $423 million ($275 million, net of income tax) on other risks in embedded derivatives and a favorable change of $375 million ($244 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives, partially offset by an unfavorable change of $706 million ($459 million, net of income tax) on market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The nonperformance risk adjustment loss of $795 million ($517 million, net of income tax) in the current period was comprised of a loss of $281 million due to a decrease in the Company’s own credit spread, as well as a loss of $514 million due to the impact of changes in capital market inputs, such as long-term interest rates and key equity index levels, on the variable annuity guarantees. The Company calculates the nonperformance risk adjustment as the change in the embedded derivative discounted at the risk adjusted rate (which includes the Company’s own credit spread to the extent that the embedded derivative is in-the-money) less the change in the embedded derivative discounted at the risk free rate.

The foregoing $423 million ($275 million, net of income tax) favorable change in other risks in embedded derivatives was primarily due to:

- Refinements in the attribution analysis and valuation model to better reflect product features, which resulted in favorable period over period change in the valuation of the embedded derivatives.
- The mismatch of fund performance between actual and modeled funds and periodic updates to the mapping of policyholder funds into groups of representative indices, which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- A decrease in the risk margin adjustment caused by lower policyholder behavior risks, which resulted in a favorable period over period change in the valuation of the embedded derivatives.
- Periodic updates to actuarial assumptions, such as changes in policyholder behavior and mortality, which resulted in an unfavorable period over period change in the valuation of the embedded derivatives. Beginning this year, the timing of the annual global review of assumptions was changed from the fourth quarter to the third quarter.
- Modeling refinement in the economic scenario generator and periodic updates of future capital market assumptions to better reflect the future capital markets environment, which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- A combination of other factors, such as in-force changes, the cross effect of capital markets changes, and the basis mismatch between assets and liabilities, which resulted in a favorable period over period change in the valuation of the embedded derivatives.

The foregoing $706 million ($459 million, net of income tax) unfavorable change is comprised of a $2.7 billion ($1.8 billion, net of income tax) unfavorable change in freestanding derivatives that hedge market risks in embedded derivatives, which was offset by a $2.0 billion ($1.3 billion, net of income tax) favorable change in market risks in embedded derivatives.

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The primary changes in market factors are summarized as follows:

- Long-term interest rates increased in the current period and decreased in the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.
- Key equity index levels increased more in the current period than in the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.
- Key equity volatility measures decreased less in the current period than in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.
- Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.

The favorable change in net investment gains (losses) primarily reflects an increase in net gains on sales of fixed maturity securities in the current period coupled with a decrease in fixed maturity securities impairments.

In addition, the prior period included a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment associated with our U.S. Retail annuities businesses. During 2013, the actuarial assumptions review process was accelerated from the fourth quarter to the third quarter to be in line with the annual goodwill testing. As such, we performed our annual review of actuarial assumptions during the current period. The results of the current period include a $101 million ($69 million, net of income tax) charge associated with the global review of assumptions related to reserves and DAC, of which $138 million ($90 million, net of income tax) was recognized in net derivative gains (losses). Of the $101 million charge, $228 million ($150 million, net of income tax) is related to reserves, offset by $127 million ($81 million, net of income tax) associated with DAC. The foregoing $138 million loss recorded in net derivative gains (losses) associated with the global review of assumptions was included within the other risks in embedded derivatives caption in the table above.

As a result of the global review of assumptions, changes were made to policyholder behavior and mortality assumptions, as well as to economic assumptions. The most significant impacts were in Retail annuities.

- Changes to policyholder behavior and mortality assumptions resulted in reserve increases, offset by favorable DAC, for a net loss of $154 million ($103 million, net of income tax).
- Changes in economic assumptions resulted in a decrease in reserves, offset by unfavorable DAC, for a net benefit of $53 million ($34 million, net of income tax).

Income (loss) from continuing operations, before provision for income tax, related to the Divested Businesses increased $322 million to a loss of $182 million in the first nine months of 2013 from a loss of $504 million in the prior period. Included in this earnings improvement was a decrease in total revenues of $486 million, before income tax, and a decrease in total expenses of $808 million, before income tax.

Income tax expense for the nine months ended September 30, 2013 was $308 million, or 11% of income (loss) from continuing operations before income tax, compared with $710 million, or 37% of income (loss) from continuing operations before income tax, for the prior period. The Company’s 2013 effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for investments in low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate, including tax benefits in Japan related to the 2012 branch restructuring and the estimated reversal of temporary differences. The Company’s 2012 effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for investments in low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. In addition, as previously mentioned, the prior period included a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment. The tax benefit associated with this charge was limited to $247 million on the associated tax goodwill.

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Operating earnings available to common shareholders increased $415 million, net of income tax, to $4.7 billion, net of income tax, for the nine months ended September 30, 2013 from $4.3 billion, net of income tax, in the prior period.

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

Three Months Ended September 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Income (loss) from continuing operations, net of income tax	$313	$ 84	$190	$116	$536	$117	$ (383)	$973
Less: Net investment gains (losses)	(28)	(3)	(15)	(5)	52	10	(96)	(85)
Less: Net derivative gains (losses)	(202)	(173)	(140)	3	164	30	(228)	(546)
Less: Other adjustments to continuing operations (1)	(302)	(44)	(14)	(18)	(31)	9	(72)	(472)
Less: Provision for income tax (expense) benefit	186	78	59	3	94	(17)	143	546
Operating earnings	$659	$ 226	$300	$133	$257	$85	(130)	1,530
Less: Preferred stock dividends							30	30
Operating earnings available to common shareholders							$ (160)	$1,500

Three Months Ended September 30, 2012

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Income (loss) from continuing operations, net of income tax	$(986)	$ 212	$159	$201	$193	$104	$(840)	$(957)
Less: Net investment gains (losses)	53	5	(25)	(2)	(47)	73	(35)	22
Less: Net derivative gains (losses)	191	(81)	(194)	19	(31)	13	(635)	(718)
Less: Goodwill impairment	(1,692)	—	—	—	—	—	(176)	(1,868)
Less: Other adjustments to continuing operations (1)	(254)	(33)	(3)	44	(15)	(12)	(199)	(472)
Less: Provision for income tax (expense) benefit	224	38	78	(12)	27	(32)	309	632
Operating earnings	$492	$ 283	$303	$152	$259	$62	(104)	1,447
Less: Preferred stock dividends							30	30
Operating earnings available to common shareholders							$(134)	$1,417

(1) See definitions of operating revenues and operating expenses under "— Non-GAAP and Other Financial Disclosures" for the components of such adjustments.

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Nine Months Ended September 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Income (loss) from continuing operations, net of income tax	$1,015	$ 241	$822	$450	$425	$269	$(746)	$2,476
Less: Net investment gains (losses)	68	(14)	4	4	265	49	(37)	339
Less: Net derivative gains (losses)	(779)	(612)	(244)	(16)	(874)	20	(361)	(2,866)
Less: Other adjustments to continuing operations (1)	(598)	(129)	45	88	(417)	(4)	(311)	(1,326)
Less: Provision for income tax (expense) benefit	458	265	68	(27)	531	(36)	251	1,510
Operating earnings	$1,866	$ 731	$949	$401	$920	$240	(288)	4,819
Less: Preferred stock dividends							91	91
Operating earnings available to common shareholders							$(379)	$4,728

Nine Months Ended September 30, 2012

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Income (loss) from continuing operations, net of income tax	$23	$ 795	$843	$348	$708	$265	$(1,773)	$1,209
Less: Net investment gains (losses)	178	11	21	(12)	(168)	37	(219)	(152)
Less: Net derivative gains (losses)	637	99	(149)	42	(11)	56	(1,278)	(604)
Less: Goodwill impairment	(1,692)	—	—	—	—	—	(176)	(1,868)
Less: Other adjustments to continuing operations (1)	(622)	(107)	11	(153)	(11)	(22)	(715)	(1,619)
Less: Provision for income tax (expense) benefit	153	(1)	41	36	59	(18)	778	1,048
Operating earnings	$1,369	$ 793	$919	$435	$839	$212	(163)	4,404
Less: Preferred stock dividends							91	91
Operating earnings available to common shareholders							$(254)	$4,313

(1) See definitions of operating revenues and operating expenses under "— Non-GAAP and Other Financial Disclosures" for the components of such adjustments.

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Reconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses

Three Months Ended September 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	$4,803	$4,280	$1,876	$1,310	$3,220	$1,022	$(174)	$16,337
Less: Net investment gains (losses)	(28)	(3)	(15)	(5)	52	10	(96)	(85)
Less: Net derivative gains (losses)	(202)	(173)	(140)	3	164	30	(228)	(546)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(3)	—	—	—	1	—	—	(2)
Less: Other adjustments to revenues (1)	(23)	(44)	(5)	44	(75)	151	23	71
Total operating revenues	$5,059	$4,500	$2,036	$1,268	$3,078	$831	$127	$16,899
Total expenses	$4,333	$4,160	$1,584	$1,159	$2,689	$845	$591	$15,361
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(52)	—	—	—	(1)	—	—	(53)
Less: Other adjustments to expenses (1)	328	—	9	62	(42)	142	95	594
Total operating expenses	$4,057	$4,160	$1,575	$1,097	$2,732	$703	$496	$14,820

Three Months Ended September 30, 2012

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	$5,109	$4,360	$1,785	$1,180	$3,275	$1,210	$(416)	$16,503
Less: Net investment gains (losses)	53	5	(25)	(2)	(47)	73	(35)	22
Less: Net derivative gains (losses)	191	(81)	(194)	19	(31)	13	(635)	(718)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(3)	—	—	—	(2)	1	—	(4)
Less: Other adjustments to revenues (1)	(19)	(33)	16	62	142	348	76	592
Total operating revenues	$4,887	$4,469	$1,988	$1,101	$3,213	$775	$178	$16,611
Total expenses	$6,066	$4,041	$1,541	$931	$2,973	$1,036	$925	$17,513
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	10	—	—	—	2	2	—	14
Less: Goodwill impairment	1,692	—	—	—	—	—	176	1,868
Less: Other adjustments to expenses (1)	222	—	19	18	153	359	275	1,046
Total operating expenses	$4,142	$4,041	$1,522	$913	$2,818	$675	$474	$14,585

(1)

See definitions of operating revenues and operating expenses under "— Non-GAAP and Other Financial Disclosures" for the components of such adjustments.

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Nine Months Ended September 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	$14,226	$12,904	$5,933	$3,725	$9,832	$2,938	$183	$49,741
Less: Net investment gains (losses)	68	(14)	4	4	265	49	(37)	339
Less: Net derivative gains (losses)	(779)	(612)	(244)	(16)	(874)	20	(361)	(2,866)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(9)	—	—	—	4	5	—	—
Less: Other adjustments to revenues (1)	(94)	(129)	19	57	999	412	88	1,352
Total operating revenues	$15,040	$13,659	$6,154	$3,680	$9,438	$2,452	$493	$50,916
Total expenses	$12,698	$12,558	$4,667	$3,133	$9,526	$2,560	$1,815	$46,957
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(228)	—	—	—	(12)	5	—	(235)
Less: Other adjustments to expenses (1)	723	—	(26)	(31)	1,432	416	399	2,913
Total operating expenses	$12,203	$12,558	$4,693	$3,164	$8,106	$2,139	$1,416	$44,279

Nine Months Ended September 30, 2012

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	$15,315	$13,166	$6,014	$3,642	$9,605	$3,287	$(212)	$50,817
Less: Net investment gains (losses)	178	11	21	(12)	(168)	37	(219)	(152)
Less: Net derivative gains (losses)	637	99	(149)	42	(11)	56	(1,278)	(604)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	—	—	—	(4)	14	—	10
Less: Other adjustments to revenues (1)	(51)	(107)	55	191	304	628	551	1,571
Total operating revenues	$14,551	$13,163	$6,087	$3,421	$9,484	$2,552	$734	$49,992
Total expenses	$14,742	$11,969	$4,717	$3,208	$8,519	$2,888	$2,855	$48,898
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	61	—	—	—	—	18	—	79
Less: Goodwill impairment	1,692	—	—	—	—	—	176	1,868
Less: Other adjustments to expenses (1)	510	—	44	344	311	646	1,266	3,121
Total operating expenses	$12,479	$11,969	$4,673	$2,864	$8,208	$2,224	$1,413	$43,830

(1) See definitions of operating revenues and operating expenses under "— Non-GAAP and Other Financial Disclosures" for the components of such adjustments.

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Consolidated Results — Operating

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
OPERATING REVENUES				
Premiums	$9,094	$9,080	$27,402	$27,326
Universal life and investment-type product policy fees	2,276	2,048	6,768	6,056
Net investment income	5,043	5,048	15,279	15,297
Other revenues	486	435	1,467	1,313
Total operating revenues	16,899	16,611	50,916	49,992
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	9,316	8,995	27,626	27,066
Interest credited to policyholder account balances	1,472	1,589	4,547	4,653
Capitalization of DAC	(1,153)	(1,301)	(3,621)	(3,976)
Amortization of DAC and VOBA	979	1,051	3,100	3,231
Amortization of negative VOBA	(113)	(155)	(368)	(456)
Interest expense on debt	288	286	863	898
Other expenses	4,031	4,120	12,132	12,414
Total operating expenses	14,820	14,585	44,279	43,830
Provision for income tax expense (benefit)	549	579	1,818	1,758
Operating earnings	1,530	1,447	4,819	4,404
Less: Preferred stock dividends	30	30	91	91
Operating earnings available to common shareholders	$1,500	$1,417	$4,728	$4,313

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

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

The primary drivers of the increase in operating earnings were higher asset-based fee revenues, lower interest credited expenses and a higher tax benefit, partially offset by unfavorable mortality and claims experience and an increase in expenses. Changes in foreign currency exchange rates had a $23 million negative impact on results compared to the prior period.

We benefited from strong sales, as well as growth and higher persistency, in our business across many of our products. In 2013, we made additional changes to variable annuity guarantee features which, in combination with product changes made in 2012, resulted in a significant decrease in variable annuity sales in our Retail segment. The demand for fixed annuity deposits in Japan also declined as a result of a weakened yen and a high equity market. However, as a result of significant positive net flows since the prior period, we experienced growth in our average separate account assets, which generated higher policy fee income of $72 million. Positive net flows from our universal life business, transfers from the separate account to the general account in the Corporate Benefit Funding segment and growth in the Latin America segment resulted in an increase in our investment portfolio, which generated higher net investment income of $38 million. An increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by $13 million. A decrease in commissions, which was primarily driven by the decline in annuity sales, was partially offset by a decrease in related DAC capitalization and resulted in a $60 million increase in operating earnings. Overall business growth was the primary driver of higher DAC amortization of $86 million in the current period. In our international segments, higher premiums were more than offset by higher policyholder benefits and operating expenses, resulting in a $37 million decrease in operating earnings.

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Market factors, including the sustained low interest rate environment, continued to impact our investment yields, as well as our crediting rates. Yields declined after excluding the results of the Divested Business and the favorable impact of inflation. Certain of our inflation-indexed products are backed by inflation-indexed assets. Changes in inflation cause fluctuations in net investment income with a corresponding fluctuation in policyholder benefits, resulting in a minimal impact to operating earnings. The decrease in yield was primarily driven by the impact of the low interest rate environment on fixed maturity securities and mortgage loans and from lower returns on other limited partnership interests. These declines were partially offset by higher income on interest rate derivatives. A significant portion of our derivatives was entered into prior to the onset of the current low interest rate environment to mitigate the risk of low interest rates in the U.S. The low interest rate environment also resulted in lower interest credited expense as we set interest credited rates lower on both new business and certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rate reset provisions. Our average separate account balance increased commensurate with the rise in the equity markets driving higher fee income in our Retail segment's annuity business. This continued positive equity market performance also resulted in lower DAC amortization. The changes in market factors discussed above resulted in a $95 million increase in operating earnings. Also, the impact of the low interest rate environment contributed to less favorable experience resulting in a reduction to our dividend scale, primarily within the closed block, which was announced in the fourth quarter of 2012. This dividend action favorably impacted operating earnings by $23 million. With respect to the results of the closed block, the impact of this dividend action was more than offset by the other earnings drivers that also affect the closed block that were unfavorable and have been incorporated in the respective discussions herein.

Unfavorable mortality was driven by our life businesses in our Group, Voluntary & Worksite Benefits segment. Unfavorable claims experience was driven by higher claims incidence in our disability and AD&D businesses. In addition, our property & casualty business experienced an increase in catastrophe losses. The combined impact of mortality and claims experience decreased operating earnings by $75 million.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update was performed in the third quarter of 2013 and resulted in a net operating earnings increase of $28 million. This favorable adjustment was primarily related to DAC unlockings in the variable annuity business, partially offset by an increase in the liability for the secondary guarantees in our universal life business. In addition to our annual updates, certain insurance-related liabilities and DAC refinements, as well as other adjustments were recorded in both the current and prior periods and resulted in a $33 million increase in operating earnings. Also, as a result of a review of our own recent claims experience, and in consideration of the worsening trend for the industry, we strengthened our group total and permanent disability claim reserves in Australia, which reduced operating earnings by $57 million.

An increase in operating expenses, primarily employee-related costs, was partially offset by a decline in expenses in our Retail segment primarily driven by savings from the Company's enterprise-wide strategic initiative and resulted in a $58 million decrease in operating earnings.

The Company's effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. In the third quarter of 2013, the Company benefited primarily from higher utilization of tax preferenced investments and the estimated reversal of temporary differences in Japan, which improved operating earnings by $49 million over the prior period.

Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

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

The primary drivers of the increase in operating earnings were higher asset-based fee revenues, higher net investment income from portfolio growth and lower interest credited expenses, partially offset by lower yields and unfavorable mortality and claims experience. In addition, the prior period included a $52 million charge representing a multi-state examination payment related to unclaimed property and our use of the U.S. Social Security Administration's Death Master File to identify potential life insurance claims, as well as the acceleration of benefit payments to policyholders under the settlements of such claims. Changes in foreign currency exchange rates had a $40 million negative impact

on results compared to the prior period.

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We benefited from strong sales, as well as growth and higher persistency, in our business across many of our products. In 2013, we made additional changes to variable annuity guarantee features which, in combination with product changes made in 2012, resulted in a significant decrease in variable annuity sales in our Retail segment. The demand for fixed annuity products in Japan also declined as a result of a weakening yen and a sharp increase in equity markets, which decreased sales. However, as a result of significant positive net flows since the prior period, we experienced growth in our average separate account assets. This, combined with an increase in surrenders in Japan driven by market conditions, generated higher policy fee income of $318 million. Current period deposits and funding agreement issuances in our Corporate Benefit Funding segment combined with positive net flows from our universal life business resulted in growth in our investment portfolio which generated higher net investment income of $217 million. This increase in net investment income was partially offset by a $144 million corresponding increase in interest credited on certain liabilities, most notably in the Corporate Benefit Funding segment. A decrease in commissions, which was primarily driven by the decline in annuity sales, was partially offset by a decrease in related DAC capitalization, which, combined, resulted in a $96 million increase in operating earnings. Overall business growth was the primary driver of higher DAC amortization of $224 million in the current period. In our international segments, higher premiums were more than offset by higher policyholder benefits and operating expenses, resulting in a $51 million decrease in operating earnings.

Market factors, including the sustained low interest rate environment, continued to impact our investment yields, as well as our crediting rates. Yields declined after excluding the results of the Divested Business and the favorable impact of inflation. Certain of our inflation-indexed products are backed by inflation-indexed assets. Changes in inflation cause fluctuations in net investment income with a corresponding fluctuation in policyholder benefits, resulting in a minimal impact to operating earnings. The decrease in yield was primarily driven by the impact of the low interest rate environment on fixed maturity securities and mortgage loans and from lower returns on real estate joint venture and alternative investments. These declines were partially offset by higher income on interest rate derivatives, improved returns on other limited partnership interests and the favorable impact of the continued repositioning of the Japan portfolio to higher yielding investments. A significant portion of these derivatives was entered into prior to the onset of the current low interest rate environment to mitigate the risk of low interest rates in the U.S. The low interest rate environment also resulted in lower interest credited expense as we set interest credited rates lower on both new business and certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rate reset provisions. Our average separate account balance grew with the equity markets driving higher fee income in our annuity business. This continued positive equity market performance also resulted in lower DAC amortization. The changes in market factors discussed above resulted in a $215 million increase in operating earnings. Also, the impact of the low interest rate environment contributed to less favorable experience resulting in a reduction to our dividend scale, primarily within our closed block, which was announced in the fourth quarter of 2012. This dividend action favorably impacted operating earnings by $57 million. With respect to the results of the closed block, the impact of this dividend action was more than offset by the other earnings drivers that also affect the closed block that were unfavorable and have been incorporated in the respective discussions herein.

We experienced less favorable mortality in our Retail and Group, Voluntary & Worksite Benefits segments. In our Group, Voluntary & Worksite Benefits segment, mixed claims experience with a net unfavorable result was driven by an increase in claims incidence. In addition, claims experience in our Asia segment was also unfavorable. The combined impact of mortality and claims experienced decreased operating earnings by $200 million.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update was performed in the third quarter of 2013 and resulted in a net operating earnings increase of $28 million. This favorable adjustment was primarily related to DAC unlockings in the variable annuity business, partially offset by an increase in the liability for the secondary guarantees in our universal life business. In addition to our annual updates, other adjustments and DAC refinements were recorded in both the current and prior periods and resulted in a $13 million increase in operating earnings. Also, as a result of a review of our own recent claims experience, and in consideration of the worsening trend for the industry, we strengthened our group total and permanent disability claim reserves in Australia, which reduced operating earnings

by $57 million.

An increase in operating expenses, primarily employee-related costs, was partially offset by a decline in expenses in our Retail segment primarily driven by savings from the Company's enterprise-wide strategic initiative and resulted in a $51 million decrease in operating earnings. Operating earnings associated with the assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan increased $40 million. This was primarily due to a decrease in benefit liabilities resulting from higher returns in the underlying investments.

The Company's effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. In the first nine months of 2013, the Company realized additional tax benefits of $106 million compared to the same period in 2012, primarily from the higher utilization of tax preferenced investments and the Company's decision to permanently reinvest certain foreign earnings.

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Segment Results and Corporate & Other
Retail

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
OPERATING REVENUES				
Premiums	$1,607	$1,604	$4,735	$4,804
Universal life and investment-type product policy fees	1,257	1,132	3,662	3,365
Net investment income	1,928	1,930	5,876	5,735
Other revenues	267	221	767	647
Total operating revenues	5,059	4,887	15,040	14,551
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	2,234	2,228	6,659	6,668
Interest credited to policyholder account balances	582	598	1,750	1,784
Capitalization of DAC	(318)	(430)	(1,036)	(1,352)
Amortization of DAC and VOBA	315	438	1,042	1,319
Interest expense on debt	(1)	—	—	—
Other expenses	1,245	1,308	3,788	4,060
Total operating expenses	4,057	4,142	12,203	12,479
Provision for income tax expense (benefit)	343	253	971	703
Operating earnings	$659	$492	$1,866	$1,369

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

Unless otherwise stated, all amounts, with the exception of sales data, discussed below are net of income tax.

In 2013, we made additional changes to variable annuity guarantee features as we continue to manage sales volume, focusing on pricing discipline and risk management. These actions, in combination with product changes in 2012, resulted in a $2.0 billion, or 41%, decrease in annuity sales. Variable and universal life sales were also lower by 34%, mainly driven by the discontinuance of secondary guarantees on universal life policies. In our property & casualty business, premiums on new policy sales increased 3% for both our auto and homeowners businesses as compared to the prior period.

Positive net flows in our universal life business resulted in higher net investment income; however this increase was partially offset by higher DAC amortization. Despite the decline in annuity sales, we earned higher asset based fees as our average separate account balances grew due to the positive net flows since the prior period. Higher allocated equity also bolstered net investment income. Premium growth in our property & casualty business improved operating earnings as a result of an increase in average premium per policy in both our auto and homeowners businesses. The net impact of the above items resulted in a $64 million increase in operating earnings.

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Our average separate account balance increased commensurate with the rise in the equity markets driving an increase in asset-based fee income. This continued positive equity market performance also resulted in lower DAC amortization and drove higher income from other limited partnership interests. These positive impacts were partially offset by higher asset based commissions that are also, in part, determined by separate account balances. An impact of the sustained low interest rate environment was a decline in net investment income on our fixed maturity securities and mortgage loans as proceeds from maturing investments are reinvested at lower yields. Additionally, we had a lower crediting rate on allocated equity in the current period, resulting in lower net investment income. These negative interest rate impacts were partially offset by higher income on interest rate derivatives. The net impact of these items resulted in a $27 million increase in operating earnings. Also, the impact of the low interest rate environment contributed to less favorable experience resulting in a reduction to our dividend scale, mainly within the closed block, which was announced in the fourth quarter of 2012. This dividend action favorably impacted operating earnings by $23 million. With respect to the results of the closed block, the impact of this dividend action was more than offset by the other earnings drivers that also affect the closed block that were unfavorable and have been incorporated in the respective discussions herein.

Less favorable mortality experience in our traditional life business and less favorable morbidity experience in our individual income disability business decreased operating earnings by $9 million and $6 million, respectively. In our property & casualty business, current period non-catastrophe claim costs decreased $4 million, mainly as a result of lower severities in both our auto and homeowners businesses. Catastrophe-related losses increased $8 million as compared to the prior period. The impact of the items discussed directly above, coupled with the aforementioned increase in premiums, can be seen in the favorable change in the combined ratio, excluding catastrophes, to 86.3% in the current period, compared to 90.6% in the prior period, as well as the favorable change in the combined ratio, including catastrophes, to 92.6% in the current period, compared to 94.6% in the prior period.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of $30 million. This favorable adjustment was primarily related to DAC unlockings in the variable annuity business, partially offset by unfavorable DAC unlockings in our universal life business. In addition to our annual updates, certain insurance-related liabilities and DAC refinements recorded in both the current and prior periods resulted in a $43 million increase in operating earnings.

Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

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

Positive net flows, mainly in our universal life business, resulted in higher net investment income; however, this increase was partially offset by an increase in DAC amortization. Despite a decline in annuity sales, we earned higher asset-based fees as our average separate account assets grew due to positive net flows since the prior period. Higher allocated equity also bolstered net investment income. Premium growth in our property & casualty business improved operating earnings as a result of an increase in average premium per policy in both our auto and homeowners businesses. The net impact of the above items resulted in a $185 million increase in operating earnings.

Our average separate account balance increased commensurate with the rise in the equity markets driving an increase in asset-based fee income. This continued positive equity market performance also drove higher income from other limited partnership interests and resulted in lower DAC amortization. These positive impacts were partially offset by higher asset based commissions that are also, in part, determined by separate account balances, as well as a less favorable impact on our variable annuity guaranteed minimum death benefit costs, which resulted from lower reinsurance recoverables. An impact of the sustained low interest rate environment was a decline in net investment income on our fixed maturity securities and mortgage loans as proceeds from maturing investments are reinvested at lower yields. Additionally, we had a lower crediting rate on allocated equity in the current period, which resulted in lower net investment income. These negative interest rate impacts were partially offset by higher income on interest rate derivatives and lower interest credited expense as we reduced interest credited rates on contracts with discretionary rate reset provisions. Lower returns on real estate joint ventures also decreased operating earnings. The net impact of these items resulted in a $135 million increase in operating earnings. Also, the impact of the low interest

rate environment contributed to less favorable experience resulting in a reduction to our dividend scale, mainly within the closed block, which was announced in the fourth quarter of 2012. This dividend action favorably impacted operating earnings by $57 million. With respect to the results of the closed block, the impact of this dividend action was more than offset by the other earnings drivers that also affect the closed block that were unfavorable and have been incorporated in the respective discussions herein.

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Less favorable mortality experience in the variable and universal life, traditional life, and income annuities businesses resulted in a $46 million decrease in operating earnings, but was partially offset by the $26 million favorable impact of a prior period charge for the expected acceleration of benefit payments to policyholders under a multi-state examination related to unclaimed property. In addition, unfavorable morbidity experience in our individual income disability business resulted in an $8 million decrease in operating earnings. In our property & casualty business, current period non-catastrophe claim costs increased $24 million, mainly the result of higher frequencies in both our auto and homeowners businesses, as well as higher severities in our homeowners business. Catastrophe-related losses increased $6 million as compared to the prior period. The impact of the items discussed directly above can be seen in the unfavorable change in the combined ratio, excluding catastrophes, to 87.0% in the current period, compared to 86.2% in the prior period, as well as an unfavorable change in the combined ratio, including catastrophes, to 98.2% in the current period compared to 97.1% in the prior period.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of $30 million. This favorable adjustment was primarily related to DAC unlockings in the variable annuity business, partially offset by unfavorable DAC unlockings in our universal life business. In addition to our annual updates, certain insurance-related liabilities and DAC refinements recorded in both the current and prior periods resulted in an $80 million increase in operating earnings.

Also contributing to the increase in operating earnings was a decline in expenses of $73 million, primarily driven by savings from the Company's enterprise-wide strategic initiative.

Group, Voluntary & Worksite Benefits

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
OPERATING REVENUES				
Premiums	$3,767	$3,753	$11,438	$11,021
Universal life and investment-type product policy fees	171	166	521	497
Net investment income	459	450	1,384	1,325
Other revenues	103	100	316	320
Total operating revenues	4,500	4,469	13,659	13,163
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	3,527	3,449	10,681	10,153
Interest credited to policyholder account balances	38	42	116	127
Capitalization of DAC	(37)	(38)	(105)	(102)
Amortization of DAC and VOBA	37	40	104	98
Interest expense on debt	—	1	1	1
Other expenses	595	547	1,761	1,692
Total operating expenses	4,160	4,041	12,558	11,969
Provision for income tax expense (benefit)	114	145	370	401
Operating earnings	$226	$283	$731	$793

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

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

Economic recovery has remained slow and unsteady, although we continue to see signs of improvement to the macro-economic environment. We have seen growth in premiums from our dental business generated through increased enrollment, improved persistency, and the positive impact of pricing actions on existing business. Although we have discontinued selling our long-term care ("LTC") product, we continue to collect premiums and administer the existing block of business, contributing to asset growth in the segment. In the property & casualty business, premiums

on new policy sales increased 43% for both our auto and homeowners businesses as compared to the prior period.

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Our life businesses experienced less favorable mortality in the current period, mainly due to higher claims severity in our universal life businesses, resulting in a decrease in operating earnings of $20 million. Increases in claims incidence and average case size in our disability business, as well as higher claims incidence in the AD&D business were slightly offset by favorable claims experience in our LTC business, resulting in an $18 million decrease in operating earnings. Property & casualty catastrophe-related losses increased $6 million as compared to the prior period. In addition, property & casualty non-catastrophe claim costs increased $2 million, as a result of higher frequencies, partially offset by lower severities, in both our auto and homeowners businesses.

The impact of market factors, including lower returns on our fixed maturity securities and mortgage loans, partially offset by increased income on interest rate derivatives, resulted in lower investment yields. Unlike in the Retail and Corporate Benefit Funding segments, a change in investment yield does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The decrease in investment yield, as well as higher crediting rates in the current period, lowered operating earnings by $7 million.

The increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by $13 million. In addition, an increase in exposures resulted in a $3 million increase in operating earnings. The positive impact from higher premiums on this increase in exposures exceeded the negative impact from the related claims. Exposures are defined generally as each automobile for the auto line of business and each residence for the homeowners line of business. An increase in allocated equity and growth in current period premiums and deposits, partially offset by a reduction in other liabilities, resulted in an increase in our average invested assets, increasing operating earnings by $8 million.

The aforementioned growth in revenues was partially offset by an increase of $25 million in operating expenses, primarily due to an increase in employee-related costs, as well as an increase in marketing and sales support, largely in our property & casualty business, coupled with generally higher operating expenses from business growth across the segment. The impact of the items discussed above related to the property & casualty business can be seen in the unfavorable change in the combined ratio, excluding catastrophes, to 87.5% in the current period from 87.2% in the prior period, as well as an unfavorable change in the combined ratio, including catastrophes, to 90.2% in the current period from 87.8% in the prior period.

Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

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

An increase in claims incidence in our LTC, disability, and AD&D businesses, partially offset by favorable claims experience in our dental business, resulted in a $54 million decrease in operating earnings. Driving the decrease in operating earnings were higher paid claims in our LTC, disability and AD&D businesses, partially offset by lower utilization in our dental business. Our life businesses experienced unfavorable mortality in the current period, mainly due to less favorable claims experience in the group term life business coupled with higher claims incidence and severity in the group universal life business, resulting in a decrease in operating earnings of $36 million. In the property & casualty business, less favorable development of prior year non-catastrophe losses reduced operating results by $14 million. In addition, property & casualty non-catastrophe claim costs increased $11 million, the result of higher frequencies, partially offset by lower severities, in both our auto and homeowners businesses. These reductions in operating earnings were partially offset by lower catastrophe-related losses of $8 million as compared to the prior period.

The impact of market factors, including increased income on interest rate derivatives and higher returns on other limited partnership interests and real estate joint ventures, partially offset by lower returns on our fixed maturity securities, resulted in improved investment yields. Unlike in the Retail and Corporate Benefit Funding segments, a change in investment yield does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The increase in investment yield, as well as slightly lower crediting rates in the current period, contributed $25 million to operating earnings.

The increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by $31 million. In addition, an increase in exposures resulted in a $6 million increase in operating earnings. An increase in allocated equity and growth in current period premiums and deposits, partially offset by a reduction in

other liabilities, resulted in an increase in our average invested assets, increasing operating earnings by $15 million. Consistent with the growth in average invested assets from current period premiums and deposits, primarily in our LTC business, interest credited on long-duration contracts and PABS increased by $9 million.

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The aforementioned growth in revenues was partially offset by an increase of $25 million in operating expenses, primarily due to an increase in pension, post-retirement and other employee benefit costs as well as an increase in marketing and sales support, largely in our property & casualty business, coupled with generally higher operating expenses from business growth across the segment. The impact of the items discussed above related to the property & casualty business can be seen in the unfavorable change in the combined ratio, excluding catastrophes, to 90.0% in the current period from 87.9% in the prior period, as well as an unfavorable change in the combined ratio, including catastrophes, to 93.6% in the current period from 92.9% in the prior period.

Corporate Benefit Funding

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
OPERATING REVENUES				
Premiums	$490	$450	$1,457	$1,480
Universal life and investment-type product policy fees	54	53	187	161
Net investment income	1,424	1,421	4,302	4,253
Other revenues	68	64	208	193
Total operating revenues	2,036	1,988	6,154	6,087
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	1,144	1,070	3,352	3,293
Interest credited to policyholder account balances	292	339	940	1,016
Capitalization of DAC	(2)	(13)	(25)	(28)
Amortization of DAC and VOBA	4	4	21	18
Interest expense on debt	3	2	7	6
Other expenses	134	120	398	368
Total operating expenses	1,575	1,522	4,693	4,673
Provision for income tax expense (benefit)	161	163	512	495
Operating earnings	$300	$303	$949	$919

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

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

The sustained low interest rate environment has contributed to pension plans being underfunded, which limits our customers' ability to engage in full pension plan closeout terminations. While we have experienced a decline in U.K. closeout premiums, we have seen modest growth in our closeout premiums in the U.S., which is reflected by an increase in premiums of $10 million, before income tax. We expect that customers may choose to close out portions of pension plans over time, at costs reflecting current interest rates and availability of capital. In addition, structured settlement sales were higher as a result of fewer competitors in the market in the current period. These premium increases were partially offset by a 36% decrease in income annuity sales driven by the discontinuance of one contract. Changes in premiums for these businesses were almost entirely offset by the related changes in policyholder benefits. An increase in average invested assets, principally from transfers from the separate account due to the fourth quarter 2012 conversion of an existing contract in our U.S. pension closeout business, resulted in an increase of $14 million in operating earnings. Growth in the related insurance liabilities generally results in a corresponding increase in interest credited; this decreased operating earnings by $29 million compared to the prior period.

The low interest rate environment continued to impact our investment returns, as well as interest credited on certain insurance liabilities. Lower investment returns on our mortgage loans and fixed maturity securities were partially offset by increased earnings on interest rate derivatives and our securities lending program. Many of our funding agreement and guaranteed interest contract liabilities have interest credited rates that are contractually tied to external indices and, as a result, we set lower interest credited rates on new business, as well as on existing business with terms

that can fluctuate. The impact of lower interest credited expense was partially offset by lower investment returns and resulted in a net increase in operating earnings of $40 million.

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Less favorable mortality in the current period, primarily in the structured settlement business, resulted in a $7 million decrease in operating earnings. The net impact of insurance liability refinements in the current and prior periods decreased operating earnings by $9 million.

Operating earnings also decreased $13 million primarily driven by higher employee-related expenses and information technology costs in the current period.

Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

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

The impact of current period deposits and funding agreement issuances contributed to an increase in invested assets, resulting in an increase of $170 million in operating earnings. Growth in deposits and funding agreement issuances generally results in a corresponding increase in interest credited on certain insurance liabilities; this decreased operating earnings by $125 million compared to the prior period.

The low interest rate environment continued to impact our investment returns, as well as interest credited on certain insurance liabilities. Lower investment returns on our fixed maturity securities, mortgage loans and real estate joint ventures were partially offset by increased earnings on interest rate derivatives and our securities lending program. Many of our funding agreement and guaranteed interest contract liabilities have interest credited rates that are contractually tied to external indices and, as a result, we set lower interest credited rates on new business, as well as on existing business with terms that can fluctuate. The impact of lower interest credited expense was partially offset by lower investment returns and resulted in a net increase in operating earnings of $23 million.

Mortality results were mixed across our products and resulted in a slight decrease in operating earnings. The net impact of insurance liability refinements in the current and prior periods decreased operating earnings by $27 million.

Higher costs associated with technology initiatives were partially offset by lower employee-related expenses realized through operating efficiencies. This increase in operating expenses was slightly offset by higher fees earned on our separate account balances, which grew during the period as a result of an increase in average separate account deposits. The net impact of these items was a $9 million decrease in operating earnings.

Latin America

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
OPERATING REVENUES				
Premiums	$692	$610	$2,077	$1,948
Universal life and investment-type product policy fees	222	189	682	581
Net investment income	354	299	912	881
Other revenues	—	3	9	11
Total operating revenues	1,268	1,101	3,680	3,421
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	637	507	1,792	1,667
Interest credited to policyholder account balances	106	99	313	289
Capitalization of DAC	(103)	(83)	(316)	(238)
Amortization of DAC and VOBA	63	42	220	151
Amortization of negative VOBA	(1)	(1)	(2)	(4)
Interest expense on debt	—	(4)	—	(3)
Other expenses	395	353	1,157	1,002
Total operating expenses	1,097	913	3,164	2,864
Provision for income tax expense (benefit)	38	36	115	122
Operating earnings	$133	$152	$401	$435

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Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

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

Operating earnings decreased by $19 million from the prior period. The impact of changes in foreign currency exchange rates decreased operating earnings by $7 million for the third quarter of 2013 compared to the prior period.

Latin America experienced sales growth primarily driven by annuity products in Chile, accident and health products in Argentina, Chile and Brazil, and life products in Argentina, Mexico and Brazil. The increase in premiums for these products was partially offset by the related changes in policyholder benefits. The growth in our businesses drove an increase in average invested assets, which generated higher net investment income and higher policy fee income. However, the increase in sales also generated a significant increase in operating expenses, including commissions, which were partially offset by a corresponding increase in DAC capitalization. The items discussed above were the primary drivers of a $12 million increase in operating earnings.

The net impact of market factors decreased operating earnings by $3 million, primarily driven by an increase in interest credited expense, partially offset by the favorable impact of inflation. Investment yields were essentially flat as higher returns on fixed maturity securities in Argentina and derivatives in Chile were offset by lower returns from fixed maturities in Brazil and alternative investments in Chile.

Higher expenses, primarily generated by an increase in employee-related costs across several countries, decreased operating earnings by $10 million. In addition, operating earnings decreased by $3 million due to certain tax-related charges.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of $7 million, primarily related to DAC unlockings in Mexico. In addition to our annual updates, refinements to DAC and other adjustments recorded in both the current and prior periods resulted in a $15 million decrease in operating earnings.

Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

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

Operating earnings decreased by $34 million from the prior period. The impact of changes in foreign currency exchange rates decreased operating earnings by $3 million for the first nine months of 2013 compared to the prior period.

Latin America experienced sales growth primarily driven by life and accident and health products in Mexico, Argentina and Brazil. The increase in premiums for these products was partially offset by the related changes in policyholder benefits. The growth in our businesses drove an increase in average invested assets, which generated higher net investment income and higher policy fee income, partially offset by a corresponding increase in interest credited on certain insurance liabilities. However, the increase in sales also generated a more significant increase in operating expenses, including commissions, which were partially offset by a corresponding increase in DAC capitalization. The items discussed above were the primary drivers of a $5 million increase in operating earnings.

The net impact of market factors decreased operating earnings by $9 million primarily driven by a decrease in investment yields and higher interest credited expense, partially offset by the favorable impact of inflation. Investment yields decreased primarily due to lower returns on fixed maturity securities in Brazil and decreased earnings on alternative investments, primarily in Chile. These decreases were partially offset by improved yields on fixed maturity securities in Mexico and Argentina.

Higher expenses, primarily generated by employee-related costs across several countries, decreased operating earnings by $24 million. In addition, operating earnings decreased $3 million due to unfavorable claims experience and $3 million due to certain tax-related charges.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of $7 million. In addition to our annual updates, refinements to DAC and other adjustments recorded in both periods resulted in a $5 million decrease in operating earnings.

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Asia

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
OPERATING REVENUES				
Premiums	$1,922	$2,112	$5,900	$6,215
Universal life and investment-type product policy fees	438	388	1,324	1,102
Net investment income	696	709	2,151	2,150
Other revenues	22	4	63	17
Total operating revenues	3,078	3,213	9,438	9,484
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	1,506	1,455	4,354	4,250
Interest credited to policyholder account balances	407	468	1,286	1,323
Capitalization of DAC	(515)	(579)	(1,583)	(1,721)
Amortization of DAC and VOBA	393	396	1,186	1,188
Amortization of negative VOBA	(99)	(128)	(325)	(387)
Interest expense on debt	—	—	—	5
Other expenses	1,040	1,206	3,188	3,550
Total operating expenses	2,732	2,818	8,106	8,208
Provision for income tax expense (benefit)	89	136	412	437
Operating earnings	$257	$259	$920	$839

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

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

Operating earnings decreased by $2 million from the prior period. The impact of changes in foreign currency exchange rates reduced operating earnings by $20 million for the third quarter of 2013 compared to the prior period.

Asia sales in the quarter were flat compared to the prior period. We had strong general agency and bank channel sales in Korea, as well as continued growth in China. In India, sales increased over the prior period driven by increased productivity in the agency channel and the continued benefit of our new relationship with Punjab National Bank. These increases were partially offset by lower sales in Japan. While we have started to see sales momentum in our foreign currency denominated retirement product sales from the second quarter, product sales in Japan continue to be impacted by a weakened yen and a high equity market. In addition, there was a decline in sales of group products in Australia. Group sales are significantly influenced by large transactions and, as a result, can fluctuate from period to period.

Asia's premiums increased over the prior period primarily driven by broad based in-force growth across the region, including growth of ordinary life and accident & health products in Japan, group insurance in Australia and strong sales of life products in India. Surrenders of fixed annuity products in Japan have slowed down but still resulted in a slight increase in fee income. In-force growth in interest sensitive products in Japan also generated higher fee income. Average invested assets decreased in Japan from the prior period, reflecting higher surrenders of fixed annuity products, resulting in lower net investment income and lower interest credited to policyholders. However, business growth in Korea, Bangladesh and India contributed to an increase in our investment portfolio, which generated higher net investment income, more than offsetting the decline in Japan. Changes in premiums and fee income for these businesses were partially offset by related changes in policyholder benefits and DAC amortization. The combined impact of the items discussed above improved operating earnings by $30 million.

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Investment yields increased due to higher income from real estate joint ventures, partially offset by the adverse impact of the low interest rate environment on our mortgage loans. This improvement in investment yields combined with the positive impact of foreign currency hedges increased operating earnings by $19 million.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. As a result of this review we made refinements to certain insurance-related liabilities and DAC in Korea and Japan, which resulted in a net unfavorable impact of $13 million to operating earnings. In addition to our annual updates, a liability refinement in China in the current period increased operating earnings by $13 million. Also, as a result of a review of our own recent claims experience, and in consideration of the worsening trend for the industry, we strengthened our group total and permanent disability claim reserves in Australia, which reduced operating earnings by $57 million, net of reinsurance.

Current period results also include a $29 million tax benefit in Japan related to the estimated reversal of temporary differences and a reduction in the effective tax rate, as well as $6 million of unfavorable claims experience, primarily in Korea.

Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

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

Operating earnings increased by $81 million over the prior period. The impact of changes in foreign currency exchange rates reduced operating earnings by $43 million for the first nine months of 2013 compared to the prior period.

Asia sales for the nine months of 2013 were slightly lower than the prior period. Sales in Japan for the first half of the year were impacted by a weaker yen and growth in equity markets which drove consumer preferences away from foreign currency denominated retirement products resulting in lower fixed annuity sales and higher surrenders. Australia's sales declined from the strong group sales a year ago. These declines were partly offset by higher sales in India, as a result of the continued benefit from our relationship with Punjab National Bank and strong production in the agency channel.

Asia's premiums and fee income increased over the prior period primarily driven by broad based in-force growth across the region, including growth of ordinary life, variable life and accident & health products in Japan and Korea, group insurance in Australia and strong sales of life products in India. Higher surrenders of fixed annuity products in Japan, driven by market conditions, also contributed to higher fee income and higher DAC amortization. Changes in premiums for these businesses were partially offset by related changes in policyholder benefits. Positive net flows in Japan resulted in an increase in average invested assets over the prior period, generating an increase in net investment income, which was partially offset by an increase in interest credited to policyholders. The combined impact of the items discussed above improved operating earnings by $120 million.

Investment yields increased from the continued repositioning of the Japan investment portfolio to higher yielding investments and higher prepayment fees, partially offset by lower returns on other limited partnership interests. These improvements in investment yields combined with the positive impact of foreign currency hedges, increased operating earnings by $57 million.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. As a result of this review, we made refinements to certain insurance-related liabilities and DAC in Korea and Japan, which resulted in a net unfavorable impact of $13 million to operating earnings. In addition, as a result of a review of our own recent claims experience, and in consideration of the worsening trend for the industry, we strengthened our group total and permanent disability claim reserves in Australia, which reduced operating earnings by $57 million, net of reinsurance.

Current period results also include a $34 million tax benefit recorded in Japan related to the estimated reversal of temporary differences and a reduction in the effective tax rate, partially offset by $24 million of unfavorable claims experience, primarily in Korea.

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EMEA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
OPERATING REVENUES				
Premiums	$586	$536	$1,711	$1,815
Universal life and investment-type product policy fees	100	82	287	233
Net investment income	124	122	372	406
Other revenues	21	35	82	98
Total operating revenues	831	775	2,452	2,552
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	243	255	736	941
Interest credited to policyholder account balances	37	32	109	91
Capitalization of DAC	(173)	(158)	(542)	(535)
Amortization of DAC and VOBA	166	130	526	456
Amortization of negative VOBA	(13)	(26)	(41)	(65)
Interest expense on debt	—	2	—	3
Other expenses	443	440	1,351	1,333
Total operating expenses	703	675	2,139	2,224
Provision for income tax expense (benefit)	43	38	73	116
Operating earnings	$85	$62	$240	$212

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

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

Operating earnings increased by $23 million over the prior period. The impact of changes in foreign currency exchange rates increased operating earnings by $4 million for the third quarter 2013 compared to the prior period. The third quarter 2012 acquisition of life insurance businesses in the Czech Republic, Hungary and Romania from the members of the Aviva Plc. group increased operating earnings by $4 million. This was offset by the disposal of certain blocks of business in the U.K. in the first quarter of 2013, which decreased operating earnings by $18 million.

While sales increased compared to the prior period, this business growth was somewhat dampened by challenging economic environments in some European countries. Business growth was driven primarily by Russia, Egypt, Poland, France and the Persian Gulf, partially offset by management’s decision to cease fixed annuity sales in the U.K.

Operating expenses decreased primarily due to lower corporate allocations. The combined impact of the items discussed above increased operating earnings by $18 million.

An increase in average invested assets in Ireland, Poland and Russia in the third quarter of 2013 contributed to an increase in operating earnings of $4 million. Investment yields were flat as the negative impact of the low interest rate environment on fixed maturity securities was offset by an increase in derivative income.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of $4 million, primarily related to assumption updates in the Persian Gulf and Greece.

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Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

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

Operating earnings increased by $28 million over the prior period. The impact of changes in foreign currency exchange rates increased operating earnings by $6 million for the first nine months of 2013 compared to the prior period. The third quarter 2012 acquisition of life insurance businesses in the Czech Republic, Hungary and Romania from the members of the Aviva Plc. group increased operating earnings by $14 million. This was offset by the disposal of certain blocks of business in the U.K. in the first quarter of 2013, which decreased operating earnings by $40 million.

Operating earnings decreased as a result of a $30 million tax charge in the second quarter of 2013 related to the write-off of a U.K. tax loss carry forward. Operating earnings were negatively impacted by a $26 million write-down of DAC and intangible assets related to proposed pension reforms in Poland. In addition, prior period results benefited by $12 million primarily due to a release of negative VOBA associated with the conversion of certain policies. These items were partially offset by a $59 million tax benefit following the Company’s decision to permanently reinvest certain foreign earnings. In addition, operating earnings benefited from adjustments totaling $8 million in Greece for liability refinements in our ordinary and deferred annuity businesses, as well as the impact of a change in the local corporate tax rate, both in the first quarter of 2013.

While sales increased compared to the prior period, this business growth was somewhat dampened by challenging economic environments in some European countries. This business growth was driven primarily by Russia, Egypt, Poland and the Persian Gulf, partially offset by management’s decision to cease fixed annuity sales in the U.K.

Operating expenses increased compared to the prior period including the effect of higher corporate allocations; however, this was offset by expense reduction initiatives primarily in France and Poland. The combined impact of the items discussed above increased operating earnings by $48 million.

An increase in average invested assets due to growth in Ireland, Russia and Poland, contributed to an increase in operating earnings of $9 million. Operating earnings decreased by $18 million reflecting lower investment yields on certain alternative asset classes, including mutual fund investments, primarily in Greece, and floating-rate securities, primarily in Ireland and Poland.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of $4 million, primarily related to assumption updates in the Persian Gulf and Greece.

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Corporate & Other

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
OPERATING REVENUES				
Premiums	$30	$15	$84	$43
Universal life and investment-type product policy fees	34	38	105	117
Net investment income	58	117	282	547
Other revenues	5	8	22	27
Total operating revenues	127	178	493	734
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	25	31	52	94
Interest credited to policyholder account balances	10	11	33	23
Capitalization of DAC	(5)	—	(14)	—
Amortization of DAC and VOBA	1	1	1	1
Interest expense on debt	286	285	855	886
Other expenses	179	146	489	409
Total operating expenses	496	474	1,416	1,413
Provision for income tax expense (benefit)	(239)	(192)	(635)	(516)
Operating earnings	(130)	(104)	(288)	(163)
Less: Preferred stock dividends	30	30	91	91
Operating earnings available to common shareholders	$(160)	$(134)	$(379)	$(254)

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

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

Operating earnings available to common shareholders and operating earnings each decreased $26 million, primarily due to lower net investment income and higher other expenses. These decreases were partially offset by an increase in the earnings of our assumed reinsurance of a variable annuity business and a higher tax benefit in the third quarter of 2013.

Net investment income decreased $38 million driven by an increase in the amount credited to the segments due to growth in the economic capital managed by Corporate & Other on their behalf and lower returns from our alternative investments.

Other expenses increased by $33 million, primarily due to increases in interest on uncertain tax positions, other employee-related costs, acquisition costs and advertising costs, partially offset by lower internal resource costs for associates committed to certain acquisition activities. Costs associated with the Company’s enterprise-wide strategic initiative were down $12 million, which includes a $25 million decrease in the portion that represents employee-related restructuring charges.

Operating earnings associated with the assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan increased $6 million. This was primarily due to higher fund returns, partially offset by an update of the mean reserve assumptions and weakening of the yen.

Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rates differ from the U.S. statutory rate of 35%. In 2013, we benefited primarily from higher utilization of tax preferenced investments which improved operating earnings by $22 million over the prior period.

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Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

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

Operating earnings available to common shareholders and operating earnings each decreased $125 million, primarily due to lower net investment income, higher other expenses and lower earnings on invested assets that were funded using Federal Home Loan Bank ("FHLB") advances. These decreases were partially offset by higher operating earnings from the assumed reinsurance of a variable annuity business and a higher tax benefit over the prior period.

Net investment income decreased $146 million, excluding the FHLB advances, which are discussed below, and the divested MetLife Bank operations, driven by an increase in the amount credited to the segments due to growth in the economic capital managed by Corporate & Other on their behalf and lower returns on our fixed maturity securities, alternative investments and real estate joint ventures, partially offset by higher income on credit derivatives.

In the first quarter of 2012, the Company benefited from the positive resolution of certain legal matters totaling $16 million. The current period included $21 million of higher costs associated with interest on uncertain tax positions, and $21 million of higher expenses for start-up operations and advertising costs. In addition, the current period included higher expenses of $32 million, primarily driven by higher employee-related costs and a change in the common stock dividend payment structure from annually to quarterly. Partially offsetting these increases was a prior period charge of $26 million, representing a multi-state examination payment related to unclaimed property and MetLife's use of the U.S. Social Security Administration's Death Master File. In addition, the current period included $24 million of lower internal resource costs for associates committed to certain acquisition activities. Costs associated with the Company's enterprise-wide strategic initiative were down $4 million, which includes a $23 million decrease in the portion that represents employee-related restructuring charges.

Operating earnings on invested assets that were funded using FHLB advances decreased $10 million, reflected by decreases in net investment income and interest expense on debt, due to the transfer of $3.8 billion of FHLB advances and underlying assets from MetLife Bank to Corporate Benefit Funding in April 2012.

Operating earnings associated with the assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan increased $40 million. This was primarily due to a decrease in benefit liabilities resulting from higher returns in the underlying investments.

Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rates differ from the U.S. statutory rate of 35%. In 2013, we benefited primarily from higher utilization of tax preferenced investments which improved operating earnings by $34 million from the prior period.

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Investments

Investment Risks

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. We are exposed to the following primary sources of investment risk:

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates. Changes in market interest rates can result from governmental monetary policies, domestic and international economic and political conditions, and other factors beyond our control, and will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of return we receive on both new funds invested and reinvestment of existing funds;
- liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;
- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income investment portfolio, will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure, and, if credit spreads widen significantly or for an extended period of time, will likely result in higher other-than-temporary impairments ("OTTI"). Credit spread tightening will reduce net investment income associated with purchases of fixed maturity securities and will favorably impact the net unrealized gain (loss) position of the fixed income investment portfolio;
- currency risk, relating to the variability in currency exchange rates for foreign denominated investments. This risk relates to potential decreases in estimated fair value and income resulting from a strengthening or weakening in currency exchange rates versus the U.S. dollar. In general, the weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our foreign denominated investments; and
- real estate risk, relating to commercial, agricultural and residential real estate, and stemming from factors, which include, but are not limited to, market conditions including the demand and supply of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility and the inherent interest rate movement.

We manage investment risk through in-house fundamental credit analysis of the underlying obligors, issuers, transaction structures and real estate properties. We also manage credit risk, market valuation risk and liquidity risk through industry and issuer diversification and asset allocation. For commercial, agricultural and residential assets, we manage credit risk and market valuation risk through geographic, property type and product type diversification and asset allocation. We manage interest rate risk as part of our asset and liability management strategies. These strategies include maintaining an investment portfolio with diversified maturities that has a weighted average duration that is approximately equal to the duration of our estimated liability cash flow profile through product design, such as the use of market value adjustment features and surrender charges. We also manage interest rate risk through proactive monitoring and management of certain non-guaranteed elements of our products, such as the resetting of credited interest and dividend rates for policies that permit such adjustments. In addition to hedging with foreign currency derivatives, we manage currency risk by matching much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. We also use certain derivatives in the management of credit, interest rate, and equity market risks.

We use purchased credit default swaps to mitigate credit risk in our investment portfolio. Generally, we purchase credit protection by entering into credit default swaps referencing the issuers of specific assets we own. In certain cases, basis risk exists between these credit default swaps and the specific assets we own. For example, we may purchase credit protection on a macro basis to reduce exposure to specific industries or other portfolio concentrations. In such instances, the referenced entities and obligations under the credit default swaps may not be identical to the individual obligors or securities in our investment portfolio. In addition, our purchased credit default swaps may have shorter tenors than the underlying investments they are hedging. However, we dynamically hedge this risk through the rebalancing and rollover of its credit default swaps at their most liquid tenors. We believe that our purchased credit

default swaps serve as effective legal and economic hedges of our credit exposure.

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We generally enter into market standard purchased and written credit default swap contracts. Payout under such contracts is triggered by certain credit events experienced by the referenced entities. For credit default swaps covering North American corporate issuers, credit events typically include bankruptcy and failure to pay on borrowed money. For European corporate issuers, credit events typically also include involuntary restructuring. With respect to credit default contracts on Western European sovereign debt, credit events typically include failure to pay debt obligations, repudiation, moratorium, or involuntary restructuring. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association deems that a credit event has occurred.

Current Environment

The global economy and markets continue to be affected by stress and volatility, which has adversely affected the financial services sector in particular and global capital markets. Financial markets have also been affected by concerns over the direction of U.S. fiscal policy. See "— Industry Trends — Financial and Economic Environment" for information of the most recent debt ceiling crisis. As a global insurance company, we are also affected by the monetary policy of central banks around the world. In the United States, the Federal Reserve Board has taken a number of policy actions in recent years to spur economic activity, by keeping interest rates low and, more recently, through its asset purchase programs. See "— Industry Trends — Impact of a Sustained Low Interest Rate Environment" for information on actions taken by the Federal Reserve Board and central banks around the world to support the economic recovery. See "— Industry Trends — Financial and Economic Environment" for information on actions taken by Japan's central government and the Bank of Japan to end deflation and achieve sustainable economic growth in Japan. The Federal Reserve Board and other central banks may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales.

European Region Investments

Excluding Europe's perimeter region and Cyprus which is discussed below, our holdings of sovereign debt, corporate debt and perpetual hybrid securities in certain EU member states and other countries in the region that are not members of the EU (collectively, the "European Region") were concentrated in the United Kingdom, Germany, France, the Netherlands, Poland, Norway and Sweden. The sovereign debt of these countries continues to maintain investment grade credit ratings from all major rating agencies. In the European Region, we have proactively mitigated risk in both direct and indirect exposures by investing in a diversified portfolio of high quality investments with a focus on the higher-rated countries. Sovereign debt issued by countries outside of Europe's perimeter region and Cyprus comprised $8.5 billion, or over 99% of our European Region sovereign fixed maturity securities, at estimated fair value at September 30, 2013. The European Region corporate securities (fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock) are invested in a diversified portfolio of primarily non-financial services securities, which comprised $25.0 billion, or 74% of European Region total corporate securities, at estimated fair value at September 30, 2013. Of these European Region sovereign fixed maturity and corporate securities, 91% were investment grade and, for the 9% that were below investment grade, the majority were non-financial services corporate securities at September 30, 2013. European Region financial services corporate securities at estimated fair value were $8.8 billion, including $6.6 billion within the banking sector, with 94% invested in investment grade rated corporate securities, at September 30, 2013.

Europe's Perimeter Region and Cyprus

Concerns about the economic conditions, capital markets and the solvency of certain EU member states, including Europe's perimeter region and Cyprus, and of financial institutions that have significant direct or indirect exposure to their sovereign debt, continue to create market volatility. This market volatility has affected the performance of various asset classes in 2013, and may continue to do so, until there is an ultimate resolution of these EU sovereign debt-related concerns.

The March 2012 restructuring of Greece domestic law sovereign debt had an adverse impact on the capital level of Cyprus' largest financial institutions, which triggered downgrades of Cyprus sovereign debt. In April 2013, the EU approved a €10 billion financial support program for Cyprus, the first tranche of which was released in May 2013. This

official support program includes financing to cover Cyprus government's needs over a three year period. It also includes a restructuring of Cyprus banking, tax and financial systems. These restructurings, which adversely impact private investors, private creditors and uninsured depositors of the two largest banks, are intended to avoid a default of Cyprus sovereign debt.

As a result of concerns about the ability of Europe's perimeter region and Cyprus to service its sovereign debt, certain of these countries have experienced credit rating downgrades. Despite official financial support programs for the most stressed governments in Europe's perimeter region and Cyprus, concerns about sovereign debt sustainability have expanded to other EU member states. As a result, several other EU member states experienced credit rating downgrades or had their credit rating outlook changed to negative.

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As presented in the table below, we have an insignificant exposure to the sovereign debt of Europe's perimeter region and Cyprus. Accordingly, we do not expect such investments to have a material adverse effect on our results of operations or financial condition.

Due to the current level of economic, fiscal and political strain in Europe's perimeter region and Cyprus, we continually monitor and adjust our level of investment exposure in these countries. We manage direct and indirect investment exposure in these countries through fundamental credit analysis. The following table presents a summary of investments by invested asset class and related purchased credit default protection across Europe's perimeter region, by country, and Cyprus. The Company has written credit default swaps where the underlying is an index comprised of companies across various sectors in the European region. At September 30, 2013, the written credit default swaps exposure to Europe's perimeter region and Cyprus was $21 million in notional and less than $1 million in estimated fair value. The information below is presented at estimated fair value and on a country of risk basis (e.g. the country where the issuer primarily conducts business).

Summary of Select European Country Investment Exposure at September 30, 2013

	Fixed Maturity Securities (1)									
	Sovereign	Financial Services	Non-Financial Services	Total	All Other General Account Investment Exposure (2)	Total Exposure (3)	%	Purchased Credit Default Protection (4)	Net Exposure	%
	(In millions)							(In millions)		
Europe's perimeter region:										
Portugal	$—	$—	$ 55	$55	$11	$66	2 %	$—	$66	2 %
Italy	3	87	589	679	89	768	27	(1)	767	27
Ireland	—	—	154	154	1,069	1,223	42	—	1,223	42
Greece	3	—	—	3	117	120	4	—	120	4
Spain	—	97	487	584	47	631	22	—	631	22
Total Europe's perimeter region	6	184	1,285	1,475	1,333	2,808	97	(1)	2,807	97
Cyprus	71	—	—	71	4	75	3	—	75	3
Total	$77	$184	$ 1,285	$1,546	$1,337	$2,883	100 %	$(1)	$2,882	100 %
As percent of total cash and invested assets	0.0 %	0.0 %	0.3 %	0.3 %	0.3 %	0.6 %		0.0 %	0.6 %	
Investment grade percent	4 %	93 %	91 %							
Non-investment grade percent	96 %	7 %	9 %							

(1) Both the par value and amortized cost of the fixed maturity securities were $1.5 billion at September 30, 2013.

(2) Comprised of equity securities, mortgage loans, other limited partnership interests, cash, cash equivalents and short-term investments, and other invested assets at carrying value. See Note 1 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for an explanation of the carrying value for these invested asset classes. Excludes FVO contractholder-directed unit-linked investments of $928 million, which support unit-linked variable annuity type liabilities and do not qualify for separate account summary total assets and liabilities. The contractholder, and not the Company, directs the investment of these funds. The related variable

annuity type liability is satisfied from the contractholder's account balance and not from our general account investments.

(3) For Greece, the Company had $1 million of commitments to fund partnership investments at September 30, 2013.

(4) Purchased credit default protection is stated at the estimated fair value of the swap. For Italy, the purchased credit default protection relates to financial services corporate securities and these swaps had a notional amount of $80 million and an estimated fair value of $1 million at September 30, 2013. The counterparties to these swaps are financial institutions with Standard & Poor's Ratings Services ("S&P") credit ratings of A as of September 30, 2013.

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Current Environment — Summary

All of these factors have had and could continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. Such global economic conditions, as well as the global financial markets, continue to impact our net investment income, net investment gains (losses) and net derivative gains (losses), level of unrealized gains and (losses) within the various asset classes within our investment portfolio and our allocation to lower yielding cash equivalents and short-term investments. See "— Industry Trends" and "Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period," included in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

Investment Portfolio Results

The following yield table presents the yield and investment income (loss) for our investment portfolio for the periods indicated. As described in the footnotes below, this table reflects certain differences from the presentation of net investment income presented in the GAAP consolidated statements of operations. This yield table presentation is consistent with how we measure our investment performance for management purposes, and we believe it enhances understanding of our investment portfolio results.

	At or For the Three Months Ended September 30,				At or For the Nine Months Ended September 30,			
	2013		2012		2013		2012	
	Yield % (1)	Amount (In millions)	Yield % (1)	Amount (In millions)	Yield % (1)	Amount (In millions)	Yield % (1)	Amount (In millions)
Fixed maturity securities (2)(3)	4.92%	$3,792	4.85%	$3,833	4.82%	$11,312	4.86%	$11,393
Mortgage loans (3)	5.34%	725	5.81%	810	5.42%	2,179	5.62%	2,404
Real estate and real estate joint ventures	3.09%	77	2.95%	64	3.25%	243	5.14%	329
Policy loans	5.38%	158	5.25%	157	5.26%	465	5.27%	471
Equity securities	3.87%	28	3.65%	26	4.14%	88	4.36%	96
Other limited partnerships	7.95%	144	8.66%	145	12.50%	665	12.00%	593
Cash and short-term investments	0.97%	39	0.66%	34	0.98%	126	0.67%	100
Other invested assets		217		140		618		469
Total before investment fees and expenses	4.98%	5,180	4.88%	5,209	4.97%	15,696	4.98%	15,855
Investment fees and expenses	(0.13)%	(137)	(0.13)%	(140)	(0.13)%	(411)	(0.13)%	(419)
Net investment income including Divested	4.85%	5,043	4.75%	5,069	4.84%	15,285	4.85%	% 15,436
Businesses (4)								
Less: net investment income		—		21		6		139

from Divested Businesses (4)				
Net investment income (5)	$5,043	$5,048	$15,279	$15,297

(1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses and reflects GAAP adjustments presented in footnote (5) below. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets, collateral received from derivative counterparties, the effects of consolidating under GAAP certain variable interest entities ("VIEs") that are treated as consolidated securitization entities ("CSEs"), contractholder-directed unit-linked investments and securitized reverse residential mortgage loans. A yield is not presented for other invested assets, as it is not considered a meaningful measure of performance for this asset class.

(2) Investment income includes amounts for FVO and trading securities of $14 million and $24 million for the three months and nine months ended September 30, 2013, respectively, and $24 million and $68 million for the three months and nine months ended September 30, 2012, respectively.

(3) Investment income from fixed maturity securities and mortgage loans includes prepayment fees.

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(4) Yield calculations include the net investment income and ending carrying values of the Divested Businesses. The net investment income adjustment for the Divested Businesses for the three months and nine months ended September 30, 2012 of $21 million and $139 million excludes $4 million and $177 million of securitized reverse residential mortgage loans that were included in the Divested Businesses adjustment of $25 million and $316 million presented below, respectively. For further information on Divested Businesses and the related sale of the securitized reverse residential mortgage loans in 2012, see Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

(5) Net investment income presented in the yield table varies from the most directly comparable measure presented in the GAAP consolidated statements of operations due to certain reclassifications and excludes the effects of consolidating under GAAP certain VIEs that are treated as CSEs and contractholder-directed unit-linked investments. Such reclassifications are presented in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In millions)			
Net investment income — in the above yield table	$5,043	$5,048	$15,279	$15,297
Real estate discontinued operations	(3)	—	(7)	(2)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting	(175)	(108)	(473)	(310)
Equity method operating joint ventures	—	—	(1)	—
Contractholder-directed unit-linked investments	132	512	1,485	1,010
Divested Businesses	—	25	6	316
Incremental net investment income from CSEs	29	40	96	125
Net investment income — GAAP consolidated statements of operations	$5,026	$5,517	$16,385	$16,436

See "— Results of Operations — Consolidated Results — Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012" and "— Results of Operations — Consolidated Results — Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012" for analyses of the period over period changes in net investment income.

Fixed Maturity and Equity Securities Available-for-Sale

Fixed maturity securities available-for-sale ("AFS"), which consisted principally of publicly-traded and privately-placed fixed maturity securities and redeemable preferred stock, were $348.8 billion and $374.3 billion, at estimated fair value, at September 30, 2013 and December 31, 2012, respectively, or 70% of total cash and invested assets, at both September 30, 2013 and December 31, 2012. Publicly-traded fixed maturity securities represented $301.6 billion and $323.8 billion of total fixed maturity securities, at estimated fair value, or 86% and 87% of total fixed maturity securities, at September 30, 2013 and December 31, 2012, respectively. Privately placed fixed maturity securities represented $47.2 billion and $50.5 billion, at estimated fair value, or 14% and 13% of total fixed maturity securities, at September 30, 2013 and December 31, 2012, respectively.

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Equity securities AFS, which consisted principally of publicly-traded and privately-held common and non-redeemable preferred stock, including certain perpetual hybrid securities and mutual fund interests, were $3.2 billion and $2.9 billion, at estimated fair value, or 0.6% and 0.5% of total cash and invested assets, at September 30, 2013 and December 31, 2012, respectively. Publicly-traded equity securities represented $2.2 billion and $1.8 billion, at estimated fair value, or 69% and 62% of total equity securities, at September 30, 2013 and December 31, 2012, respectively. Privately-held equity securities represented $1.0 billion and $1.1 billion, at estimated fair value, or 31% and 38% of total equity securities, at September 30, 2013 and December 31, 2012, respectively.

Included within fixed maturity and equity securities were $1.2 billion and $1.3 billion of perpetual securities, at estimated fair value, at September 30, 2013 and December 31, 2012, respectively. Upon acquisition, we classify perpetual securities that have attributes of both debt and equity as fixed maturity securities if the securities have an interest rate step-up feature which, when combined with other qualitative factors, indicates that the securities have more debt-like characteristics; while those with more equity-like characteristics are classified as equity securities. Many of such securities, commonly referred to as “perpetual hybrid securities” have been issued by non-U.S. financial institutions that are accorded the highest two capital treatment categories by their respective regulatory bodies (i.e. core capital, or “Tier 1 capital” and perpetual deferrable securities, or “Upper Tier 2 capital”).

Included within fixed maturity securities were $1.4 billion and $1.6 billion of redeemable preferred stock, at estimated fair value, at September 30, 2013 and December 31, 2012, respectively. These securities, which have stated maturity dates and cumulative interest deferral features, are commonly referred to as “capital securities,” and are primarily issued by U.S. financial institutions.

See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity and Equity Securities AFS — Valuation of Securities” included in the 2012 Annual Report for further information on the processes used to value securities and the related controls.

Fair Value of Fixed Maturity and Equity Securities – AFS

Fixed maturity and equity securities AFS measured at estimated fair value on a recurring basis and their corresponding fair value pricing sources are as follows:

	September 30, 2013					
	Fixed Maturity Securities (In millions)			Equity Securities (In millions)		
Level 1:						
Quoted prices in active markets for identical assets	$24,117	6.9	%	$1,102	34.0	%
Level 2:						
Independent pricing source	265,014	76.0		654	20.2	
Internal matrix pricing or discounted cash flow techniques	37,105	10.6		895	27.6	
Significant other observable inputs	302,119	86.6		1,549	47.8	
Level 3:						
Independent pricing source	8,888	2.6		433	13.3	
Internal matrix pricing or discounted cash flow techniques	12,108	3.5		142	4.4	
Independent broker quotations	1,555	0.4		15	0.5	
Significant unobservable inputs	22,551	6.5		590	18.2	
Total estimated fair value	$348,787	100.0	%	$3,241	100.0	%

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for the fixed maturity securities and equity securities AFS fair value hierarchy.

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The composition of fair value pricing sources for and significant changes in Level 3 securities at September 30, 2013 are as follows:

- The majority of the Level 3 fixed maturity and equity securities AFS, or 83%, were concentrated in four sectors: U.S. and foreign corporate securities, asset-backed securities ("ABS"), and residential mortgage-backed securities ("RMBS").
- Level 3 fixed maturity securities are priced principally through market standard valuation methodologies, independent pricing services and, to a much lesser extent, independent non-binding broker quotations using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 fixed maturity securities consist of less liquid securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies. Level 3 fixed maturity securities include: sub-prime RMBS; certain below investment grade private securities and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities); and less liquid ABS and foreign government securities.
- During the three months ended September 30, 2013, Level 3 fixed maturity securities increased by $988 million, or 5%. The increase was driven by purchases in excess of sales, partially offset by net transfers out of Level 3. The purchases in excess of sales of fixed maturity securities were concentrated in RMBS, foreign corporate securities, ABS, commercial mortgage-backed securities ("CMBS") and foreign government securities. The net transfers out of Level 3 were concentrated in foreign corporate securities, RMBS and CMBS.
- During the nine months ended September 30, 2013, Level 3 fixed maturity securities increased by $131 million, or 1%. The increase was driven by purchases in excess of sales, partially offset by net transfers out of Level 3 and a decrease in estimated fair value recognized in other comprehensive income (loss) ("OCI"). The purchases in excess of sales of fixed maturity securities were concentrated in RMBS, ABS, foreign corporate securities, foreign government securities and CMBS. The net transfers out of Level 3 were concentrated in U.S. and foreign corporate securities, ABS, CMBS and foreign government securities, and the decrease in estimated fair value recognized in OCI was concentrated in foreign government securities, foreign corporate securities and ABS.

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for fixed maturity securities and equity securities AFS measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs. Total gains and losses in earnings and OCI are calculated assuming transfers into or out of Level 3 occurred at the beginning of the period. Items transferred into and out of Level 3 during the same period are excluded from the rollforward. Total gains (losses) for fixed maturity securities included in OCI subsequent to their transfer into Level 3 was $1 million and ($43) million for the three months and nine months ended September 30, 2013, respectively. There were no gains (losses) included in earnings for fixed maturity securities subsequent to their transfer into Level 3 for the three months and nine months ended September 30, 2013.

An analysis of transfers into and/or out of Level 3 for the three months and nine months ended September 30, 2013 is presented in Note 8 of the Notes to Interim Condensed Consolidated Financial Statements.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Estimated Fair Value of Investments" included in the 2012 Annual Report for further information on the estimates and assumptions that affect the amounts reported above. See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for further information about the valuation techniques and inputs by level by major classes of invested assets that affect the amounts reported above.

Fixed Maturity Securities AFS

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information about fixed maturity securities AFS.

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Fixed Maturity Securities Credit Quality — Ratings

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity and Equity Securities AFS — Fixed Maturity Securities Credit Quality — Ratings" included in the 2012 Annual Report for a discussion of the credit quality designations assigned by rating agencies and ratings methodologies used by the Securities Valuation Office of the NAIC for fixed maturity securities.

The NAIC has adopted revised rating methodologies for certain structured securities comprised of non-agency RMBS, CMBS and ABS. The NAIC's objective with the revised rating methodologies for these structured securities was to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumption used to estimate expected losses from structured securities. We apply the revised NAIC rating methodologies to structured securities held by MetLife, Inc.'s insurance subsidiaries that maintain the NAIC statutory basis of accounting. The NAIC's present methodology is to evaluate structured securities held by insurers using the revised NAIC rating methodologies on an annual basis. If our insurance subsidiaries acquire structured securities that have not been previously evaluated by the NAIC, but are expected to be evaluated by the NAIC in the upcoming annual review, an internally developed rating is used until a final rating becomes available.

The following table presents total fixed maturity securities by Nationally Recognized Statistical Rating Organizations ("NRSRO") designation and the equivalent designations of the NAIC, except for certain structured securities, which are presented as described above, as well as the percentage, based on estimated fair value that each designation is comprised of at:

		September 30, 2013				December 31, 2012			
NAIC Rating	Rating Agency Designation	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(In millions)				(In millions)			
1	Aaa/Aa/A	$226,256	$ 13,091	$239,347	68.6 %	$234,371	$ 24,197	$258,568	69.1 %
2	Baa	79,850	4,419	84,269	24.2	81,530	8,663	90,193	24.1
	Subtotal investment grade	306,106	17,510	323,616	92.8	315,901	32,860	348,761	93.2
3	Ba	13,537	245	13,782	3.9	13,882	552	14,434	3.8
4	B	9,512	178	9,690	2.8	9,470	137	9,607	2.6
5	Caa and lower	1,710	(71)	1,639	0.5	1,543	(164)	1,379	0.4
6	In or near default	35	25	60	—	74	11	85	—
	Subtotal below investment grade	24,794	377	25,171	7.2	24,969	536	25,505	6.8
	Total fixed maturity securities	$330,900	$ 17,887	$348,787	100.0 %	$340,870	$ 33,396	$374,266	100.0 %

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The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO designation and the equivalent designations of the NAIC, except for certain structured securities, which are presented as described above:

	Fixed Maturity Securities — by Sector & Credit Quality Rating						
NAIC Rating:	1	2	3	4	5	6	Total
Rating Agency Designation:	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	Estimated Fair Value
	(In millions)						
September 30, 2013:							
U.S. corporate	$47,489	$45,450	$8,900	$5,142	$470	$40	$107,491
Foreign corporate	28,065	30,810	2,883	1,810	79	1	63,648
Foreign government	46,406	4,421	612	1,405	160	—	53,004
U.S. Treasury and agency	44,154	—	—	—	—	—	44,154
RMBS	30,511	1,584	1,311	1,204	854	14	35,478
CMBS	16,690	105	36	8	57	—	16,896
ABS	12,776	1,210	30	121	19	5	14,161
State and political subdivision	13,256	689	10	—	—	—	13,955
Total fixed maturity securities	$239,347	$84,269	$13,782	$9,690	$1,639	$60	$348,787
Percentage of total	68.6 %	24.2 %	3.9 %	2.8 %	0.5 %	— %	100.0 %
December 31, 2012:							
U.S. corporate	$51,648	$48,622	$8,597	$4,831	$380	$48	$114,126
Foreign corporate	31,937	30,509	3,249	1,418	66	5	67,184
Foreign government	46,314	8,501	933	1,504	84	—	57,336
U.S. Treasury and agency	47,967	—	—	—	—	—	47,967
RMBS	32,377	894	1,582	1,809	790	27	37,479
CMBS	18,843	193	43	11	39	—	19,129
ABS	15,247	673	18	34	20	5	15,997
State and political subdivision	14,235	801	12	—	—	—	15,048
Total fixed maturity securities	$258,568	$90,193	$14,434	$9,607	$1,379	$85	$374,266
Percentage of total	69.1 %	24.1 %	3.8 %	2.6 %	0.4 %	— %	100.0 %

U.S. and Foreign Corporate Fixed Maturity Securities

We maintain a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have an exposure to any single issuer in excess of 1% of total investments and the top ten holdings comprise 2% of total investments at both September 30, 2013 and December 31, 2012. The tables below present information for U.S. and foreign corporate securities at:

	September 30, 2013		December 31, 2012	
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total
Corporate fixed maturity securities — by sector:				

Foreign corporate (1)	$63,648	37.2	%	$67,184	37.1	%
U.S. corporate fixed maturity securities — by industry:						
Consumer	27,957	16.3		29,852	16.4	
Industrial	27,625	16.1		29,324	16.2	
Finance	20,526	12.0		21,857	12.1	
Utility	19,241	11.3		20,216	11.1	
Communications	8,451	4.9		9,084	5.0	
Other	3,691	2.2		3,793	2.1	
Total	$171,139	100.0	%	$181,310	100.0	%

(1) Includes both U.S. dollar and foreign denominated securities.

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Structured Securities

We held $66.5 billion and $72.6 billion of structured securities, at estimated fair value, at September 30, 2013 and December 31, 2012, respectively, as presented in the RMBS, CMBS and ABS sections below.

RMBS

The table below presents information about RMBS at:

	September 30, 2013			December 31, 2012		
	Estimated Fair Value (In millions)	% of Total	Net Unrealized Gains (Losses) (In millions)	Estimated Fair Value (In millions)	% of Total	Net Unrealized Gains (Losses) (In millions)
By security type:						
Collateralized mortgage obligations	$19,355	54.6 %	$ 713	$20,567	54.9 %	$ 889
Pass-through securities	16,123	45.4	353	16,912	45.1	924
Total RMBS	$35,478	100.0 %	$ 1,066	$37,479	100.0 %	$ 1,813
By risk profile:						
Agency	$23,986	67.6 %	$ 1,029	$26,369	70.4 %	$ 1,944
Prime	3,051	8.6	74	4,206	11.2	101
Alt-A	5,009	14.1	(61)	4,950	13.2	(154)
Sub-prime	3,432	9.7	24	1,954	5.2	(78)
Total RMBS	$35,478	100.0 %	$ 1,066	$37,479	100.0 %	$ 1,813
Ratings profile:						
Rated Aaa/AAA	$25,015	70.5 %		$26,555	70.9 %	
Rated NAIC 1	$30,511	86.0 %		$32,377	86.4 %	

See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity and Equity Securities AFS — Structured Securities” included in the 2012 Annual Report for further information about collateralized mortgage obligations and pass-through mortgage-backed securities, as well as agency, prime, alternative residential mortgage loans (“Alt-A”) and sub-prime RMBS.

At September 30, 2013 and December 31, 2012, our Alt-A securities portfolio had no exposure to option adjustable rate mortgages. At September 30, 2013 and December 31, 2012, our Alt-A securities portfolio was comprised, primarily, of fixed rate mortgages (94% at both September 30, 2013 and December 31, 2012).

Historically, we have managed our exposure to sub-prime RMBS holdings by acquiring older vintage year securities that benefit from better underwriting, improved credit enhancement and higher levels of residential property price appreciation; reducing our overall exposure; stress testing the portfolio with severe loss assumptions and closely monitoring the performance of the portfolio. In 2012 and 2013, we increased our exposure by purchasing sub-prime RMBS at significant discounts to the expected principal recovery value of these securities. The 2012 and 2013 sub-prime RMBS purchases are performing within our expectations and were in an unrealized gain position of $62 million and $59 million at September 30, 2013 and December 31, 2012, respectively.

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CMBS

The following tables present our CMBS holdings by rating agency designation and by vintage year at:

	September 30, 2013											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)											
2003	$235	$240	$29	$29	$39	$40	$30	$31	$17	$17	$350	$357
2004	2,793	2,838	363	379	90	95	76	78	8	5	3,330	3,395
2005	3,216	3,385	347	371	361	383	104	112	29	35	4,058	4,286
2006	2,267	2,395	250	265	141	149	16	21	37	37	2,711	2,867
2007	828	864	79	83	233	247	185	187	75	68	1,400	1,449
2008 - 2010	—	—	—	—	55	52	1	1	8	9	64	62
2011	589	615	25	24	119	119	—	—	5	5	738	763
2012	536	558	277	270	932	890	—	—	30	57	1,774	1,775
2013	578	563	380	373	1,042	1,006	—	—	—	—	2,000	1,942
Total	$11,042	$11,458	$1,750	$1,794	$3,012	$2,981	$412	$430	$209	$233	$16,425	$16,896
Ratings Distribution		67.8 %		10.6 %		17.6 %		2.6 %		1.4 %		100.0 %

	December 31, 2012											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)											
2003	$2,957	$2,997	$113	$114	$82	$82	$37	$36	$33	$33	$3,222	$3,262
2004	3,466	3,606	380	401	97	99	52	51	21	9	4,016	4,166
2005	3,348	3,636	303	329	275	296	144	142	—	—	4,070	4,403
2006	2,283	2,484	263	284	44	44	47	50	38	36	2,675	2,898
2007	1,070	1,143	112	117	87	95	194	187	20	21	1,483	1,563
2008 - 2010	2	3	—	—	—	—	56	60	26	24	84	87
2011	598	650	12	11	108	112	—	—	7	6	725	779
2012	524	559	403	417	939	956	—	—	36	39	1,902	1,971
Total	$14,248	$15,078	$1,586	$1,673	$1,632	$1,684	$530	$526	$181	$168	$18,177	$19,129
Ratings Distribution		78.8 %		8.7 %		8.8 %		2.8 %		0.9 %		100.0 %

The tables above reflect rating agency designations assigned by nationally recognized rating agencies including Moody's Investors Service, S&P, Fitch Ratings and Realpoint, LLC. CMBS rated NAIC 1 were 98.8% and 98.5% of total CMBS at September 30, 2013 and December 31, 2012, respectively.

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ABS

Our ABS are diversified both by collateral type and by issuer. The following table presents information about our ABS holdings at:

	September 30, 2013				December 31, 2012			
	Estimated Fair Value (In millions)	% of Total		Net Unrealized Gains (Losses) (In millions)	Estimated Fair Value (In millions)	% of Total		Net Unrealized Gains (Losses) (In millions)
By collateral type:								
Foreign residential loans	$3,528	24.9	%	$ 67	$3,811	23.8	%	$ 88
Collateralized debt obligations	2,642	18.7		—	2,453	15.3		(68)
Student loans	2,239	15.8		19	2,480	15.5		14
Credit card loans	1,950	13.8		38	2,640	16.5		106
Automobile loans	1,928	13.6		12	2,454	15.4		28
Equipment loans	285	2.0		7	597	3.7		22
Other loans	1,589	11.2		(5)	1,562	9.8		45
Total	$14,161	100.0	%	$ 138	$15,997	100.0	%	$ 235
Ratings profile:								
Rated Aaa/AAA	$8,253	58.3	%		$10,405	65.0	%	
Rated NAIC 1	$12,776	90.2	%		$15,247	95.3	%	

OTTI Losses on Fixed Maturity and Equity Securities AFS Recognized in Earnings

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about OTTI losses and gross gains and gross losses on AFS securities sold.

Overview of Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings

Impairments of fixed maturity and equity securities were $34 million and $155 million for the three months and nine months ended September 30, 2013, respectively, and $56 million and $297 million for the three months and nine months ended September 30, 2012, respectively. Impairments of fixed maturity securities were $34 million and $133 million for the three months and nine months ended September 30, 2013, respectively, and $47 million and $271 million for the three months and nine months ended September 30, 2012, respectively. There were $0 and $22 million of impairments of equity securities for the three months and nine months ended September 30, 2013, respectively. Impairments of equity securities were $9 million and $26 million for the three months and nine months ended September 30, 2012, respectively.

Credit-related impairments of fixed maturity securities were $33 million and $114 million for the three months and nine months ended September 30, 2013, respectively, and $36 million and $177 million for the three months and nine months ended September 30, 2012, respectively.

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

Three Months Ended September 30, 2013 Compared with the Three Months Ended September 30, 2012

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $34 million for the three months ended September 30, 2013 as compared to $56 million in the prior period. The decrease in OTTI losses in the current period, from $7 million in fixed maturity impairments for the three months ended September 30, 2013, as compared to $30 million for the three months ended September 30, 2012, reflected improved market conditions and was concentrated in U.S. and foreign corporate securities.

Nine Months Ended September 30, 2013 Compared with the Nine Months Ended September 30, 2012

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $155 million for the nine months ended September 30, 2013 as compared to $297 million in the prior period. The most significant decreases were in U.S. and foreign corporate securities and CMBS, which comprised $59 million for the nine months ended September 30, 2013, as compared to $200 million for the nine months ended September 30, 2012. The decrease of $91 million in OTTI losses on U.S. and foreign corporate securities was concentrated in utility, financial services,

communications and transportation industries and was primarily attributable to prior period intent-to-sell impairments, while the $50 million decrease on CMBS reflected improving economic fundamentals.

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Future Impairments

Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

FVO and Trading Securities

FVO and trading securities are primarily comprised of securities for which the FVO has been elected ("FVO Securities"). FVO Securities include certain fixed maturity and equity securities held for investment by the general account to support asset and liability matching strategies for certain insurance products. FVO Securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation as separate account summary total assets and liabilities. These investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in PABs through interest credited to policyholder account balances. FVO Securities also include securities held by CSEs (former qualifying special purpose entities). We have a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase and sale of actively traded securities and the execution of short sale agreements. FVO and trading securities were $16.6 billion and $16.3 billion at estimated fair value, or 3.4% and 3.1% of total cash and invested assets, at September 30, 2013 and December 31, 2012, respectively. See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for the FVO and trading securities fair value hierarchy and a rollforward of the fair value measurements for FVO and trading securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Securities Lending

We participate in a securities lending program whereby blocks of securities, which are included in fixed maturity securities, cash and cash equivalents, short-term investments and equity securities, are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. Securities loaned under such transactions may be sold or repledged by the transferee. We are liable to return to our counterparties the cash collateral under our control. These transactions are treated as financing arrangements and the associated cash collateral liability is recorded at the amount of the cash received.

See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending" and Note 6 of Notes to the Interim Condensed Consolidated Financial Statements for financial information regarding our securities lending program.

Mortgage Loans

Our mortgage loans are principally collateralized by commercial real estate, agricultural real estate and residential properties. The carrying value of mortgage loans was $57.7 billion and $57.0 billion, or 11.6% and 10.7% of total cash and invested assets, at September 30, 2013 and December 31, 2012, respectively. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for a table that presents our mortgage loans by portfolio segment. The information presented herein excludes the mortgage loans held-for-investment where we elected the FVO and the effects of consolidating certain VIEs that are treated as CSEs. Such amounts are presented in the aforementioned table.

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of our commercial and agricultural mortgage loans, 88% are collateralized by properties located in the United States, with the remaining 12% collateralized by properties located outside the United States, calculated as a percent of the total mortgage loans held-for-investment (excluding mortgage loans held-for-investment where we elected the FVO and commercial mortgage loans held by CSEs) at September 30, 2013. The three states with the largest commercial and agricultural mortgage loan investments were California, New York and Texas at 19%, 11%

and 7%, at September 30, 2013, respectively. Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate collateral.

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Commercial Mortgage Loans by Geographic Region and Property Type

Commercial mortgage loans are the largest component of the mortgage loan invested asset class. The tables below present the diversification across geographic regions and property types of commercial mortgage loans held-for-investment at:

	September 30, 2013			December 31, 2012		
	Amount	% of Total		Amount	% of Total	
	(In millions)			(In millions)		
Region:						
Pacific	$8,214	20.4	%	$7,932	19.6	%
Middle Atlantic	7,356	18.3		6,780	16.7	
South Atlantic	7,095	17.6		7,969	19.7	
International	6,158	15.3		5,567	13.8	
West South Central	3,483	8.7		3,436	8.5	
East North Central	2,680	6.7		3,026	7.5	
New England	1,473	3.7		1,489	3.7	
Mountain	835	2.0		906	2.2	
East South Central	420	1.0		457	1.1	
West North Central	203	0.5		288	0.7	
Multi-Region and Other	2,345	5.8		2,622	6.5	
Total recorded investment	40,262	100.0	%	40,472	100.0	%
Less: valuation allowances	259			293		
Carrying value, net of valuation allowances	$40,003			$40,179		
Property Type:						
Office	$18,315	45.5	%	$18,012	44.5	%
Retail	9,384	23.3		9,445	23.3	
Apartment	3,865	9.6		3,944	9.8	
Hotel	3,629	9.0		3,355	8.3	
Industrial	2,840	7.1		3,159	7.8	
Other	2,229	5.5		2,557	6.3	
Total recorded investment	40,262	100.0	%	40,472	100.0	%
Less: valuation allowances	259			293		
Carrying value, net of valuation allowances	$40,003			$40,179		

Mortgage Loan Credit Quality — Restructured, Potentially Delinquent, Delinquent or Under Foreclosure

We monitor our mortgage loan investments on an ongoing basis, including reviewing loans that are restructured, potentially delinquent, and delinquent or under foreclosure. These loan classifications are consistent with those used in industry practice.

We define restructured mortgage loans as loans in which we, for economic or legal reasons related to the debtor's financial difficulties, grant a concession to the debtor that we would not otherwise consider. We define potentially delinquent loans as loans that, in management's opinion, have a high probability of becoming delinquent in the near term. We define delinquent mortgage loans consistent with industry practice, when the mortgage loan is past due as follows: commercial and residential — 60 days or more and agricultural — 90 days or more. We define mortgage loans under foreclosure as loans in which foreclosure proceedings have formally commenced.

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The following table presents the carrying value prior to valuation allowance ("recorded investment") and valuation allowance for all mortgage loans held-for-investment distributed by the above stated loan classifications:

	September 30, 2013				December 31, 2012			
	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment
	(In millions)		(In millions)		(In millions)		(In millions)	
Commercial:								
Performing	$39,855	99.0 %	$225	0.6 %	$40,064	99.0 %	$214	0.5 %
Restructured (1)	395	1.0	34	8.6 %	406	1.0	79	19.5 %
Potentially delinquent	—	—	—	— %	—	—	—	— %
Delinquent or under foreclosure	12	—	—	— %	2	—	—	— %
Total	$40,262	100.0 %	$259	0.6 %	$40,472	100.0 %	$293	0.7 %
Agricultural:								
Performing	$12,660	98.7 %	$38	0.3 %	$12,657	98.6 %	$31	0.2 %
Restructured (2)	74	0.6	5	6.8 %	64	0.5	8	12.5 %
Potentially delinquent	3	—	1	33.3 %	6	—	—	— %
Delinquent or under foreclosure (2)	93	0.7	6	6.5 %	116	0.9	13	11.2 %
Total	$12,830	100.0 %	$50	0.4 %	$12,843	100.0 %	$52	0.4 %
Residential:								
Performing	$2,380	97.8 %	$15	0.6 %	$929	97.0 %	$—	— %
Restructured (3)	1	—	—	— %	—	—	—	— %
Delinquent or under foreclosure	53	2.2	2	3.8 %	29	3.0	2	6.9 %
Total	$2,434	100.0 %	$17	0.7 %	$958	100.0 %	$2	0.2 %

(1) As of September 30, 2013 and December 31, 2012, there were nine restructured commercial mortgage loans, respectively, all of which were performing.

(2) As of September 30, 2013 there were 17 restructured agricultural mortgage loans of which 13 were performing and four were delinquent. As of December 31, 2012, there were 15 restructured loans, all of which were performing.

(3) As of September 30, 2013 there were 11 restructured residential mortgage loans, all of which were performing. There were no restructured residential mortgage loans at December 31, 2012.

See also Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for tables that present, by portfolio segment, mortgage loans by credit quality indicator, impaired mortgage loans, past due and nonaccrual mortgage loans, as well as loans modified through troubled debt restructurings.

Mortgage Loan Credit Quality — Monitoring Process — Commercial and Agricultural Mortgage Loans

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

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Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 56% and 57% at September 30, 2013 and December 31, 2012, respectively, and our average debt service coverage ratio was 2.2x at both September 30, 2013 and December 31, 2012. The commercial mortgage loan debt service coverage ratio and loan-to-value ratio, as well as the values utilized in calculating these ratios, are updated annually, on a rolling basis, with a portion of the commercial mortgage loan portfolio updated each quarter. For our agricultural mortgage loans, our average loan-to-value ratio was 45% and 46% at September 30, 2013 and December 31, 2012, respectively. The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated.

Mortgage Loan Valuation Allowances

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Mortgage Loans — Mortgage Loan Valuation Allowances" included in the 2012 Annual Report for further information on our mortgage valuation allowance policy.

See Notes 6 and 8 of the Notes to the Interim Condensed Consolidated Financial Statements for information about activity in and balances of the valuation allowance and the estimated fair value of impaired mortgage loans and related impairments included within net investment gains (losses) as of and for the nine months ended September 30, 2013 and 2012.

Real Estate and Real Estate Joint Ventures

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. Of our real estate investments, 85% were located in the United States, with the remaining 15% located outside the United States, at September 30, 2013. The three locations with the largest real estate investments were California, Japan and Florida at 20%, 12% and 11%, respectively, at September 30, 2013.

Real estate investments by type consisted of the following:

	September 30, 2013			December 31, 2012		
	Carrying Value (In millions)	% of Total		Carrying Value (In millions)	% of Total	
Traditional	$7,490	74.5	%	$8,488	85.6	%
Real estate joint ventures and funds	823	8.2		941	9.5	
Subtotal	8,313	82.7		9,429	95.1	
Foreclosed (commercial, agricultural and residential)	443	4.4		488	4.9	
Real estate held-for-investment	8,756	87.1		9,917	100.0	
Real estate held-for-sale	1,297	12.9		1	—	
Total real estate and real estate joint ventures	$10,053	100.0	%	$9,918	100.0	%

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Real Estate and Real Estate Joint Ventures" included in the 2012 Annual Report for a discussion of the types of investments reported within traditional real estate and real estate joint ventures and funds. The estimated fair value of the traditional and held for sale real estate investment portfolios was $11.6 billion and $10.7 billion at September 30, 2013 and December 31, 2012, respectively. During 2013, we committed to sell real estate investments in the next 12 months in connection with our investment management business with a carrying value of $1.3 billion. Accordingly, these properties are classified as held-for-sale.

There were impairments of $1 million and $10 million recognized on real estate and real estate joint ventures for the three months and nine months ended September 30, 2013, respectively. There were impairments of $14 million and $21 million recognized on real estate and real estate joint ventures for the three months and nine months ended September 30, 2012, respectively.

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Other Limited Partnership Interests

The carrying value of other limited partnership interests was $7.3 billion and $6.7 billion at September 30, 2013 and December 31, 2012, respectively, which included $1.8 billion and $1.4 billion of hedge funds, at September 30, 2013 and December 31, 2012, respectively.

Other Invested Assets

The following table presents the carrying value of our other invested assets by type:

	September 30, 2013			December 31, 2012		
	Carrying Value (In millions)	% of Total		Carrying Value (In millions)	% of Total	
Freestanding derivatives with positive estimated fair values	$9,301	55.5	%	$13,777	65.2	%
Tax credit partnerships	2,464	14.7		2,268	10.7	
Leveraged leases, net of non-recourse debt	1,968	11.7		1,998	9.4	
Funds withheld	637	3.8		641	3.0	
Joint venture investments	142	0.8		180	0.9	
Other	2,254	13.5		2,281	10.8	
Total	$16,766	100.0	%	$21,145	100.0	%

Short-term Investments and Cash Equivalents

The carrying value of short-term investments, which approximates estimated fair value, was $12.7 billion and $16.9 billion, or 2.6% and 3.2% of total cash and invested assets, at September 30, 2013 and December 31, 2012, respectively. The carrying value of cash equivalents, which approximates estimated fair value, was $5.6 billion and $6.1 billion at September 30, 2013 and December 31, 2012, respectively, or 1.1% of total cash and invested assets, at both September 30, 2013 and December 31, 2012.

Derivatives Overview

Derivatives

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.
- Information about the notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held at September 30, 2013 and December 31, 2012.
- The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the three months and nine months ended September 30, 2013 and 2012.

See “Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities” for more information about our use of derivatives by major hedge program.

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Fair Value Hierarchy

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

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

Derivatives categorized as Level 3 at September 30, 2013 include: interest rate swaps and interest rate forwards with maturities which extend beyond the observable portion of the yield curve; cancellable foreign currency swaps with unobservable currency correlation inputs; foreign currency swaps and forwards with certain unobservable inputs, including unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity options with unobservable correlation inputs. At both September 30, 2013 and December 31, 2012, less than 1% of the net derivative estimated fair value was priced through independent broker quotations.

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Level 3 derivatives had a ($69) million and ($440) million gain (loss) recognized in net income (loss) for the three months and nine months ended September 30, 2013, respectively. This loss primarily relates to certain purchased equity options that are valued using models dependent on an unobservable market correlation input and equity variance swaps that are valued using observable equity volatility data plus an unobservable equity variance spread. The unobservable equity variance spread is calculated from a comparison between broker offered variance swap volatility and observable plain vanilla equity option volatility. Other significant inputs, which are observable, include equity index levels, equity volatility and the swap yield curve. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations. The primary drivers of the loss during the three months ended September 30, 2013 were increases in interest rates, increases in equity index levels and decreases in equity volatility, which in total accounted for approximately 84% of the loss. Changes in the unobservable inputs accounted for approximately 16% of the loss. The primary drivers of the loss during the nine months ended September 30, 2013 were increases in interest rates and increases in equity index levels, which in total accounted for approximately 64% of the loss. Changes in the unobservable inputs accounted for approximately 36% of the loss.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives” included in the 2012 Annual Report for further information on the estimates and assumptions that affect derivatives.

Credit Risk

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives in the consolidated balance sheets, and does not affect our legal right of offset.

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Credit Derivatives

The following table presents the gross notional amount and estimated fair value of credit default swaps at:

Credit Default Swaps	September 30, 2013		December 31, 2012	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
	(In millions)			
Purchased (1)	$3,511	$(28)	$3,674	$(23)
Written (2)	9,387	117	8,879	74
Total	$12,898	$89	$12,553	$51

(1) The notional amount and estimated fair value for purchased credit default swaps in the trading portfolio were $400 million and ($7) million, respectively, at September 30, 2013 and $380 million and ($1) million, respectively, at December 31, 2012.

(2) The notional amount and estimated fair value for written credit default swaps in the trading portfolio were $10 million and $0, respectively, at both September 30, 2013 and December 31, 2012.

The following table presents the gross gains, gross losses and net gain (losses) recognized in income for credit default swaps as follows:

Credit Default Swaps	Three Months Ended September 30,						Nine Months Ended September 30,					
	2013			2012			2013			2012		
	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)
	(In millions)											
Purchased (2), (4)	$2	$(10)	$(8)	$1	$(98)	$(97)	$12	$(29)	$(17)	$8	$(283)	$(275)
Written (3), (4)	43	3	46	50	29	79	95	(22)	73	138	(8)	130
Total	$45	$(7)	$38	$51	$(69)	$(18)	$107	$(51)	$56	$146	$(291)	$(145)

(1) Gains (losses) are reported in net derivative gains (losses), except for gains (losses) on the trading portfolio, which are reported in net investment income.

(2) The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were $0 and ($5) million, respectively, for the three months ended September 30, 2013 and $2 million and ($11) million, respectively, for the nine months ended September 30, 2013. The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were $2 million and ($8) million, respectively, for the three months ended September 30, 2012 and $7 million and ($20) million, respectively, for the nine months ended September 30, 2012.

(3) The gross gains and gross (losses) for written credit default swaps in the trading portfolio were $1 million and $0, respectively, for both the three months and nine months ended September 30, 2013. The gross gains and gross (losses) for written credit default swaps in the trading portfolio were not significant for the three months and nine months ended September 30, 2012.

(4) Gains (losses) do not include earned income (expense) on credit default swaps.

For the three month period, the favorable change in net gains (losses) on purchased credit default swaps of $89 million was due to a combination of credit spreads narrowing less in the current period as compared to the prior period and the average notional amount decreasing in the current period as compared to the prior period on credit default swaps hedging certain bonds. The unfavorable change in net gains (losses) on written credit default swaps of $33 million was due to credit spreads narrowing less in the current period as compared to the prior period on certain credit default

swaps used as replications.

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For the nine month period, the favorable change in net gains (losses) on purchased credit default swaps of $258 million was due to a combination of credit spreads narrowing less in the current period as compared to the prior period and the average notional amount decreasing in the current period as compared to the prior period on credit default swaps hedging certain bonds. The unfavorable change in net gains (losses) on written credit default swaps of $57 million was due to credit spreads narrowing less in the current period as compared to the prior period on certain credit default swaps used as replications.

The maximum amount at risk related to our written credit default swaps is equal to the corresponding notional amount. The increase in the notional amount of written credit default swaps is primarily a result of our decision to add to our credit replication holdings within the Company. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by insurance regulators and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we will seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we, at times, can replicate the desired bond exposures and meet our asset-liability management needs. In addition, given the shorter tenor of the credit default swaps (generally five-year tenors) versus a long-dated corporate bond, we have more flexibility in managing our credit exposures.

Embedded Derivatives

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for net embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives” included in the 2012 Annual Report for further information on the estimates and assumptions that affect embedded derivatives.

Off-Balance Sheet Arrangements

Credit and Committed Facilities

We maintain unsecured credit facilities and committed facilities with various financial institutions. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Credit and Committed Facilities” for further descriptions of such arrangements.

Collateral for Securities Lending, Repurchase Program and Derivatives

We participate in a securities lending program in the normal course of business for the purpose of enhancing the total return on our investment portfolio. Periodically, we receive non-cash collateral for securities lending from counterparties on deposit from customers, which cannot be sold or repledged, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was $18 million and $104 million at estimated fair value at September 30, 2013 and December 31, 2012, respectively. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Securities Lending” and “Summary of Significant Accounting Policies — Investments — Securities Lending Program” in Note 1 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for further information on our securities lending program, the classification of revenues and expenses, and the nature of the secured financing arrangement and associated liability.

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We also participate in third-party custodian administered repurchase programs for the purpose of enhancing the total return on our investment portfolio. We loan certain of our fixed maturity securities to financial institutions and, in exchange, non-cash collateral is put on deposit by the financial institutions on our behalf with third-party custodians. The estimated fair value of securities loaned in connection with these transactions was $947 million and $729 million at September 30, 2013 and December 31, 2012, respectively. Non-cash collateral on deposit with third-party custodians on our behalf was $1.1 billion and $785 million at September 30, 2013 and December 31, 2012, respectively, which cannot be sold or repledged, and which has not been recorded on our consolidated balance sheets.

We enter into derivatives to manage various risks relating to our ongoing business operations. We have non-cash collateral from counterparties for derivatives, which can be sold or repledged subject to certain constraints, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was $2.5 billion and $3.7 billion at September 30, 2013 and December 31, 2012, respectively. See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral" and "Derivatives" in Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Other

Additionally, we have the following commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: commitments to fund partnership investments; mortgage loan commitments; and commitments to fund bank credit facilities, bridge loans and private corporate bond investments.

See "Net Investment Income" and "Net Investment Gains (Losses)" in Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the investment income, investment expense, gains and losses from such investments. See also "Fixed Maturity and Equity Securities Available-for-Sale," and "Mortgage Loans" in Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements and "— Investments — Real Estate and Real Estate Joint Ventures" and "— Investments — Other Limited Partnership Interests" for information on our investments in fixed maturity securities, mortgage loans and partnership investments.

Other than the commitments disclosed in Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans, and private corporate bond investments. See "Commitments" in Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans and private corporate bond investments.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported in the interim condensed consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" included in the 2012 Annual Report.

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

Our actuarial liabilities for future benefits are adequate to cover the ultimate benefits required to be paid to policyholders. We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

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Insurance regulators in many of the non-U.S. countries in which we operate require certain MetLife entities to prepare a sufficiency analysis of the reserves presented in the locally required regulatory financial statements, and to submit that analysis to the regulatory authorities. See “Business — International Regulation” included in the 2012 Annual Report.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations, and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for additional information. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Interest Rate Stress Scenario” included in the 2012 Annual Report and “— Variable Annuity Guarantees.” A discussion of future policy benefits by segment follows.

Retail

For the Retail Life & Other business, future policy benefits are comprised mainly of liabilities for traditional life and for universal and variable life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on new individual life insurance policies. The reinsurance programs are routinely evaluated and this may result in increases or decreases to existing coverage. We have entered into various derivative positions, primarily interest rate swaps and swaptions, to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts. For the Retail Annuities business, future policy benefits are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.

Group, Voluntary & Worksite Benefits

With the exception of our property & casualty products, future policy benefits for our Group and Voluntary & Worksite businesses are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, LTC policies, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. For our property & casualty products, future policy benefits include unearned premium reserves and liabilities for unpaid claims and claim expenses and represent the amount estimated for claims that have been reported but not settled and claims incurred but not reported. Liabilities for unpaid claims are estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical experience and analyses of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Corporate Benefit Funding

Liabilities for this segment are primarily related to payout annuities, including pension closeouts and structured settlement annuities. There is no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we have employed various ALM strategies, including the use of various derivative positions, primarily interest rate floors and interest rate swaps, to mitigate the risks associated with such a scenario.

Latin America

Future policy benefits for this segment are held primarily for immediate annuities in Chile, Argentina and Mexico and traditional life contracts mainly in Brazil and Mexico. There are also reserves held for total return pass-through provisions included in certain universal life and savings products in Mexico. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, and mortality and lapses different than expected. We mitigate our risks by implementing our ALM policy.

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Asia

Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by implementing our ALM policy.

EMEA

Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include sustained periods of lower yields than rates established at issue, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, and by implementing our ALM policy.

Corporate & Other

Future policy benefits primarily include liabilities for quota-share reinsurance agreements for certain run-off LTC and workers' compensation business written by MICC. Additionally, future policy benefits includes liabilities for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as insurance.

Policyholder Account Balances

PABs are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable surrender charge that may be incurred upon surrender. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Interest Rate Stress Scenario" included in the 2012 Annual Report and "— Variable Annuity Guarantees." See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for additional information.

Retail

Life & Other PABs are held for retained asset accounts, universal life policies and the fixed account of variable life insurance policies. For Annuities, PABs are held for fixed deferred annuities, the fixed account portion of variable annuities, and non-life contingent income annuities. PABs are credited interest at a rate set by us, which is influenced by current market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario. Additionally, PABs are held for variable annuity guaranteed minimum living benefits that are accounted for as embedded derivatives.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Retail:

	September 30, 2013	
Guaranteed Minimum Crediting Rate	Account Value (1)	Account Value at Guarantee (1)
	(In millions)	
Life & Other:		
Greater than 0% but less than 2%	$91	$91
Equal to 2% but less than 4%	$11,220	$4,723
Equal to or greater than 4%	$10,812	$6,469
Annuities:		
Greater than 0% but less than 2%	$3,005	$2,068
Equal to 2% but less than 4%	$34,349	$26,815

Equal to or greater than 4%	$2,730	$2,669

(1) These amounts are not adjusted for policy loans.

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As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates in excess of market rates as of the applicable acquisition dates. At September 30, 2013, excess interest reserves were $136 million and $372 million for Life & Other and Annuities, respectively.

Group, Voluntary & Worksite Benefits

PABs in this segment are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. PABs are credited interest at a rate set by us, which are influenced by current market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group, Voluntary & Worksite Benefits:

	September 30, 2013	
Guaranteed Minimum Crediting Rate	Account Value (1)	Account Value at Guarantee (1)
	(In millions)	
Greater than 0% but less than 2%	$5,096	$5,096
Equal to 2% but less than 4%	$2,293	$2,276
Equal to or greater than 4%	$615	$589

(1) These amounts are not adjusted for policy loans.

Corporate Benefit Funding

PABs in this segment are comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) London Interbank Offered Rate (“LIBOR”). We are exposed to interest rate risks, as well as foreign currency exchange rate risk when guaranteeing payment of interest and return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest rate swaps, also tied to external indices, as well as caps, to mitigate the impact of changes in market interest rates. We also mitigate risks by implementing our ALM policy and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, including cross currency swaps.

Latin America

PABs in this segment are held largely for deferred annuities mainly in Mexico and Brazil, and for universal life products mainly in Mexico. Some of the deferred annuities in Brazil are unit-linked-type funds that do not meet the GAAP definition of separate accounts. The rest of the deferred annuities have minimum credited rate guarantees, and these liabilities and the universal life liabilities are generally impacted by sustained periods of low interest rates. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

Asia

PABs in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, liability amounts for unit-linked-type funds that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within PABs. These liabilities are generally impacted by sustained periods of low interest rates, where there are interest rate guarantees. We mitigate risks by implementing our ALM policy and with reinsurance. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated underlying investments, as the return on assets is generally passed directly to the policyholder.

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The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

Guaranteed Minimum Crediting Rate (1)	September 30, 2013	
	Account Value (2)	Account Value at Guarantee (2)
	(In millions)	
Annuities:		
Greater than 0% but less than 2%	$27,963	$1,039
Equal to 2% but less than 4%	$1,051	$439
Equal to or greater than 4%	$2	$2
Life & Other:		
Greater than 0% but less than 2%	$5,782	$4,688
Equal to 2% but less than 4%	$16,570	$8,858
Equal to or greater than 4%	$261	$—

(1) Excludes negative VOBA liabilities of $2.04 billion at September 30, 2013, primarily held in Japan. These liabilities were established in instances where the estimated fair value of contract obligations exceeded the book value of assumed insurance policy liabilities in the ALICO acquisition. These negative liabilities were established primarily for decreased market interest rates subsequent to the issuance of the policy contracts.

(2) These amounts are not adjusted for policy loans.

EMEA

PABs in this segment are held mostly for universal life, deferred annuity, pension products, and unit-linked-type funds that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. Where there are interest rate guarantees, these liabilities are generally impacted by sustained periods of low interest rates. We mitigate risks by implementing an asset/liability matching policy. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

Corporate & Other

PABs in Corporate & Other are held for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

Variable Annuity Guarantees

We issue, directly and through assumed reinsurance, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for additional information.

Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include guaranteed minimum death benefits (“GMDBs”), the life-contingent portion of certain guaranteed minimum withdrawal benefits (“GMWBs”), and the portion of guaranteed minimum income benefits (“GMIBs”) that requires annuitization. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than that previously projected or when current estimates of future assessments exceed those previously projected. At each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a

current period charge or increase to earnings.

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Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in PABs. Guarantees accounted for as embedded derivatives include guaranteed minimum accumulation benefits ("GMABs"), the non life-contingent portion of GMWBs and the portion of certain GMIBs that do not require annuitization. The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk free rate to reflect our nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value, see Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements.

The table below contains the carrying value for guarantees at:

	Future Policy Benefits		Policyholder Account Balances	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	(In millions)			
Americas:				
GMDB	$449	$343	$—	$—
GMIB	1,572	1,432	(1,363)	200
GMAB	—	—	6	23
GMWB	62	30	(130)	428
Asia:				
GMDB	38	54	—	—
GMAB	—	—	5	11
GMWB	199	183	134	190
EMEA:				
GMDB	5	6	—	—
GMAB	—	—	11	28
GMWB	18	20	(77)	43
Corporate & Other:				
GMDB	8	39	—	—
GMAB	—	—	151	387
GMWB	99	95	1,554	2,195
Total	$2,450	$2,202	$291	$3,505

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The carrying amounts for guarantees included in PABs above include nonperformance risk adjustments of $423 million and $1.2 billion at September 30, 2013 and December 31, 2012, respectively. These nonperformance risk adjustments represent the impact of including a credit spread when discounting the underlying risk neutral cash flows to determine the estimated fair values. The nonperformance risk adjustment does not have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valuation arising from the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions around mortality, separate account returns and policyholder behavior including lapse rates.

As discussed below, we use a combination of product design, reinsurance, hedging strategies, and other risk management actions to mitigate the risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing nature of these products over time. Changes in product features and terms are in part driven by customer demand but, more importantly, reflect our risk management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching.

The sections below provide further detail by total contract account value for certain of our most popular guarantees. Total contract account values include amounts not reported in the consolidated balance sheets from assumed reinsurance, contractholder-directed investments which do not qualify for presentation as separate account assets, and amounts included in our general account.

GMDBs

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at September 30, 2013:

	Total Contract Account Value (1)	
	Americas	Corporate & Other
	(In millions)	
Return of premium or five to seven year step-up	$102,050	$16,384
Annual step-up	31,293	—
Roll-up and step-up combination	38,429	—
Total	$171,772	$16,384

(1) Total contract account value excludes $2.2 billion for contracts with no GMDBs and approximately $11.6 billion of total contract account value in the EMEA and Asia segments.

Based on total contract account value, less than 41% of our GMDBs included enhanced death benefits such as the annual step-up or roll-up and step-up combination products. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.

As part of our risk management of the GMDB business, we have been opportunistically reinsuring in-force blocks, taking advantage of favorable capital market conditions. Our approach for such treaties has been to seek coverage for the enhanced GMDBs, such as the annual step-up and the roll-up and step-up combination. These treaties tend to cover long periods until claims start running off, and are written either on a first dollar basis or with a deductible.

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Living Benefit Guarantees

The table below presents our living benefit guarantees based on total contract account values at September 30, 2013:

	Total Contract Account Value (1)	
	Americas	Corporate & Other
	(In millions)	
GMIB	$95,735	$—
GMWB - non-life contingent	7,224	3,932
GMWB - life-contingent	18,854	10,268
GMAB	378	2,184
	$122,191	$16,384

(1) Total contract account value excludes $51.8 billion for contracts with no living benefit guarantees and approximately $8.7 billion of total contract account value in the EMEA and Asia segments.

In terms of total contract account value, GMIBs are our most significant living benefit guarantee. Our primary risk management strategy for our GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance treaties covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we continually monitor the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business.

The table below presents our GMIBs, by their guaranteed payout basis, at September 30, 2013:

	Total Contract Account Value
	(In millions)
7-year setback, 2.5% interest rate	$36,282
7-year setback, 1.5% interest rate	5,921
10-year setback, 1.5% interest rate	19,783
10-year mortality projection, 10-year setback, 1.0% interest rate	29,315
10-year mortality projection, 10-year setback, 0.5% interest rate	4,434
	$95,735

The annuitization interest rates on GMIBs have been decreased from 2.5% to 0.5% over time, partially in response to the low interest rate environment, accompanied by an increase in the setback period from seven years to 10 years and the recent introduction of the 10-year mortality projection. We expect new contracts to have comparable guarantee features for the foreseeable future.

Additionally, 30% of the $95.7 billion of GMIB total contract account value has been invested in managed volatility funds as of September 30, 2013. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market movements. Such activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation techniques translate to a reduction or elimination of the need for us to manage the funds' volatility through hedging or reinsurance. We expect the proportion of total contract account value invested in these funds to increase for the foreseeable future, as new contracts with GMIBs are required to invest in these funds.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of September 30, 2013, only 5.6% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of six years.

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Once eligible for annuitization, contractholders would only be expected to annuitize if their contracts were in-the-money. We calculate in-the-moneyness with respect to GMIBs consistent with net amount at risk as discussed in Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements, by comparing the contractholders' income benefits based on total contract account values and current annuity rates versus the guaranteed income benefits. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the-money at September 30, 2013:

	In-the-Moneyness	Total Contract Account Value (In millions)	% of Total	
In-the-money	30%+	$755	0.8	%
	20% to 30%	671	0.7	%
	10% to 20%	1,598	1.7	%
	0% to 10%	3,947	4.1	%
		6,971		
Out-of-the-money	-10% to 0%	7,873	8.2	%
	-20% to -10%	12,003	12.5	%
	-20%+	68,888	72.0	%
		88,764		
Total GMIBs		$95,735		

Derivatives Hedging Variable Annuity Guarantees

In addition to reinsurance and our risk mitigating steps described above, we have a hedging strategy that uses various over the counter and exchanged traded derivatives. The table below presents the gross notional amount, estimated fair value and primary underlying risk exposure of the derivatives hedging our variable annuity guarantees:

		September 30, 2013			December 31, 2012		
Primary Underlying Risk Exposure	Instrument Type	Notional Amount	Estimated Fair Value		Notional Amount	Estimated Fair Value	
			Assets	Liabilities		Assets	Liabilities
		(In millions)					
Interest rate	Interest rate swaps	$25,483	$1,300	$635	$24,041	$1,973	$614
	Interest rate futures	7,188	3	7	8,913	1	25
	Interest rate options	17,690	170	195	11,440	303	58
Foreign currency exchange rate	Foreign currency forwards	2,276	10	20	2,281	1	177
	Foreign currency futures	356	2	—	518	4	—
Equity market	Equity futures	5,417	30	4	6,993	14	132
	Equity options	35,448	1,694	823	21,759	2,824	356
	Variance swaps	21,961	147	530	19,830	122	310
	Total rate of return swaps	3,794	1	120	3,092	5	103
	Total	$119,613	$3,357	$2,334	$98,867	$5,247	$1,775

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if they are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if they are hedging guarantees included in PABs.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and most derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and other risk management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed.

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Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. The global markets and economy continue to experience volatility that may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see "— Industry Trends" and "— Investments — Current Environment."

Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and reasonably possible stress scenarios.

Short-term Liquidity

We maintain a substantial short-term liquidity position, which was $17.8 billion and $24.1 billion at September 30, 2013 and December 31, 2012, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding: (i) amounts related to cash collateral received under our securities lending program, and (ii) amounts related to cash collateral received from counterparties in connection with derivatives. We continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of changing needs and opportunities.

Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was $265.7 billion and $292.2 billion at September 30, 2013 and December 31, 2012, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding: (i) amounts related to cash collateral received under our securities lending program; (ii) amounts related to cash collateral received from counterparties in connection with derivatives; (iii) cash and cash equivalents, short-term investments and securities on deposit with regulatory agencies; and (iv) securities held in trust in support of collateral financing arrangements and pledged in support of funding agreements, derivatives and short sale agreements.

Capital Management

We have established several senior management committees as part of our capital management process. These committees, including the Capital Management Committee and the Enterprise Risk Committee, regularly review actual and projected capital levels (under a variety of scenarios including stress scenarios) and our capital plan in accordance with our capital policy. The Capital Management Committee is comprised of members of senior management, including MetLife, Inc.'s Chief Financial Officer, Treasurer and Chief Risk Officer. The Enterprise Risk Committee is also comprised of members of senior management, including MetLife, Inc.'s Chief Financial Officer, Chief Risk Officer and Chief Investment Officer.

Our Board and senior management are directly involved in the development and maintenance of our capital policy. The capital policy sets forth, among other things, minimum and target capital levels and the governance of the capital management process. All capital actions, including proposed changes to the capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the Board prior to obtaining full Board approval. The Board approves the capital policy and the annual capital plan and authorizes capital actions, as required.

See "Risk Factors — Capital-Related Risks — We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities" included in the 2012 Annual Report and Note 16 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for information regarding restrictions on payment of dividends and stock repurchases.

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The Company

Liquidity

Liquidity refers to a company's ability to generate adequate amounts of cash to meet its needs. In the event of significant cash requirements beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These options include cash flows from operations, the sale of liquid assets, global funding sources and various credit facilities.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated ability to raise additional capital to meet operating and growth needs despite adverse market and economic conditions.

Summary of Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

	Nine Months Ended September 30,	
	2013	2012
	(In millions)	
Sources:		
Net cash provided by operating activities	$9,984	$15,288
Net cash provided by changes in policyholder account balances	—	4,720
Net cash provided by changes in payables for collateral under securities loaned and other transactions	—	4,777
Net cash provided by changes in bank deposits	8	—
Long-term debt issued	—	750
Net change in liability for securitized reverse residential mortgage loans	—	1,198
Common stock issued, net of issuance costs	1,000	—
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	—	24
Net cash provided by other, net	—	35
Total sources	10,992	26,792
Uses:		
Net cash used in investing activities	6,575	14,075
Net cash used for changes in policyholder account balances	4,973	—
Net cash used for changes in payables for collateral under securities loaned and other transactions	1,821	—
Net cash used for changes in bank deposits	—	4,052
Net cash used for short-term debt repayments	—	586
Long-term debt repaid	765	1,106
Collateral financing arrangements repaid	—	349
Cash paid in connection with collateral financing arrangements	—	44
Dividends on preferred stock	91	91
Dividends on common stock	808	—
Net cash used in other, net	134	—
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	187	—
Total uses	15,354	20,303
Net increase (decrease) in cash and cash equivalents	$(4,362)	$6,489

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Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, annuity considerations and deposit funds. The principal cash outflows relate to the liabilities associated with various life insurance, property & casualty, annuity and group pension products, operating expenses and income tax, as well as interest on outstanding debt obligations. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

Cash Flows from Investments

The principal cash inflows from our investment activities come from repayments of principal on invested assets, proceeds from maturities of invested assets, sales of invested assets, settlements of freestanding derivatives and net investment income. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows include those related to our securities lending activities. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our credit risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

Financing Cash Flows

The principal cash inflows from our financing activities come from issuances of debt, issuances of MetLife, Inc.'s securities, and deposit funds associated with PABs. The principal cash outflows come from repayments of debt, payments of dividends on MetLife, Inc.'s securities and withdrawals associated with PABs. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

Liquidity and Capital Sources

In addition to the general description of liquidity and capital sources in "— Summary of Primary Sources and Uses of Liquidity and Capital," the following additional information is provided regarding our primary sources of liquidity and capital:

Global Funding Sources

Liquidity is provided by a variety of funding sources, including funding agreements, credit facilities and commercial paper. Capital is provided by a variety of funding sources, including short-term and long-term debt, collateral financing arrangements, junior subordinated debt securities, preferred securities and equity and equity-linked securities. The diversity of our funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

Common Stock

In September 2013, MetLife, Inc. issued 22,679,955 shares of its newly issued common stock for $1.0 billion in connection with the settlement of stock purchase contracts. See "— Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts."

During the nine months ended September 30, 2013 and 2012, MetLife, Inc. issued 6,478,671 and 4,689,799 new shares of its common stock for $209 million and $148 million, respectively, to satisfy various stock option exercises and other stock-based awards.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding, Inc. ("MetLife Funding") each have commercial paper programs supported by $4.0 billion in general corporate credit facilities (see "— Credit and Committed Facilities"). MetLife Funding, a subsidiary of MLIC, serves as our centralized finance unit. MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans, through MetLife Credit Corp., another subsidiary of MLIC, to MetLife, Inc., MLIC and other affiliates in order to enhance the financial flexibility and liquidity of these companies. Outstanding balances for the commercial paper program fluctuate in line with changes to affiliates' financing arrangements.

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Federal Home Loan Bank Funding Agreements, Reported in PABs

Certain of our domestic insurance subsidiaries are members of a regional FHLB. During the nine months ended September 30, 2013 and 2012, we issued $10.5 billion and $15.1 billion, respectively, and repaid $10.9 billion and $12.6 billion, respectively, under funding agreements with certain FHLB regional banks. At September 30, 2013 and December 31, 2012, total obligations outstanding under these funding agreements were $15.0 billion and $15.4 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

Special Purpose Entity Funding Agreements, Reported in PABs

We issue fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities ("SPEs") that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the nine months ended September 30, 2013 and 2012, we issued $27.4 billion and $30.2 billion, respectively, and repaid $27.3 billion and $25.5 billion, respectively, under such funding agreements. At September 30, 2013 and December 31, 2012, total obligations outstanding under these funding agreements were $30.4 billion and $30.0 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in PABs

We have issued funding agreements to the Federal Agricultural Mortgage Corporation ("Farmer Mac"), as well as to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural real estate mortgage loans and may, under certain circumstances, be secured by other qualified collateral. There were no issuances or repayments under such funding agreements during the nine months ended September 30, 2013 and 2012. At both September 30, 2013 and December 31, 2012, total obligations outstanding under these funding agreements were $2.8 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts

In September 2013, MetLife, Inc. closed the successful remarketing of a portion of the senior debt securities underlying common equity units issued in November 2010 in connection with the ALICO acquisition. The senior debt securities, which are due September 15, 2023, were remarketed as 4.368% senior debt securities. MetLife, Inc. did not receive any proceeds from the remarketing. Most holders of common equity units used remarketing proceeds to settle their payment obligations under the applicable stock purchase contracts. The subsequent settlement of the stock purchase contracts provided proceeds to MetLife, Inc. of $1.0 billion in exchange for shares of MetLife, Inc.'s common stock. MetLife, Inc. delivered 22,679,955 shares of its newly issued common stock to settle the stock purchase contracts. See Note 15 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for additional information.

Credit and Committed Facilities

We maintain unsecured credit facilities and committed facilities, which aggregated $4.0 billion and $12.4 billion, respectively, at September 30, 2013. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

The unsecured credit facilities are used for general corporate purposes, to support the borrowers' commercial paper programs and for the issuance of letters of credit. At September 30, 2013, we had outstanding $2.0 billion in letters of credit and no drawdowns against these facilities. Remaining unused availability was $2.0 billion at September 30, 2013. In connection with the domestication of Exeter to Delaware in October 2013 and the related redistribution of assets held in trust at Exeter, $1.9 billion of outstanding letters of credit were no longer required and therefore canceled by the Company. Accordingly, remaining unused availability under the unsecured credit facilities increased by $1.9 billion in October 2013. See "— Executive Summary — Consolidated Company Outlook" for further information regarding the domestication of Exeter.

The committed facilities are used for collateral for certain of our affiliated reinsurance liabilities. At September 30, 2013, $6.7 billion in letters of credit and $2.8 billion in aggregate drawdowns under collateral financing arrangements were outstanding against these facilities. Remaining unused availability was $2.9 billion at September 30, 2013.

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See Note 12 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for further information about these facilities.

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

Outstanding Debt Under Global Funding Sources

The following table summarizes our outstanding debt at:

	September 30, 2013	December 31, 2012
	(In millions)	
Short-term debt	$100	$100
Long-term debt (1)	$16,306	$16,535
Collateral financing arrangements	$4,196	$4,196
Junior subordinated debt securities	$3,193	$3,192

(1) Excludes $1.9 billion and $2.5 billion at September 30, 2013 and December 31, 2012, respectively, of long-term debt relating to CSEs (see Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements).

Dispositions

Cash proceeds from dispositions during the nine months ended September 30, 2013 and 2012 were $399 million and $0, respectively. During the nine months ended September 30, 2013, the sale of MetLife Bank's depository business resulted in cash outflows of $6.4 billion as a result of the buyer's assumption of the bank deposits liability in exchange for our cash payment. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for information regarding the 2013 proceeds and Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the sale of MetLife Bank's depository business.

Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in "— Summary of Primary Sources and Uses of Liquidity and Capital," the following additional information is provided regarding our primary uses of liquidity and capital:

Common Stock Dividends

In January 2013, MetLife, Inc., which previously paid common stock dividends annually, transitioned to paying common stock dividends quarterly. Accordingly, MetLife, Inc. did not pay common stock dividends during the nine months ended September 30, 2012. The table below presents declaration, record and payment dates, as well as per share and aggregate dividend amounts, for common stock dividends paid during the nine months ended September 30, 2013:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Aggregate
			(In millions, except per share data)	
June 25, 2013	August 9, 2013	September 13, 2013	$0.275	$303
April 23, 2013	May 9, 2013	June 13, 2013	$0.275	302
January 4, 2013	February 6, 2013	March 13, 2013	$0.185	203
				$808

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The declaration and payment of common stock dividends is subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s other insurance subsidiaries and other factors deemed relevant by the Board. On October 22, 2013, MetLife, Inc.'s Board of Directors declared a fourth quarter 2013 common stock dividend of $0.275 per share payable on December 13, 2013 to shareholders of record as of November 8, 2013. The Company estimates the aggregate dividend payment to be $311 million.

Preferred Stock Dividends

Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for preferred stock was as follows for the nine months ended September 30, 2013 and 2012:

Declaration Date	Record Date	Payment Date	Dividend Series A Per Share	Series A Aggregate	Series B Per Share	Series B Aggregate
			(In millions, except per share data)			
August 15, 2013	August 31, 2013	September 16, 2013	$0.256	$6	$0.406	$24
May 15, 2013	May 31, 2013	June 17, 2013	$0.256	7	$0.406	24
March 5, 2013	February 28, 2013	March 15, 2013	$0.250	6	$0.406	24
				$19		$72
August 15, 2012	August 31, 2012	September 17, 2012	$0.256	$6	$0.406	$24
May 15, 2012	May 31, 2012	June 15, 2012	$0.256	7	$0.406	24
March 5, 2012	February 29, 2012	March 15, 2012	$0.253	6	$0.406	24
				$19		$72

Preferred stock dividends are paid quarterly in accordance with the terms of MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A, and 6.50% Non-Cumulative Preferred Stock, Series B.

Dividend Restrictions

The payment of dividends and other distributions by MetLife, Inc. to its security holders may be subject to regulation by the Federal Reserve Board, if, in the future, MetLife, Inc. is designated as a non-bank SIFI. See "— Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Potential Regulation as a Non-Bank SIFI." In addition, if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends could be reduced by any such additional capital requirements that might be imposed. See "— Industry Trends — Regulatory Developments — International Regulatory Developments —Global Systemically Important Insurers." The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See "Risk Factors — Capital-Related Risks — We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities" included in the 2012 Annual Report and Note 16 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

Debt Repayments

In August 2013, MetLife, Inc. repaid at maturity $250 million of its floating rate senior notes.

Debt and Facility Covenants

Certain of our debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all such covenants at September 30, 2013.

Debt Repurchases

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not to repurchase any debt and the size and timing of any such repurchases is determined at our discretion.

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Support Agreements

MetLife, Inc. and several of its subsidiaries (each, an "Obligor") are parties to various capital support commitments, guarantees and contingent reinsurance agreements with certain subsidiaries of MetLife, Inc. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels, has guaranteed certain contractual obligations or has agreed to provide, upon the occurrence of certain contingencies, reinsurance for such entity's insurance liabilities. We anticipate that in the event that these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet anticipated demands.

In July 2012, in connection with an operating agreement with the OCC governing MetLife Bank's operations during its wind-down process, MetLife Bank and MetLife, Inc. entered into a capital support agreement with the OCC and MetLife, Inc. and MetLife Bank entered into an indemnification and capital maintenance agreement under which agreements MetLife, Inc. provided financial and other support to MetLife Bank to ensure that MetLife Bank could wind down its operations in a safe and sound manner. In August 2013, MetLife Bank merged with and into MLHL, its former subsidiary, with MLHL as the surviving, non-bank entity. The obligations of MetLife, Inc. and MetLife Bank under the capital support agreement with the OCC and the obligations of MetLife, Inc. under the indemnification and capital maintenance agreement ceased in all material respects upon the merger of MetLife Bank with and into MLHL. See "— MetLife, Inc. — Liquidity and Capital Uses — Support Agreements."

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property & casualty, annuity and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse product behavior differs somewhat by segment. In the Retail segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the nine months ended September 30, 2013 and 2012, general account surrenders and withdrawals from annuity products were $2.9 billion and $3.1 billion, respectively. In the Corporate Benefit Funding segment, which includes pension closeouts, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the Corporate Benefit Funding segment liabilities that provide customers with limited rights to accelerate payments, there were $2.4 billion at September 30, 2013 of funding agreements and other capital market products that could be put back to the Company after a period of notice. Of these liabilities, $135 million were subject to a notice period of 90 days. The remaining liabilities are subject to a notice period of five months or greater.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At September 30, 2013 and December 31, 2012, we were obligated to return cash collateral under our control of $2.5 billion and $6.0 billion, respectively. At September 30, 2013 and December 31, 2012, we had pledged cash collateral of $5 million and $1 million, respectively, for OTC bilateral derivative contracts between two counterparties ("OTC-bilateral") in a net liability position. With respect to OTC-bilateral derivatives in a net liability position that have credit contingent provisions, a one-notch downgrade in the Company's credit rating would require $25 million of additional collateral be provided to our counterparties as of September 30, 2013. See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for additional information about collateral pledged to us, collateral we pledge and derivatives subject to credit contingent provisions. In addition, we have pledged collateral and have had collateral pledged to us, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to us, in connection with collateral financing arrangements related to the reinsurance of closed block liabilities and ULSG liabilities.

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Securities Lending

We participate in a securities lending program whereby blocks of securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of $29.4 billion and $27.7 billion at September 30, 2013 and December 31, 2012, respectively. Of these amounts, $6.9 billion and $5.0 billion at September 30, 2013 and December 31, 2012, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at September 30, 2013 was $6.7 billion, of which $6.4 billion were U.S. Treasury and agency securities which, if put to us, could be immediately sold to satisfy the cash requirements to immediately return the cash collateral. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information.

Litigation

Putative or certified class action litigation and other litigation, and claims and assessments against us, in addition to those discussed elsewhere herein and those otherwise provided for in the consolidated financial statements, have arisen in the course of our business, including, but not limited to, in connection with our activities as an insurer, employer, investor, investment advisor, taxpayer and, formerly, a mortgage lending bank. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. See Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements.

We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no accrual is made but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of amounts accrued, when such an estimate can be made. It is not possible to predict or determine the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations, it is possible that an adverse outcome in certain cases could have a material adverse effect upon our financial position, based on information currently known by us, in our opinion, the outcome of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated net income or cash flows in particular quarterly or annual periods.

Acquisitions

During each of the nine months ended September 30, 2013 and 2012, there were no cash outflows for acquisitions. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding a 2013 acquisition.

Contractual Obligations

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Contractual Obligations” included in the 2012 Annual Report for additional information on the Company’s contractual obligations.

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MetLife, Inc.

Liquidity Management and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc.'s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc.'s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc.'s access to liquidity.

MetLife, Inc.'s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings.

Liquid Assets

At September 30, 2013 and December 31, 2012, MetLife, Inc. and other MetLife holding companies had $4.8 billion and $5.7 billion, respectively, in liquid assets. Of these amounts, $4.5 billion and $5.0 billion were held by MetLife, Inc. and $0.3 billion and $0.7 billion were held by other MetLife holding companies, at September 30, 2013 and December 31, 2012, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding: (i) amounts related to cash collateral received from counterparties in connection with derivatives; and (ii) securities held in trust in support of collateral financing arrangements and pledged in support of derivatives.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations determined to be available after application of local insurance regulatory requirements, as discussed in "— MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries." The cumulative earnings of certain active non-U.S. operations have been reinvested indefinitely in such non-U.S. operations, as described in Note 19 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. Under current tax laws, should we repatriate such earnings, we may be subject to additional U.S. income taxes and foreign withholding taxes.

Liquidity

For a summary of MetLife, Inc.'s liquidity, see "— The Company — Liquidity."

Capital

Potential Restrictions and Limitations on Non-Bank SIFIs and Global Systemically Important Insurers

MetLife Bank has terminated its Federal Deposit Insurance Corporation insurance and MetLife, Inc. de-registered as a bank holding company. As a result, MetLife, Inc. is no longer subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a non-bank SIFI, it could once again be subject to regulation by the Federal Reserve Board and enhanced supervision and prudential standards. In addition, if MetLife, Inc. is designated as a non-bank SIFI or if additional capital requirements are imposed on MetLife, as a G-SII, its ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be reduced by any such additional capital requirements that might be imposed. See "— Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Potential Regulation as a Non-Bank SIFI" and "— Industry Trends — Regulatory Developments — International Regulatory Developments — Global Systemically Important Insurers."

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Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in "— The Company — Summary of Primary Sources and Uses of Liquidity and Capital," the following additional information is provided regarding MetLife, Inc.'s primary sources of liquidity and capital:

Dividends from Subsidiaries

MetLife, Inc. relies in part on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc.'s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which we conduct business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes.

The table below sets forth the dividends permitted to be paid by the respective insurance subsidiary without insurance regulatory approval and the respective dividends paid:

	September 30, 2013	2013
Company	Paid	Permitted w/o Approval (1)
	(In millions)	
Metropolitan Life Insurance Company	$714	$1,428
American Life Insurance Company	$—	$523
MetLife Insurance Company of Connecticut	$624	$1,330
Metropolitan Property and Casualty Insurance Company	$—	$74
Metropolitan Tower Life Insurance Company (2)	$—	$77
MetLife Investors Insurance Company	$—	$129
Delaware American Life Insurance Company	$—	$7

(1) Reflects dividend amounts that may be paid during 2013 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2013, some or all of such dividends may require regulatory approval.

(2) During October 2013, Metropolitan Tower Life Insurance Company ("MTL") distributed shares of an affiliate to MetLife, Inc. as an in-kind dividend of $32 million. Also during October 2013, MTL paid a dividend to MetLife, Inc. in the amount of $77 million in cash, which represented its dividend capacity without regulatory approval at December 31, 2013. Regulatory approval for these dividends was obtained due to the amount and timing of the payments.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit the dividend payments to the parent to a portion of the prior year's statutory income, as determined by the local accounting principles. The regulators of our non-U.S. operations, including Japan's Financial Services Agency, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or financial strength of the non-U.S. operations, or for other reasons. Most of the non-U.S. subsidiaries are second tier subsidiaries which are owned by various non-U.S. holding companies. The capital and rating considerations applicable to the first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

In the second quarter of 2013, MetLife, Inc. announced its plans to merge three U.S.-based life insurance companies, MICC, MLI-USA and MLIIC, and Exeter, a reinsurance company and subsidiary of MetLife, Inc., in 2014. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. As a result, the aggregate amount of dividends permitted to be paid without insurance regulatory approval may be impacted. Exeter, formerly a

Cayman Islands company, was domesticated to Delaware in October 2013. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments” and “Risk Factors — Capital-Related Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Transfer Funds to It to Meet Its Obligations and Pay Dividends” included in the 2012 Annual Report.

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We actively manage target and excess capital levels and dividend flows on a proactive basis and forecast local capital positions as part of the financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in excess of the minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. We cannot provide assurance that MetLife, Inc.'s subsidiaries will have statutory earnings to support payment of dividends to MetLife, Inc. in an amount sufficient to fund its cash requirements and pay cash dividends and that the applicable regulators will not disapprove any dividends that such subsidiaries must submit for approval. See "Risk Factors — Capital-Related Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Transfer Funds to It to Meet Its Obligations and Pay Dividends" included in the 2012 Annual Report and Note 16 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

Short-term Debt

MetLife, Inc. maintains a commercial paper program, proceeds of which can be used to finance the general liquidity needs of MetLife, Inc. and its subsidiaries. MetLife, Inc. had no short-term debt outstanding at both September 30, 2013 and December 31, 2012.

Credit and Committed Facilities

At September 30, 2013, MetLife, Inc., along with MetLife Funding, maintained $4.0 billion in unsecured credit facilities, the proceeds of which are available for general corporate purposes, to support our commercial paper programs and for the issuance of letters of credit. At September 30, 2013, MetLife, Inc. had outstanding $2.0 billion in letters of credit and no drawdowns against these facilities. Remaining unused availability was $2.0 billion at September 30, 2013. See "— The Company — Liquidity and Capital Sources — Credit and Committed Facilities."

MetLife, Inc. maintains committed facilities with a capacity of $300 million. At September 30, 2013, MetLife, Inc. had outstanding $300 million in letters of credit and no drawdowns against these facilities. There were no remaining unused commitments at September 30, 2013. In addition, MetLife, Inc. is a party to committed facilities of certain of its subsidiaries, which aggregated $12.1 billion at September 30, 2013. The committed facilities are used as collateral for certain of the Company's affiliated reinsurance liabilities.

See Note 12 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for further discussion of these facilities.

Long-term Debt Outstanding

The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

	September 30, 2013	December 31, 2012
	(In millions)	
Long-term debt — unaffiliated	$15,416	$15,669
Long-term debt — affiliated	$3,250	$3,250
Collateral financing arrangements	$2,797	$2,797
Junior subordinated debt securities	$1,748	$1,748

Dispositions

Cash proceeds from dispositions during the nine months ended September 30, 2013 and 2012 were $17 million and $0, respectively.

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Liquidity and Capital Uses

In addition to the description of liquidity and capital uses in "— The Company — Liquidity and Capital Uses," the following additional information is provided regarding MetLife, Inc.'s primary uses of liquidity and capital:

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, payment of general operating expenses and acquisitions. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable MetLife, Inc. to make payments on debt, make cash dividend payments on its common and preferred stock, contribute capital to its subsidiaries, pay all general operating expenses and meet its cash needs.

Affiliated Capital Transactions

During the nine months ended September 30, 2013 and 2012, MetLife, Inc. invested an aggregate of $835 million and $1.6 billion, respectively, in various subsidiaries.

MetLife, Inc. lends funds, as necessary, to its subsidiaries, some of which are regulated, to meet their capital requirements. MetLife, Inc. had loans to subsidiaries outstanding of $2.3 billion and $750 million at September 30, 2013 and December 31, 2012, respectively.

In July 2013, MetLife Ireland Treasury Limited borrowed the Chilean peso equivalent of $1.5 billion from MetLife, Inc. The loan bears interest at a fixed rate of 8.5%, payable annually. See "— Acquisitions."

In April 2013, MetLife Bank's Board of Directors, with prior approval of the OCC, approved the reduction of its permanent capital by $550 million through a purchase of its $300 million of outstanding preferred stock held by MetLife, Inc. and a return of capital of $250 million to MetLife, Inc. In May 2013, MetLife, Inc. received $550 million in cash to settle these transactions.

Debt and Facility Covenants

Certain of MetLife, Inc.'s debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all such covenants at September 30, 2013.

Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations.

In July 2012, in connection with an operating agreement with the OCC governing MetLife Bank's operations during its wind-down process, MetLife Bank and MetLife, Inc. entered into a capital support agreement with the OCC and MetLife, Inc. and MetLife Bank entered into an indemnification and capital maintenance agreement under which agreements MetLife, Inc. provided financial and other support to MetLife Bank to ensure that MetLife Bank could wind down its operations in a safe and sound manner. Pursuant to the agreements, MetLife, Inc. was required to ensure that MetLife Bank meets or exceeds certain minimum capital and liquidity requirements and make indemnification payments to MetLife Bank in connection with MetLife Bank's obligation under the April 2011 consent decree between MetLife Bank and the OCC. During the nine months ended September 30, 2013, MetLife, Inc. invested $21 million in cash in MetLife Bank in connection with these agreements. On August 30, 2013, MetLife Bank merged with and into MLHL, with MLHL as the surviving, non-bank entity. The obligations of MetLife, Inc. and MetLife Bank under the capital support agreement with the OCC and the obligations of MetLife, Inc. under the indemnification and capital maintenance agreement ceased in all material respects upon the merger of MetLife Bank with and into MLHL.

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In January 2013, MetLife, Inc. entered into an 18-month agreement with MetLife Bank to lend up to $500 million to MetLife Bank on a revolving basis. In January 2013, MetLife Bank both drew down and repaid $400 million under the agreement, which bore interest at a rate of three-month LIBOR plus 1.75%. In February 2013, the agreement was amended to reduce borrowing capacity to $100 million. MetLife Bank's rights and obligations under the agreement succeeded to MLHL upon the merger of MetLife Bank with and into MLHL. On October 29, 2013, MetLife, Inc. and MLHL agreed to terminate the agreement. There were no loans outstanding at such date.

In October 2013, MetLife, Inc. guaranteed two-year notes issued by Exeter to affiliates, MICC and MLI-USA, totaling $500 million that bear interest at 2.47%.

Acquisitions

During each of the nine months ended September 30, 2013 and 2012, there were no cash outflows for acquisitions. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding a 2013 acquisition. In connection with this acquisition, in July 2013, $2.1 billion was transferred within the Company to indirect wholly-owned subsidiaries, of which MetLife, Inc. provided $1.7 billion in cash through intercompany loans and a capital contribution.

Adoption of New Accounting Pronouncements

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

Future Adoption of New Accounting Pronouncements

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

Non-GAAP and Other Financial Disclosures

Operating earnings is defined as operating revenues less operating expenses, both net of income tax. Operating earnings available to common shareholders is defined as operating earnings less preferred stock dividends.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife (“Divested Businesses”). Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees (“GMIB Fees”);
- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other revenues are adjusted for settlements of foreign currency earnings hedges.

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The following additional adjustments are made to GAAP expenses, in the line items indicated, in calculating operating expenses:

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (iii) benefits and hedging costs related to GMIBs ("GMIB Costs"), and (iv) market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments");
- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of PABs but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;
- Amortization of DAC and VOBA excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;
- Amortization of negative VOBA excludes amounts related to Market Value Adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition and integration costs.

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance.

In addition, operating return on common equity is defined as operating earnings available to common shareholders, divided by average GAAP common equity.

We believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it for management purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. Operating revenues, operating expenses, operating earnings, operating earnings available to common shareholders, operating return on MetLife, Inc.'s common equity and operating return on MetLife, Inc.'s common equity, excluding AOCI, should not be viewed as substitutes for the following financial measures calculated in accordance with GAAP: GAAP revenues, GAAP expenses, income (loss) from continuing operations, net of income tax, net income (loss) available to MetLife, Inc.'s common shareholders, return on MetLife, Inc.'s common equity and return on MetLife, Inc.'s common equity, excluding AOCI, respectively. Reconciliations of these measures to the most directly comparable GAAP measures are included in "— Results of Operations."

In this discussion, we sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. Additionally, the impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current period and is applied to each of the comparable periods.

In this discussion, we also provide forward-looking guidance on an operating, or non-GAAP, basis. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is not accessible on a forward-looking basis because we believe it is not possible to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a significant impact on GAAP net income.

Subsequent Events

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

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We actively manage, measure and monitor the market risk associated with our assets and liabilities. We have developed an integrated process for managing risk, which we conduct through our Global Risk Management Department, ALM Unit, Treasury Department and Investments Department along with the management of our business segments. We have established and implemented comprehensive policies and procedures at both the corporate and business segment level to minimize the effects of potential market volatility.

We regularly analyze our exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and changes in the equity markets.

Global Risk Management

We have established several financial and non-financial senior management committees as part of our risk management process. These committees manage capital and risk positions, approve ALM strategies and establish appropriate corporate business standards. Further enhancing its committee structure, during 2010, we created an Enterprise Risk Committee. The Enterprise Risk Committee is comprised of members of senior management, including MetLife, Inc.'s Chief Financial Officer, Chief Risk Officer, President of the Americas and Chief Investment Officer. This committee is responsible for reviewing all material risks to the enterprise and deciding on actions if necessary, in the event risks exceed desirable targets, taking into consideration best practices and the current environment to resolve or mitigate those risks.

We also have a separate Global Risk Management Department, which is responsible for risk management throughout MetLife and reports to MetLife, Inc.'s Chief Risk Officer, who reports to MetLife, Inc.'s Chief Executive Officer. The Global Risk Management Department's primary responsibilities consist of:

- implementing a corporate risk framework, which outlines our approach for managing risk on an enterprise-wide basis;
- developing policies and procedures for managing, measuring, monitoring and controlling those risks identified in the corporate risk framework;
- establishing appropriate corporate risk tolerance levels;
- recommending capital allocations on an economic capital basis; and
- reporting on a periodic basis to the Finance and Risk Committee of MetLife, Inc.'s Board of Directors; with respect to credit risk, reporting to the Investment Committee of Metropolitan Life Insurance Company's Board of Directors; and reporting on various aspects of risk to financial and non-financial senior management committees.

Asset/Liability Management

We actively manage our assets using an approach that balances quality, diversification, asset/liability matching, liquidity, concentration and investment return. The goals of the investment process are to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that the assets and liabilities are reasonably managed on a cash flow and duration basis. The ALM process is the shared responsibility of the ALM Unit, Global Risk Management, the Portfolio Management Unit, and the senior members of the business segments and is governed by the ALM Committees. The ALM Committees' duties include reviewing and approving target portfolios, establishing investment guidelines and limits and providing oversight of the ALM process on a periodic basis. The directives of the ALM Committees are carried out and monitored through ALM Working Groups which are set up to manage by product type. In addition, our ALM Steering Committee oversees the activities of the underlying ALM Committees.

We establish target asset portfolios for each major insurance product, which represent the investment strategies used to profitably fund our liabilities within acceptable levels of risk. These strategies are monitored through regular review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity, liquidity, asset sector concentration and credit quality by the ALM Working Groups.

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Market Risk Exposures

We have exposure to market risk through our insurance operations and investment activities. For purposes of this disclosure, "market risk" is defined as the risk of loss resulting from changes in interest rates, foreign currency exchange rates and equity markets.

Interest Rates

Our exposure to interest rate changes results most significantly from our holdings of fixed maturity securities, as well as our interest rate sensitive liabilities. The fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed securities and ABS, all of which are mainly exposed to changes in medium- and long-term interest rates. The interest rate sensitive liabilities for purposes of this disclosure include debt, PABs related to certain investment type contracts, and net embedded derivatives on variable annuities with guaranteed minimum benefits which have the same type of interest rate exposure (medium- and long-term interest rates) as fixed maturity securities. We employ product design, pricing and ALM strategies to reduce the potential effects of interest rate movements. Product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products and the ability to reset crediting rates for certain products. ALM strategies include the use of derivatives and duration mismatch limits. See "Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Financial and Capital Markets Risk Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period" included in the 2012 Annual Report.

Foreign Currency Exchange Rates

Our exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from our holdings in non-U.S. dollar denominated fixed maturity and equity securities, mortgage loans, and certain liabilities, as well as through our investments in foreign subsidiaries. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro, the Japanese yen and the British pound. Selectively, we use U.S. dollar assets to support certain long duration foreign currency liabilities. Through our investments in foreign subsidiaries and joint ventures, we are primarily exposed to the Japanese yen, the British pound, the Australian dollar, the Mexican peso and the Korean won. In addition to hedging with foreign currency swaps, forwards and options, local surplus in some countries is held entirely or in part in U.S. dollar assets which further minimizes exposure to foreign currency exchange rate fluctuation risk. We have matched much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. See "Risk Factors — Risks Related to Our Business — Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability" included in the 2012 Annual Report.

Equity Market

We have exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as net embedded derivatives on variable annuities with guaranteed minimum benefits, certain PABs, along with investments in equity securities. We manage this risk on an integrated basis with other risks through our ALM strategies including the dynamic hedging of certain variable annuity guarantee benefits. We also manage equity market risk exposure in our investment portfolio through the use of derivatives. Equity exposures associated with other limited partnership interests are excluded from this section as they are not considered financial instruments under GAAP.

Management of Market Risk Exposures

We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives.

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Interest Rate Risk Management

To manage interest rate risk, we analyze interest rate risk using various models, including multi-scenario cash flow projection models that forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluating the potential gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. The Department of Financial Services regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. For several of our legal entities, we maintain segmented operating and surplus asset portfolios for the purpose of ALM and the allocation of investment income to product lines. For each segment, invested assets greater than or equal to the GAAP liabilities and any non-invested assets allocated to the segment are maintained, with any excess swept to Corporate & Other. The business segments may reflect differences in legal entity, statutory line of business and any product market characteristic which may drive a distinct investment strategy with respect to duration, liquidity or credit quality of the invested assets. Certain smaller entities make use of unsegmented general accounts for which the investment strategy reflects the aggregate characteristics of liabilities in those entities. We measure relative sensitivities of the value of our assets and liabilities to changes in key assumptions utilizing internal models. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, these models include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, mortgage loan prepayments and defaults.

Common industry metrics, such as duration and convexity, are also used to measure the relative sensitivity of assets and liability values to changes in interest rates. In computing the duration of liabilities, consideration is given to all policyholder guarantees and to how we intend to set indeterminate policy elements such as interest credits or dividends. Each asset portfolio has a duration target based on the liability duration and the investment objectives of that portfolio. Where a liability cash flow may exceed the maturity of available assets, as is the case with certain retirement and group products, we may support such liabilities with equity investments, derivatives or interest rate curve mismatch strategies.

Foreign Currency Exchange Rate Risk Management

Foreign currency exchange rate risk is assumed primarily in three ways: investments in foreign subsidiaries, purchases of foreign currency denominated investments and the sale of certain insurance products.

- The Foreign Exchange Committee, in coordination with the Treasury Department, is responsible for managing the exposure to investments in foreign subsidiaries. Limits to exposures are established and monitored by the Treasury Department and managed by the Investments Department.
- The Investments Department is responsible for managing the exposure to foreign currency denominated investments. Exposure limits to unhedged foreign currency investments are incorporated into the standing authorizations granted to management by the Board of Directors and are reported to the Board of Directors on a periodic basis.
- Management of each of the Company’s segments is responsible for establishing limits and managing any foreign currency exchange rate exposure caused by the sale or issuance of insurance products.

We use foreign currency swaps, forwards and options to mitigate the liability exposure, risk of loss and the volatility of net income associated with our investments in foreign subsidiaries, foreign currency denominated fixed income investments and the sale of certain insurance products.

Equity Market Risk Management

Equity market risk exposure through the issuance of variable annuities is managed by our ALM Unit in partnership with the Investments Department. Equity market risk is realized through our investment in equity securities and is managed by our Investments Department. We use derivatives to mitigate our equity exposure both in certain liability guarantees such as variable annuities with guaranteed minimum benefit and equity securities. These derivatives include exchange-traded equity futures, equity index options contracts and equity variance swaps. We also employ reinsurance to manage these exposures.

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Hedging Activities

We use derivative contracts primarily to hedge a wide range of risks including interest rate risk, foreign currency exchange rate risk, and equity market risk. Derivative hedges are designed to reduce risk on an economic basis while considering their impact on accounting results and GAAP and Statutory capital. The construction of our derivative hedge programs vary depending on the type of risk being hedged. Some hedge programs are asset or liability specific while others are portfolio hedges that reduce risk related to a group of liabilities or assets. Our use of derivatives by major hedge programs is as follows:

- Risks Related to Living Guarantee Benefits — We use a wide range of derivative contracts to hedge the risk associated with variable annuity living guarantee benefits. These hedges include equity and interest rate futures, interest rate swaps, currency futures/forwards, equity indexed options and interest rate option contracts and equity variance swaps.
- Minimum Interest Rate Guarantees — For certain liability contracts, we provide the contractholder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors to reduce risk associated with these liability guarantees.
- Reinvestment Risk in Long Duration Liability Contracts — Derivatives are used to hedge interest rate risk related to certain long duration liability contracts. Hedges include interest rate swaps and swaptions.
- Foreign Currency Exchange Rate Risk — We use currency swaps, forwards and options to hedge foreign currency exchange rate risk. These hedges primarily swap foreign currency denominated bonds, investments in foreign subsidiaries or equity market exposures to U.S. dollars.
- General ALM Hedging Strategies — In the ordinary course of managing our asset/liability risks, we use interest rate futures, interest rate swaps, interest rate caps, interest rate floors and inflation swaps. These hedges are designed to reduce interest rate risk or inflation risk related to the existing assets or liabilities or related to expected future cash flows.

Risk Measurement: Sensitivity Analysis

We measure market risk related to our market sensitive assets and liabilities based on changes in interest rates, equity market prices and foreign currency exchange rates utilizing a sensitivity analysis. This analysis estimates the potential changes in estimated fair value based on a hypothetical 10% change (increase or decrease) in interest rates, equity market prices and foreign currency exchange rates. We believe that a 10% change (increase or decrease) in these market rates and prices is reasonably possible in the near-term. In performing the analysis summarized below, we used market rates at September 30, 2013. The sensitivity analysis separately calculates each of our market risk exposures (interest rate, equity market and foreign currency exchange rate) relating to our trading and non-trading assets and liabilities. We modeled the impact of changes in market rates and prices on the estimated fair values of our market sensitive assets and liabilities as follows:

- the net present values of our interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;
- the U.S. dollar equivalent estimated fair values of our foreign currency exposures due to a 10% change (increase or decrease) in foreign currency exchange rates; and
- the estimated fair value of our equity positions due to a 10% change (increase or decrease) in equity market prices.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. We cannot ensure that our actual losses in any particular period will not exceed the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis, including the impact of prepayment rates on mortgage loans;
- for the derivatives that qualify as hedges, the impact on reported earnings may be materially different from the change in market values;
- the analysis excludes liabilities pursuant to insurance contracts and real estate holdings; and
- the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

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Accordingly, we use such models as tools and not as substitutes for the experience and judgment of our management. Based on our analysis of the impact of a 10% change (increase or decrease) in market rates and prices, we have determined that such a change could have a material adverse effect on the estimated fair value of certain assets and liabilities from interest rate, foreign currency exchange rate and equity market exposures.

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive assets and liabilities at September 30, 2013:

	September 30, 2013 (In millions)
Non-trading:	
Interest rate risk	$6,330
Foreign currency exchange rate risk	$6,207
Equity market risk	$174
Trading:	
Interest rate risk	$9
Foreign currency exchange rate risk	$7

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The table below provides additional detail regarding the potential loss in estimated fair value of our trading and non-trading interest sensitive financial instruments at September 30, 2013 by type of asset or liability:

	September 30, 2013		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Yield Curve
	(In millions)		
Assets:			
Fixed maturity securities		$348,787	$(6,130)
Equity securities		$3,241	—
Fair value option and trading securities		$850	(9)
Mortgage loans:			
Held-for-investment		$57,851	(307)
Held-for-sale		225	—
Mortgage loans, net		$58,076	(307)
Policy loans		$13,601	(145)
Short-term investments		$12,664	(4)
Other invested assets		$1,094	(1)
Cash and cash equivalents		$11,376	—
Accrued investment income		$4,519	—
Premiums, reinsurance and other receivables		$4,546	(159)
Other assets		$305	(6)
Net embedded derivatives within asset host contracts (2)		$322	(21)
Total Assets			$(6,782)
Liabilities: (3)			
Policyholder account balances		$140,069	$635
Payables for collateral under securities loaned and other transactions		$31,866	—
Short-term debt		$100	—
Long-term debt		$17,889	289
Collateral financing arrangements		$3,947	—
Junior subordinated debt securities		$3,738	122
Other liabilities:			
Trading liabilities		$232	5
Other		$3,431	124
Net embedded derivatives within liability host contracts (2)		$382	488
Total Liabilities			$1,663
Commitments:			
Mortgage loan commitments	$3,197	$(14)	$16
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$975	$(1)	—
Total Commitments			$16
Derivative Instruments:			
Interest rate swaps	$121,826	$3,353	$(981)
Interest rate floors	$63,064	$131	(18)
Interest rate caps	$34,960	$157	41
Interest rate futures	$7,217	$(4)	9
Interest rate options	$40,871	$132	(154)

Interest rate forwards	$495	$21	(33)
Synthetic GICs	$4,406	$—	—
Foreign currency swaps	$23,443	$(569)	(12)
Foreign currency forwards	$15,321	$(157)	3
Currency futures	$1,334	$2	—
Currency options	$6,718	$188	(4)
Credit default swaps	$12,898	$89	—
Equity futures	$5,430	$26	—
Equity options	$37,374	$876	(90)
Variance swaps	$21,961	$(383)	3
Total rate of return swaps	$3,794	$(119)	—
Total Derivative Instruments			$(1,236)
Net Change			$(6,339)

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(1) Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contractholder. Mortgage loans and long-term debt exclude $2.1 billion and $1.9 billion, respectively, related to CSEs. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding CSEs.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $202.1 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in the yield curve.

Interest rate risk increased by $338 million, or 6%, to $6.3 billion at September 30, 2013 from $6.0 billion at December 31, 2012. This change is primarily due to an increase in interest rates across the swap and U.S. Treasury curves of $681 million. This was offset by the use of derivatives employed by the Company of $350 million.

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The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in foreign currency exchange rates at September 30, 2013 by type of asset or liability:

	September 30, 2013		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Foreign Exchange Rate
	(In millions)		
Assets:			
Fixed maturity securities		$348,787	$(8,304)
Equity securities		$3,241	(98)
Fair value option and trading securities		$850	(7)
Mortgage loans:			
Held-for-investment		$57,851	(605)
Held-for-sale		225	—
Mortgage loans, net		$58,076	(605)
Policy loans		$13,601	(170)
Short-term investments		$12,664	(235)
Other invested assets		$1,094	(101)
Cash and cash equivalents		$11,376	(373)
Accrued investment income		$4,519	(82)
Premiums, reinsurance and other receivables		$4,546	(13)
Other assets		$305	(7)
Net embedded derivatives within asset host contracts (2)		$322	(13)
Total Assets			$(10,008)
Liabilities: (3)			
Policyholder account balances		$140,069	$2,538
Payables for collateral under securities loaned and other transactions		$31,866	128
Long-term debt		$17,889	136
Other liabilities		$3,431	10
Net embedded derivatives within liability host contracts (2)		$382	178
Total Liabilities			$2,990
Derivative Instruments:			
Interest rate swaps	$121,826	$3,353	$(34)
Interest rate floors	$63,064	$131	—
Interest rate caps	$34,960	$157	—
Interest rate futures	$7,217	$(4)	—
Interest rate options	$40,871	$132	(7)
Interest rate forwards	$495	$21	—
Synthetic GICs	$4,406	$—	—
Foreign currency swaps	$23,443	$(569)	573
Foreign currency forwards	$15,321	$(157)	104
Currency futures	$1,334	$2	(116)
Currency options	$6,718	$188	320
Credit default swaps	$12,898	$89	—
Equity futures	$5,430	$26	2
Equity options	$37,374	$876	(39)

Variance swaps	$21,961	$(383)	1
Total rate of return swaps	$3,794	$(119)	—
Total Derivative Instruments			$804
Net Change			$(6,214)

(1) Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk. Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are foreign currency exchange rate sensitive, are not included herein as any foreign currency exchange rate risk is borne by the contractholder. Mortgage loans and long-term debt exclude $2.1 billion and $1.9 billion, respectively, related to CSEs. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding CSEs.

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(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $202.1 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in the foreign currency exchange rates.

Foreign currency exchange rate risk decreased by $358 million, or 5%, to $6.2 billion at September 30, 2013 from $6.6 billion at December 31, 2012. This change is due to a net decrease in exchange rate risk relating to fixed maturity securities, equity securities, PABS and the use of derivatives employed by the Company. Our net exposures decreased primarily due to the strengthening of the U.S. dollar against the Japanese yen and the Australian dollar.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in equity at September 30, 2013 by type of asset or liability:

	September 30, 2013		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in Equity Prices
	(In millions)		
Assets:			
Equity securities		$3,241	$324
Net embedded derivatives within asset host contracts (2)		$322	(18)
Total Assets			$306
Liabilities:			
Policyholder account balances		$140,069	$—
Net embedded derivatives within liability host contracts (2)		$382	677
Total Liabilities			$677
Derivative Instruments:			
Interest rate swaps	$121,826	$3,353	$—
Interest rate floors	$63,064	$131	—
Interest rate caps	$34,960	$157	—
Interest rate futures	$7,217	$(4)	—
Interest rate options	$40,871	$132	—
Interest rate forwards	$495	$21	—
Synthetic GICs	$4,406	$—	—
Foreign currency swaps	$23,443	$(569)	—
Foreign currency forwards	$15,321	$(157)	—
Currency futures	$1,334	$2	—
Currency options	$6,718	$188	—
Credit default swaps	$12,898	$89	—
Equity futures	$5,430	$26	(446)
Equity options	$37,374	$876	(336)
Variance swaps	$21,961	$(383)	12
Total rate of return swaps	$3,794	$(119)	(387)
Total Derivative Instruments			$(1,157)
Net Change			$(174)

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(1) Does not necessarily represent those financial instruments solely subject to equity price risk. Additionally, separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are equity market sensitive, are not included herein as any equity market risk is borne by the contractholder.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

Equity price risk decreased by $145 million to $174 million at September 30, 2013 from $319 million at December 31, 2012. This decrease is primarily due to the use of derivatives employed by the Company.

Item 4. Controls and Procedures

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

There were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

The following should be read in conjunction with (i) Part I, Item 3, of MetLife, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 Annual Report"), filed with the U.S. Securities and Exchange Commission ("SEC"); (ii) Part II, Item 1, of MetLife, Inc.'s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, filed with the SEC; and (iii) Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements in Part I of this report.

Asbestos-Related Claims

Metropolitan Life Insurance Company ("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.

As reported in the 2012 Annual Report, MLIC received approximately 5,303 asbestos-related claims in 2012. During the nine months ended September 30, 2013 and 2012, MLIC received approximately 4,256 and 3,909 new asbestos-related claims, respectively. See Note 21 of the Notes to the Consolidated Financial Statements included in the 2012 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.

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 U.S., 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, 2013.

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Unclaimed Property Litigation and Inquiries

In 2012, the Company reached agreements with representatives of the U.S. jurisdictions that were conducting audits of MetLife, Inc. and certain of its affiliates for compliance with unclaimed property laws, and with state insurance regulators directly involved in a multistate targeted market conduct examination relating to claim-payment practices and compliance with unclaimed property laws. In the first quarter of 2012, the Company recorded a $52 million after tax charge for the multistate examination payment and the expected acceleration of benefit payments to policyholders under the settlements. On September 20, 2012, the West Virginia Treasurer filed an action against MLIC in West Virginia state court (West Virginia ex rel. John D. Perdue v. Metropolitan Life Insurance Company, Circuit Court of Putnam County, Civil Action No. 12-C-295) alleging that the Company violated the West Virginia Uniform Unclaimed Property Act, seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On November 14, 2012, November 21, 2012, December 28, 2012, and January 9, 2013, the Treasurer filed substantially identical suits against MetLife Investors USA Insurance Company (“MLI-USA”), New England Life Insurance Company, MetLife Insurance Company of Connecticut (“MICC”) and General American Life Insurance Company, respectively. At least one other jurisdiction is pursuing a market conduct examination concerning compliance with unclaimed property statutes. It is possible that other jurisdictions may pursue similar examinations, audits, or lawsuits and that such actions may result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, administrative penalties, interest, and/or further changes to the Company's procedures. The Company is not currently able to estimate these additional possible costs.

Total Asset Recovery Services, LLC on behalf of the State of Florida v. MetLife, Inc., et. al. (Cir. Ct. Leon County, FL, filed October 27, 2010)

Alleging that MetLife, Inc. and another company have violated the Florida Disposition of Unclaimed Property law by failing to escheat to Florida benefits of 9,022 life insurance contracts, Total Asset Recovery Services, LLC (“the Relator”) has brought an action under the Florida False Claims Act seeking to recover damages on behalf of Florida. The action had been sealed by court order until December 17, 2012. The Relator alleges that the aggregate damages attributable to MetLife, Inc., including statutory damages and treble damages, are $767 million. The Relator also bases its damage calculation in part on its assumption that the average face amount of the subject policies is $120,000. MetLife, Inc. strongly disputes this assumption, the Relator's alleged damages amounts, and other allegations in the complaint. On December 14, 2012, the Florida Attorney General apprised the court that the State of Florida declined to intervene in the action and noted that the allegations in the complaint “. . . are very similar (if not identical) to those raised in regulatory investigations of the defendants that predated the filing of the action” and that those regulatory investigations have been resolved. On August 20, 2013, the court granted defendants' motion to dismiss the action. The Relator has filed notice of its intent to appeal the dismissal.

City of Birmingham Retirement and Relief System v. MetLife, Inc., et al. (N.D. Alabama, filed in state court on July 5, 2012 and removed to federal court on August 3, 2012)

Seeking to represent a class of persons who purchased MetLife, Inc. common equity units in or traceable to a public offering in March 2011, the plaintiff filed an action alleging that MetLife, Inc., certain current and former directors and executive officers of MetLife, Inc., and various underwriters violated several provisions of the Securities Act of 1933 related to the filing of the registration statement by issuing, or causing MetLife, Inc. to issue, materially false and misleading statements and/or omissions concerning MetLife, Inc.’s potential liability for millions of dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensatory damages and other relief. Defendants removed this action to federal court, and plaintiff has moved to remand the action to state court. The magistrate judge recommended granting the motion to remand to state court and the defendants have objected to that recommendation. The defendants intend to defend this action vigorously.

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Other Litigation

Merrill Haviland, et al. v. Metropolitan Life Insurance Company (E.D. Mich., removed to federal court on July 22, 2011)

This lawsuit was filed by 45 retired General Motors (“GM”) employees against MLIC and the amended complaint includes claims for conversion, unjust enrichment, breach of contract, fraud, intentional infliction of emotional distress, fraudulent insurance acts, unfair trade practices, and Employee Retirement Income Security Act of 1974 (“ERISA”) claims based upon GM's 2009 reduction of the employees' life insurance coverage under GM's ERISA-governed plan. The complaint includes a count seeking class action status. MLIC is the insurer of GM's group life insurance plan and administers claims under the plan. According to the complaint, MLIC had previously provided plaintiffs with a "written guarantee" that their life insurance benefits under the GM plan would not be reduced for the rest of their lives. On June 26, 2012, the district court granted MLIC's motion to dismiss the complaint. Plaintiffs appealed and the United States Court of Appeals for the Sixth Circuit affirmed the dismissal of the action on September 12, 2013.

C-Mart, Inc. v. Metropolitan Life Ins. Co., et al. (S.D. Fla., January 10, 2013)

Plaintiff filed this lawsuit against defendants, including MLIC and a former MetLife financial services representative, alleging that the defendants sent unsolicited fax advertisements to plaintiff and others in violation of the Telephone Consumer Protection Act, as amended by the Junk Fax Prevention Act, 47 U.S.C. § 227 (“TCPA”). Plaintiff has moved to certify a nationwide class of persons who were allegedly sent millions of unsolicited faxes in violation of the TCPA. Plaintiff seeks an award of statutory damages under the TCPA in the amount of $500 for each violation and to have such damages trebled. Trial is scheduled to begin on February 10, 2014.

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, mortgage lending bank, 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. 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 effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

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Item 1A. Risk Factors

The following should be read in conjunction with, and supplements and amends, the factors that may affect the Company's business or operations described under "Risk Factors" in Part I, Item 1A, of the 2012 Annual Report, as supplemented and amended by the information under "Risk Factors" in Part II, Item 1A of MetLife, Inc.'s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, which are incorporated herein by reference.

Economic Environment and Capital Markets-Related Risks

If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in financial asset classes or various markets, including global capital markets, can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation can all affect our financial condition, as well as the volume, profitability and results of our business operations, either directly or by virtue of their impact on the business and economic environment generally and on general levels of economic activity, employment and customer behavior specifically. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our financial condition (including our liquidity and capital levels) as a result of mismatched impacts on the value of our assets and our liabilities. While our diversified business mix and geographically diverse business operations partially mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification.

At times, throughout the past few years, volatile conditions have characterized financial markets, and not all global financial markets are functioning normally. Significant market volatility, and government actions taken in response, may exacerbate some of the risks we face. Concerns about economic conditions, capital markets and the solvency of certain European Union ("EU") member states, including Portugal, Ireland, Italy, Greece and Spain ("Europe's perimeter region"), as well as Cyprus, their banking systems and of the financial institutions that have significant direct or indirect exposure to debt issued by these countries or significant exposure to their banking systems, have been a cause of elevated levels of market volatility. This market volatility has affected the performance of various asset classes at various times, and it could continue until there is an ultimate resolution of these sovereign debt and banking system-related concerns. Despite public and private support programs for Europe's perimeter region, concerns about sovereign debt sustainability subsequently expanded to other EU member states. As a result, in late 2011 and early 2012, several other EU member states experienced credit ratings downgrades or had their credit ratings outlook changed to negative. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment." The financial markets have also been affected by concerns that one or more countries may exit the Euro zone. Moreover, the financial markets have been affected by concerns over U.S. fiscal policy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment." Any of these concerns could have significant adverse effects on the economic and financial markets generally.

To the extent these uncertain financial market conditions persist, our revenues and net investment income are likely to remain under pressure. Similarly, sustained periods of low interest rates could cause our profit margins to erode. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment." Also, in the event of extreme prolonged market events, such as the recent global credit crisis, we could incur significant capital and/or operating losses due to, among other reasons, losses incurred in our general account and as a result of the impact on us of guarantees and/or collateral requirements associated with our captive reinsurers and other similar arrangements. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.

We are a significant writer of variable insurance products and certain other products issued through separate accounts. The account values of these products decrease as a result of declining equity markets. Decreases in account values reduce fees generated by these products, cause the amortization of deferred policy acquisition costs to accelerate, could increase the level of insurance liabilities we must carry to support such products issued with any associated guarantees and could require us to provide additional funding to our captive reinsurers.

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In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our financial and insurance products could be adversely affected. Group insurance, in particular, is affected by higher unemployment rates. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Furthermore, our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Such adverse changes in the economy could negatively affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

The recent financial crisis has precipitated, and may continue to raise the possibility of, legislative, judicial, regulatory and other governmental actions. See "— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth" below as well as "Risk Factors — Risks Related to Our Business — Competitive Factors May Adversely Affect Our Market Share and Profitability" included in the 2012 Annual Report.

Regulatory and Legal Risks

Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth

Our insurance operations and brokerage businesses are subject to a wide variety of insurance and other laws and regulations. See "Business — U.S. Regulation" and "Business — International Regulation" included in the 2012 Annual Report, as supplemented by discussions of regulatory developments in our subsequently filed Quarterly Reports on Form 10-Q under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments," and as further supplemented below.

Insurance Regulation — U.S.

State insurance regulators and the National Association of Insurance Commissioners ("NAIC") regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, that are made for the benefit of the consumer sometimes lead to additional expense for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations. Recently, the NAIC and the New York State Department of Financial Services ("Department of Financial Services") have been scrutinizing insurance companies' use of affiliated captive reinsurers or off-shore entities, and the Department of Financial Services on June 11, 2013 issued a highly critical report setting forth its findings to date relating to its inquiry into the life insurance industry's use of captive insurance companies. In its report, the Department of Financial Services recommended that (i) the NAIC develop enhanced disclosure requirements for reserve financing transactions involving captive insurers, (ii) the Federal Insurance Office (the "FIO"), Office of Financial Research (the "OFR"), the NAIC and state insurance commissioners conduct inquiries similar to the Department of Financial Services inquiry and (iii) state insurance commissioners consider an immediate national moratorium on new reserve financing transactions involving captive insurers until these inquiries are complete. Like many life insurance companies, we utilize captive reinsurers to satisfy statutory reserve requirements. If the Department of Financial Services or other state insurance regulators restrict the use of such captive reinsurers or if we otherwise are unable to continue to use captive reinsurers in the future, our ability to write certain products, or to hedge the associated risks efficiently and/or our risk based capital ratios and ability to deploy excess capital, could be adversely affected or, we may need to increase prices on those products, which could adversely impact our competitive position and our results of operations. See "Business — U.S. Regulation — Holding Company Regulation — Insurance Regulatory Examinations" and Note 11 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

The NAIC is also reviewing life insurers' use of non-variable separate accounts that are insulated from general account claims, which might lead to a recommendation against the allowance of insulation for certain of our separate account products, particularly in the institutional markets. If the Department of Financial Services or other state insurance

regulators change applicable laws or regulations in accordance with such recommendation, our use of insulation for certain products could be impaired and our ability to compete effectively or do business in certain markets may be adversely affected. In addition, our financial results may also be adversely affected. See “Business — U.S. Regulation — Holding Company Regulation — Insurance Regulatory Examinations” included in the 2012 Annual Report.

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U.S. Federal Regulation Affecting Insurance

Currently, the U.S. federal government does not directly regulate the business of insurance. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") establishes the FIO within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards.

Federal legislation and administrative policies can significantly and adversely affect insurance companies, including policies regarding financial services regulation, securities regulation, derivatives regulation, pension regulation, health care regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies. Other aspects of our insurance operations could also be affected by Dodd-Frank. For example, under the so-called Volcker Rule, Dodd-Frank imposes additional capital requirements and quantitative limits on certain trading and activities by a non-bank systemically important financial institution ("non-bank SIFI"). MetLife, Inc. could be subject to such requirements and limits were it to be designated as a non-bank SIFI. See "Business — U.S. Regulation — Potential Regulation as a Non-Bank SIFI" included in the 2012 Annual Report.

Non-bank SIFIs and certain other large financial companies can be assessed under Dodd-Frank for any uncovered costs arising in connection with the resolution of a systemically important financial company and to cover the expenses of the OFR, an agency established by Dodd-Frank to improve the quality of financial data available to policymakers and facilitate more robust and sophisticated analysis of the financial system.

Federal Regulatory Agencies

Dodd-Frank established the Consumer Financial Protection Bureau ("CFPB"), which supervises and regulates institutions providing certain financial products and services to consumers. Although the consumer financial services to which this legislation applies exclude insurance business of the kind in which we engage, the CFPB has authority to regulate non-insurance consumer services provided by MetLife. See "Business — U.S. Regulation — Potential Regulation as a Non-Bank SIFI — Consumer Protection Laws" included in the 2012 Annual Report. MetLife, Inc.'s subsidiary, MetLife Home Loans LLC, which merged with MetLife, Inc.'s former subsidiary MetLife Bank, National Association, is regulated by the CFPB.

While MetLife, Inc. has de-registered as a bank holding company, it may, in the future, be designated by the Financial Stability Oversight Council ("FSOC") as a non-bank SIFI, as more fully discussed below, and could once again be subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and subject to enhanced supervision and prudential standards. See "Business — U.S. Regulation — Potential Regulation as a Non-Bank SIFI — Enhanced Prudential Standards" included in the 2012 Annual Report.

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The FSOC issued final rules in April 2012, outlining a three-stage process it will follow and the criteria it will use to assess whether a non-bank financial company should be subject to enhanced supervision by the Federal Reserve Board as a non-bank SIFI. On July 16, 2013, MetLife was notified by the FSOC that it had reached Stage 3 in the process to determine whether MetLife would be designated a non-bank SIFI. Regulation of MetLife as a non-bank SIFI could materially and adversely affect our business. The Federal Reserve Board has proposed a set of prudential standards that would apply to non-bank SIFIs, including enhanced risk-based capital requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediation procedures, and recovery and resolution planning through international crisis management groups and under federal regulation. The Federal Reserve Board's proposal contemplates that these standards would be subject to the authority of the Federal Reserve Board to determine, on its own or in response to a recommendation by the FSOC, to tailor the application of the enhanced standards to different companies on an individual basis or by category, taking into consideration their capital structure, riskiness, complexity, financial activities, size, and any other risk-related factors that the Federal Reserve Board deems appropriate. Accordingly, the manner in which these proposed standards might apply to MetLife, Inc. remains unclear. The Federal Reserve Board has stated that it believes other provisions of Dodd-Frank, known as the Collins Amendment, constrain its ability to tailor capital standards for non-bank SIFIs.

In the wake of the recent financial crisis, other national and international authorities have also proposed measures intended to increase the intensity of regulation of large financial institutions, requiring greater coordination among regulators and efforts to harmonize regulatory regimes. For example, the International Association of Insurance Supervisors ("IAIS") is participating in the initiative of the Financial Stability Board ("FSB") to identify global systemically important financial institutions by devising a process for designating global systemically important insurers ("G-SIIs"). On July 18, 2013, the FSB published its initial list of nine G-SIIs, which includes MetLife, Inc. G-SII backstop capital requirements for the calculation of additional capital are to be developed by the end of 2014, for application beginning in 2019. In addition, the IAIS has confirmed that it will develop a risk-based global insurance capital standard by 2016. This global insurance capital standard will apply to all internationally active insurance groups, including G-SIIs, with implementation to begin in 2019 after two years of testing and refinement. Any such measures would have to be implemented by legislation or regulation in each applicable jurisdiction, and the impact on MetLife, Inc. and other designated G-SIIs in the U.S. is uncertain.

If such measures were adopted, including as a result of our potential designation as a non-bank SIFI, they could materially adversely affect our ability to conduct business, our results of operations and financial condition and our ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect our capital. Enhanced capital requirements could adversely affect our ability to compete with other insurers that are not subject to those requirements, and our ability to issue guarantees could be constrained. We could have to raise the price of the products we offer, reduce the amount of risk we take on, or stop offering certain products altogether. Further, counterparty exposure limits could affect our ability to engage in hedging activities. The Federal Reserve Board could also have the right to require that any of our insurance companies, or insurance company affiliates, take prompt action to correct any financial weaknesses.

In the event that MetLife is designated as a non-bank SIFI, we may elect to contest such designation using all available remedies under Dodd-Frank or otherwise. If ultimately designated as a non-bank SIFI, we will consider such structural and other business alternatives that may be available to us in response to such a designation, and we cannot predict the impact that any such alternatives, if implemented, may have on the Company or its security holders.

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Mortgage and Foreclosure-Related Exposures

State and federal regulatory and law enforcement authorities have initiated various inquiries, investigations and examinations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry, mortgage origination and mortgage servicing practices. While we have reached settlements with some regulators relating to our mortgage servicing activities, it is possible that pending or additional inquiries, investigations or examinations may result in further monetary payments or other measures against us. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Mortgage and Foreclosure-Related Exposures.”

Regulation of Brokers and Dealers

Dodd-Frank also authorizes the SEC to establish a standard of conduct applicable to brokers and dealers when providing personalized investment advice to retail and other customers. This standard of conduct would be to act in the best interest of the customer without regard to the financial or other interest of the broker or dealer providing the advice. See “Business — U.S. Regulation — Securities, Broker-Dealer and Investment Adviser Regulation” included in the 2012 Annual Report.

ERISA Considerations

We provide products and services to certain employee benefit plans that are subject to ERISA or the Internal Revenue Code of 1986, as amended (the “Code”). Consequently, our activities are likewise subject to the restrictions imposed by ERISA and the Code, including the requirement that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and the requirement under ERISA and the Code that fiduciaries may not cause a plan to engage in prohibited transactions with persons who have certain relationships with respect to those plans.

The prohibited transaction rules generally restrict the provision of investment advice to ERISA plans and participants and Individual Retirement Accounts (“IRAs”) if the investment recommendation results in fees paid to the individual advisor, the firm or affiliate that vary according to the recommendation chosen. Recently adopted regulations in this area provide some relief from these investment advice restrictions. If additional relief is not provided, the ability of our affiliated broker-dealers and their registered representatives to provide investment advice to ERISA plans and participants and IRAs would likely be significantly restricted. Other proposed regulations in this area may negatively impact the current business model of our broker-dealers, including proposed changes to broaden the definition of “fiduciary”, thereby increasing the regulation of persons providing investment advice to ERISA plans and IRAs. These proposed regulations are expected in 2014. See “Business — U.S. Regulation — Employee Retirement Income Security Act of 1974 (“ERISA”) Considerations” included in the 2012 Annual Report.

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International Regulation

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. A significant portion of our revenue is generated through operations in foreign jurisdictions, including many countries in early stages of economic and political development. Our international operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as any nationalization or expropriation of assets, the imposition of limits on foreign ownership of local companies, changes in laws (including tax laws and regulations), their application or interpretation, political instability, dividend limitations, price controls, changes in applicable currency, currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold to U.S. dollars or other currencies. This may also impact many of our customers and independent sales intermediaries. Changes in the laws and regulations that affect these customers and independent sales intermediaries also may affect our business relationships with them and their ability to purchase or distribute our products. Accordingly, these changes and actions may negatively affect our business in these jurisdictions. We expect the scope and extent of regulation outside of the U.S., as well as general regulatory oversight, to continue to increase. The authority of our international operations to conduct business is subject to licensing requirements, permits and approvals, and these authorizations are subject to modification and revocation. The regulatory environment in the countries in which we operate and changes in laws could have a material adverse effect on our results of operations. See “Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability” included in the 2012 Annual Report.

We are also subject to the evolving Solvency II insurance regulatory directive established by the European Parliament in 2009 for our insurance business throughout the European Economic Area, and may be subject to similar solvency regulations in other regions. Our insurance business in Mexico will be impacted by Mexico’s implementation of a Solvency II-type regulatory framework, which is expected to be effective in April 2015. As requirements are finalized by the regulators, capital requirements might be impacted in a number of jurisdictions. In addition, our legal entity structure throughout Europe may impact our capital requirements, risk management infrastructure and reporting by country.

General

From time to time, regulators raise issues during examinations or audits of MetLife, Inc.’s regulated subsidiaries that could, if determined adversely, have a material impact on us. In addition, the interpretations of regulations by regulators may change and statutes may be enacted with retroactive impact, particularly in areas such as accounting or statutory reserve requirements. We are also subject to other regulations and may in the future become subject to additional regulations. Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on our financial condition and results of operations.

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Legislative and Regulatory Activity in Health Care and Other Employee Benefits Could Affect our Profitability As a Provider of Life Insurance, Annuities, and Non-Medical Health Insurance Benefit Products

The Patient Protection and Affordable Care Act, signed into law on March 23, 2010, and The Health Care and Education Reconciliation Act of 2010, signed into law on March 30, 2010 (together, the "Health Care Act"), may lead to fundamental changes in the way that employers, including us, provide health care benefits, other benefits, and other forms of compensation to their employees and former employees. The Health Care Act also imposes requirements on us as a provider of non-medical health insurance benefit and other products and on the purchasers of certain of these products. Beginning in 2014, we will be subject to a new excise tax called the "health insurer fee," the cost of which will primarily be passed on to group purchasers of certain of our dental and vision insurance products. Additionally, with respect to dental and vision insurance products sold to groups with fifty or fewer employees, we have changed certain of our product offerings. The cost of these product changes will also be reflected in our pricing of such products. The Health Care Act or any other related regulations or regulatory actions could adversely affect our ability to offer certain of these products in the same manner as we do today. They could also result in increased or unpredictable costs to provide certain products, and could harm our competitive position if the Health Care Act has a disparate impact on our products compared to products offered by our competitors.

In addition, we employ a substantial number of employees, including sales agents, in the United States to whom we offer employment-related benefits. We also currently provide benefits to certain of our retirees. These benefits are provided under complex plans that are subject to a variety of regulatory requirements. Either the Health Care Act or related regulations or regulatory actions could adversely affect our ability to attract, retain and motivate our associates. They could also result in increased or unpredictable costs to provide employee benefits, and could harm our competitive position if we are subject to fees, penalties, tax provisions or other limitations in the Health Care Act and our competitors are not.

The Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 also includes certain provisions for defined benefit pension plan funding relief. These provisions may impact the likelihood and/or timing of corporate plan sponsors terminating their plans and/or engaging in transactions to partially or fully transfer pension obligations to an insurance company. As part of our Corporate Benefit Funding segment, we offer general account and separate account group annuity products that enable a plan sponsor to transfer these risks, often in connection with the termination of defined benefit pension plans. Consequently, this legislation could indirectly affect the mix of our business, with fewer closeouts and more non-guaranteed funding products, and adversely impact our results of operations.

Investments-Related Risks

Our Requirements to Pledge Collateral or Make Payments Related to Declines in Estimated Fair Value of Derivatives Transactions or Specified Assets in Connection with Over-the-Counter ("OTC") Derivatives Cleared and Settled Through Central Clearing Counterparties ("OTC Cleared") and Traded Bi-laterally with Dealer Counterparties ("OTC Uncleared"), May Adversely Affect Our Liquidity, Expose Us to Central Clearinghouse and Counterparty Credit Risk, and Increase our Costs of Hedging

Substantially all of our derivatives transactions require us to pledge collateral related to any decline in the net estimated fair value of such derivatives transactions executed through a specific broker at a clearinghouse or entered into with a specific counterparty on a bi-lateral basis. Certain derivatives financing transactions require us to pledge collateral or make payments related to declines in the estimated fair value of the specified assets under certain circumstances to central clearinghouses or our counterparties. The amount of collateral we may be required to pledge and the payments we may be required to make under our derivatives transactions may increase under certain circumstances and will likely increase under Dodd-Frank as a result of the requirement to pledge initial margin for OTC Cleared transactions entered into after June 10, 2013 and for OTC Uncleared transactions entered into after the phase-in period, which would be applicable to us in 2019 if the U.S. Commodity Futures Trading Commission and the SEC adopt the final margin requirements for non-centrally cleared derivatives published by the Bank of International Settlements and International Organization of Securities Commissions in September 2013. Each of these items could also adversely affect our liquidity. Central clearinghouses and counterparties may also restrict or eliminate certain

types of previously eligible collateral, which could also adversely affect our liquidity or charge us to pledge such collateral which would increase our costs. See “Business — U.S. Regulation — Holding Company Regulation — Regulation of Over-the-Counter Derivatives,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral” in the 2012 Annual Report and Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements.

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Risks Related to Our Business

We May Need to Fund Deficiencies in Our Closed Block; Assets Allocated to the Closed Block Benefit Only the Holders of Closed Block Policies

MLIC's plan of reorganization, as amended, established in connection with its demutualization, required that we establish and operate an accounting mechanism, known as a closed block, to ensure that the reasonable dividend expectations of policyholders who own individual participating whole life insurance policies of MLIC in force at the time of the demutualization are met. The assets and liabilities designated to the closed block were $42.1 billion and $45.7 billion, respectively, at September 30, 2013. See Note 7 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. We allocated assets to the closed block in an amount that will produce cash flows which, together with anticipated revenue from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and tax, and to provide for the continuation of the policyholder dividend scales in effect for 1999, if the experience underlying such scales continues, and for appropriate adjustments in such scales if the experience changes. The closed block assets, the cash flows generated by the closed block assets and the anticipated revenue from the policies included in the closed block may not be sufficient to provide for the benefits guaranteed under these policies. If they are not, we must fund the shortfall. Even if they are sufficient, we may choose, for competitive reasons, to support policyholder dividend payments with our general account funds.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. In addition, to the extent that these amounts are greater than the amounts estimated at the time the closed block was funded, dividends payable in respect of the policies included in the closed block may be greater than they would be in the absence of a closed block. Any excess earnings will be available for distribution over time only to closed block policyholders.

Reinsurance May Not Be Available, Affordable or Adequate to Protect Us Against Losses

As part of our overall risk management strategy, we purchase reinsurance for certain risks underwritten by our various business segments. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond our control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also increase. For example, for some of our group businesses under which the policies and related reinsurance are subject to periodic (typically annual) renewal, prices may increase at any renewal. Also, for most of our traditional life reinsurance arrangements, it is common for the reinsurer to have a right to increase reinsurance rates on in-force business if there is a systematic deterioration of mortality in the market as a whole. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our earnings. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business or result in the assumption of more risk with respect to those policies we issue. See "Business — Reinsurance Activity" in the 2012 Annual Report and "Risk Factors — Risks Related to Our Business — If the Counterparties to Our Reinsurance or Indemnification Arrangements or to the Derivatives We Use to Hedge Our Business Risks Default or Fail to Perform, We May Be Exposed to Risks We Had Sought to Mitigate, Which Could Materially Adversely Affect Our Financial Condition and Results of Operations" in MetLife, Inc.'s Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2013.

Acquisition and Disposition of Businesses and Legal Entity Reorganization-Related Risks

We Could Face Difficulties, Unforeseen Liabilities, Asset Impairments or Rating Actions Arising from Business Acquisitions or Integrating and Managing Growth of Such Businesses, Dispositions of Businesses, or Legal Entity Reorganizations

We have engaged in dispositions and acquisitions of businesses in the past, and expect to continue to do so in the future. Such activity exposes us to a number of risks. For example, there could be unforeseen liabilities or asset impairments, including goodwill impairments, that arise in connection with the businesses that we may sell or the businesses that we may acquire in the future.

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In addition, there may be liabilities or asset impairments that we fail, or are unable, to discover in the course of performing acquisition-related due diligence investigations. Furthermore, even for obligations and liabilities that we do discover during the due diligence process, neither the valuation adjustment nor the contractual protections we negotiate may be sufficient to fully protect us from losses. Although we generally have rights to indemnification for certain losses, our rights are limited by survival periods for bringing claims and limitations on the nature and amount of losses we may recover, and we cannot be certain that indemnification will be, among other things, collectible or sufficient in amount, scope or duration to fully offset any loss we may suffer. For example, we are indemnified under the stock purchase agreement dated as of March 7, 2010, as amended, by and among MetLife, Inc., American International Group, Inc. ("AIG") and AM Holdings LLC (formerly known as ALICO Holdings LLC) ("AM Holdings"), a subsidiary of AIG, for various tax matters, including U.S. federal income taxes attributable to periods during which the American Life Insurance Company and Delaware American Life Insurance Company (collectively, "ALICO") business was included in AIG's consolidated federal income tax return. It is possible, however, that any such indemnification may not be fully collectible.

Likewise, when we dispose of subsidiaries or operations, we may remain liable to the acquiror or to third parties for certain losses or costs arising from the divested business. We may also incur a loss on the disposition.

The use of our own funds as consideration in any acquisition would consume capital resources, which could affect our capital plan and render those funds unavailable for other corporate purposes. We also may not be able to raise sufficient funds to consummate an acquisition if, for example, we are unable to sell our securities or close related bridge credit facilities. Moreover, as a result of uncertainty and risks associated with potential acquisitions and dispositions of businesses, rating agencies may take certain actions with respect to the ratings assigned to MetLife, Inc. and/or its subsidiaries.

Our ability to achieve certain benefits we anticipate from any acquisitions of businesses will depend in large part upon our ability to successfully integrate such businesses in an efficient and effective manner. We may not be able to integrate such businesses smoothly or successfully, and the process may take longer than expected. The integration of operations and differences in operational culture may require the dedication of significant management resources, which may distract management's attention from day-to-day business. If we are unable to successfully integrate the operations of such acquired businesses, we may be unable to realize the benefits we expect to achieve as a result of such acquisitions and our business and results of operations may be less than expected.

The success with which we are able to integrate acquired operations will depend on our ability to manage a variety of issues, including the following:

- Loss of key personnel or higher than expected employee attrition rates could adversely affect the performance of the acquired business and our ability to integrate it successfully.
- Customers of the acquired business may reduce, delay or defer decisions concerning their use of its products and services as a result of the acquisition or uncertainty related to the consummation of the acquisition, including, for example, potential unfamiliarity with the MetLife brand in regions where we did not have a market presence prior to the acquisition.
- If the acquired business relies upon independent distributors to distribute its products, these distributors may not continue to generate the same volume of business for us after the acquisition. Independent distributors may reexamine the scope of their relationship with the acquired business or us as a result of the acquisition and decide to curtail or eliminate distribution of our products.
- Integrating acquired operations with our existing operations may require us to coordinate geographically separated organizations, address possible differences in corporate culture and management philosophies, merge financial processes and risk and compliance procedures, combine separate information technology platforms and integrate operations that were previously closely tied to the former parent of the acquired business or other service providers.
- In cases where we or an acquired business operates in certain markets through joint ventures, the acquisition may affect the continued success and prospects of the joint venture. Our ability to exercise management control or influence over these joint venture operations and our investment in them will depend on the continued cooperation between the joint venture participants and on the terms of the joint venture agreements, which

allocate control among the joint venture participants. We may face financial or other exposure in the event that any of these joint venture partners fail to Meet their obligations under the joint venture, encounter financial difficulty or elect to alter, modify or terminate the relationship.

- We may incur significant costs in connection with any acquisition and the related integration. The costs and liabilities actually incurred in connection with an acquisition and subsequent integration process may exceed those anticipated.

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The prospects of our business also may be materially and adversely affected if we are not able to manage the growth of any acquired business successfully. For example, the life insurance markets in many of the international markets we entered through the ALICO acquisition have experienced significant growth in recent years. Management of growth in these markets to date has required significant management and operational resources and is likely to continue to do so. Future growth of our combined business will require, among other things, the continued development of adequate underwriting and claim handling capabilities and skills, sufficient capital base, increased marketing and sales activities, and the hiring and training of new personnel.

There can be no assurance that we will be successful in managing future growth of any acquired business. In particular, there may be difficulties in hiring and training sufficient numbers of customer service personnel and agents to keep pace with any future growth in the number of customers in our developing or developed markets. In addition, we may experience difficulties in upgrading, developing and expanding information technology systems quickly enough to accommodate any future growth. If we are unable to manage future growth, our prospects may be materially and adversely affected.

In addition, we may reorganize or consolidate the legal entities through which we conduct business. For example, in the second quarter of 2013, MetLife, Inc. announced its plans to merge three U.S.-based life insurance companies and an offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurance company. The implementation of legal entity reorganizations is a complex undertaking and involves a number of risks similar to those that are present in the case of an acquisition. Many aspects of these transactions are subject to regulatory approvals from a number of different jurisdictions. We may not obtain needed regulatory approvals in the timeframe anticipated or at all, which could reduce or prevent us from realizing the anticipated benefits of these transactions. These transactions or the related regulatory approvals may entail modifications of certain aspects of our operations or the composition of certain of our investment portfolios, which could result in additional costs or reduce net investment income. We may also incur additional expenses in connection with planning and effectuating these mergers and related transactions. We may encounter delays or unforeseen problems in making changes to our information technology systems that are needed to reflect the mergers. Loss of key personnel could adversely affect our ability to carry out these transactions. In addition, these transactions may absorb significant attention from our management, which could reduce management's focus on other aspects of our business. Any of these risks, if realized, could result in a material adverse effect on our business, results of operations or financial condition.

General Risks

The Failure in Cyber- or Other Information Security Systems, as well as the Occurrence of Events Unanticipated in Our Disaster Recovery Systems and Management Continuity Planning Could Result in a Loss or Disclosure of Confidential Information, Damage to Our Reputation and Impairment of Our Ability to Conduct Business Effectively

Our business is highly dependent upon the effective operation of our computer systems. We rely on these systems throughout our business for a variety of functions, including processing claims and applications, providing information to customers and distributors, performing actuarial analyses and maintaining financial records. We also retain confidential and proprietary information on our computer systems and we rely on sophisticated technologies to maintain the security of that information. Our computer systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. While, to date, MetLife has not experienced a material breach of cybersecurity, administrative and technical controls and other preventive actions we take to reduce the risk of cyber-incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems.

In the event of a disaster such as a natural catastrophe, epidemic, industrial accident, blackout, computer virus, terrorist attack, cyberattack or war, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial position, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, in the event that a significant number of our managers were unavailable following a disaster, our ability to effectively conduct business could be severely compromised. These interruptions also may

interfere with our suppliers' ability to provide goods and services and our employees' ability to perform their job responsibilities.

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The failure of our computer systems and/or our disaster recovery plans for any reason could cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues and otherwise adversely affect our business and financial results. While we maintain cyber liability insurance that provides both third-party liability and first party liability coverages, our insurance may not be sufficient to protect us against all losses. MetLife, Inc. and its subsidiaries maintain a cybersecurity and privacy liability insurance policy with a limit of $15 million.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Purchases of common stock made by or on behalf of MetLife, Inc. or its affiliates during the quarter ended September 30, 2013 are set forth below:

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)
July 1 — July 31, 2013	2,656	$ 46.46	—	$ 1,260,735,127
August 1 — August 31, 2013	—	$ —	—	$ 1,260,735,127
September 1 — September 30, 2013	16,003	$ 47.49	—	$ 1,260,735,127

(1) During the periods July 1 through July 31, 2013 and September 1 through September 30, 2013, separate account and other affiliates of MetLife, Inc. purchased 2,656 shares and 16,003 shares, respectively, of common stock on the open market in nondiscretionary transactions to rebalance index funds. Except as disclosed above, there were no shares of common stock which were repurchased by the Company.

(2) At September 30, 2013, MetLife, Inc. had $1.3 billion remaining under its common stock repurchase program authorizations. In April 2008, MetLife, Inc.'s Board of Directors authorized an additional $1.0 billion common stock repurchase program, which will begin after the completion of the January 2008 $1.0 billion common stock repurchase program, of which $261 million remained outstanding at September 30, 2013. Under these authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934) and in privately negotiated transactions. Any future common stock repurchases will be dependent upon several factors, including our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.'s common stock compared to management's assessment of the stock's underlying value, as well as other legal and accounting factors. See "Risk Factors — Capital-Related Risks — We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities" in the 2012 Annual Report and Note 16 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

Item 5. Other Information

On November 5, 2013, MetLife, Inc. filed a Certificate of Retirement (the "Certificate of Retirement") of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (the "Convertible Preferred Stock") with the Secretary of State of the State of Delaware to eliminate all references to the Convertible Preferred Stock in MetLife, Inc.'s Amended and Restated Certificate of Incorporation, including the related Certificate of Designations. On November 1, 2010, MetLife, Inc. issued 6,857,000 shares of the Convertible Preferred Stock to AM Holdings in connection with the acquisition of ALICO, all of which were subsequently repurchased by MetLife, Inc. The terms of the Convertible Preferred Stock prohibit its reissuance by providing that any shares of the Convertible

Preferred Stock that have been purchased or otherwise acquired by MetLife, Inc., upon filing the Certificate of Retirement, shall be retired and shall become authorized but unissued shares of preferred stock of MetLife, Inc. The Certificate of Retirement does not affect the total number of authorized shares of capital stock of MetLife, Inc. or the total number of authorized shares of preferred stock. The foregoing description of the Certificate of Retirement is not complete and is qualified in its entirety by reference to the complete text of the Certificate of Retirement which is filed as Exhibit 3.6 hereto, and is incorporated herein by reference.

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Item 6. Exhibits

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, 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 (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife, Inc., its subsidiaries and affiliates 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 SEC's website at www.sec.gov.)

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of MetLife, Inc. (Incorporated by reference to Exhibit 3.1 to MetLife, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "2011 Annual Report")).
3.2	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on April 7, 2000. (Incorporated by reference to Exhibit 3.2 to the 2011 Annual Report).
3.3	Certificate of Designations of Floating Rate Non-Cumulative Preferred Stock, Series A, of MetLife, Inc., filed with the Secretary of State of Delaware on June 10, 2005. (Incorporated by reference to Exhibit 3.3 to the 2011 Annual Report).
3.4	Certificate of Designations of 6.50% Non-Cumulative Preferred Stock, Series B, of MetLife, Inc., filed with the Secretary of State of Delaware on June 14, 2005. (Incorporated by reference to Exhibit 3.4 to the 2011 Annual Report).
3.5	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated April 29, 2011. (Incorporated by reference to Exhibit 3.6 to the 2011 Annual Report).
3.6	Certificate of Retirement of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on November 5, 2013.
4.1	Form of security certificate representing the 4.368% Series D Senior Debentures. (Incorporated by reference to Exhibit 4.1 to MetLife, Inc.'s Current Report on Form 8-K dated September 10, 2013).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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Signatures

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

METLIFE, INC.

By: /s/ Peter M. Carlson
Name: Peter M. Carlson
Title: Executive Vice President
and Chief Accounting Officer
(Authorized Signatory and Principal
Accounting Officer)

Date: November 6, 2013

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Exhibit Index

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