METLIFE INC
Form 10-K
February 25, 2011

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from to

Commission file number 001-15787

MetLife, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-4075851**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
200 Park Avenue, New York, N.Y.	**10166-0188**
(Address of principal executive offices)	*(Zip Code)*

(212) 578-2211

(Registrant s telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at June 30, 2010 was approximately $31 billion. At February 18, 2011, 986,585,463 shares of the registrant s common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from the registrant s definitive proxy statement for the Annual Meeting of Shareholders to be held on April 26, 2011, to be filed by the registrant with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the year ended December 31, 2010.

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As used in this Form 10-K, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporatio incorporated in 1999 (the Holding Company), its subsidiaries and affiliates.

Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, 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 futur operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

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 seek financing or access our credit facilities; (3) uncertainty about the effectiveness of the U.S. government s programs to stabilize the financial system, the imposition of fees relating thereto, or the promulgation of additional regulations; (4) impact of comprehensive financial services regulation reform on us; (5) exposure to financial and capital market risk; (6) changes in general economic conditions, including the performance of financial markets and interest rates, which may affect our ability to raise capital, 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; (7) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (8) investment losses and defaults, and changes to investment valuations; (9) impairments of goodwill and realized losses or market value impairments to illiquid assets; (10) defaults on our mortgage loans; (11) the impairment of other financial institutions that could adversely affect our investments or business; (12) our ability to address unforeseen liabilities, asset impairments, loss of key contractual relationships, or rating actions arising from acquisitions or dispositions, including our acquisition of American Life Insurance Company (American Life), a subsidiary of ALICO Holdings LLC (ALICO Holdings), and Delaware American Life Insurance Company (DelAm, together with American Life, collectively, ALICO) (the Acquisition) and to successfully integrate and manage the growth of acquired businesses with minimal disruption; (13) uncertainty with respect to the outcome of the closing agreement entered into between American Life and the United States Internal Revenue Service in connection with the Acquisition; (14) uncertainty with respect to any incremental tax benefits resulting from the planned elections for ALICO and certain of its subsidiaries under Section 338 of the U.S. Internal Revenue Code of 1986, as amended (the Section 338 Elections); (15) the dilutive impact on our stockholders resulting from the issuance of equity securities to ALICO Holdings in connection with the Acquisition; (16) downward pressure on our stock price as a result of ALICO Holdings ability to sell its equity securities; (17) the conditional payment obligation of approximately $300 million to ALICO Holdings if the conversion of the preferred stock issued to ALICO Holdings in connection with the Acquisition into our common stock is not approved; (18) economic, political, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (19) our primary reliance, as a holding company, on dividends from our subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (20) downgrades in our claims paying ability, financial strength or credit ratings; (21) ineffectiveness of risk management policies and procedures; (22) availability and effectiveness of reinsurance or indemnification arrangements, as well as default or failure of counterparties to perform; (23) discrepancies between actual claims experience and assumptions used in setting prices for our products and establishing the liabilities for our obligations for future policy benefits and claims; (24) catastrophe losses; (25) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, distribution of amounts available under U.S. government programs, and for personnel; (26) unanticipated changes in industry trends; (27) changes in accounting standards, practices and/or policies; (28) changes in assumptions related to deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (29) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (30) 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; (31) deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company (MLIC); (32) adverse results or other consequences from litigation, arbitration or regulatory investigations; (33) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others, (34) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (35) regulatory, legislative or tax changes relating to our insurance, banking, international, or other operations that may affect the cost of, or demand for, our products or services, impair our ability to attract and retain talented and experienced management and other employees, or increase the cost or administrative burdens of providing benefits to employees; (36) the effects of business disruption or economic contraction due to terrorism, other hostilities, or natural catastrophes, including any related impact on our disaster recovery systems and management continuity planning which could impair our ability to conduct business effectively; (37) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (38) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC.

We do not undertake any obligation to publicly correct or update any forward-looking statement if we later become 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

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, 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:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

- may apply standards of materiality in a way that is different from what may be viewed as material to investors; and

- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

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

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Part I

Item 1. *Business*

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

With a more than 140-year history, we have grown to become a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers in over 60 countries. Through our subsidiaries and affiliates, MetLife holds leading market positions in the United States (U.S.), Japan, Latin America, Asia Pacific, Europe and the Middle East. Over the past several years, we have grown our core businesses, as well as successfully executed on our growth strategy. This has included completing a number of transactions that have resulted in the acquisition and, in some cases, divestiture of certain businesses while also further strengthening our balance sheet to position MetLife for continued growth.

On November 1, 2010 (the Acquisition Date), MetLife, Inc. completed the acquisition of American Life Insurance Company (American Life), from ALICO Holdings LLC (ALICO Holdings), a subsidiary of American International Group, Inc. (AIG), and Delaware American Life Insurance Company (DelAm,) from AIG, (American Life, together with DelAm, collectively, ALICO) (the Acquisition) for a total purchase price of $16.4 billion. The business acquired in the Acquisition provides consumers and businesses with products and services, life insurance, accident and health insurance, retirement and wealth management solutions. This transaction delivers on our global growth strategies, adding significant scale and reach to MetLife s international footprint, furthering our diversification in geographic mix and product offerings, as well as increasing our distribution strength. See Note 2 of the Notes to the Consolidated Financial Statements.

MetLife is organized into five segments: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business) and International. The assets and liabilities of ALICO as of November 30, 2010 and the operating results of ALICO from the Acquisition Date through November 30, 2010 are included in the International segment. In addition, the Company reports certain of its results of operations in Banking, Corporate & Other, which includes MetLife Bank, National Association (MetLife Bank) and other business activities. For reporting periods beginning in 2011, our non-U.S. Business results will be presented within two separate segments: Japan and Other International Regions. MetLife s management continues to evaluate the Company s segment performance and allocated resources and may adjust such measurements in the future to better reflect segment profitability.

U.S. Business provides a variety of insurance and financial services products including life, dental, disability, auto and homeowner insurance, guaranteed interest and stable value products, and annuities through both proprietary and independent retail distribution channels, as well as at the workplace. This business serves over 60,000 group customers, including over 90 of the top one hundred FORTUNE 500® companies, and provides protection and retirement solutions to millions of individuals.

International operates in Japan and 64 countries within Latin America, Asia Pacific, Europe and the Middle East. MetLife is the largest life insurer in Mexico and also holds leading market positions in Japan, Poland, Chile and South Korea. This business provides life insurance, accident and health insurance, credit insurance, annuities, endowment and retirement & savings products to both individuals and groups. International is the fastest-growing of MetLife s businesses, and we believe it will be one of the largest future growth areas.

Within the U.S., we also provide a variety of mortgage and deposit products through MetLife Bank. Results of our banking operation are reported in Banking, Corporate & Other.

Operating revenues derived from any customer did not exceed 10% of consolidated operating revenues in any of the last three years. Financial information, including revenues, expenses, operating earnings, and total assets by segment, is provided in Note 22 of the Notes to the Consolidated Financial Statements. Operating revenues and operating earnings are performance measures that are not based on accounting principles generally accepted in the United States of America (GAAP). See Management s Discussion and Analysis of Financial Condition and Results of Operations for definitions of such measures.

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We are one of the largest institutional investors in the U.S. with a $476 billion general account portfolio invested primarily in investment grade corporate bonds, structured finance securities, commercial and agricultural mortgage loans, U.S. Treasury, agency and government guaranteed securities, as well as real estate and corporate equity. Over the past several years, we have taken a number of actions to further diversify and strengthen our general account portfolio.

Our well-recognized brand, leading market positions, competitive and innovative product offerings and financial strength and expertise should help drive future growth and enhance shareholder value, building on a long history of fairness, honesty and integrity. Over the course of the next several years, we will pursue the following objectives to achieve our goals:

Strengthen our growth platform

Focus on targeted, disciplined global growth of our businesses

Build on our widely recognized brand name

Capitalize on our large base of institutional and individual customers

Optimize our delivery and operations

Expand and leverage our broad, diverse distribution channels

Focus on margin improvement and return on equity expansion

Protect and extend our risk management

Build on our strong risk management and investment expertise

Maintain a balanced focus on income and protection products

Enhance organizational effectiveness

Further our commitment to a diverse, high performance workplace

Capitalize on innovation

Continue to introduce innovative and competitive products

U.S. Business

Overview

Insurance Products

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

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

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

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The major products within both Group Life and Individual Life are as follows:

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

Universal Life. Universal life products provide insurance coverage on the same basis as variable life, except that premiums, and the resulting accumulated balances, are allocated only to the Company s general account. Universal life products may allow the insured to increase or decrease the amount of death benefit coverage over the term of the contract and the owner to adjust the frequency and amount of premium payments. We credit premiums to an account maintained for the policyholder. Premiums are credited net of specified expenses. Interest is credited to the policyholder s account at interest rates we determine, subject to specified minimums. Specific charges are made against the policyholder s account for the cost of insurance protection and for expenses. With some products, by maintaining a certain premium level, policyholders may have the advantage of various guarantees that may protect the death benefit from adverse investment experience.

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

Whole Life. Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract period, to a specified age or period, and may be level or change in accordance with a predetermined schedule. Whole life insurance includes policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits, increase cash values available upon surrender or reduce the premiums required to maintain the contract in-force. Because the use of dividends is specified by the policyholder, this group of products provides significant flexibility to individuals to tailor the product to suit their specific needs and circumstances, while at the same time providing guaranteed benefits.

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

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

Disability. Disability products provide a benefit in the event of the disability of the insured. In most instances, this benefit is in the form of monthly income paid until the insured reaches age 65. In addition to

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income replacement, the product may be used to provide for the payment of business overhead expenses for disabled business owners or mortgage payment protection. This is offered on both a group and individual basis.

Long-term Care. LTC products provide protection against the potentially high costs of LTC services. They generally pay benefits to insureds who need assistance with activities of daily living or have a cognitive impairment. In November 2010, we announced our decision to discontinue all new sales of individual and employer group LTC products, as well as our intent to file for an in-force rate increase on our employer group business. We remain committed to our existing LTC insureds and will ensure that they continue to receive the same high level of service.

Retirement Products

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

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

Fixed Annuities. Fixed annuities provide for both asset accumulation and asset distribution needs. Fixed annuities do not allow the same investment flexibility provided by variable annuities, but provide guarantees related to the preservation of principal and interest credited. Deposits made into deferred annuity contracts are allocated to the Company s general account and are credited with interest at rates we determine, subject to certain minimums. Credited interest rates are guaranteed not to change for certain limited periods of time, ranging from one to ten years. Fixed income annuities provide a guaranteed monthly income for a specified period of years and/or for the life of the annuitant.

In the fourth quarter of 2010, management realigned certain income annuity products within the Company s segments to better conform to the way it manages and assesses its business and began reporting such product results in the Retirement Products segment previously reported in the Corporate Benefit Funding segment. Accordingly, prior period segment results have been adjusted to reflect such product reclassifications. See Note 1 and Note 22 of the Notes to the Consolidated Financial Statements for further information.

Corporate Benefit Funding

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

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

Pensions Closeouts. We offer general account and separate account annuity products, generally in connection with the termination of defined benefit pension plans, both in the U.S. and the United Kingdom (U.K.). We also offer partial risk transfer solutions that allow for partial transfers of pension liabilities and annuity products that include single premium buyouts.

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

Capital Markets Investment Products. Products offered include funding agreements, Federal Home Loan Bank advances and funding agreement-backed commercial paper.

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

Auto & Home

Our Auto & Home segment includes personal lines property and casualty insurance offered directly to employees at their employer s worksite, as well as to individuals through a variety of retail distribution channels, including independent agents, property and casualty specialists, direct response marketing and the individual distribution sales group. Auto & Home primarily sells auto insurance, which represented 68% of Auto & Home s total net earned premiums in 2010. Homeowners and other insurance represented 32% of Auto & Home s total net earned premiums in 2010. The major products in this area are:

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

Homeowners and Other Coverages. Homeowners insurance policies provide protection for homeowners, renters, condominium owners and residential landlords against losses arising out of damage to dwellings and contents from a wide variety of perils, as well as coverage for liability arising from ownership or occupancy. Other insurance includes personal excess liability (protection against losses in excess of amounts covered by other liability insurance policies), and coverage for recreational vehicles and boat owners. Most of Auto & Home s homeowners policies are traditional insurance policies for dwellings, providing protection for loss on a replacement cost basis. These policies also provide additional coverage for reasonable, normal living expenses incurred by policyholders that have been displaced from their homes.

Sales Distribution

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

Individual Distribution

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

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

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

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

The MetLife distribution channel had 5,053 MetLife agents under contract in 54 agencies at December 31, 2010. The career agency sales force focuses on the large middle-income and affluent markets, including multi-cultural markets. We support our efforts in multi-cultural markets through targeted advertising, specially trained agents and sales literature written in various languages.

The New England financial distribution channel included 33 general agencies providing support to 2,102 general agents and a network of independent brokers throughout the U.S. at December 31, 2010. The New England financial distribution channel targets high net worth individuals, owners of small businesses and executives of small- to medium-sized companies.

MetLife Resources, a focused distribution channel of MetLife, markets retirement, annuity and other financial products on a national basis through 547 MetLife agents and independent brokers at December 31, 2010. MetLife Resources targets the nonprofit, educational and healthcare markets.

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

In 2010, Auto & Home s business was concentrated in the following states, as measured by amount and percentage of total direct earned premiums:

	For the Year Ended December 31, 2010	
	(In millions)	**Percent**
New York	$ 391	13%
Massachusetts	$ 258	9%
Illinois	$ 203	7%
Florida	$ 164	5%
Connecticut	$ 153	5%
Texas	$ 142	5%

Group Distribution

Insurance Products distributes its group life and non-medical health products and services through a sales force that is segmented by the size of the target customer. Marketing representatives sell either directly to corporate and other group customers or through an intermediary, such as a broker or consultant. Voluntary products are sold through the same sales channels, as well as by specialists for these products. Employers have been emphasizing such voluntary products and, as a result, we have increased our focus on communicating and marketing to such employees in order to further foster sales of those products. At December 31, 2010, the group life and non-medical health sales channels had

356 marketing representatives.

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

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

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Auto & Home is a leading provider of personal lines property and casualty insurance products offered to employees at their employer s worksite. At December 31, 2010, 2,215 employers offered MetLife Auto & Home products to their employees.

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

We have entered into several joint ventures and other arrangements with third parties to expand the marketing and distribution opportunities of group products and services. We also seek to sell our group products and services through sponsoring organizations and affinity groups. In addition, we also provide life and dental coverage to federal employees.

International

Overview

International provides life insurance, accident and health insurance, credit insurance, annuities, endowment and retirement & savings products to both individuals and groups. We focus on markets primarily within Japan, Latin America, Asia Pacific, Europe and the Middle East. We operate in international markets through subsidiaries and affiliates. See Risk Factors Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability, and Risk Factors 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, and Quantitative and Qualitative Disclosures About Market Risk.

Japan

Our Japan operation (excluding our Japan joint venture, as described below under Asia Pacific) is comprised of the business acquired in the Acquisition. Our Japan operation is among the largest foreign life insurers in Japan and ranks 6th in the Japanese life insurance industry measured by total premiums according to the Statistics of Life Insurance in Japan 2009. It provides life insurance, accident and health insurance, annuities and endowment products to both individuals and groups. Its products are distributed through a multi-distribution platform consisting of captive agents, independent agents, brokers, bancassurance, and direct marketing (DM).

Latin America

We operate in 20 countries in Latin America, with the largest operations in Mexico, Chile and Argentina. The Mexican operation is the largest life insurance company in both the individual and group businesses in Mexico according to Asociación Mexicana de Instituciones de Seguro, a Mexican industry trade group which provides rankings for insurance companies. Our Chilean operation is the largest annuity company in Chile, based on market share according to Superintendencia Valores y Seguros, the Chilean insurance regulator. The Chilean operation also offers individual life insurance and group insurance products. We also actively market individual life insurance, group insurance products and credit life coverage in Argentina, but the nationalization of the pension system substantially reduced our presence in Argentina. The business environment in Argentina has been, and may continue to be, affected by governmental and legal actions which impact our results of operations.

Asia Pacific

We operate in 5 countries in Asia Pacific with the largest operations in South Korea, Hong Kong and Australia. Our South Korean operation has significant sales of variable universal life and annuity products. Our Hong Kong operation has significant sales of variable universal life and endowment products. Our Australia operation has significant sales of credit insurance and group life products. We also operate through joint ventures in Japan and China, the results of which are reflected in net investment income and are not consolidated in the financial results.

We have a quota share reinsurance agreement with the joint venture in Japan, whereby we assume 100% of the living and death guarantee benefits associated with the variable annuity business written after April 2005 by the joint venture. As discussed in Note 2 of the Notes to the Consolidated Financial Statements, the Company reached an agreement to sell its 50% interest in the joint venture in Japan.

Europe and the Middle East

We operate in 39 countries in Europe and the Middle East with our largest operations in Poland, the U.K., France, and the United Arab Emirates, as well as through a consolidated joint venture in India. Our Poland operation is a leading provider of life insurance, accident and health insurance, and credit insurance. It is consistently ranked as a top 3 company in net profits according to Rzeczpospolita financial daily. Our U.K. operation provides life insurance, accident and health insurance and variable annuities in its home market and throughout Europe. Our operation in France provides life insurance, accident and health insurance and credit insurance. In the Middle East, we provide life insurance, accident and health insurance, credit insurance, annuities, endowment and retirement & savings products.

Sales Distribution

International markets its products and services through a multi-distribution strategy which varies by geographic region. The various distribution channels include: agency, bancassurance, DM, brokerage and e-commerce. In developing countries, agency covers the needs of the emerging middle class with primarily traditional products (e.g., endowment and accident and health). In more developed and mature markets, agents, while continuing to serve their existing customers to keep pace with their developing financial needs, also target upper middle class and high net worth customer bases with a more sophisticated product set including more investment-sensitive products, such as universal life, mutual fund and single premium deposits.

In the bancassurance channel, International leverages partnerships that span all regions. In addition, DM has extensive and far reaching capabilities in all regions. The DM operations deploy both broadcast marketing approaches (e.g. direct response TV, web-based lead generation) and traditional DM techniques such as telemarketing. Japan represents the largest DM market.

Japan

Japan s multi-channel distribution strategy consists of captive agents, independent agents, bancassurance and DM. While face-to-face channels continue to be core to Japan s business, other channels, including bancassurance and DM, have become a critical part of Japan s distribution strategy. Our Japan operation has maintained its position in bancassurance due to its strong distribution relationship with Japan s mega banks, trust banks and various regional banks, as well as with the Japan Post. The DM channel is supported by an industry-leading marketing platform, state-of-the-art call center infrastructure and its own campaign management system.

Japan has 5,397 captive agents, 10,642 independent agents, 96 bancassurance relationships, including Japan Post, and 195 DM sponsors.

Latin America

Latin America s key distribution channels include captive agents, large multinational brokers and small-and medium-sized brokers, direct and group sales forces (mostly for group policies without broker intermediation), DM, bancassurance and worksite marketing. The region has an exclusive and captive agency distribution network with more than 3,000 agents also selling a variety of individual life, accident and health, and pension products (AFORE), as well as small- and medium-sized group life and medical solutions products. We currently work with over 3,300 active brokers with registered sales of group and individual life, accident and health, group medical, dental and pension products. Worksite marketing has over 2,300 agents.

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Asia Pacific

In Asia Pacific, distribution strategies differ by country but generally utilize a combination of captive agents, bancassurance relationships and DM. Agency sales are achieved through a force of approximately 7,500 agents and a growing force of independent general agents. Bancassurance sales are currently reliant upon a significant regional strategic partnership along with a number of smaller partnerships in each market. Throughout the region, our Asia Pacific operation leverages its expertise in DM operations management to conduct its own campaigns and provide those DM capabilities to third-party sponsors.

While not a significant part of the region s overall business, sales of group life and pension business are primarily achieved through independent brokers and an employee sales force.

Europe and the Middle East

Our operation in Central and Eastern Europe (CEE) has a multi-channel distribution strategy, which includes significant face to face channels, built on a strong captive agency force of more than 3,450 agents, and relationships with more than 150 independent brokers and third-party multi-level agency networks. Our CEE operation also has a group/corporate business direct sales force of more than 70 and distribution relationships with more than 90 banks, other financial and non financial institutions, as well as a fast growing DM channel. The primary method of distribution is captive and third party agency and captive direct sales forces, with a growing presence in bank, other financial and non financial institutions, and DM.

Our operation in Continental Western Europe (CWE) also has a multi-channel distribution strategy, including DM, brokerage, banks and financial institutions. Our U.K. operation has built a strong position in the U.K. independent financial advisor sector through its strong distribution relationships with Britain s leading advisory networks, serving the mainstream markets specializing particularly in guaranteed products. Recent arrangements with two U.K. banks should enhance our distribution capability going forward. Our U.K. operation also has an agency force which focuses on the protection market.

In the Middle East, our products are distributed via a variety of channels including approximately 16,400 agents, bancassurance, brokers and DM. Agency distribution is the primary channel, with MetLife having the largest captive network in the Middle East. Bancassurance is a growing channel with approximately 100 relationships, and approximately 250 programs providing access to millions of bank customers.

Banking, Corporate & Other

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

Mortgage products offered by MetLife Bank include forward and reverse residential mortgage loans. Residential mortgage loans are originated through MetLife Bank s national sales force, mortgage brokers and mortgage correspondents.

The residential mortgage banking activities include the origination and servicing of mortgage loans. Mortgage loans are held-for-investment or sold primarily into Federal National Mortgage Association (FNMA), Federal Home Loan

Mortgage Corporation (FHLMC) or Government National Mortgage Association (GNMA) securities. MetLife Bank also leverages MetLife s investment platform to source commercial and agriculture loans as investments on its balance sheet. MetLife Bank is a member of the Federal Reserve System and the Federal Home Loan Bank of New York (FHLB of NY) and is subject to regulation, examination and supervision by the Office of the Comptroller of the Currency (OCC) and secondarily by the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve.

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

Deposit products include traditional savings accounts, money market savings accounts, certificates of deposit (CDs) and individual retirement accounts. MetLife Bank participates in the Certificate of Deposit Account Registry Service program through which certain customer CDs are exchanged for CDs of similar amounts from participating banks. The deposit products provide a relatively stable source of funding and liquidity and are used to fund securities and loans. In addition, MetLife Bank principally seeks deposits from direct customers via the Internet and postal mail, and takes advantage of cross-marketing opportunities, including through voluntary benefits platforms of its affiliates customers.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet our policy obligations when a policy matures or is surrendered, an insured dies or becomes disabled or upon the occurrence of other covered events, or to provide for future annuity payments. We compute the amounts for actuarial liabilities reported in our consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities see Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates Liability for Future Policy Benefits and Management s Discussion and Analysis of Financial Condition and Results of Operations Policyholder Liabilities.

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

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

Underwriting and Pricing

Underwriting

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

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

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

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

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

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

Pricing

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

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

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

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

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

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

Reinsurance Activity

We participate in reinsurance activities in order to limit losses, minimize exposure to significant risks, and provide additional capacity for future growth. We enter into various agreements with reinsurers that cover individual risks, group risks or defined blocks of business, primarily on a coinsurance, yearly renewable term, excess or catastrophe excess basis. These reinsurance agreements spread risk and minimize the effect of losses. The extent of each risk retained by us depends on our evaluation of the specific risk, subject, in certain circumstances, to maximum retention limits based on the characteristics of coverages. We also cede first dollar mortality risk under certain contracts. In addition to reinsuring mortality risk, we reinsure other risks, as well as specific coverages. We obtain reinsurance for capital requirement purposes and also when the economic impact of the reinsurance agreement makes it appropriate to do so.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded amount in the event a claim is paid. Cessions under reinsurance arrangements do not discharge our obligations as the primary insurer. In the event that reinsurers do not meet their obligations under the terms of the reinsurance agreements, reinsurance balances recoverable could become uncollectible.

We reinsure our business through a diversified group of well-capitalized, highly rated reinsurers. We analyze recent trends in arbitration and litigation outcomes in disputes, if any, with our reinsurers. We monitor ratings and evaluate the financial strength of our reinsurers by analyzing their financial statements. In addition, the reinsurance recoverable balance due from each reinsurer is evaluated as part of the overall monitoring process. Recoverability of reinsurance recoverable balances is evaluated based on these analyses. We generally secure large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit.

U.S. Business

For our individual life insurance products, we have historically reinsured the mortality risk primarily on an excess of retention basis or a quota share basis. We currently reinsure 90% of the mortality risk in excess of $1 million for most products and reinsure up to 90% of the mortality risk for certain other products. In addition to reinsuring mortality risk as described above, we reinsure other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. On a case by case basis, we may retain up to $20 million per life and reinsure 100% of amounts in excess of the amount we retain. We evaluate our reinsurance programs routinely and may increase or decrease our retention at any time.

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

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

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

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

International

For certain of our life insurance products, we reinsure risks above the corporate retention limit of up to $5 million to external reinsurers on a yearly renewable term basis. We may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements.

For selected large corporate clients, our International segment reinsures group employee benefits or credit insurance business with various client-affiliated reinsurance companies, covering policies issued to the employees or customers of the clients. Additionally, we cede and assume risk with other insurance companies when either company requires a business partner with the appropriate local licensing to issue certain types of policies in certain countries. In these cases, the assuming company typically underwrites the risks, develops the products and assumes most or all of the risk.

Our International segment also has reinsurance agreements in force that reinsure a portion of the living and death benefit guarantees issued in connection with our variable annuities. Under these agreements, we pay reinsurance fees associated with the guarantees collected from policyholders, and receive reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Banking, Corporate & Other

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

Catastrophe Coverage

We have exposure to catastrophes, which could contribute to significant fluctuations in our results of operations. We also use excess of retention and quota share reinsurance arrangements to provide greater diversification of risk and minimize exposure to larger risks. For our International segment, we currently purchase catastrophe coverage to insure risks within certain countries deemed by management to be exposed to the greatest catastrophic risks.

Reinsurance Recoverables

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

U.S. Regulation

Insurance Regulation

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

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

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

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

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

State insurance statutes also typically place restrictions and limitations on the amount of dividends or other distributions payable by insurance company subsidiaries to their parent companies, as well as on transactions between an insurer and its affiliates. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Holding Company Liquidity and Capital Sources Dividends from Subsidiaries.

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

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

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Statutory Insurance Examination. As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts, and business practices of insurers domiciled in their states. State insurance departments also have the authority to conduct examinations of non-domiciliary insurers that are licensed in their states. During the three-year period ended December 31, 2010, MetLife has not received any material adverse findings resulting from state insurance department examinations of its insurance subsidiaries conducted during this three-year period.

Regulatory authorities in a small number of states, Financial Industry Regulatory Authority (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 Securities, Inc., New England Life Insurance Company, New England Securities Corporation, General American Life Insurance Company, Walnut Street Securities, Inc., MICC and Tower Square Securities, Inc. 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.

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

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

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

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

Regulation of Investments. Each of our U.S. insurance subsidiaries are subject to state laws and regulations that require diversification of our investment portfolios and limit the amount of investments in certain asset categories, such as below investment grade fixed income securities, equity real estate, other equity investments, and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring surplus and, in some instances, would require divestiture of such non-qualifying investments. We believe that the investments made by each of the Company s insurance subsidiaries complied, in all material respects, with such regulations at December 31, 2010.

Until various studies are completed and final regulations are promulgated pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), the full impact of Dodd-Frank on the investments, investment activities and insurance and annuity products of the Company remain unclear. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth.

Federal Initiatives. Although the federal government generally does not directly regulate the insurance business, federal initiatives often have an impact on our business in a variety of ways. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth. From time to time, federal measures are proposed which may significantly affect the insurance business. These areas include financial services regulation, securities 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. Dodd-Frank established the Federal Insurance Office within the Department of Treasury to collect information about the insurance industry, recommend prudential standards, and represent the U.S. in dealings with foreign insurance regulators. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth.

Financial Holding Company Regulation

Regulatory Agencies. As the owner of a federally-chartered bank, MetLife, Inc. is a bank holding company and financial holding company. As such, the Holding Company is subject to regulation under the Bank Holding Company Act of 1956, as amended (the BHC Act), and to inspection, examination, and supervision by the Board of Governors of the Federal Reserve Bank of New York. In addition, MetLife Bank is subject to regulation and examination primarily by the OCC and secondarily by the Federal Reserve Bank of New York and the FDIC, as described below under Banking Regulation.

Financial Holding Company Activities. As a financial holding company, MetLife, Inc. s activities and investments are restricted by the BHC Act, as amended by the Gramm-Leach-Bliley Act of 1999 (the GLB Act), to those that are financial in nature or incidental or complementary to such financial activities. Activities that are financial in nature include securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking and activities that the Federal Reserve Board has determined to be closely related to banking. In addition, under the insurance company investment portfolio provision of the GLB Act, financial holding companies are authorized to make investments in other financial and non-financial companies, through their insurance subsidiaries, that are in the ordinary course of business and in accordance with state insurance law, provided the financial holding company does not routinely manage or operate such companies except as may be necessary to obtain a reasonable return on investment. Under Dodd-Frank, as a large, interconnected bank holding company with assets of $50 billion or more, or possibly as an otherwise systemically important financial company, MetLife, Inc. will be subject to enhanced prudential standards imposed on systemically significant financial companies. Enhanced standards will be applied to RBC, liquidity, leverage (unless another, similar standard is appropriate for the Company), resolution plan and credit exposure reporting, concentration limits, and risk management. The so-called Volcker Rule provisions of Dodd-Frank restrict the ability of affiliates of insured depository institutions (such as MetLife Bank) to engage in proprietary trading or sponsor or invest in hedge funds or private equity funds. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth.

Capital. MetLife, Inc. and MetLife Bank are subject to risk-based and leverage capital guidelines issued by the federal banking regulatory agencies for banks and financial holding companies. The federal banking regulatory agencies are required by law to take specific prompt corrective actions with respect to institutions that do not meet minimum capital standards. MetLife, Inc. may become required to comply with further requirements relating to the

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calculation of capital, commonly referred to as Basel II, which could require significant investment by the Company, including software. In addition, in December 2010, the Basel Committee on Banking Supervision published its final rules for increased capital and liquidity requirements (commonly referred to as Basel III) for bank holding companies, such as MetLife, Inc. Assuming these requirements are endorsed and adopted by the U.S., they are to be phased in beginning January 1, 2013. It is possible that even more stringent capital and liquidity requirements could be imposed under Dodd-Frank if MetLife, Inc. is determined to be a systemically important company. The ability of MetLife Bank and MetLife, Inc. to pay dividends could be reduced by any additional capital requirements that might be imposed as a result of the enactment of Dodd-Frank and/or the endorsement and adoption by the U.S. of Basel III. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth and Risk Factors Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth. At December 31, 2010, MetLife, Inc. and MetLife Bank were in compliance with applicable requirements currently in effect.

Consumer Protection Laws. Numerous other federal and state laws also affect the Holding Company s and MetLife Bank s earnings and activities, including federal and state consumer protection laws. The GLB Act included consumer privacy provisions that, among other things, require disclosure of a financial institution s privacy policy to customers. In addition, these provisions permit states to adopt more extensive privacy protections through legislation or regulation. As part of Dodd-Frank, Congress established the Bureau of Consumer Financial Protection to supervise and regulate institutions that provide certain financial products and services to consumers. Although the consumer financial services subject to the Bureau s jurisdiction generally exclude insurance business of the kind in which we engage, the Bureau does have authority to regulate consumer services provided by MetLife Bank.

Change of Control and Restrictions on Mergers and Acquisitions. Because MetLife, Inc. is a financial holding company and bank holding company, no person may acquire control of MetLife, Inc. without the prior approval of the Federal Reserve Board. A change of control is conclusively presumed upon acquisition of 25% or more of any class of voting securities and rebuttably presumed upon acquisition of 10% or more of any class of voting securities. Further, as a result of MetLife, Inc. s ownership of MetLife Bank, approval from the OCC would be required in connection with a change of control (generally presumed upon the acquisition of 10% or more of any class of voting securities) of MetLife, Inc. As a result of Dodd-Frank, Federal Reserve approval would be required after July 21, 2011, for any acquisition of a non-bank firm by a bank holding company having more than $10 billion of assets, such as MetLife, Inc. As a bank holding company with assets of $50 billion or more, MetLife, Inc. will be required to provide prior notice to the Federal Reserve before acquiring control of voting shares of a company engaged in financial activities that has $10 billion or more of consolidated assets. MetLife, Inc. received the approval of the Federal Reserve prior to consummating the Acquisition.

Banking Regulation

As a federally chartered national association, MetLife Bank is subject to a wide variety of banking laws, regulations and guidelines. Federal banking laws regulate most aspects of the business of MetLife Bank, but certain state laws may apply as well. MetLife Bank is principally regulated by the OCC and secondarily by the Federal Reserve Bank of New York and the FDIC. Federal banking laws and regulations address various aspects of MetLife Bank s business and operations with respect to, among other things, chartering to carry on business as a bank; maintaining minimum capital ratios; capital management in relation to the bank s assets; safety and soundness standards; loan loss and other statutory reserves; liquidity; financial reporting and disclosure standards; counterparty credit concentration; restrictions on related party and affiliate transactions; lending limits; payment of interest; unfair or deceptive acts or practices; privacy; and bank holding company and bank change of control. MetLife Bank is also subject to the jurisdiction of the Bureau of Consumer Financial Protection created by Dodd-Frank to promulgate and enforce consumer protection rules for certain kinds of financial products. Dodd-Frank established a statutory standard for Federal preemption of state consumer financial protection laws, which standard will require national banks to comply with many state consumer financial protection laws that previously were considered preempted by Federal law. The FDIC has the right to assess FDIC-insured banks for funds to help pay the obligations of insolvent banks to depositors. Federal and state banking regulators regularly re-examine existing laws and regulations applicable to banks and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the bank.

Securities, Broker-Dealer and Investment Adviser Regulation

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

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

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

Environmental Considerations

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

Employee Retirement Income Security Act of 1974 (ERISA) Considerations

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

In *John Hancock Mutual Life Insurance Company v. Harris Trust and Savings Bank (1993),* the U.S. Supreme Court held that certain assets in excess of amounts necessary to satisfy guaranteed obligations under a participating group annuity general account contract are plan assets. Therefore, these assets are subject to certain fiduciary

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obligations under ERISA, which requires fiduciaries to perform their duties solely in the interest of ERISA plan participants and beneficiaries. On January 5, 2000, the Secretary of Labor issued final regulations indicating, in cases where an insurer has issued a policy backed by the insurer s general account to or for an employee benefit plan, the extent to which assets of the insurer constitute plan assets for purposes of ERISA and the Code. The regulations apply only with respect to a policy issued by an insurer on or before December 31, 1998 (Transition Policy). No person will generally be liable under ERISA or the Code for conduct occurring prior to July 5, 2001, where the basis of a claim is that insurance company general account assets constitute plan assets. An insurer issuing a new policy that is backed by its general account and is issued to or for an employee benefit plan after December 31, 1998 will generally be subject to fiduciary obligations under ERISA, unless the policy is a guaranteed benefit policy.

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

Legislative and Regulatory Developments

Dodd-Frank, enacted in July 2010, effected the most far-reaching overhaul of financial regulation in the U.S. in decades. Dodd-Frank also establishes the framework for new regulations relating to prudential standards for systemically significant financial companies, certain investment activities, consumer protection, the liquidation of bank holding companies, derivative transitions, corporate governance and executive compensation. These changes are particularly relevant to the Company as an insurer, public company and bank holding company. The potential impact of these changes on the Company are more fully discussed under Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth, Risk Factors Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth and Risk Factors New and Impending Compensation and Corporate Governance Regulations Could Hinder or Prevent Us From Attracting and Retaining Management and Other Employees with the Talent and Experience to Manage and Conduct Our Business Effectively. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank and the various studies mandated by Dodd-Frank, which are scheduled to be completed over the next few years.

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

International Regulation

With the acquisition of ALICO, the Company has significantly expanded its scope of operations in foreign jurisdictions. The Company s international operations are regulated in the jurisdictions in which they are located or operate. The Company s international insurance operations are subject to minimum capital, solvency and operational requirements. The authority of the Company s international operations to conduct business is subject to licensing requirements, permits and approvals, and these authorizations are subject to modification and revocation. Periodic examinations of insurance company books and records, financial reporting requirements, market conduct examinations and policy filing requirements are among the techniques used by regulators to supervise our non-U.S. insurance businesses. The Company also has investment and pension companies in certain foreign jurisdictions that provide mutual fund, pension and other financial products and services. Those entities are subject to securities, investment, pension and other laws and regulations, and oversight by the relevant securities, pension and other authorities of the countries in which the companies operate.

The Company s international operations are exposed to increased political, legal, financial, operational and other risks. 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, 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. Such actions may negatively affect our business in these jurisdictions. See Risk Factors 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.

Certain of the Company s international insurance operations, including Japan, may be subject to assessments, generally based on their proportionate share of business written in the relevant jurisdiction, for certain obligations to policyholders and claimants resulting from the insolvency of insurance companies. Under the Japanese Insurance Business Law, all licensed life insurers in Japan are assessed on a pre-funded basis by the Life Insurance Policyholders Protection Corporation of Japan. These assessments are aggregated across all licensed life insurers in Japan and used to satisfy certain obligations to policyholders and claimants of insolvent life insurance companies. As we cannot predict the timing and scope of future assessments, they may materially affect the results of operations of the Company s international insurance operations in particular quarterly or annual periods. In addition, in some jurisdictions, some of the Company s insurance products are considered securities under local law and may be subject to local securities regulations and oversight by local securities regulators.

Our operations in Japan are subject to regulation and examination by Japan s Financial Services Agency (FSA). Our operations in Japan are required to file with the FSA annual reports which include financial statements. Similar to the U.S., Japanese law provides that insurers in Japan must maintain specified solvency standards for the protection of policyholders and to support the financial strength of licensed insurers. As of September 30, 2010, the date of our most recent regulatory filing in Japan, the solvency margin ratio of our Japan operations was 1,466%, which is significantly in excess of the legally mandated solvency margin in Japan. The FSA has issued a proposal to revise the current method of calculating the solvency margin ratio. The FSA intends to apply the revised method to life insurance companies for the fiscal year-end 2011 (March 31, 2012) for life insurance companies in Japan, and require the disclosure of the ratio as reference information for fiscal year-end 2010 (March 31, 2011).

A portion of the annual earnings of our Japan operations may be repatriated each year, and may further be distributed to the Holding Company as a dividend. We may determine not to repatriate profits from the Japan operations or to repatriate a reduced amount in order to maintain or improve the solvency margin of the Japan operations or for other reasons. In addition, the FSA may limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers would be detrimental to the solvency or financial strength of our Japan operations or for other reasons.

In addition, the European Commission has established Solvency II as a new capital adequacy regime for the European insurance industry, which will become effective beginning in 2013. Solvency II sets capital standards for insurers on a risk basis and has a three-pillar structure covering quantitative requirements, supervisory review, and market disclosure. Regulators in certain other countries, such as Mexico, are also establishing new capital regimes similar to Solvency II. Compliance with these new capital standards may impact the level of capital required to be held at individual legal entities. Further, the efforts required to comply with these regulations may increase operating costs at these entities.

We expect the scope and extent of regulation outside of the U.S., as well as regulatory oversight, generally to continue to increase. That oversight, and the legal and regulatory environment in the countries in which the Company operates, could have a material adverse effect on the Company s results of operations.

Governmental Responses to Extraordinary Market Conditions

U.S. Federal Governmental Responses

Dodd-Frank was enacted in response to the recent economic crisis. See Legislative and Regulatory Developments. Actions taken by Congress, the Federal Reserve Bank of New York, the U.S. Treasury and other agencies of the U.S. Federal government prior to the enactment of Dodd-Frank were increasingly aggressive and, together with a series of interest rate reductions that began in the second half of 2007, intended to provide liquidity to financial institutions and markets, to avert a loss of investor confidence in particular troubled institutions and to prevent or contain the spread of the financial crisis. These measures included:

- expanding the types of institutions that have access to the Federal Reserve Bank of New York s discount window;
- providing asset guarantees and emergency loans to particular distressed companies;
- a temporary ban on short selling of shares of certain financial institutions (including, for a period, MetLife);
- programs intended to reduce the volume of mortgage foreclosures by modifying the terms of mortgage loans for distressed borrowers;
- temporarily guaranteeing money market funds; and
- programs to support the mortgage-backed securities market and mortgage lending.

Many of the actions outlined above expired or terminated by mid-2010 or earlier.

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

In February 2009, the Treasury Department outlined a financial stability plan with additional measures to provide capital relief to institutions holding troubled assets, including a capital assistance program for banks that have undergone a stress test (the Capital Assistance Program) and a public-private investment fund to purchase troubled assets from financial institutions. MetLife was eligible to participate in the U.S. Treasury s Capital Purchase Program, a voluntary capital infusion program established under EESA, but elected not to participate in that program. MetLife took part in the stress test and was advised by the Federal Reserve in May 2009 that, based on the stress test s economic scenarios and methodology, MetLife had adequate capital to sustain a further deterioration in the economy. In January 2011, MetLife submitted to the Federal Reserve a comprehensive capital plan, as mandated by the Federal Reserve for the same bank holding companies that completed the 2009 stress test. The capital plan projects MetLife s capital levels to the end of 2012 under baseline and stress scenarios. The Federal Reserve has stated that it will consider the results of the capital plan exercise in evaluating proposed capital actions by participating bank holding companies, such as common stock dividend increases and stock repurchases. The Federal Reserve has indicated that it will provide its assessment of participating institutions capital plans in late March 2011.

State Insurance Regulatory Responses

The NAIC adopted a number of reserve and capital relief proposals during 2009. The NAIC revisited many of those adoptions and studied related and additional topics for potential adoption during 2010.

The NAIC revisited the mortgage experience adjustment factor (the MEAF) which is utilized in calculating RBC charges that are assigned to commercial and agricultural mortgages held by our domestic insurers. The MEAF calculation includes the ratio of an insurer s commercial and agricultural mortgage default experience to the industry average commercial and agricultural mortgage default experience and, in 2009, a cap of 125% and a floor of 75% were adopted. The NAIC adopted during 2010 a cap of 175% and a floor of 80%. As a result of this revision in MEAF for 2010, the RBC impact on our U.S. insurance subsidiaries is not likely to be material.

In late 2009, the NAIC issued Statement of Statutory Accounting Principles (SSAP) 10R (SSAP 10R). SSAP 10R increased the amount of deferred tax assets that may be admitted on a statutory basis. The admission criteria for realizing the value of deferred tax assets was increased from a one year to a three year period. Further, the aggregate cap on deferred tax assets that may be admitted was increased from 10% to 15% of surplus. These changes increased the capital and surplus of our U.S. insurance subsidiaries, thereby positively impacting RBC at December 31, 2009. To temper this positive RBC impact, and as a temporary measure at December 31, 2009 only, a 5% pre-tax RBC charge must be applied to the additional admitted deferred tax assets generated by SSAP 10R. The adoption for 2009 had a December 31, 2009 sunset; however, during 2010, the 2009 adoption, including the 5% pre-tax RBC charge, was extended through December 31, 2011.

In late 2009, following rating agency downgrades of virtually all residential mortgage-backed securities (RMBS) from certain vintages, the NAIC engaged PIMCO Advisory (PIMCO), a provider of investment advisory services, to analyze approximately 20,000 RMBS held by insurers and evaluate the likely loss that holders of those securities would suffer in the event of a default. PIMCO s analysis showed that the severity of expected losses on those securities evaluated that are held by our U.S. insurance companies was significantly less than would be implied by the rating agencies ratings of such securities. The NAIC incorporated the results of PIMCO s analysis into the RBC charges assigned to the evaluated securities, with a beneficial impact on the RBC of our U.S. insurance subsidiaries. The NAIC utilized the solution again for 2010. The NAIC adopted a similar solution for 2010 for commercial mortgage-backed securities (CMBS) by selecting BlackRock Solutions, a provider of investment advisory services, to assist in the RBC determination process. BlackRock Solutions will serve as a third-party modeler of the 7,000 CMBS holdings of U.S. insurance companies, including MetLife s U.S. insurance subsidiaries. The impact of the implementation for 2010 of the modeling solution for CMBS is not known at the current time but the RBC impact on our U.S. insurance subsidiaries is not expected to be material.

Foreign Governmental and Intergovernmental Responses

In an effort to strengthen the financial condition of key financial institutions or avert their collapse, and to forestall or reduce the effects of reduced lending activity, a number of foreign governments and intergovernmental entities have taken action to enhance stability and liquidity, reduce risk and increase regulatory controls and oversight. Foreign government and intergovernmental responses have been similar to some of those taken by the U.S. Federal government, including injecting capital into domestic financial institutions in exchange for ownership stakes and, in the case of certain European Union member states such as Greece, Spain, Portugal and Ireland, providing or making available certain funds and rescue packages to support the solvency of such countries or financial institutions, and such responses are intended to achieve similar goals. We cannot predict whether foreign government and/or intergovernmental actions will achieve their intended purpose or how such actions will impact competition in the financial services industry. We expect the scope and extent of regulation outside the U.S., as well as regulatory oversight, generally to continue to increase. That oversight, and the legal and regulatory environment in the countries in which the Company operates, could have a material adverse effect on the Company s results of operations.

Competition

We believe that competition faced by our segments is based on a number of factors, including service, product features, scale, price, financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition. We compete with a large number of other insurance companies, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employer and other group customers as well as agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, have more competitive pricing or, with respect to other insurance companies, have higher claims paying ability ratings. Many of our insurance products are underwritten annually and, accordingly, there is a risk that group purchasers may be able to obtain more favorable terms from competitors rather than renewing coverage with us.

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We believe that the turbulence in financial markets that began in the second half of 2007, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have altered the competitive environment. In particular, we believe that these factors have highlighted financial strength as the most significant differentiator from the perspective of some customers and certain distributors. We believe the Company is well positioned to compete in this environment. In particular, the Company distributes many of its individual products through other financial institutions such as banks and broker-dealers. These distribution partners are currently placing greater emphasis on the financial strength of the company whose products they sell. In addition, the financial market turbulence has highlighted the extent of the risk associated with certain variable annuity products and has led many companies in our industry to re-examine the pricing and features of the products they offer. The effects of current market conditions may also lead to consolidation in the life insurance industry. Although we cannot predict the ultimate impact of these conditions, we believe that the strongest companies will enjoy a competitive advantage as a result of the current circumstances.

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

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

Employees

At December 31, 2010, we had approximately 66,000 employees. We believe that our relations with our employees are satisfactory.

Executive Officers of the Registrant

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

C. Robert Henrikson, age 63, has been Chairman, President and Chief Executive Officer of MetLife, Inc. and MLIC since April 25, 2006. Previously, he was President and Chief Executive Officer of MetLife, Inc. and MLIC from March 1, 2006, President and Chief Operating Officer of MetLife, Inc. from June 2004, and President of the U.S. Insurance and Financial Services businesses of MetLife, Inc. and MLIC from July 2002 to June 2004. He served as President of Institutional Business of MetLife, Inc. from September 1999 to July 2002 and President of Institutional Business of MLIC from May 1999 through June 2002. He was Senior Executive Vice President, Institutional Business, of MLIC from December 1997 to May 1999, Executive Vice President, Institutional Business, from January 1996 to December 1997, and Senior Vice President, Pensions, from January 1991 to January 1995. He is a director of MetLife, Inc. and MLIC.

Gwenn L. Carr, age 65, has been Executive Vice President and Chief of Staff to the Chairman and Chief Executive Officer of MetLife, Inc. and MLIC since August 2009. Previously, she was Senior Vice President and Chief of Staff to the Chairman and Chief Executive Officer of MetLife, Inc. and MLIC from June 2009, Senior Vice President, Secretary and Chief of Staff to the Chairman and Chief Executive Officer of MetLife, Inc, and MLIC from 2007, Senior Vice President and Secretary of MetLife, Inc. and MLIC from October 2004, and Vice President and Secretary of MetLife, Inc. and MLIC from August 1999. Ms. Carr was Vice President and Secretary of ITT Corporation from 1990 to 1999.

Kathleen A. Henkel, age 62, has been Executive Vice President, Human Resources, of MetLife, Inc. and MLIC since March 2010. Previously, she was Senior Vice President, Human Resources, of MLIC from July 2008 to March 2010 and Senior Vice President, Institutional Business, of MLIC from December 2005 to July 2008. Ms. Henkel was promoted to Senior Vice President of MLIC after serving as a Vice President of MLIC from 1992 to 2004. Ms. Henkel joined the Company in 1966 and has served in various senior management positions since that time.

Steven A. Kandarian, age 58, has been Executive Vice President and Chief Investment Officer of MetLife, Inc. and MLIC since April 2005. Previously, he was the executive director of the Pension Benefit Guaranty Corporation from 2001 to 2004. Before joining the Pension Benefit Guaranty Corporation, Mr. Kandarian was founder and managing partner of Orion Capital Partners, LP, where he managed a private equity fund specializing in venture capital and corporate acquisitions for eight years. He is a director of MetLife Bank.

Nicholas D. Latrenta, age 59, has been Executive Vice President of MetLife, Inc. and MLIC since August 2010 and General Counsel of MetLife, Inc. and MLIC since May 2010. Previously, he was Senior Chief Counsel of MLIC supporting the Insurance Group from March 2007 to April 2010, Chief Counsel of MLIC supporting Institutional Business, ERISA and the Product Tax Legal Group from April 2006 to February 2007, Chief Counsel of MLIC supporting MetLife Business-Legal from July 2004 to March 2006, and Senior Vice President of MLIC Institutional Business from October 2000 to June 2004. Mr. Latrenta was promoted to Senior Vice President of MLIC in 1997 after serving as a Vice President of MLIC from 1986 to 1997. Mr. Latrenta joined the Company in 1969 and has served in various senior management positions since that time. Mr. Latrenta is a director of American Life Insurance Company.

Maria R. Morris, age 48, has been Executive Vice President, Technology and Operations, of MetLife, Inc. and MLIC since January 2008. Previously, she was Executive Vice President of MLIC from December 2005 to January 2008, Senior Vice President of MLIC from July 2003 to December 2005, and Vice President of MLIC from March 1997 to July 2003. Ms. Morris is a director of MetLife Insurance Company of Connecticut.

William J. Mullaney, age 51, has been President, U.S. Business of MetLife, Inc. and MLIC since August 2009. Previously, he was President, Institutional Business, of MetLife, Inc. and MLIC from January 2007 to July 2009, President of Metropolitan Property and Casualty Insurance Company from January 2005 to January 2007, Senior Vice President of Metropolitan Property and Casualty Insurance Company from July 2002 to December 2004, Senior Vice President, Institutional Business, of MLIC from August 2001 to July 2002, and a Vice President of MLIC for more than five years. He is a director of MetLife Bank.

William J. Toppeta, age 62, has been President, International, of MetLife, Inc. and MLIC since June 2001. He was President of Client Services and Chief Administrative Officer of MetLife, Inc. from September 1999 to June 2001 and President of Client Services and Chief Administrative Officer of MLIC from May 1999 to June 2001. He was Senior Executive Vice President, Head of Client Services, of MLIC from March 1999 to May 1999, Senior Executive Vice President, Individual, from February 1998 to March 1999, Executive Vice President, Individual Business, from July 1996 to February 1998, Senior Vice President from October 1995 to July 1996 and President and Chief Executive Officer of its Canadian Operations from July 1993 to October 1995. Mr. Toppeta is a director of American Life Insurance Company.

William J. Wheeler, age 49, has been Executive Vice President and Chief Financial Officer of MetLife, Inc. and MLIC since December 2003, prior to which he was a Senior Vice President of MLIC from 1997 to December 2003. Previously, he was a Senior Vice President of Donaldson, Lufkin & Jenrette for more than five years. Mr. Wheeler is a director of MetLife Bank.

Trademarks

We have a worldwide trademark portfolio that we consider important in the marketing of our products and services, including, among others, the trademark MetLife. We also have the exclusive license to use the Peanuts® characters in the area of financial services and healthcare benefit services in the U.S. and internationally under an advertising and premium agreement with Peanuts Worldwide, LLC until December 31, 2014. We also have a non-exclusive license to use certain Citigroup-owned trademarks in connection with the marketing, distribution or sale of life insurance and annuity products under a licensing agreement with Citigroup until June 30, 2015. Furthermore, as result of the recent Acquisition, we acquired American Life Insurance Company and its trademarks, including the Alico trademark. We believe that our rights in our trademarks and under our Peanuts® characters license and our Citigroup license are well protected.

Available Information

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

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

Item 1A. ***Risk Factors***

Difficult Conditions in the Global Capital Markets and the Economy Generally May Materially Adversely Affect Our Business and Results of Operations and These Conditions May Not Improve in the Near Future

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. Stressed conditions, volatility and disruptions in global capital markets or in 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. Disruptions in one market or asset class can also spread to other markets or asset classes. Although the disruption in the global financial markets that began in late 2007 has moderated, not all global financial markets are functioning normally, and some remain reliant upon government intervention and liquidity. Upheavals in the financial markets can also affect our business through their effects on general levels of economic activity, employment and customer behavior. Although the recent recession in the U.S. ended in June of 2009, the recovery from the recession has been below historic averages and the unemployment rate is expected to remain high for some time. In addition, inflation is expected to remain at low levels for some time. Some economists believe that some level of disinflation and deflation risk remains in the U.S. economy. The global recession and disruption of the financial markets has led to concerns over capital markets access and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain. The Japanese economy, to which we face increased exposure as a result of the Acquisition, continues to experience low nominal growth, a deflationary environment, and weak consumer spending.

Our revenues and net investment income are likely to remain under pressure in such circumstances and our profit margins could erode. 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. 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 annuity products. The account values of these products decrease as a result of downturns in capital markets. Decreases in account values reduce the fees generated by our variable annuity products, cause the amortization of deferred policy acquisition costs (DAC) to accelerate and could increase the level of insurance liabilities we must carry to support those variable annuities issued with any associated guarantees.

Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our business. 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 the higher unemployment rate. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Adverse changes in the economy could affect earnings negatively and could have a material adverse effect on our business, results of operations and financial condition. The recent market turmoil has precipitated, and may continue to raise the possibility of, legislative, regulatory and governmental actions. We cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on our business, results of operations and financial condition. See Actions of the U.S. Government, Federal Reserve Bank of New York and Other Governmental and Regulatory Bodies for the Purpose of Stabilizing and Revitalizing the Financial Markets and Protecting Investors and Consumers May Not Achieve the Intended Effect or Could Adversely Affect MetLife s Competitive Position, Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth, Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth and Competitive Factors May Adversely Affect Our Market Share and Profitability.

Adverse Capital and Credit Market Conditions May Significantly Affect Our Ability to Meet Liquidity Needs, Access to Capital and Cost of Capital

The capital and credit markets are sometimes subject to periods of extreme volatility and disruption. Such volatility and disruption could cause liquidity and credit capacity for certain issuers to be limited.

We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations, and our business will suffer. The principal sources of our liquidity are insurance premiums, annuity considerations, deposit funds, and cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets also include short-term instruments such as funding agreements and commercial paper. Sources of capital in normal markets include long-term instruments, medium- and long-term debt, junior subordinated debt securities, capital securities and equity securities.

In the event market or other conditions have an adverse impact on our capital and liquidity beyond expectations and our current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, regulatory considerations, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects if we incur large investment losses or if the level of our business activity decreases due to a market downturn. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. Our internal sources of liquidity may prove to be insufficient and, in such case, we may not be able to successfully obtain additional financing on favorable terms, or at all.

Our liquidity requirements may change if, among other things, we are required to return significant amounts of cash collateral on short notice under securities lending agreements.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business, most significantly our insurance operations. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities; satisfy regulatory capital requirements (under both insurance and banking laws); and access the capital necessary to grow our business. See Business U.S. Regulation Financial Holding Company Regulation for information relating to the possible impact of Basel II and Basel III on the Company. As such, we may be forced to delay raising capital, issue different types of securities than we would otherwise, less effectively deploy such capital, issue shorter tenor securities than we prefer, or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility. Our results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

Actions of the U.S. Government, Federal Reserve Bank of New York and Other Governmental and Regulatory Bodies for the Purpose of Stabilizing and Revitalizing the Financial Markets and Protecting Investors and Consumers May Not Achieve the Intended Effect or Could Adversely Affect MetLife s Competitive Position

In recent years, Congress, the Federal Reserve Bank of New York, the FDIC, the U.S. Treasury and other agencies of the U.S. federal government took a number of increasingly aggressive actions (in addition to continuing a series of interest rate reductions that began in the second half of 2007) intended to provide liquidity to financial institutions and markets, to avert a loss of investor confidence in particular troubled institutions, to prevent or contain the spread of the financial crisis and to spur economic growth. Most of these programs have largely run their course or been discontinued. More likely to be relevant to MetLife, Inc. is the monetary policy implemented by the Federal Reserve Board, as well as Dodd-Frank, which will significantly change financial regulation in the U.S. in a number of areas that could affect MetLife. Given the large number of provisions that must be implemented through regulatory action, we cannot predict what impact this could have on our business, results of operations and financial condition.

It is not certain what effect the enactment of Dodd-Frank will have on the financial markets, the availability of credit, asset prices and MetLife s operations. See Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth. In addition, the U.S. federal government (including the FDIC) and private lenders have instituted programs to reduce the monthly payment obligations of mortgagors and/or reduce the principal payable on residential mortgage loans. As a result of such programs or of any legislation requiring loan modifications, we may need to maintain or increase our engagement in similar activities in order to comply with program or statutory requirements and to remain competitive. We cannot predict whether the funds made available by the U.S. federal government and its agencies will be enough to continue stabilizing or to further revive the financial markets or, if additional amounts are necessary, whether the Federal Reserve Board will make funds available, whether Congress will be willing to make the necessary appropriations, what the public s sentiment would be towards any such appropriations, or what additional requirements or conditions might be imposed on the use of any such additional funds.

The choices made by the U.S. Treasury, the Federal Reserve Board and the FDIC in their distribution of funds under EESA and any future asset purchase programs, as well as any decisions made regarding the imposition of additional regulation on large financial institutions may have, over time, the effect of supporting or burdening some aspects of the financial services industry more than others. Some of our competitors have received, or may in the future receive, benefits under one or more of the federal government s programs. This could adversely affect our competitive position. See Competitive Factors May Adversely Affect Our Market Share and Profitability. See also New and Impending Compensation and Corporate Governance Regulations Could Hinder or Prevent Us From Attracting and Retaining Management and Other Employees with the Talent and Experience to Manage and Conduct Our Business Effectively and Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth.

Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth

Our insurance operations are subject to a wide variety of insurance and other laws and regulations. See Business U.S. Regulation Insurance Regulation. State insurance laws regulate most aspects of our U.S. insurance businesses, and our insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and the states in which they are licensed. Our non-U.S. insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are domiciled or operate. See Business International Regulation.

State laws in the U.S. grant insurance regulatory authorities broad administrative powers with respect to, among other things:

- licensing companies and agents to transact business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;

- regulating certain premium rates;
- reviewing and approving policy forms;
- regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;
- regulating advertising;
- protecting privacy;
- establishing statutory capital and reserve requirements and solvency standards;
- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;
- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates; and
- regulating the types, amounts and valuation of investments.

State insurance guaranty associations have the right to assess insurance companies doing business in their state for funds to help pay the obligations of insolvent insurance companies to policyholders and claimants. Because the amount and timing of an assessment is beyond our control, the liabilities that we have currently established for these potential liabilities may not be adequate. See Business U.S. Regulation Insurance Regulation Guaranty Associations and Similar Arrangements.

State insurance regulators and the NAIC regularly reexamine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the insurer and, thus, could have a material adverse effect on our financial condition and results of operations.

Currently, the U.S. federal government does not directly regulate the business of insurance. However, Dodd-Frank allows federal regulators to compel state insurance regulators to liquidate an insolvent insurer under some circumstances if the state regulators have not acted within a specific period. It also establishes the Federal Insurance Office which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S. The Federal Insurance Office also is authorized to collect information about the insurance industry and recommend prudential standards.

Federal legislation and administrative policies in several areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities 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, Dodd-Frank imposes new restrictions on the ability of affiliates of insured depository institutions (such as MetLife Bank) to engage in proprietary trading or sponsor or invest in hedge funds or private equity funds. See Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and

Profitability and Limit Our Growth.

As a federally chartered national association, MetLife Bank is subject to a wide variety of banking laws, regulations and guidelines. Federal banking laws regulate most aspects of the business of MetLife Bank, but certain state laws may apply as well. MetLife Bank is principally regulated by the OCC, the Federal Reserve and the FDIC.

Federal banking laws and regulations address various aspects of MetLife Bank s business and operations with respect to, among other things:

- chartering to carry on business as a bank;
- the permissibility of certain activities;
- maintaining minimum capital ratios;

capital management in relation to the bank s assets;

dividend payments;

safety and soundness standards;

loan loss and other related liabilities;

liquidity;

financial reporting and disclosure standards;

counterparty credit concentration;

restrictions on related party and affiliate transactions;

lending limits (and, in addition, Dodd-Frank includes the credit exposures arising from securities lending by MetLife Bank within lending limits otherwise applicable to loans);

payment of interest;

unfair or deceptive acts or practices;

privacy; and

bank holding company and bank change of control.

Federal and state banking regulators regularly re-examine existing laws and regulations applicable to banks and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the bank and, thus, could have a material adverse effect on the financial condition and results of operations of MetLife Bank.

In addition, Dodd-Frank establishes a new Bureau of Consumer Financial Protection that 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 new Bureau has authority to regulate consumer services provided by MetLife Bank and non-insurance consumer services provided elsewhere throughout MetLife. Dodd-Frank established a statutory standard for Federal pre-emption of state consumer financial protection laws, which standard will require national banks to comply with many state consumer financial protection laws that previously were considered preempted by Federal law. As a result, the regulatory and compliance burden on MetLife Bank may increase and could adversely affect its business and results of operations. Dodd-Frank also includes provisions on mortgage lending, anti-predatory lending and other regulatory and supervisory provisions that could impact the business and operations of MetLife Bank.

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 Banking Regulation and 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.

In December 2010, the Basel Committee on Banking Supervision published Basel III for banks and bank holding companies, such as MetLife, Inc. Assuming regulators in the U.S. endorse and adopt Basel III, it will require banks and bank holding companies to hold greater amounts of capital, to comply with requirements for short-term liquidity and to reduce reliance on short-term funding sources. See Business U.S. Regulation Financial Holding Company Regulation Capital and Management s Discussion and Analysis of Financial Condition and Results of Operations Industry Trends Financial and Economic Environment. It is not clear how these new requirements will compare to the enhanced prudential standards that may apply to us under Dodd-Frank. See Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth.

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As a bank holding company, MetLife, Inc. s ability to pay dividends may be restricted by the Federal Reserve Bank of New York. In addition, the ability of MetLife Bank and MetLife, Inc. to pay dividends could be restricted by any additional capital requirements that might be imposed as a result of the enactment of Dodd-Frank and/or the endorsement and adoption by the U.S. of Basel III.

The FDIC has the right to assess FDIC-insured banks for funds to help pay the obligations of insolvent banks to depositors. Because the amount and timing of an assessment is beyond our control, the liabilities that we have currently established for these potential liabilities may not be adequate. In addition, Dodd-Frank will result in increased assessment for banks with assets of $10.0 billion or more, which includes MetLife Bank.

Our international operations are subject to regulation in the jurisdictions in which they operate, as described further under Business International Regulation. A significant portion of our revenues are 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 foreign authorities and regulators, such as through nationalization or expropriation of assets, the imposition of limits on foreign ownership, changes in laws or their interpretation or application, political instability, dividend limitations, price controls, 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, as well as adverse actions by foreign governmental authorities and regulators. This may also impact many of our customers and independent sales intermediaries. Changes in the regulations that affect their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Accordingly, these changes could have a material adverse effect on our financial condition and results of operations.

Our international operations are subject to local laws and regulations, and we expect the scope and extent of regulation outside of the U.S., as well as regulatory oversight, generally 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 us and our foreign operations. See 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 and Business International Regulation.

Furthermore, the increase in our international operations as a result of the acquisition of ALICO may also subject us to increased supervision by the Federal Reserve Board, since the size of a bank holding company s foreign activities is taken as an indication of the holding company s complexity. It may also have an effect on the manner in which MetLife, Inc. is required to calculate its RBC.

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.

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. We cannot predict whether or when regulatory actions may be taken that could adversely affect our operations. 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. See Business U.S. Regulation and Business International Regulation.

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Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth

On July 21, 2010, President Obama signed Dodd-Frank. Various provisions of Dodd-Frank could affect our business operations and our profitability and limit our growth. For example:

As a large, interconnected bank holding company with assets of $50 billion or more, or possibly as an otherwise systemically important financial company, MetLife, Inc. will be subject to enhanced prudential standards imposed on systemically significant financial companies. Enhanced standards will be applied to RBC, liquidity, leverage (unless another, similar, standard is appropriate), resolution plan and credit exposure reporting, concentration limits, and risk management. Off-balance sheet activities are required to be accounted for in meeting capital requirements. In addition, if it were determined that MetLife posed a substantial threat to U.S. financial stability, the applicable federal regulators would have the right to require it to take one or more other mitigating actions to reduce that risk, including limiting its ability to merge with or acquire another company, terminating activities, restricting its ability to offer financial products or requiring it to sell assets or off-balance sheet items to unaffiliated entities. Enhanced standards would also permit, but not require, regulators to establish requirements with respect to contingent capital, enhanced public disclosures and short-term debt limits. These standards are described as being more stringent than those otherwise imposed on bank holding companies; however, the Federal Reserve Board is permitted to apply them on an institution-by-institution basis, depending on its determination of the institution s riskiness. In addition, under Dodd-Frank, all bank holding companies that have elected to be treated as financial holding companies, such as MetLife, Inc. will be required to be well capitalized and well managed as defined by the Federal Reserve Board, on a consolidated basis and not just at their depository institution(s), a higher standard than was applicable to financial holding companies before Dodd-Frank.

MetLife, Inc., as a bank holding company, will have to meet minimum leverage ratio and RBC requirements on a consolidated basis to be established by the Federal Reserve Board that are not less than those applicable to insured depository institutions under so-called prompt corrective action regulations as in effect on the date of the enactment of Dodd-Frank. One consequence of these new rules will ultimately be the inability of bank holding companies to include trust-preferred securities as part of their Tier 1 capital. Because of the phase-in period for these new rules, they should have little practical effect on MetLife s ability to treat its currently outstanding trust-preferred securities as part of its Tier 1 capital, but they do prevent MetLife, Inc. from treating the common equity units issued as part of the consideration for the Acquisition as Tier I capital, since the new rules apply immediately to instruments issued after May 19, 2010.

Under the provisions of Dodd-Frank relating to the resolution or liquidation of certain types of financial institutions, including bank holding companies, if MetLife, Inc. were to become insolvent or were in danger of defaulting on its obligations, it could be compelled to undergo liquidation with the FDIC as receiver. For this new regime to be applicable, a number of determinations would have to be made, including that a default by the affected company would have serious adverse effects on financial stability in the U.S. If the FDIC were to be appointed as the receiver for such a company, the liquidation of that company would occur under the provisions of the new liquidation authority, and not under the Bankruptcy Code. In such a liquidation, the holders of such company s debt could in certain a respects be treated differently than under the Bankruptcy Code. In particular, unsecured creditors and shareholders are intended to bear the losses of the company being liquidated. The FDIC is authorized to establish rules for the priority of creditors claims and, under certain circumstances, to treat similarly situated creditors differently. These provisions could apply to some financial institutions whose outstanding debt securities we hold in our investment portfolios. Dodd-Frank also provides for the assessment of bank holding companies with assets of $50.0 billion or more, non-bank financial companies supervised by the Federal Reserve Bank, and other financial companies with assets of $50.0 billion or more to cover the costs of liquidating any financial company subject to the new liquidation authority. Although it is not possible to assess the full impact of the liquidation authority at this time, it could affect the funding costs of large bank holding companies or financial companies that might be viewed as systemically significant. It could also lead to an increase in secured financings.

Dodd-Frank also includes a new framework of regulation of the OTC derivatives markets which will require clearing of certain types of transactions currently traded OTC and could potentially impose additional costs, including new capital, reporting and margin requirements and additional regulation on the Company. Increased margin requirements on MetLife, Inc. s part and a smaller universe of securities that will qualify as eligible collateral could reduce its liquidity and require an increase in its holdings of cash and government securities with lower yields causing a reduction in income. However, increased margin requirements and the expanded ability to transfer trades between MetLife, Inc. s counterparties could reduce MetLife, Inc. s exposure to its counterparties default. 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. The derivative clearing requirements of Dodd-Frank could increase the cost of our risk mitigation and expose us to the risk of a default by a clearinghouse or one of its members. In addition, we are subject to the risk that hedging and other management procedures prove ineffective in reducing the risks to which insurance policies expose us or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed. Any such losses could be increased by any higher costs of writing derivatives (including customized derivatives) that might result from the enactment of Dodd-Frank.

Dodd-Frank restricts the ability of insured depository institutions and of companies, such as MetLife, Inc., that control an insured depository institution and their affiliates, to engage in proprietary trading and to sponsor or invest in funds (hedge funds and private equity funds) that rely on certain exemptions from the Investment Company Act. Dodd-Frank provides an exemption for investment activity by a regulated insurance company or its affiliate solely for the general account of such insurance company if such activity is in compliance with the insurance company investments laws of the state or jurisdiction in which such company is domiciled and the appropriate Federal regulators after consultation with relevant insurance commissioners have not jointly determined such laws to be insufficient to protect the safety and soundness of the institution or the financial stability of the U.S. Notwithstanding the foregoing, the appropriate Federal regulatory authorities are permitted under the legislation to impose, as part of rulemaking, additional capital requirements and other restrictions on any exempted activity. Dodd-Frank provides for a period of study and rule making during which the effects of the statutory language may be clarified. Among other considerations, the study is to assess and include recommendations so as to appropriately accommodate the business of insurance within an insurance company subject to regulation in accordance with relevant insurance company investments laws. While these provisions of Dodd-Frank are supposed to accommodate the business of insurance, until the related study and rulemaking are complete, it is unclear whether MetLife, Inc. may have to alter any of its future investment activities to comply.

Until various studies are completed and final regulations are promulgated pursuant to Dodd-Frank, the full impact of Dodd-Frank on the investments and investment activities and insurance and annuity products of MetLife, Inc. and its subsidiaries remains unclear. For example, besides directly limiting our future investment activities, Dodd-Frank could potentially negatively impact the market for, the returns from, or liquidity in, primary and secondary investments in private equity funds and hedge funds that are connected to (either through a fund sponsorship or investor relationship) an insured depository institution. The number of sponsors of such funds going forward may diminish, which may impact our available fund investment opportunities. Although Dodd-Frank provides for various transition periods for coming into compliance, fund sponsors that are subject to Dodd-Frank, and whose funds we have invested in, may have to spin off their funds business or reduce their ownership stakes in their funds, thereby potentially impacting our related investments in such funds. In addition, should such funds be required or choose to liquidate or sell their underlying assets, the market value and liquidity of such assets or the broader related asset classes could negatively be affected, including securities and real estate assets that MetLife, Inc. and its subsidiaries hold or may plan to sell. Secondary sales of fund interests at significant discounts by banking institutions and their affiliates, which are not fund sponsors but nevertheless are subject to the divestment requirements of Dodd-Frank, could reduce the returns realized by investors such as MetLife, Inc. and its subsidiaries seeking to access liquidity by selling their fund interests. In addition, our existing derivatives counterparties and the financial institutions subject to Dodd-Frank in which we have invested also could be negatively impacted by Dodd-Frank. See also New and Impending Compensation and Corporate Governance Regulations Could Hinder or Prevent Us From Attracting and Retaining Management and Other Employees with the Talent and Experience to Manage and Conduct Our Business Effectively.

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In addition, Dodd-Frank statutorily imposes the requirement that MetLife, Inc. serve as a source of strength for MetLife Bank.

The addition of a new regulatory regime over MetLife, Inc. and its subsidiaries, the likelihood of additional regulations, and the other changes discussed above could require changes to MetLife, Inc. s operations. Whether such changes would affect our competitiveness in comparison to other institutions is uncertain, since it is possible that at least some of our competitors, for example insurance holding companies that control thrifts, rather than banks, will be similarly affected. Competitive effects are possible, however, if MetLife, Inc. were required to pay any new or increased assessments and capital requirements are imposed, and to the extent any new prudential supervisory standards are imposed on MetLife, Inc. but not on its competitors. We cannot predict whether other proposals will be adopted, or what impact, if any, the adoption of Dodd-Frank or other proposals and the resulting studies and regulations could have on our business, financial condition or results of operations or on our dealings with other financial companies. See also Our Insurance, Brokerage and Banking Businesses are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth and New and Impending Compensation and Corporate Governance Regulations Could Hinder or Prevent Us From Attracting and Retaining Management and Other Employees with the Talent and Experience to Manage and Conduct Our Business Effectively.

Moreover, Dodd-Frank potentially affects such a wide range of the activities and markets in which MetLife, Inc. and its subsidiaries engage and participate that it may not be possible to anticipate all of the ways in which it could affect us. For example, many of our methods for managing risk and exposures are based upon the use of observed historical market behavior or statistics based on historical models. Historical market behavior may be altered by the enactment of Dodd-Frank. As a result of this enactment and otherwise, these methods may not fully predict future exposures, which could be significantly greater than our historical measures indicate.

The Resolution of Several Issues Affecting the Financial Services Industry Could Have a Negative Impact on Our Reported Results or on Our Relations with Current and Potential Customers

We will continue to be subject to legal and regulatory actions in the ordinary course of our business, both in the U.S. and internationally. This could result in a review of business sold in the past under previously acceptable market practices at the time. Regulators are increasingly interested in the approach that product providers use to select third-party distributors and to monitor the appropriateness of sales made by them. In some cases, product providers can be held responsible for the deficiencies of third-party distributors.

As a result of publicity relating to widespread perceptions of industry abuses, there have been numerous regulatory inquiries and proposals for legislative and regulatory reforms.

In Asia, where MetLife derives and will continue to derive a significant portion of its income, regulatory regimes are developing at different speeds, driven by a combination of global factors and local considerations. New requirements may be introduced that are retrospectively applied to sales made prior to their introduction.

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

We are exposed to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, market volatility, the performance of the global economy in general, the performance of the specific obligors, including governments, included in our portfolio and other factors outside our control.

Our exposure to interest rate risk relates primarily to the market price and cash flow variability associated with changes in interest rates. Changes in interest rates will impact the net unrealized gain or loss position of our fixed income investment portfolio. If long-term interest rates rise dramatically within a six to twelve month time period, certain of our life insurance businesses and fixed annuity business may be exposed to disintermediation risk. Disintermediation risk refers to the risk that our policyholders may surrender their contracts in a rising interest rate environment, requiring us to liquidate fixed income investments in an unrealized loss position. Due to the long-term nature of the liabilities associated with certain of our life insurance businesses, guaranteed benefits on variable annuities, and structured settlements, sustained declines in long-term interest rates may subject us to reinvestment risks and increased hedging costs. In other situations, declines in interest rates may result in increasing the duration of certain life insurance liabilities, creating asset-liability duration mismatches.

Our investment portfolio also contains interest rate sensitive instruments, such as fixed income securities, which may be adversely affected by changes in interest rates from governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Changes in interest rates will impact both the net unrealized gain or loss position of our fixed income portfolio and the rates of return we receive on funds invested. Our mitigation efforts with respect to interest rate risk are primarily focused towards 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. However, our estimate of the liability cash flow profile may be inaccurate and we may be forced to liquidate fixed income investments prior to maturity at a loss in order to cover the cash flow profile of the liability. Although we take measures to manage the economic risks of investing in a changing interest rate environment, we may not be able to mitigate the interest rate risk of our fixed income investments relative to our liabilities. See also Changes in Market Interest Rates May Significantly Affect Our Profitability.

Our exposure to credit spreads primarily relates to market price volatility and cash flow variability associated with changes in credit spreads. A widening of credit spreads will adversely impact both the net unrealized gain or 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 issuer credit spreads increase significantly or for an extended period of time, will likely result in higher other-than-temporary impairments. Credit spread tightening will reduce net investment income associated with new purchases of fixed maturity securities. In addition, market volatility can make it difficult to value certain of our securities if trading becomes less frequent. As such, valuations may include assumptions or estimates that may have significant period to period changes which could have a material adverse effect on our results of operations or financial condition. Credit spreads on both corporate and structured securities widened significantly during 2008, resulting in continuing depressed pricing. As a result of improved conditions, credit spreads narrowed in 2009 and changed to a lesser extent in 2010. If there is a resumption of significant volatility in the markets, it could cause changes in credit spreads and defaults and a lack of pricing transparency which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows through realized investment losses, impairments, and changes in unrealized loss positions.

Our primary exposure to equity risk relates to the potential for lower earnings associated with certain of our insurance businesses where fee income is earned based upon the estimated fair value of the assets under management. Downturns and volatility in equity markets can have a material adverse effect on the revenues and investment returns from our savings and investment products and services. Because these products and services generate fees related primarily to the value of assets under management, a decline in the equity markets could reduce our revenues from the reduction in the value of the investments we manage. The retail variable annuity business in particular is highly sensitive to equity markets, and a sustained weakness in the equity markets could decrease revenues and earnings in variable annuity products. Furthermore, certain of our variable annuity products offer guaranteed benefits which increase our potential benefit exposure should equity markets decline. MetLife, Inc. uses derivatives and reinsurance to mitigate the impact of such increased potential benefit exposures. We are also exposed to interest rate and equity risk based upon the discount rate and expected long-term rate of return assumptions associated with our pension and other postretirement benefit obligations. Sustained declines in long-term interest rates or equity returns likely would have a negative effect on the funded status of these plans. Lastly, we invest a portion of our investments in public and private equity securities, leveraged buy-out funds, hedge funds and other private equity funds and the estimated fair value of such investments may be impacted by downturns or volatility in equity markets.

Our primary exposure to real estate risk relates to commercial and agricultural real estate. Our exposure to commercial and agricultural real estate risk stems from various factors. These factors 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. In addition, our real estate joint venture development program is subject to risks, including, but not limited to, reduced property sales and decreased availability of financing which could adversely impact the joint venture developments and/or operations. The state of the economy and speed of recovery in fundamental and capital market conditions in the commercial and agricultural real estate sectors will continue to influence the performance of our investments in these sectors. These factors and others beyond our control could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows through net investment income, realized investment losses and levels of valuation allowances.

Our investment portfolio contains investments in government bonds issued by European nations. Recently, the European Union member states have experienced above average public debt, inflation and unemployment as the global economic downturn has developed. A number of member states are significantly impacted by the economies of their more influential neighbors, such as Germany. In addition, financial troubles of one nation can trigger a domino effect on others. In particular, a number of large European banks hold significant amounts of sovereign financial institution debt of other European nations and could experience difficulties as a result of defaults or declines in the value of such debt. Our investment portfolio also contains investments in revenue bonds issued under the auspices of U.S. states and municipalities and a limited amount of general obligation bonds of U.S. states and municipalities (collectively, Municipal Bonds). Recently, certain U.S. states and municipalities have faced budget deficits and financial difficulties. There can be no assurance that the financial difficulties of such U.S. states and municipalities would not have an adverse impact on our Municipal Bond portfolio.

Our primary foreign currency exchange risks are described under Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability. Changes in these factors, which are significant risks to us, can affect our net investment income in any period, and such changes can be substantial.

A portion of our investments are made in leveraged buy-out funds, hedge funds and other private equity funds, many of which make private equity investments. The amount and timing of net investment income from such investment funds tends to be uneven as a result of the performance of the underlying investments, including private equity investments. The timing of distributions from the funds, which depends on particular events relating to the underlying investments, as well as the funds schedules for making distributions and their needs for cash, can be difficult to predict. As a result, the amount of net investment income that we record from these investments can vary substantially from quarter to quarter. Recovering private equity markets and stabilizing credit and real estate markets during 2010 had a positive impact on returns and net investment income on private equity funds, hedge funds and real estate joint ventures, which are included within other limited partnership interests and real estate and real estate joint venture portfolios. Although volatility in most global financial markets has moderated, if there is a resumption of significant volatility, it could adversely impact returns and net investment income on these alternative investment classes.

Continuing challenges include continued weakness in the U.S. real estate market and increased residential mortgage loan and other consumer loan delinquencies, investor anxiety over the U.S. and European economies, rating agency downgrades of various structured products and financial issuers, unresolved issues with structured investment vehicles and monoline financial guarantee insurers, deleveraging of financial institutions and hedge funds and the continuing recovery in the inter-bank market. If there is a resumption of significant volatility in the markets, it could cause changes in interest rates, declines in equity prices, and the strengthening or weakening of foreign currencies against the U.S. dollar which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows through realized investment losses, impairments, increased valuation allowances and changes in unrealized gain or loss positions.

Changes in Market Interest Rates May Significantly Affect Our Profitability

Some of our products, principally traditional whole life insurance, fixed annuities and guaranteed interest contracts, expose us to the risk that changes in interest rates will reduce our investment margin or spread, or the difference between the amounts that we are required to pay under the contracts in our general account and the rate of return we are able to earn on general account investments intended to support obligations under the contracts. Our spread is a key component of our net income.

As interest rates decrease or remain at low levels, we may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing our investment margin. Moreover, borrowers may prepay or redeem the fixed income securities, commercial or agricultural mortgage loans and mortgage-backed securities in our investment portfolio with greater frequency in order to borrow at lower market rates, which exacerbates this risk.

Lowering interest crediting rates can help offset decreases in investment margins on some products. However, our ability to lower these rates could be limited by competition or contractually guaranteed minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our spread could decrease or potentially become negative. Our expectation for future spreads is an important component in the amortization of DAC and value of business acquired (VOBA), and significantly lower spreads may cause us to accelerate amortization, thereby reducing net income in the affected reporting period. In addition, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive investments to consumers, resulting in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in force from year to year, during a period when our new investments carry lower returns. A decline in market interest rates could also reduce our return on investments that do not support particular policy obligations. Accordingly, declining interest rates may materially affect our results of operations, financial position and cash flows and significantly reduce our profitability. We recognize that a low interest rate environment will adversely affect our earnings, but we do not believe any such impact will be material in 2011.

The sufficiency of our life insurance statutory reserves in Taiwan is highly sensitive to interest rates and other related assumptions. This is due to the sustained low interest rate environment in Taiwan coupled with long-term interest rate guarantees of approximately 6% embedded in the life and health contracts sold prior to 2003 and the lack of availability of long-duration investments in the Taiwanese capital markets to match such long-duration liabilities. The key assumptions include current Taiwan government bond yield rates increasing approximately 1% from current levels over the next ten years, lapse rates, mortality and morbidity levels remaining consistent with recent experience, and U.S. dollar-denominated investments making up to 35% of total assets backing life insurance statutory reserves. Current reserve adequacy analysis shows that provisions are adequate; however, adverse changes in key assumptions for interest rates, lapse experience and mortality and morbidity levels could lead to a need to strengthen reserves.

Increases in market interest rates could also negatively affect our profitability. In periods of rapidly increasing interest rates, we may not be able to replace, in a timely manner, the investments in MetLife s general account with higher yielding investments needed to fund the higher crediting rates necessary to keep interest sensitive products competitive. We, therefore, may have to accept a lower spread and, thus, lower profitability or face a decline in sales and greater loss of existing contracts and related assets. In addition, policy loans, surrenders and withdrawals may tend to increase as policyholders seek investments with higher perceived returns as interest rates rise. This process may result in cash outflows requiring that we sell investments at a time when the prices of those investments are adversely affected by the increase in market interest rates, which may result in realized investment losses. Unanticipated withdrawals and terminations may cause us to accelerate the amortization of DAC, VOBA and negative VOBA, which reduces net income. An increase in market interest rates could also have a material adverse effect on the value of our investment portfolio, for example, by decreasing the estimated fair values of the fixed income securities that comprise a substantial portion of our investment portfolio. Lastly, an increase in interest rates could result in decreased fee income associated with a decline in the value of variable annuity account balances invested in fixed income funds.

Some of Our Investments Are Relatively Illiquid and Are in Asset Classes That Have Been Experiencing Significant Market Valuation Fluctuations

We hold certain investments that may lack liquidity, such as privately-placed fixed maturity securities; mortgage loans; policy loans and leveraged leases; equity real estate, including real estate joint ventures and funds; and other limited partnership interests. These asset classes represented 26.6% of the carrying value of our total cash and investments at December 31, 2010. In recent years, even some of our very high quality investments experienced reduced liquidity during periods of market volatility or disruption. If we require significant amounts of cash on short notice in excess of normal cash requirements or are required to post or return cash collateral in connection with our investment portfolio, derivatives transactions or securities lending program, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both. The reported value of our relatively illiquid types of investments, our investments in the asset classes described above and, at times, our high quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If we were forced to sell certain of our investments in the global market, there can be no assurance that we will be able to sell them for the prices at which we have recorded them and we could be forced to sell them at significantly lower prices.

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Our Participation in a Securities Lending Program Subjects Us to Potential Liquidity and Other Risks

We participate in a securities lending program whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks. We generally obtain collateral in an amount equal to 102% of the estimated fair value of the loaned securities, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. Returns of loaned securities by the third parties would require us to return the collateral associated with such loaned securities. In addition, in some cases, the maturity of the securities held as invested collateral (i.e., securities that we have purchased with cash collateral received from the third parties) may exceed the term of the related securities on loan and the estimated fair value may fall below the amount of cash received as collateral and invested. If we are required to return significant amounts of cash collateral on short notice and we are forced to sell securities to meet the return obligation, we may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than we otherwise would have been able to realize under normal market conditions, or both. In addition, under stressful capital market and economic conditions, liquidity broadly deteriorates, which may further restrict our ability to sell securities. If we decrease the amount of our securities lending activities over time, the amount of net investment income generated by these activities will also likely decline. See Management s Discussion and Analysis of Financial Condition and Results of Operations Investments Securities Lending.

Our Requirements to Pledge Collateral or Make Payments Related to Declines in Estimated Fair Value of Specified Assets May Adversely Affect Our Liquidity and Expose Us to Counterparty Credit Risk

Some of our transactions with financial and other institutions specify the circumstances under which the parties are required to pledge collateral related to any decline in the estimated fair value of the specified assets. In addition, under the terms of some of our transactions, we may be required to make payments to our counterparties related to any decline in the estimated fair value of the specified assets. The amount of collateral we may be required to pledge and the payments we may be required to make under these agreements may increase under certain circumstances, which could adversely affect our liquidity. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Company Liquidity and Capital Sources Collateral Financing Arrangements and Note 12 of the Notes to the Consolidated Financial Statements.

Gross Unrealized Losses on Fixed Maturity and Equity Securities May Be Realized or Result in Future Impairments, Resulting in a Reduction in Our Net Income

Fixed maturity and equity securities classified as available-for-sale are reported at their estimated fair value. Unrealized gains or losses on available-for-sale securities are recognized as a component of other comprehensive income (loss) and are, therefore, excluded from net income. Our gross unrealized losses on fixed maturity and equity securities available for sale at December 31, 2010 were $6.9 billion. The portion of the $6.9 billion of gross unrealized losses for fixed maturity and equity securities where the estimated fair value has declined and remained below amortized cost or cost by 20% or more for six months or greater was $2.1 billion at December 31, 2010. The accumulated change in estimated fair value of these available-for-sale securities is recognized in net income when the gain or loss is realized upon the sale of the security or in the event that the decline in estimated fair value is determined to be other-than-temporary and an impairment charge to earnings is taken. Realized losses or impairments may have a material adverse effect on our net income in a particular quarterly or annual period.

The Determination of the Amount of Allowances and Impairments Taken on Our Investments is Highly Subjective and Could Materially Impact Our Results of Operations or Financial Position

The determination of the amount of allowances and impairments varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly and reflect changes in allowances and impairments in net investment losses as such evaluations are revised. Additional impairments may need to be taken or allowances provided for in the future. Furthermore, historical trends may not be indicative of future impairments or allowances.

For example, the cost of our fixed maturity and equity securities is adjusted for impairments deemed to be other-than-temporary. The assessment of whether impairments have occurred is based on our case-by-case evaluation of the underlying reasons for the decline in estimated fair value. The review of our fixed maturity and equity securities for impairments includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value has declined and remained below cost or amortized cost by less than 20%; (ii) securities where the estimated fair value has declined and remained below cost or amortized cost by 20% or more for less than six months; and (iii) securities where the estimated fair value has declined and remained below cost or amortized cost by 20% or more for six months or greater.

Additionally, we consider a wide range of factors about the security issuer and use our best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near term recovery. Inherent in our evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the estimated fair value has been below cost or amortized cost; (ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources; (vi) with respect to fixed maturity securities, whether we have the intent to sell or will more likely than not be required to sell a particular security before recovery of the decline in estimated fair value below amortized cost; (vii) with respect to equity securities, whether we have the ability and intent to hold a particular security for a period of time sufficient to allow for the recovery of its estimated fair value to an amount at least equal to its cost; (viii) unfavorable changes in forecasted cash flows on mortgage-backed and asset-backed securities (ABS); and (ix) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

Defaults on Our Mortgage Loans and Volatility in Performance May Adversely Affect Our Profitability

Our mortgage loans face default risk and are principally collateralized by commercial, agricultural and residential properties. We establish valuation allowances for estimated impairments at the balance sheet date. Such valuation allowances are based on the excess carrying value of the loan over the present value of expected future cash flows discounted at the loan s original effective interest rate, the estimated fair value of the loan s collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or the loan s observable market price. We also establish valuation allowances for loan losses for pools of loans with similar risk characteristics, such as property types, or loans having similar loan-to-value ratios and debt service coverage ratios, when based on past experience, it is probable that a credit event has occurred and the amount of the loss can be reasonably estimated. These valuation allowances are based on loan risk characteristics, historical default rates and loss severities, real estate market fundamentals and outlook as well as other relevant factors. At December 31, 2010, mortgage loans that were either delinquent or in the process of foreclosure totaled less than 0.6% of our mortgage loan investments. The performance of our mortgage loan investments, however, may fluctuate in the future. In addition, substantially all of our mortgage loans held-for-investment have balloon payment maturities. An increase in the default rate of our mortgage loan investments could have a material adverse effect on our business, results of operations and financial condition through realized investment losses or increases in our valuation allowances.

Further, any geographic or sector concentration of our mortgage loans may have adverse effects on our investment portfolios and consequently on our results of operations or financial condition. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on the investment portfolios to the extent that the portfolios are concentrated. Moreover, our ability to sell assets relating to such particular groups of related assets may be limited if other market participants are seeking to sell at the same time. In addition, legislative proposals that would allow or require modifications to the terms of mortgage loans could be enacted. We cannot predict whether these proposals will be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on our business or investments. See Management s Discussion and Analysis of Financial Condition and Results of Operations Investments Mortgage Loans.

The Impairment of Other Financial Institutions Could Adversely Affect Us

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, hedge funds and other investment funds and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to these financial institutions in the form of unsecured debt instruments, non-redeemable and redeemable preferred securities, derivative transactions, joint venture, hedge fund and equity investments. Further, potential action by governments and regulatory bodies in response to the financial crisis affecting the global banking system and financial markets, such as investment, nationalization, conservatorship, receivership and other intervention, whether under existing legal authority or any new authority that may be created, could negatively impact these instruments, securities, transactions and investments. There can be no assurance that any such losses or impairments to the carrying value of these investments would not materially and adversely affect our business and results of operations.

We Face Unforeseen Liabilities, Asset Impairments or Rating Actions Arising from Acquisitions, Including ALICO, and Dispositions of Businesses or Difficulties Integrating and Managing Growth of Such Businesses

We have engaged in dispositions and acquisitions of businesses in the past, and expect to continue to do so in the future. Acquisition and disposition activity exposes us to a number of risks.

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.

In addition, there may be liabilities or asset impairments that we fail, or are unable, to discover in the course of performing due diligence investigations on each business that we have acquired or may acquire. 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. For example, in connection with the acquisition of ALICO, we may be exposed to obligations and liabilities of ALICO that are not adequately covered, in amount, scope or duration, by the indemnification provisions in the Stock Purchase Agreement or reflected or reserved for in ALICO s historical financial statements. Although we have rights to indemnification from ALICO Holdings under the Stock Purchase Agreement for certain losses, our rights are limited by survival periods for bringing claims and monetary limitations on the amount 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.

Furthermore, the use of our own funds as consideration in any acquisition would consume capital resources that would no longer be available 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 MetLife 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 MetLife after the acquisition. Independent distributors may reexamine the scope of their relationship with the acquired business or MetLife 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.

All of these challenges are present in our integration of ALICO, which we expect to extend over a substantial period.

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 in which ALICO operates have experienced significant growth in recent years. Management of ALICO s growth 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, including ALICO. 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.

There Can Be No Assurance That the Closing Agreement American Life Entered Into With the IRS Will Achieve Its Intended Effect, or That American Life Will Be Able to Comply with the Related Agreed Upon Plan

On March 4, 2010, American Life entered into a closing agreement with the Commissioner of the IRS with respect to a U.S. withholding tax issue arising from payments by foreign branches of a life insurance company incorporated under U.S. law. IRS Revenue Ruling 2004-75, effective January 1, 2005, requires foreign branches of U.S. life insurance companies in certain circumstances to withhold U.S. income taxes on payments of taxable income made with respect to certain insurance and annuity products paid to customers resident in a foreign country. The closing agreement provides transitional relief under Section 7805(b) of the Code to American Life, such that American Life s foreign branches will not be required to withhold U.S. income tax on the income portion of payments made pursuant to American Life s life insurance and annuity contracts (Covered Payments) under IRS Revenue Ruling 2004-75 for any tax periods beginning on January 1, 2005 and ending on December 31, 2013 (the Deferral Period). In accordance with the closing agreement, American Life submitted a plan to the IRS indicating the steps American Life will take (on a country by country basis) to ensure that no substantial amount of U.S. withholding tax will arise from Covered Payments made by American Life s foreign branches to foreign customers after the Deferral Period. In addition, the closing agreement requires that such plan be updated in quarterly filings with the IRS. The closing agreement is final and binding upon American Life and the IRS; *provided*, *however*, that the agreement can be reopened in the event of malfeasance, fraud or a misrepresentation of a material fact, and is subject to change of law risk that occurs after the effective date of the closing agreement (with certain exceptions). In addition, the closing agreement provides that no legislative amendment to Section 861(a)(1)(A) of the Code shall shorten the Deferral Period, regardless of when such amendment is enacted. The plan American Life delivered to the IRS involves the transfer of businesses from certain of the foreign branches of American Life to one or more existing or newly-formed foreign affiliates of American Life; however, the plan is subject to change pursuant to the quarterly updates that American Life will provide to the IRS. An estimate of the costs to comply with the plan has been recorded in the financial statements. Also the achievement of the plan presented to the IRS within the required time frame of December 31, 2013 is contingent upon regulatory approvals and other requirements. Failure to achieve the plan in a timely manner could cause American Life to be required to withhold U.S. income taxes on the taxable portion of payments made by American Life s foreign branches after December 31, 2013 to customers resident in a foreign country, which could put American Life at a competitive disadvantage with its competitors that sell similar products through foreign entities and could have a material adverse effect on American Life s future revenues or expenses or both.

There Can Be No Assurance That Any Incremental Tax Benefit Will Result From the Currently Planned Elections Under Section 338 of the Code

MetLife, Inc. currently plans to make Section 338 Elections with respect to ALICO and certain of its subsidiaries, and MetLife, Inc. believes that ALICO and such subsidiaries should have additional amortizable basis in their assets for U.S. tax purposes as a result of such elections. No assurance can be given, however, as to the incremental tax benefit, if any, that will result from any such elections, if made.

The Issuance of Certain Equity Securities to ALICO Holdings in Connection with the Acquisition Will Have a Dilutive Impact on MetLife, Inc. s Stockholders

As part of the consideration paid to ALICO Holdings pursuant to the terms of the Stock Purchase Agreement, MetLife, Inc. issued to ALICO Holdings (A) 78,239,712 shares of its common stock, (B) 6,857,000 shares of the Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (the Convertible Preferred Stock), which will be convertible into approximately 68,570,000 shares of MetLife, Inc. s common stock (subject to anti-dilution adjustments) upon a favorable vote of MetLife, Inc. s common stockholders, and (C) $3.0 billion aggregate stated amount of MetLife, Inc. s common equity units, which initially consist of (x) purchase contracts obligating the holder to purchase a variable number of shares of MetLife, Inc. s common stock on each of three specified future settlement dates (approximately two, three and four years after the closing of the Acquisition, subject to deferral under certain circumstances) for a fixed amount per purchase contract (an aggregate of $1.0 billion on each settlement date) (the Stock Purchase Contracts) and (y) an interest in each of three series of debt securities of MetLife, Inc. The aggregate amount of MetLife, Inc. s common stock expected to be issued to ALICO Holdings in connection with the Acquisition (including shares of common stock issuable upon conversion of the Convertible Preferred Stock and shares of common stock issuable upon settlement of the Stock Purchase Contracts) is expected to be approximately 214,600,000 to 231,500,000 shares.

As a result of the issuance of these securities, more shares of common stock will be outstanding and each existing stockholder will own a smaller percentage of our common stock then outstanding.

Subject to Certain Limitations, ALICO Holdings Will Be Able to Sell MetLife, Inc. s Equity Securities at Any Time From and After the Date 270 Days After the Closing of the Acquisition, Which Could Cause MetLife, Inc. s Stock Price to Decrease

ALICO Holdings agreed in the Investor Rights Agreement entered into in connection with the Acquisition, not to transfer any of MetLife, Inc. s securities received pursuant to the terms of the Stock Purchase Agreement, at any time up to the date 270 days after the closing of the Acquisition, without the consent of MetLife, Inc. However, from and after such date, ALICO Holdings will be able to transfer up to half of such equity securities, and from and after the first anniversary of the closing of the Acquisition, ALICO Holdings will be able to transfer all of such securities, subject in each case to certain limited volume and timing restrictions set forth in the Investor Rights Agreement. Moreover, ALICO Holdings will agree to use commercially reasonable efforts to transfer, and it will cause its affiliates to so transfer, all of MetLife, Inc. s securities received in connection with the Acquisition prior to the later of (i) the fifth anniversary of the closing of the Acquisition, and (ii) the first anniversary of the third stock purchase date under the Stock Purchase Contracts. Subject to certain conditions, we have agreed to register the resale of MetLife, Inc. s equity and other securities to be issued to ALICO Holdings under the Securities Act. The sale or transfer of a substantial number of these securities within a short period of time could cause MetLife, Inc. s stock price to decrease, make it more difficult for us to raise funds through future offerings of MetLife, Inc. s common stock or acquire other businesses using MetLife, Inc. s common stock as consideration.

If MetLife, Inc. s Stockholders Do Not Vote to Approve the Conversion of the Convertible Preferred Stock Into Common Stock, MetLife, Inc. Will Be Required to Pay Approximately $300 Million to ALICO Holdings

ALICO Holdings received shares of the Convertible Preferred Stock upon completion of the Acquisition. Each share of Convertible Preferred Stock will convert into 10 shares of MetLife, Inc. s common stock (subject to anti-dilution adjustments) if conversion is approved by MetLife, Inc. s common stockholders. If we fail to obtain such approval prior to the first anniversary of the closing of the Acquisition, November 1, 2011, MetLife, Inc. will be required to pay approximately $300 million to ALICO Holdings, assuming no purchase price adjustments, and, upon request, register the Convertible Preferred Stock for sale by ALICO Holdings in a public offering and list the Convertible Preferred Stock on the NYSE.

Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability

We are exposed to risks associated with fluctuations in foreign currency exchange rates against the U.S. dollar resulting from our holdings of non-U.S. dollar denominated investments, investments in foreign subsidiaries and net income from foreign operations and issuance of non-U.S. dollar denominated instruments, including guaranteed interest contracts and funding agreements. These risks relate to potential decreases in estimated fair value and income resulting from a strengthening or weakening in foreign 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 non-U.S. dollar denominated investments, our investments in foreign subsidiaries, and our net income from foreign operations. Although we use foreign currency swaps and forward contracts to mitigate foreign currency exchange rate risk, we cannot provide assurance that these methods will be effective or that our counterparties will perform their obligations. See Quantitative and Qualitative Disclosures About Market Risk.

From time to time, various emerging market countries have experienced severe economic and financial disruptions, including significant devaluations of their currencies. Our exposure to foreign exchange rate risk is exacerbated by our investments in certain emerging markets.

Historically, we have matched substantially all of our foreign currency liabilities in our foreign subsidiaries with investments denominated in their respective foreign currency, which limits the effect of currency exchange rate fluctuation on local operating results; however, fluctuations in such rates affect the translation of these results into our U.S. dollar basis consolidated financial statements. Although we take certain actions to address this risk, foreign currency exchange rate fluctuation could materially adversely affect our reported results due to unhedged positions or the failure of hedges to effectively offset the impact of the foreign currency exchange rate fluctuation. See Quantitative and Qualitative Disclosures About Market Risk.

The Acquisition has increased our exposure to risks associated with fluctuations in foreign currency exchange rates against the U.S. dollar and increased our exposure to emerging markets. Fluctuations in the yen/ U.S. dollar exchange rate can have a significant effect on our reported financial position and results of operations because ALICO has substantial operations in Japan and a significant portion of its premiums and investment income are received in yen. Claims and expenses are also paid in yen and ALICO primarily purchases yen-denominated assets to support yen-denominated policy liabilities. These and other yen-denominated financial statement items are, however, translated into U.S. dollars for financial reporting purposes. Accordingly, fluctuations in the yen/U.S. dollar exchange rate can have a significant effect on our reported financial position and results of operations.

Due to our significant international operations, during periods when any foreign currency in which we derive our revenues (such as the Japanese yen) weakens, translating amounts expressed in that currency into U.S. dollars causes fewer U.S. dollars to be reported. When the relevant foreign currency strengthens, translating such currency into U.S. dollars causes more U.S. dollars to be reported. Between September 30, 2010 and December 31, 2010, the Japanese yen has strengthened against the U.S. dollar, which fluctuated from a low point of ¥80.40 to the U.S. dollar on October 29, 2010 to a high point of ¥84.26 to the U.S. dollar on November 29, 2010, which has been somewhat offset by the weakening of the euro, which fluctuated from a high point of 0.7702 euro to the U.S. dollar on November 30, 2010, to 0.7039 euro to the U.S. dollar on November 4, 2010. Any unrealized foreign currency translation adjustments are reported in accumulated other comprehensive income (loss). The weakening of a foreign currency relative to the U.S. dollar will generally adversely affect the value of investments in U.S. dollar terms and reduce the level of reserves denominated in that currency.

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

Our international operations face political, legal, operational and other risks that we do not face in our domestic operations. We face the risk of discriminatory regulation, nationalization or expropriation of assets, price controls and 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. Some of our foreign insurance operations are, and are likely to continue to be, in emerging markets where these risks are heightened. See Quantitative and Qualitative Disclosures About Market Risk. In addition, we rely on local sales forces in these countries and may encounter labor problems resulting from workers associations and trade unions in some countries. In several countries, including Japan, China and India, we operate with local business partners with the resulting risk of managing partner relationships to the business objectives. If our business model is not successful in a particular country, we may lose all or most of our investment in building and training the sales force in that country. See Management s Discussion and Analysis of Financial Condition and Results of Operations Executive Summary and Note 2 of the Notes to the Consolidated Financial Statements.

We are expanding our international operations in certain markets where we operate and in selected new markets. This may require considerable management time, as well as start-up expenses for market development before any significant revenues and earnings are generated. Operations in new foreign markets may achieve low margins or may be unprofitable, and expansion in existing markets may be affected by local economic and market conditions. Therefore, as we expand internationally, we may not achieve expected operating margins and our results of operations may be negatively impacted.

In addition, in recent years, the operating environment in Argentina has been very challenging. In Argentina, we were formerly principally engaged in the pension business. In December 2008, the Argentine government nationalized private pensions and seized the pension funds investments, eliminating the private pensions business in Argentina. As a result, we have experienced and will continue to experience reductions in the operation s revenues and cash flows. The Argentine government now controls all assets which previously were managed by our

Argentine pension operations. Further governmental or legal actions related to our operations in Argentina could negatively impact our operations in Argentina and result in future losses.

We have market presence in over 60 different countries and increased exposure to risks posed by local and regional economic conditions. Europe has recently experienced a deep recession and countries such as Italy, Spain, Portugal and, in particular, Greece and Ireland, have been particularly affected by the recession, resulting in increased national debts and depressed economic activity. We have significant operations and investments in these countries which could be adversely affected by economic developments such as higher taxes, growing inflation, decreasing government spending, rising unemployment and currency instability.

In addition to fluctuations in the yen/U.S. dollar exchange rate discussed above, we face increased exposure to the Japanese markets as a result of ALICO s considerable presence there. Deterioration in Japan s economic recovery could have an adverse effect on our results of operations and financial condition.

We also have operations in the Middle East where the legal and political systems and regulatory frameworks are subject to instability and disruptions. Lack of legal certainty and stability in the region exposes our operations to increased risk of disruption and to adverse or unpredictable actions by regulators and may make it more difficult for us to enforce our contracts, which may negatively impact our business in this region. See also Changes in Market Interest Rates May Significantly Affect Our Profitability regarding the impact of low interest rates on our Taiwanese operations.

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

MetLife, Inc. is a holding company for its insurance and financial subsidiaries and does not have any significant operations of its own. Dividends from its subsidiaries and permitted payments to it under its tax sharing arrangements with its subsidiaries are its principal sources of cash to meet its obligations and to pay preferred and common stock dividends. If the cash MetLife, Inc. receives from its subsidiaries is insufficient for it to fund its debt service and other holding company obligations, MetLife, Inc. may be required to raise cash through the incurrence of debt, the issuance of additional equity or the sale of assets.

The payment of dividends and other distributions to MetLife, Inc. by its insurance subsidiaries is regulated by insurance laws and regulations. In general, dividends in excess of prescribed limits require insurance regulatory approval. In addition, insurance regulators may prohibit the payment of dividends or other payments by its insurance subsidiaries to MetLife, Inc. if they determine that the payment could be adverse to our policyholders or contractholders. The payment of dividends and other distributions by insurance companies is also influenced by business conditions and rating agency considerations. See Business U.S. Regulation Insurance Regulation and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Holding Company Liquidity and Capital Sources Dividends from Subsidiaries. The ability of MetLife Bank to pay dividends is also subject to regulation by the OCC.

Any payment of interest, dividends, distributions, loans or advances by our foreign subsidiaries and branches to MetLife, Inc. could be subject to taxation or other restrictions on dividends or repatriation of earnings under applicable law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdiction in which such foreign subsidiaries operate. See Business International Regulation and 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.

A Downgrade or a Potential Downgrade in Our Financial Strength or Credit Ratings Could Result in a Loss of Business and Materially Adversely Affect Our Financial Condition and Results of Operations

Financial strength ratings, which various Nationally Recognized Statistical Rating Organizations (NRSRO) publish as indicators of an insurance company s ability to meet contractholder and policyholder obligations, are important to maintaining public confidence in our products, our ability to market our products and our competitive position.

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Downgrades in our financial strength ratings could have a material adverse effect on our financial condition and results of operations in many ways, including:

reducing new sales of insurance products, annuities and other investment products;

adversely affecting our relationships with our sales force and independent sales intermediaries;

materially increasing the number or amount of policy surrenders and withdrawals by contractholders and policyholders;

requiring us to reduce prices for many of our products and services to remain competitive; and

adversely affecting our ability to obtain reinsurance at reasonable prices or at all.

In addition to the financial strength ratings of our insurance subsidiaries, various NRSROs also publish credit ratings for MetLife, Inc. and several of its subsidiaries. Credit ratings are indicators of a debt issuer s ability to meet the terms of debt obligations in a timely manner and are important factors in our overall funding profile and ability to access certain types of liquidity. Downgrades in our credit ratings could have a material adverse effect on our financial condition and results of operations in many ways, including adversely limiting our access to capital markets, potentially increasing the cost of debt, and requiring us to post collateral. For example, with respect to derivative transactions with credit ratings downgrade triggers, a one-notch downgrade would have increased our derivative collateral requirements by $99 million at December 31, 2010. Also, $375 million of liabilities associated with funding agreements and other capital market products were subject to credit ratings downgrade triggers that permit early termination subject to a notice period of 90 days.

In view of the difficulties experienced during 2008 and 2009 by many financial institutions, including our competitors in the insurance industry, we believe it is possible that the NRSROs will continue to heighten the level of scrutiny that they apply to such institutions, will continue to increase the frequency and scope of their credit reviews, will continue to request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the NRSRO models for maintenance of certain ratings levels. Rating agencies use an outlook statement of positive, stable, negative or developing to indicate a medium- or long-term trend in credit fundamentals which, if continued, may lead to a ratings change. A rating may have a stable outlook to indicate that the rating is not expected to change; however, a stable rating does not preclude a rating agency from changing a rating at any time, without notice. Certain rating agencies assign rating modifiers such as CreditWatch or Under Review to indicate their opinion regarding the potential direction of a rating. These ratings modifiers are generally assigned in connection with certain events such as potential mergers and acquisitions, or material changes in a company s results, in order for the rating agencies to perform their analyses to fully determine the rating implications of the event. Certain rating agencies have recently implemented rating actions, including downgrades, outlook changes and modifiers, for MetLife, Inc. s and certain of its subsidiaries insurer financial strength and credit ratings.

Based on the announcement in February 2010 that MetLife was in discussions to acquire ALICO, in February 2010, S&P and A.M. Best placed the ratings of MetLife, Inc. and its subsidiaries on CreditWatch with negative implications and under review with negative implications, respectively. Also in connection with the announcement, in March 2010, Moody s changed the ratings outlook of MetLife, Inc. and its subsidiaries from stable to negative outlook. Upon completion of the public financing transactions related to the Acquisition, in August 2010, S&P affirmed the ratings of MetLife, Inc. and subsidiaries with a negative outlook, and removed them from CreditWatch. On November 1, 2010, upon closing of the Acquisition, S&P changed the rating outlook of ALICO to positive from negative and affirmed its financial strength rating; the ratings of MetLife, Inc. and its other subsidiaries were unaffected by this ratings action. Also on November 1, 2010, Fitch Ratings upgraded by one notch (and changed the rating outlook from Rating Watch

Positive to stable) the financial strength rating of American Life and affirmed all existing ratings for MetLife, Inc. and its other subsidiaries. On November 4, 2010, A.M. Best upgraded by one notch the financial strength rating of American Life and changed the rating outlook from under review with positive implications to negative. A.M. Best also changed the outlook for MetLife, Inc. and certain of its other subsidiaries to negative from under review with negative implications. Effective as of January in 2011, MetLife withdrew the American Life financial strength ratings by A.M. Best and Fitch Ratings as once it became a subsidiary of MetLife it was not deemed necessary to maintain stand-alone ratings.

On July 1, 2010, Moody s published revised guidance called Revisions to Moody s Hybrid Tool Kit (the Guidance) for assigning equity credit to so-called hybrid securities, i.e., securities with both debt and equity characteristics (Hybrids). Moody s evaluates Hybrids using certain specified criteria and then places each such security into a basket, with a specific percentage of debt and equity being associated with each basket, which is then used to adjust full sets of financial statements for purposes of, among other things, calculating the issuing company s financial leverage. Under the Guidance, Hybrids are one element that Moody s considers within the context of an issuer s overall credit profile. As of December 31, 2010, we have approximately $11.1 billion of Hybrids outstanding, which includes approximately $6.2 billion of debt securities and $4.9 billion of equity securities. Application of the Guidance has resulted in Moody s significantly reducing the amount of equity credit it assigns to these securities, including the common equity units issued to ALICO Holdings in connection with the Acquisition. We do not expect at this time, as a result of the Guidance, that a reduction in Moody s equity treatment of our Hybrids, including the common equity units, would result in any material negative impact on MetLife, Inc. s credit rating or the financial strength ratings of its insurance company subsidiaries. However, if we decided to increase our adjusted capital as a result of the application of the Guidance, we may seek to (i) issue additional common equity or higher equity content Hybrids satisfying the Guidance s revised rating criteria, and/or (ii) redeem, repurchase or restructure existing Hybrids. Any sale of additional common equity would have a dilutive effect on our common stockholders.

We cannot predict what actions rating agencies may take, or what actions we may take in response to the actions of rating agencies, which could adversely affect our business. As with other companies in the financial services industry, our ratings could be downgraded at any time and without any notice by any NRSRO.

An Inability to Access Our Credit Facilities Could Result in a Reduction in Our Liquidity and Lead to Downgrades in Our Credit and Financial Strength Ratings

In October 2010, we entered into two senior unsecured credit facilities: a three-year $3 billion facility and a 364-day $1 billion facility. We also have other facilities which we enter into in the ordinary course of business. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Company Liquidity and Capital Sources Credit and Committed Facilities and Notes 11 and 24 of the Notes to the Consolidated Financial Statements.

We rely on our credit facilities as a potential source of liquidity. The availability of these facilities could be critical to our credit and financial strength ratings and our ability to meet our obligations as they come due in a market when alternative sources of credit are tight. The credit facilities contain certain administrative, reporting, legal and financial covenants. We must comply with covenants under our credit facilities, including a requirement to maintain a specified minimum consolidated net worth.

Our right to make borrowings under these facilities is subject to the fulfillment of certain important conditions, including our compliance with all covenants, and our ability to borrow under these facilities is also subject to the continued willingness and ability of the lenders that are parties to the facilities to provide funds. Our failure to comply with the covenants in the credit facilities or fulfill the conditions to borrowings, or the failure of lenders to fund their lending commitments (whether due to insolvency, illiquidity or other reasons) in the amounts provided for under the terms of the facilities, would restrict our ability to access these credit facilities when needed and, consequently, could have a material adverse effect on our financial condition and results of operations.

Defaults, Downgrades or Other Events Impairing the Carrying Value of Our Fixed Maturity or Equity Securities Portfolio May Reduce Our Earnings

We are subject to the risk that the issuers, or guarantors, of fixed maturity securities we own may default on principal and interest payments they owe us. We are also subject to the risk that the underlying collateral within loan-backed securities, including mortgage-backed securities, may default on principal and interest payments causing an adverse change in cash flows. Fixed maturity securities represent a significant portion of our investment portfolio. The occurrence of a major economic downturn, acts of corporate malfeasance, widening risk spreads, or other events that adversely affect the issuers, guarantors or underlying collateral of these securities could cause the estimated fair value of our fixed maturity securities portfolio and our earnings to decline and the default rate of the fixed maturity securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of particular securities, or similar trends that could worsen the credit quality of issuers, such as the corporate issuers of securities in our investment portfolio, could also have a similar effect. With economic uncertainty, credit quality of issuers or guarantors could be adversely affected. Similarly, a ratings downgrade affecting a security we hold could indicate the credit quality of that security has deteriorated and could increase the capital we must hold to support that security to maintain our RBC levels. Any event reducing the estimated fair value of these securities other than on a temporary basis could have a material adverse effect on our business, results of operations and financial condition. Levels of writedowns or impairments are impacted by our assessment of intent to sell, or whether it is more likely than not that we will be required to sell, fixed maturity securities and the intent and ability to hold equity securities which have declined in value until recovery. If we determine to reposition or realign portions of the portfolio so as not to hold certain equity securities, or intend to sell or determine that it is more likely than not that we will be required to sell, certain fixed maturity securities in an unrealized loss position prior to recovery, then we will incur an other-than-temporary impairment charge in the period that the decision was made not to hold the equity security to recovery, or to sell, or the determination was made it is more likely than not that we will be required to sell the fixed maturity security.

Our Risk Management Policies and Procedures May Leave Us Exposed to Unidentified or Unanticipated Risk, Which Could Negatively Affect Our Business

Management of risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. We have devoted significant resources to develop our risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our policies and procedures may not be comprehensive. Many of our methods for managing risk and exposures are based upon the use of observed historical market behavior or statistics based on historical models. As a result, these methods may not fully predict future exposures, which can be significantly greater than our historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. See Quantitative and Qualitative Disclosures About Market Risk.

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. See Business Reinsurance Activity. 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. 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.

If the Counterparties to Our Reinsurance or Indemnification Arrangements or to the Derivative Instruments 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

We use reinsurance, indemnification and derivative instruments to mitigate our risks in various circumstances. In general, reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit risk with respect to our reinsurers and indemnitors. We cannot provide assurance that our reinsurers will pay the reinsurance recoverables owed to us or that indemnitors will honor their obligations now or in the future or that they will pay these recoverables on a timely basis. A reinsurer s or indemnitor s insolvency, inability or unwillingness to make payments under the terms of reinsurance agreements or indemnity agreements with us could have a material adverse effect on our financial condition and results of operations.

In addition, we use derivative instruments to hedge various business risks. We enter into a variety of derivative instruments, including options, forwards, interest rate, credit default and currency swaps with a number of counterparties. See Management s Discussion and Analysis of Financial Condition and Results of Operations Investments. If our counterparties fail or refuse to honor their obligations under these derivative instruments, our hedges of the related risk will be ineffective. This is a more pronounced risk to us in view of the stresses suffered by financial institutions over the past few years. Such failure could have a material adverse effect on our financial condition and results of operations.

Differences Between Actual Claims Experience and Underwriting and Reserving Assumptions May Adversely Affect Our Financial Results

Our earnings significantly depend upon the extent to which our actual claims experience is consistent with the assumptions we use in setting prices for our products and establishing liabilities for future policy benefits and claims. Our liabilities for future policy benefits and claims are established based on estimates by actuaries of how much we will need to pay for future benefits and claims. For life insurance and annuity products, we calculate these liabilities based on many assumptions and estimates, including estimated premiums to be received over the assumed life of the policy, the timing of the event covered by the insurance policy, the amount of benefits or claims to be paid and the investment returns on the investments we make with the premiums we receive. We establish liabilities for property and casualty claims and benefits based on assumptions and estimates of damages and liabilities incurred. To the extent that actual claims experience is less favorable than the underlying assumptions we used in establishing such liabilities, we could be required to increase our liabilities.

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of liabilities for future policy benefits and claims, we cannot determine precisely the amounts which we will ultimately pay to settle our liabilities. Such amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. We evaluate our liabilities periodically based on accounting requirements, which change from time to time, the assumptions used to establish the liabilities, as well as our actual experience. 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 increases could affect earnings negatively and have a material adverse effect on our business, results of operations and financial condition.

Catastrophes May Adversely Impact Liabilities for Policyholder Claims and Reinsurance Availability

Our life insurance operations are exposed to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. Significant influenza pandemics have occurred three times in the last century, but neither the likelihood, timing, nor the severity of a future pandemic can be predicted. A significant pandemic could have a major impact on the global economy or the economies of particular countries or regions, including travel, trade, tourism, the health system, food supply, consumption, overall economic output and, eventually, on the financial markets. In addition, a pandemic that affected our employees or the employees of our distributors or of other companies with which we do business could disrupt our business operations. The effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of such a pandemic could have a material impact on the losses experienced by us. In our group insurance operations, a localized event that affects the workplace of one or more of our group insurance customers could cause a significant loss due to mortality or morbidity claims. These events could cause a material adverse effect on our results of operations in any period and, depending on their severity, could also materially and adversely affect our financial condition.

Our Auto & Home business has experienced, and will likely in the future experience, catastrophe losses that may have a material adverse impact on the business, results of operations and financial condition of the Auto & Home segment.

Although Auto & Home makes every effort to manage our exposure to catastrophic risks through volatility management and reinsurance programs, these efforts do not eliminate all risk. Catastrophes can be caused by various events, including hurricanes, windstorms, earthquakes, hail, tornadoes, explosions, severe winter weather (including snow, freezing water, ice storms and blizzards), fires and man-made events such as terrorist attacks. Historically, substantially all of our catastrophe-related claims have related to homeowners coverages.

However, catastrophes may also affect other Auto & Home coverages. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes such as hurricanes.

Hurricanes and earthquakes are of particular note for our homeowners coverages. Areas of major hurricane exposure include coastal sections of the northeastern U.S. (including lower New York, Connecticut, Rhode Island and Massachusetts), the Gulf Coast (including Alabama, Mississippi, Louisiana and Texas) and Florida. We also have some earthquake exposure, primarily along the New Madrid fault line in the central U.S. and in the Pacific Northwest.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes, earthquakes and man-made catastrophes may produce significant damage or loss of life in larger areas, especially those that are heavily populated. Claims resulting from natural or man-made catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Also, catastrophic events could harm the financial condition of our reinsurers and thereby increase the probability of default on reinsurance recoveries. Our ability to write new business could also be affected. It is possible that increases in the value, caused by the effects of inflation or other factors, and geographic concentration of insured property, could increase the severity of claims from catastrophic events in the future.

Most of the jurisdictions in which our insurance subsidiaries are admitted to transact business require life and property and casualty insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. In addition, certain states have government owned or controlled organizations providing life and property and casualty insurance to their citizens. The activities of such organizations could also place additional stress on the adequacy of guaranty fund assessments. Many of these organizations also have the power to levy assessments similar to those of the guaranty associations described above. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. See Business U.S. Regulation Insurance Regulation Guaranty Associations and Similar Arrangements and Business International Regulation.

While in the past five years, the aggregate assessments levied against MetLife, Inc. s insurance subsidiaries have not been material, it is possible that a large catastrophic event could render such guaranty funds inadequate and we may be called upon to contribute additional amounts, which may have a material impact on our financial condition or results of operations in a particular period. We have established liabilities for guaranty fund assessments that we consider adequate for assessments with respect to insurers that are currently subject to insolvency proceedings, but additional liabilities may be necessary. See Note 16 of the Notes to the Consolidated Financial Statements.

Consistent with industry practice and accounting standards, we establish liabilities for claims arising from a catastrophe only after assessing the probable losses arising from the event. We cannot be certain that the liabilities we have established will be adequate to cover actual claim liabilities. From time to time, states have passed legislation that has the effect of limiting the ability of insurers to manage risk, such as legislation restricting an insurer s ability to withdraw from catastrophe-prone areas. While we attempt to limit our exposure to acceptable levels, subject to restrictions imposed by insurance regulatory authorities, a catastrophic event or multiple catastrophic events could have a material adverse effect on our business, results of operations and financial condition.

Our ability to manage this risk and the profitability of our property and casualty and life insurance businesses depends in part on our ability to obtain catastrophe reinsurance, which may not be available at commercially acceptable rates in the future. See Reinsurance May Not Be Available, Affordable or Adequate to Protect Us Against Losses.

Our Statutory Reserve Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity

To support statutory reserves for several products, including, but not limited to, our level premium term life and universal life with secondary guarantees and MLIC s closed block, we currently utilize capital markets solutions for financing a portion of our statutory reserve requirements. While we have financing facilities in place for our previously written business and have remaining capacity in existing facilities to support writings through the end of 2010 or later, certain of these facilities are subject to cost increases upon the occurrence of specified ratings downgrades of MetLife or are subject to periodic repricing. Any resulting cost increases could negatively impact our financial results.

Future capacity for these statutory reserve funding structures in the marketplace is not guaranteed. If capacity becomes unavailable for a prolonged period of time, hindering our ability to obtain funding for these new structures, our ability to write additional business in a cost effective manner may be impacted.

Competitive Factors May Adversely Affect Our Market Share and Profitability

Our segments are subject to intense competition. We believe that this competition is based on a number of factors, including service, product features, scale, price, financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition. We compete with a large number of other insurers, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employers and other group customers and agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, have more competitive pricing or more attractive features in their products or, with respect to other insurers, have higher claims paying ability ratings. Some may also have greater financial resources with which to compete. National banks, which may sell annuity products of life insurers in some circumstances, also have pre-existing customer bases for financial services products. Many of our group insurance products are underwritten annually, and, accordingly, there is a risk that group purchasers may be able to obtain more favorable terms from competitors rather than renewing coverage with us. The effect of competition may, as a result, adversely affect the persistency of these and other products, as well as our ability to sell products in the future.

In addition, the investment management and securities brokerage businesses have relatively few barriers to entry and continually attract new entrants. See Business Competition.

Finally, the new requirements imposed on the financial industry by Dodd-Frank could similarly have differential effects. See Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth.

Industry Trends Could Adversely Affect the Profitability of Our Businesses

Our segments continue to be influenced by a variety of trends that affect the insurance industry, including competition with respect to product features, price, distribution capability, customer service and information technology. See Management s Discussion and Analysis of Financial Condition and Results of Operations Industry Trends. The impact on our business and on the life insurance industry generally of the volatility and instability of the financial markets is difficult to predict, and our business plans, financial condition and results of operations may be negatively impacted or affected in other unexpected ways. In addition, the life insurance industry is subject to state regulation, and, as complex products are introduced, regulators may refine capital requirements and introduce new reserving standards. Dodd-Frank, Basel III and the market environment in general may also lead to changes in regulation that may benefit or disadvantage us relative to some of our competitors. See Business Competition, Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our

Growth and Competitive Factors May Adversely Affect Our Market Share and Profitability.

Consolidation of Distributors of Insurance Products May Adversely Affect the Insurance Industry and the Profitability of Our Business

The insurance industry distributes many of its individual products through other financial institutions such as banks and broker-dealers. An increase in bank and broker-dealer consolidation activity may negatively impact the industry s sales, and such consolidation could increase competition for access to distributors, result in greater distribution expenses and impair our ability to market insurance products to our current customer base or to expand our customer base. Consolidation of distributors and/or other industry changes may also increase the likelihood that distributors will try to renegotiate the terms of any existing selling agreements to terms less favorable to us.

Our Valuation of Fixed Maturity, Equity and Trading and Other Securities and Short-Term Investments May Include Methodologies, Estimations and Assumptions Which Are Subject to Differing Interpretations and Could Result in Changes to Investment Valuations That May Materially Adversely Affect Our Results of Operations or Financial Condition

Fixed maturity, equity, and trading and other securities and short-term investments which are reported at estimated fair value on the consolidated balance sheets represent the majority of our total cash and investments. We have categorized these securities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability s classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are as follows:

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

At December 31, 2010, 7.0%, 85.8% and 7.2% of these securities represented Level 1, Level 2 and Level 3, respectively. The Level 1 securities primarily consist of certain U.S. Treasury, agency and government guaranteed fixed maturity securities; certain foreign government fixed maturity securities; exchange-traded common stock; certain trading securities; certain fair value option securities and certain short-term investments. The Level 2 assets include fixed maturity and equity securities priced principally through independent pricing services using observable inputs. These fixed maturity securities include most U.S. Treasury, agency and government guaranteed securities, as well as the majority of U.S. and foreign corporate securities, RMBS, CMBS, state and political subdivision securities, foreign government securities, and ABS. Equity securities classified as Level 2 primarily consist of non-redeemable preferred securities and certain equity securities where market quotes are available but are not considered actively traded and are priced by independent pricing services. We review the valuation methodologies used by the independent pricing services on an ongoing basis and ensure that any changes to valuation methodologies are justified. Level 3 assets include fixed maturity securities priced principally through independent non-binding broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 consists of less liquid fixed maturity securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies including: U.S. and foreign corporate securities including below investment grade private placements; RMBS; CMBS; and ABS including all of those supported by sub-prime mortgage loans. Equity securities classified as Level 3 securities consist principally of nonredeemable preferred stock and common stock of companies that are privately held or companies for which there has been very limited trading activity or where less price transparency exists around the inputs to the valuation.

Prices provided by independent pricing services and independent non-binding broker quotations can vary widely even for the same security.

The determination of estimated fair values by management in the absence of quoted market prices is based on: (i) valuation methodologies; (ii) securities we deem to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. Factors considered in estimating fair value include: coupon rate, maturity, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer, and quoted market prices of comparable securities. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts. During periods of market disruption including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities, for example sub-prime mortgage-backed securities, mortgage-backed securities where the underlying loans are Alt-A and CMBS, if trading becomes less frequent and/or market data becomes less observable. In times of financial market disruption, certain asset classes that were in active markets with significant observable data may become illiquid. In such cases, more securities may fall to Level 3 and thus require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation, as well as valuation methods which are more sophisticated or require greater estimation thereby resulting in estimated fair values which may be greater or less than the amount at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period-to-period changes in estimated fair value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

If Our Business Does Not Perform Well, We May Be Required to Recognize an Impairment of Our Goodwill or Other Long-Lived Assets or to Establish a Valuation Allowance Against the Deferred Income Tax Asset, Which Could Adversely Affect Our Results of Operations or Financial Condition

Goodwill represents the excess of the amounts we paid to acquire subsidiaries and other businesses over the estimated fair value of their net assets at the date of acquisition. As of December 31, 2010, our goodwill was $11,781, of which $6,959 of goodwill was established in connection with the acquisition of ALICO. We test goodwill at least annually for impairment. Impairment testing is performed based upon estimates of the estimated fair value of the reporting unit to which the goodwill relates. The reporting unit is the operating segment or a business one level below that operating segment if discrete financial information is prepared and regularly reviewed by management at that level. The estimated fair value of the reporting unit is impacted by the performance of the business. The performance of our businesses may be adversely impacted by prolonged market declines. If it is determined that the goodwill has been impaired, we must write down the goodwill by the amount of the impairment, with a corresponding charge to net income. Such writedowns could have an adverse effect on our results of operation or financial position. For example, our goodwill has increased substantially as a result of the Acquisition. Market factors, the failure of ALICO to perform well, or issues relating to the integration of ALICO could result in the reporting units containing parts of ALICO having fair values lower than their respective carrying values, which would result in a writedown of goodwill and, consequently, it could have a material adverse effect on our results of operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates Goodwill.

Long-lived assets, including assets such as real estate, also require impairment testing to determine whether changes in circumstances indicate that MetLife will be unable to recover the carrying amount of the asset group through future operations of that asset group or market conditions that will impact the estimated fair value of those assets. Such writedowns could have a material adverse effect on our results of operations or financial position.

Deferred income tax represents the tax effect of the differences between the book and tax basis of assets and liabilities. Deferred tax assets are assessed periodically by management to determine if they are realizable. Factors in management s determination include the performance of the business including the ability to generate future taxable income. If based on available information, it is more likely than not that the deferred income tax asset will not be realized then a valuation allowance must be established with a corresponding charge to net income. Such charges could have a material adverse effect on our results of operations or financial position.

If Our Business Does Not Perform Well or if Actual Experience Versus Estimates Used in Valuing and Amortizing DAC, Deferred Sales Inducements (DSI) and VOBA Vary Significantly, We May Be Required to Accelerate the Amortization and/or Impair the DAC, DSI and VOBA Which Could Adversely Affect Our Results of Operations or Financial Condition

We incur significant costs in connection with acquiring new and renewal business. Those costs that vary with and are primarily related to the production of new and renewal business are deferred and referred to as DAC. Bonus amounts credited to certain policyholders, either immediately upon receiving a deposit or as excess interest credits for a period of time, are referred to as DSI. The recovery of DAC and DSI is dependent upon the future profitability of the related business. The amount of future profit or margin is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency, interest crediting rates, dividends paid to policyholders, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. Of these factors, we anticipate that investment returns are most likely to impact the rate of amortization of such costs. The aforementioned factors enter into management s estimates of gross profits or margins, which generally are used to amortize such costs.

If the estimates of gross profits or margins were overstated, then the amortization of such costs would be accelerated in the period the actual experience is known and would result in a charge to income. Significant or sustained equity market declines could result in an acceleration of amortization of the DAC and DSI related to variable annuity and variable universal life contracts, resulting in a charge to income. Such adjustments could have a material adverse effect on our results of operations or financial condition.

VOBA is an intangible asset that represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections. Revisions to estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in a charge to income. Also, as VOBA is amortized similarly to DAC and DSI, an acceleration of the amortization of VOBA would occur if the estimates of gross profits or margins were overstated. Accordingly, the amortization of such costs would be accelerated in the period in which the actual experience is known and would result in a charge to net income. Significant or sustained equity market declines could result in an acceleration of amortization of the VOBA related to variable annuity and variable universal life contracts, resulting in a charge to income. Such adjustments could have a material adverse effect on our results of operations or financial condition. See Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates Deferred Policy Acquisition Costs and Value of Business Acquired for further consideration of DAC and VOBA.

Changes in Accounting Standards Issued by the Financial Accounting Standards Board or Other Standard-Setting Bodies May Adversely Affect Our Financial Statements

Our financial statements are subject to the application of GAAP, which is periodically revised and/or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board. Market conditions have prompted accounting standard setters to expose new guidance which further interprets or seeks to revise accounting pronouncements related to financial instruments, structures or transactions, as well as to issue new standards expanding disclosures. The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in this annual and quarterly reports on Form 10-K and Form 10-Q. An assessment of proposed standards is not provided as such proposals are subject to change through the exposure process and, therefore, the effects on our financial statements cannot be meaningfully assessed. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our financial condition and results of operations.

Changes in Our Discount Rate, Expected Rate of Return and Expected Compensation Increase Assumptions for Our Pension and Other Postretirement Benefit Plans May Result in Increased Expenses and Reduce Our Profitability

We determine our pension and other postretirement benefit plan costs based on our best estimates of future plan experience. These assumptions are reviewed regularly and include discount rates, expected rates of return on plan assets and expected increases in compensation levels and expected medical inflation. Changes in these assumptions may result in increased expenses and reduce our profitability. See Note 17 of the Notes to the Consolidated Financial Statements for details on how changes in these assumptions would affect plan costs.

Guarantees Within Certain of Our Products that Protect Policyholders Against Significant Downturns in Equity Markets May Decrease Our Earnings, Increase the Volatility of Our Results if Hedging or Risk Management Strategies Prove Ineffective, Result in Higher Hedging Costs and Expose Us to Increased Counterparty Risk

Certain of our variable annuity products include guaranteed benefits. These include guaranteed death benefits, guaranteed withdrawal benefits, lifetime withdrawal guarantees, guaranteed minimum accumulation benefits, and guaranteed minimum income benefits. Periods of significant and sustained downturns in equity markets, increased equity volatility, or reduced interest rates could result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with such products, resulting in a reduction to net income. We use reinsurance in combination with derivative instruments to mitigate the liability exposure and the volatility of net income associated with these liabilities, and while we believe that these and other actions have mitigated the risks related to these benefits, we remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. In addition, we are subject to the risk that hedging and other management procedures prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed. These, individually or collectively, may have a material adverse effect on net income, financial condition or liquidity. We are also subject to the risk that the cost of hedging these guaranteed minimum benefits increases as implied volatilities increase and/or interest rates decrease, resulting in a reduction to net income.

The valuation of certain of the foregoing liabilities (carried at fair value) includes an adjustment for nonperformance risk that reflects the credit standing of the issuing entity. This adjustment, which is not hedged, is based in part on publicly available information regarding credit spreads related to the Holding Company s debt, including credit default swaps. In periods of extreme market volatility, movements in these credit spreads can have a significant impact on net income.

Guarantees Within Certain of Our Life and Annuity Products May Increase Our Exposure to Foreign Exchange Risk, and Decrease Our Earnings

Certain of our life and annuity products are exposed to foreign exchange risk. Payments under these contracts may be required to be made in different currencies, depending on the circumstances. Therefore, payments may be required in a different currency than the currency upon which the liability valuation is based. If the currency upon which expected future payments are made strengthens relative to the currency upon which the liability valuation is based, the liability valuation may increase, resulting in a reduction of net income.

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 (the Plan), 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 certain individual insurance policies of MLIC are met. See Note 10 of the Notes to the Consolidated Financial Statements. 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. We cannot provide assurance that 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 will be sufficient to provide for the benefits guaranteed under these policies. If they are not sufficient, 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 revenue from the policies in the closed block will benefit only the holders of those policies. 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.

Litigation and Regulatory Investigations Are Increasingly Common in Our Businesses and May Result in Significant Financial Losses and/or Harm to Our Reputation

We face a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In connection with our insurance operations, plaintiffs lawyers may bring or are bringing class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts, including punitive and treble damages, and the damages claimed and the amount of any probable and estimable liability, if any, may remain unknown for substantial periods of time. See Note 16 of the Notes to the Consolidated Financial Statements.

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.

On a quarterly and annual basis, we review relevant information with respect to litigation and contingencies to be reflected in our consolidated financial statements. The review includes senior legal and financial personnel. Estimates of possible losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

Liabilities have been established for a number of matters noted in Note 16 of the Notes to the Consolidated Financial Statements. It is possible that some of the matters could require us to pay damages or make other expenditures or establish accruals in amounts that could not be estimated at December 31, 2010.

MLIC and its affiliates are currently defendants in numerous lawsuits including class actions and individual suits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products.

In addition, MLIC is a defendant in a large number of lawsuits seeking compensatory and punitive damages for personal injuries allegedly caused by exposure to asbestos or asbestos-containing products. These 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 have alleged 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. Additional litigation relating to these matters may be commenced in the future. The ability of MLIC to estimate its ultimate asbestos exposure is subject to considerable uncertainty, and the conditions impacting its liability can be dynamic and subject to change. The availability of reliable data is limited and it is difficult to predict with any certainty the numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against MLIC when exposure took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts. The number of asbestos cases that may be brought or 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. Accordingly, it is reasonably possible that our total exposure to asbestos claims may be materially greater than the liability recorded by us in our consolidated financial statements and that future charges to income may be necessary. The potential future charges could be material in the particular quarterly or annual periods in which they are recorded.

We are also subject to various regulatory inquiries, such as information requests, subpoenas and books and record examinations, from state and federal regulators and other authorities. A substantial legal liability or a significant regulatory action against us could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant reputational harm, which could have a material adverse effect on our business, financial condition and results of operations, including our ability to attract new customers, retain our current customers and recruit and retain employees. Regulatory inquiries and litigation may cause volatility in the price of stocks of companies in our industry.

The New York Attorney General announced on July 29, 2010 that his office had launched a major fraud investigation into the life insurance industry for practices related to the use of retained asset accounts as a settlement option for death benefits and that subpoenas requesting comprehensive data related to retained asset accounts have been served on MetLife and other insurance carriers. We received the subpoena on July 30, 2010. We also have received requests for documents and information from U.S. congressional committees and members as well as various state regulatory bodies, including the New York Insurance Department. It is possible that other state and federal regulators or legislative bodies may pursue similar investigations or make related inquiries. We cannot predict what effect any such investigations might have on our earnings or the availability of our retained asset account known as the Total Control Account (TCA), but we believe that our financial statements taken as a whole would not be materially affected. We believe that any allegations that information about the TCA is not adequately disclosed or that the accounts are fraudulent or violate state or federal laws are without merit.

We cannot give assurance that current claims, litigation, unasserted claims probable of assertion, investigations and other proceedings against us will not have a material adverse effect on our business, financial condition or results of operations. It is also possible that related or unrelated claims, litigation, unasserted claims probable of assertion, investigations and proceedings may be commenced in the future, and we could become subject to further investigations and have lawsuits filed or enforcement actions initiated against us. In addition, increased regulatory

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scrutiny and any resulting investigations or proceedings could result in new legal actions and precedents and industry-wide regulations that could adversely affect our business, financial condition and results of operations.

We May Not be Able to Protect Our Intellectual Property and May be Subject to Infringement Claims

We rely on a combination of contractual rights with third parties and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Although we endeavor to protect our rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, patents, trade secrets and know-how or to determine their scope, validity or enforceability. This would represent a diversion of resources that may be significant and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could have a material adverse effect on our business and our ability to compete.

We may be subject to claims by third parties for (i) patent, trademark or copyright infringement, (ii) breach of copyright, trademark or license usage rights, or (iii) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If we were found to have infringed or misappropriated a third-party patent or other intellectual property right, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licenses. Alternatively, we could be required to enter into costly licensing arrangements with third parties or implement a costly work around. Any of these scenarios could have a material adverse effect on our business and results of operations.

New and Impending Compensation and Corporate Governance Regulations Could Hinder or Prevent Us From Attracting and Retaining Management and Other Employees with the Talent and Experience to Manage and Conduct Our Business Effectively

The compensation and corporate governance practices of financial institutions have become and will continue to be subject to increasing regulation and scrutiny. Dodd-Frank includes new requirements that will affect our corporate governance and compensation practices, including some that have resulted in (or are likely to lead to) shareholders having the limited right to use MetLife, Inc. s proxy statement to solicit proxies to vote for their own candidates for director, impose additional requirements for membership on Board committees, requirements for additional shareholder votes on compensation matters, requirements for policies to recover compensation previously paid to certain executives under certain circumstances, elimination of broker discretionary voting on compensation matters, requirements for additional performance and compensation disclosure, and other requirements. See Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth. In addition, the Federal Reserve Board, the FDIC and other U.S. bank regulators have released guidelines on incentive compensation that may apply to or impact MetLife, Inc. as a bank holding company. These requirements and restrictions, and others Congress or regulators may propose or implement, could hinder or prevent us from attracting and retaining management and other employees with the talent and experience to manage and conduct our business effectively.

Although AIG has received assurances from the Troubled Asset Relief Program Special Master for Executive Compensation that neither we nor ALICO will be subject to compensation related requirements and restrictions under programs established in whole or in part under EESA, there can be no assurance that the Acquisition will not lead to greater public or governmental scrutiny, regulation, or restrictions on our compensation practices as a result of the Acquisition and expansion into new markets outside the U.S., whether in connection with AIG s having received U.S. government funding or as a result of other factors.

Legislative and Regulatory Activity in Health Care and Other Employee Benefits Could Increase the Costs or Administrative Burdens of Providing Benefits to Our Employees or Hinder or Prevent Us From Attracting and Retaining Employees, or 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. Among other changes, and subject to various effective dates, the Health Care Act generally restricts certain limits on benefits, mandates coverage for certain kinds of care, extends the required coverage of dependent children through age 26, eliminates pre-existing condition exclusions or limitations, requires cost reporting and, in some cases, requires premium rebates to participants under certain circumstances, limits coverage waiting periods, establishes several penalties on employers who fail to offer sufficient coverage to their full-time employees, and requires employers under certain circumstances to provide employees with vouchers to purchase their own health care coverage. The Health Care Act also provides for increased taxation of high cost coverage, restricts the tax deductibility of certain compensation paid by health insurers, reduces the tax deductibility of retiree health care costs to the extent of any retiree prescription drug benefit subsidy provided to the employer by the federal government, increases Medicare taxes on certain high earners, and establishes health insurance exchanges for individual purchases of health insurance.

The impact of the Health Care Act on us as an employer and on the benefit plans we sponsor for employees or retirees and their dependents, whether those benefits remain competitive or effective in meeting their business objectives, and our costs to provide such benefits and our tax liabilities in connection with benefits or compensation, cannot be predicted. Furthermore, we cannot predict the impact of choices that will be made by various regulators, including the U.S. Treasury, the IRS, the U.S. Department of Health and Human Services, and state regulators, to promulgate regulations or guidance, or to make determinations under or related to the Health Care Act. Either the Health Care Act or any of these regulatory actions could adversely affect our ability to attract, retain, and motivate talented 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 Health Care Act also imposes requirements on us as a provider of non-medical health insurance benefit products, subject to various effective dates. It also imposes requirements on the purchasers of certain of these products and has implications for certain other MLIC products, such as annuities. We cannot predict the impact of the Act or of regulations, guidance or determinations made by various regulators, on the various products that we offer. Either the Health Care Act or any of these 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.

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.

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

Federal and state securities laws and regulations apply to insurance products that are also securities, including variable annuity contracts and variable life insurance policies. As a result, some of MetLife, Inc. s subsidiaries and their activities in offering and selling variable insurance contracts and policies are subject to extensive regulation under these securities laws. These subsidiaries issue variable annuity contracts and variable life insurance policies through separate accounts that are registered with the SEC as investment companies under the Investment Company Act. Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act. In addition, the variable annuity contracts and variable life insurance policies issued by the separate accounts are registered with the SEC under the Securities Act. Other subsidiaries are registered with the SEC as broker-dealers under the Exchange Act, and are members of and subject to regulation by FINRA. Further, some of our subsidiaries are registered as investment advisers with the SEC under the Investment Advisers Act of 1940, and are also registered as investment advisers in various states, as applicable.

Federal and state securities laws and regulations are primarily intended to ensure the integrity of the financial markets and to protect investors in the securities markets, as well as protect investment advisory or brokerage clients. These laws and regulations generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to limit or restrict the conduct of business for failure to comply with the securities laws and regulations. A number of changes have recently been suggested to the laws and regulations that govern the conduct of our variable insurance products business and our distributors that could have a material adverse effect on our financial condition and results of operations. For example, Dodd-Frank 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. Further, proposals have been made that the SEC establish a self-regulatory organization with respect to registered investment advisers, which could increase the level of regulatory oversight over such investment advisers.

In addition, state insurance regulators are becoming more active in adopting and enforcing suitability standards with respect to sales of annuities, both fixed and variable. In particular, the NAIC has adopted a revised Suitability in Annuity Transactions Model Regulation (SAT), that will, if enacted by the states, place new responsibilities upon issuing insurance companies with respect to the suitability of annuity sales, including responsibilities for training agents. Several states have already enacted laws based on the SAT.

We also may be subject to similar laws and regulations in the foreign countries in which we offer products or conduct other activities similar to those described above. See Business International Regulation.

Changes in Tax Laws, Tax Regulations, or Interpretations of Such Laws or Regulations Could Increase Our Corporate Taxes; Changes in Tax Laws Could Make Some of Our Products Less Attractive to Consumers

Changes in tax laws, Treasury and other regulations promulgated thereunder, or interpretations of such laws or regulations could increase our corporate taxes. The Obama Administration has proposed corporate tax changes. Changes in corporate tax rates could affect the value of deferred tax assets and deferred tax liabilities. Furthermore, the value of deferred tax assets could be impacted by future earnings levels.

Changes in tax laws could make some of our products less attractive to consumers. A shift away from life insurance and annuity contracts and other tax-deferred products would reduce our income from sales of these products, as well as the assets upon which we earn investment income. The Obama Administration has proposed certain changes to individual income tax rates and rules applicable to certain policies.

We cannot predict whether any tax legislation impacting corporate taxes or insurance products will be enacted, what the specific terms of any such legislation will be or whether, if at all, any legislation would have a material adverse effect on our financial condition and results of operations.

Changes to Regulations Under the Employee Retirement Income Security Act of 1974 Could Adversely Affect Our Distribution Model by Restricting Our Ability to Provide Customers With Advice

The prohibited transaction rules of ERISA and the Internal Revenue 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 March 2010, the DOL issued proposed regulations which provide limited relief from these investment advice restrictions. If the proposed rules are issued in final form and no additional relief is provided regarding these investment advice restrictions, the ability of our affiliated broker-dealers and their registered representatives to provide investment advice to ERISA plans and participants, and with respect to 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.

Other proposed 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 Internal Revenue 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 addition, the DOL has issued a number of regulations recently that increase the level of disclosure that must be provided to plan sponsors and participants, and may issue additional such regulations in 2011. These ERISA disclosure requirements will likely increase the regulatory and compliance burden upon MetLife, resulting in increased costs.

We May Be Unable to Attract and Retain Sales Representatives for Our Products

We must attract and retain productive sales representatives to sell our insurance, annuities and investment products. Strong competition exists among insurers for sales representatives with demonstrated ability. In addition, there is competition for representatives with other types of financial services firms, such as independent broker-dealers.

We compete with other insurers for sales representatives primarily on the basis of our financial position, support services and compensation and product features. We continue to undertake several initiatives to grow our career agency force while continuing to enhance the efficiency and production of our existing sales force. We cannot provide assurance that these initiatives will succeed in attracting and retaining new agents. Sales of individual insurance, annuities and investment products and our results of operations and financial condition could be materially adversely affected if we are unsuccessful in attracting and retaining agents. See Business Competition.

MetLife, Inc. s Board of Directors May Control the Outcome of Stockholder Votes on Many Matters Due to the Voting Provisions of the MetLife Policyholder Trust

Under the Plan, we established the MetLife Policyholder Trust (the Trust) to hold the shares of MetLife, Inc. common stock allocated to eligible policyholders not receiving cash or policy credits under the plan. As of February 18, 2011, the Trust held 220,255,199 shares, or 22.3%, of the outstanding shares of MetLife, Inc. common stock. Because of the number of shares held in the Trust and the voting provisions of the Trust, the Trust may affect the outcome of matters brought to a stockholder vote.

Except on votes regarding certain fundamental corporate actions described below, the trustee will vote all of the shares of common stock held in the Trust in accordance with the recommendations given by MetLife, Inc. s Board of Directors to its stockholders or, if the Board gives no such recommendations, as directed by the Board. As a result of the voting provisions of the Trust, the Board of Directors may be able to control votes on matters submitted to a vote of stockholders, excluding those fundamental corporate actions, so long as the Trust holds a substantial number of shares of common stock.

If the vote relates to fundamental corporate actions specified in the Trust, the trustee will solicit instructions from the Trust beneficiaries and vote all shares held in the Trust in proportion to the instructions it receives. These actions include:

an election or removal of directors in which a stockholder has properly nominated one or more candidates in opposition to a nominee or nominees of MetLife, Inc. s Board of Directors or a vote on a stockholder s proposal to oppose a Board nominee for director, remove a director for cause or fill a vacancy caused by the removal of a director by stockholders, subject to certain conditions;

a merger or consolidation, a sale, lease or exchange of all or substantially all of the assets, or a recapitalization or dissolution, of MetLife, Inc., in each case requiring a vote of stockholders under applicable Delaware law;

any transaction that would result in an exchange or conversion of shares of common stock held by the Trust for cash, securities or other property; and

any proposal requiring MetLife, Inc. s Board of Directors to amend or redeem the rights under MetLife, Inc. s stockholder rights plan, other than a proposal with respect to which we have received advice of nationally-recognized legal counsel to the effect that the proposal is not a proper subject for stockholder action under Delaware law. MetLife, Inc. does not currently have a stockholder rights plan.

If a vote concerns any of these fundamental corporate actions, the trustee will vote all of the shares of common stock held by the Trust in proportion to the instructions it received, which will give disproportionate weight to the instructions actually given by Trust beneficiaries.

ALICO Holdings has agreed to vote all shares of MetLife, Inc. common stock acquired by it in connection with the Acquisition in proportion to the votes cast by all other stockholders of MetLife, Inc., including the Trust.

State Laws, Federal Laws, Our Certificate of Incorporation and Our By-Laws May Delay, Deter or Prevent Takeovers and Business Combinations that Stockholders Might Consider in Their Best Interests

State laws and our certificate of incorporation and by-laws may delay, deter or prevent a takeover attempt that stockholders might consider in their best interests. For instance, they may prevent stockholders from receiving the benefit from any premium over the market price of MetLife, Inc. s common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of MetLife, Inc. s common stock if they are viewed as discouraging takeover attempts in the future.

Any person seeking to acquire a controlling interest in us would face various regulatory obstacles which may delay, deter or prevent a takeover attempt that stockholders of MetLife, Inc. might consider in their best interests. First, the insurance laws and regulations of the various states in which MetLife, Inc. s insurance subsidiaries are organized may delay or impede a business combination involving us. State insurance laws prohibit an entity from acquiring control of an insurance company without the prior approval of the domestic insurance regulator. Under most states statutes, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. We are also subject to banking regulations, and may in the future become subject to additional regulations. Dodd-Frank contains provisions that could restrict or impede consolidation, mergers and acquisitions by systemically significant firms and/or large bank holding companies. See Business U.S. Regulation Financial Holding Company Regulation Change of Control and Restrictions on Mergers and Acquisitions. In addition, the Investment Company Act would require approval by the contract owners of our variable contracts in order to effectuate a change of control of any affiliated investment adviser to a mutual fund underlying our variable contracts. Finally, FINRA approval would be necessary for a change of control of any FINRA registered broker-dealer that is a direct or indirect subsidiary of MetLife, Inc.

In addition, Section 203 of the Delaware General Corporation Law may affect the ability of an interested stockholder to engage in certain business combinations, including mergers, consolidations or acquisitions of additional shares, for a period of three years following the time that the stockholder becomes an interested stockholder. An interested stockholder is defined to include persons owning, directly or indirectly, 15% or more of the outstanding voting stock of a corporation.

MetLife, Inc. s certificate of incorporation and by-laws also contain provisions that may delay, deter or prevent a takeover attempt that stockholders might consider in their best interests. These provisions may adversely affect prevailing market prices for MetLife, Inc. s common stock and include: classification of MetLife, Inc. s Board of Directors into three classes; a prohibition on the calling of special meetings by stockholders; advance notice procedures for the nomination of candidates to the Board of Directors and stockholder proposals to be considered at stockholder meetings; and supermajority voting requirements for the amendment of certain provisions of the certificate of incorporation and by-laws.

The Continued Threat of Terrorism and Ongoing Military Actions May Adversely Affect the Level of Claim Losses We Incur and the Value of Our Investment Portfolio

The continued threat of terrorism, both within the U.S. and abroad, ongoing military and other actions and heightened security measures in response to these types of threats may cause significant volatility in global financial markets and result in loss of life, property damage, additional disruptions to commerce and reduced economic activity. Some of the assets in our investment portfolio may be adversely affected by declines in the credit and equity markets and reduced economic activity caused by the continued threat of terrorism. We cannot predict whether, and the extent to which, companies in which we maintain investments may suffer losses as a result of financial, commercial or economic disruptions, or how any such disruptions might affect the ability of those companies to pay interest or principal on their securities or mortgage loans. The continued threat of terrorism also could result in increased reinsurance prices and reduced insurance coverage and potentially cause us to retain more risk than we otherwise would retain if we were able to obtain reinsurance at lower prices. Terrorist actions also could disrupt our operations centers in the U.S. or abroad. In addition, the occurrence of terrorist actions could result in higher claims under our insurance policies than anticipated. See Difficult Conditions in the Global Capital Markets and the Economy Generally May Materially Adversely Affect Our Business and Results of Operations and These Conditions May Not Improve in the Near Future.

The Occurrence of Events Unanticipated in Our Disaster Recovery Systems and Management Continuity Planning Could Impair Our Ability to Conduct Business Effectively

In the event of a disaster such as a natural catastrophe, an epidemic, an industrial accident, a blackout, a computer virus, a terrorist attack 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. We depend heavily upon computer systems to provide reliable service. Despite our implementation of a variety of security measures, our computer systems could be subject to physical and electronic break-ins, and similar disruptions from unauthorized tampering. In addition, in the event that a significant number of our managers were unavailable in the event of 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.

Our Associates May Take Excessive Risks Which Could Negatively Affect Our Financial Condition and Business

As an insurance enterprise, we are in the business of being paid to accept certain risks. The associates who conduct our business, including executive officers and other members of management, sales managers, investment professionals, product managers, sales agents, and other associates, do so in part by making decisions and choices that involve exposing us to risk. These include decisions such as setting underwriting guidelines and standards, product design and pricing, determining what assets to purchase for investment and when to sell them, which business opportunities to pursue, and other decisions. Although we endeavor, in the design and implementation of our compensation programs and practices, to avoid giving our associates incentives to take excessive risks, associates may take such risks regardless of the structure of our compensation programs and practices. Similarly, although we employ controls and procedures designed to monitor associates business decisions and prevent us from taking excessive risks, there can be no assurance that these controls and procedures are or may be effective. If our associates take excessive risks, the impact of those risks could have a material adverse effect on our financial condition or business operations.

Item 1B. *Unresolved Staff Comments*

MetLife has no unresolved comments from the SEC staff regarding its periodic or current reports under the Exchange Act.

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Item 2. *Properties*

In 2006, we signed a lease for approximately 410,000 rentable square feet on 12 floors in an office building in Manhattan, New York. The term of that lease commenced during 2008 and continues for 21 years. In August 2009, we subleased 32,000 rentable square feet of that space to a subtenant, which has met our standards of review with respect to creditworthiness, and we currently have approximately 34,000 rentable square feet of space available for sublease. We moved certain operations from our Long Island City, Queens facility, to the Manhattan space in late 2008, but continue to maintain an on-going presence in Long Island City. Our lease in Long Island City covers 686,000 rentable square feet under a long-term lease arrangement that commenced during 2003 and continues for 20 years. In connection with the move of certain operations to Manhattan, in late 2008, we subleased 330,000 rentable square feet to four subtenants, each of which has met our standards of review with respect to creditworthiness. To date, with our occupancy and the four subtenants we have secured, we are fully subscribed at the Long Island City location.

In connection with the 2005 sale of the 200 Park Avenue property, we have retained rights to existing signage and are leasing space for associates in the property for 20 years with optional renewal periods through 2205.

We continue to own 15 other buildings in the U.S. that we use in the operation of our business. These buildings contain approximately four million rentable square feet and are located in the following states: Connecticut, Florida, Illinois, Missouri, New Jersey, New York, Ohio, Oklahoma, Pennsylvania and Rhode Island. Our computer center in Rensselaer, New York is not owned in fee but rather is occupied pursuant to a long-term ground lease. We lease space in approximately 700 other locations throughout the U.S., and these leased facilities consist of 8.9 million rentable square feet. Approximately 50% of these leases are occupied as sales offices for the U.S. Business operations. The balance of space is utilized for MetLife Bank and other corporate functions supporting business activities. We also own over 70 properties outside the U.S., comprised of 10 significant properties and the balance of condominium units. We lease approximately 1,200 sites in various locations outside the U.S. Of the aforementioned international locations, approximately 70 owned sites and approximately 700 leased sites were acquired recently in connection with the Acquisition. We believe that these properties are suitable and adequate for our current and anticipated business operations.

We arrange for property and casualty coverage on our properties, taking into consideration our risk exposures and the cost and availability of commercial coverages, including deductible loss levels. In connection with the renewal of those coverages, we have arranged $700 million of property insurance, including coverage for terrorism, on our real estate portfolio through May 15, 2011, its renewal date.

Item 3. *Legal Proceedings*

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

Item 4. *(Removed and Reserved)*

Part II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Issuer Common Equity

MetLife, Inc. s common stock, par value $0.01 per share, began trading on the NYSE under the symbol MET on April 5, 2000.

The following table presents high and low closing prices for the common stock on the NYSE for the periods indicated:

	2010			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Common Stock Price				
High	$ 43.34	$ 47.10	$ 42.73	$ 44.92
Low	$ 33.64	$ 37.76	$ 36.49	$ 37.74

	2009			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Common Stock Price				
High	$ 35.97	$ 35.50	$ 40.83	$ 38.35
Low	$ 12.10	$ 23.43	$ 26.90	$ 33.22

At February 18, 2011, there were 90,250 stockholders of record of common stock.

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

			Dividend	
Declaration Date	**Record Date**	**Payment Date**	**Per Share**	**Aggregate**
			(In millions, except per share data)	
October 26, 2010	November 9, 2010	December 14, 2010	$ 0.74	$ 784 (1)
October 29, 2009	November 9, 2009	December 14, 2009	$ 0.74	$ 610

(1) Includes dividends paid on Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (the Convertible Preferred Stock).

Future common stock dividend decisions will be determined by the Company s Board of Directors after taking into consideration factors such as our current earnings, expected medium-term and long-term earnings, financial condition, regulatory capital position, and applicable governmental regulations and policies. Furthermore, the payment of dividends and other distributions to the Company by its insurance subsidiaries is regulated by insurance laws and regulations. See Business U.S. Regulation Insurance Regulation, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Holding Company Liquidity and Capital Sources Dividends from Subsidiaries and Note 18 of the Notes to the Consolidated Financial Statements.

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Issuer Purchases of Equity Securities

Purchases of common stock made by or on behalf of the Company or its affiliates during the quarter ended December 31, 2010 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)
October 1- October 31, 2010	1,241	$ 38.92		$ 1,260,735,127
November 1- November 30, 2010	160	$ 42.90		$ 1,260,735,127
December 1- December 31, 2010	987	$ 43.90		$ 1,260,735,127

(1) During the periods October 1 through October 31, 2010, November 1 through November 30, 2010 and December 1 through December 31, 2010, separate account affiliates of the Company purchased 1,241 shares, 160 shares and 987 shares, respectively, of common stock on the open market in nondiscretionary transactions to rebalance index funds. Except as disclosed above, no shares of common stock were repurchased by the Company.

(2) At December 31, 2010, the Company had $1,261 million remaining under its common stock repurchase program authorizations. In April 2008, the Company 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 December 31, 2010. Under these authorizations, the Company may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act) and in privately negotiated transactions. Whether or not to purchase any common stock and the size and timing of any such purchases will be determined in the Company s complete discretion.

See also Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Company Liquidity and Capital Uses Share Repurchases for further information relating to common stock repurchases.

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Item 6. ***Selected Financial Data***

The following selected financial data has been derived from the Company s audited consolidated financial statements. The statement of operations data for the years ended December 31, 2010, 2009 and 2008, and the balance sheet data at December 31, 2010 and 2009 have been derived from the Company s audited financial statements included elsewhere herein. The statement of operations data for the years ended December 31, 2007 and 2006, and the balance sheet data at December 31, 2008, 2007 and 2006 have been derived from the Company s audited financial statements not included herein. The selected financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere herein.

	Years Ended December 31,				
	2010	2009	2008	2007	2006
	(In millions)				
Statement of Operations Data (1)					
Revenues:					
Premiums	$ 27,394	$ 26,460	$ 25,914	$ 22,970	$ 22,052
Universal life and investment-type product policy fees	6,037	5,203	5,381	5,238	4,711
Net investment income	17,615	14,837	16,289	18,055	16,239
Other revenues	2,328	2,329	1,586	1,465	1,301
Net investment gains (losses)	(392)	(2,906)	(2,098)	(318)	(1,174)
Net derivative gains (losses)	(265)	(4,866)	3,910	(260)	(208)
Total revenues	52,717	41,057	50,982	47,150	42,921
Expenses:					
Policyholder benefits and claims	29,545	28,336	27,437	23,783	22,869
Interest credited to policyholder account balances	4,925	4,849	4,788	5,461	4,899
Policyholder dividends	1,486	1,650	1,751	1,723	1,698
Other expenses	12,803	10,556	11,947	10,405	9,514
Total expenses	48,759	45,391	45,923	41,372	38,980
Income (loss) from continuing operations before provision for income tax	3,958	(4,334)	5,059	5,778	3,941
Provision for income tax expense (benefit)	1,181	(2,015)	1,580	1,675	1,027
Income (loss) from continuing operations, net of income tax	2,777	(2,319)	3,479	4,103	2,914
Income (loss) from discontinued operations, net of income tax	9	41	(201)	362	3,526
Net income (loss)	2,786	(2,278)	3,278	4,465	6,440
Less: Net income (loss) attributable to noncontrolling interests	(4)	(32)	69	148	147

Net income (loss) attributable to MetLife, Inc.	2,790	(2,246)	3,209	4,317	6,293
Less: Preferred stock dividends	122	122	125	137	134
Net income (loss) available to MetLife, Inc. s common shareholders	$ 2,668	$ (2,368)	$ 3,084	$ 4,180	$ 6,159

	December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
			(In millions)		
Balance Sheet Data (1)					
Assets:					
General account assets (2)	$ 547,569	$ 390,273	$ 380,839	$ 399,007	$ 383,758
Separate account assets	183,337	149,041	120,839	160,142	144,349
Total assets	$ 730,906	$ 539,314	$ 501,678	$ 559,149	$ 528,107
Liabilities:					
Policyholder liabilities and other policy-related balances (3)	$ 401,905	$ 283,759	$ 282,261	$ 261,442	$ 252,099
Payables for collateral under securities loaned and other transactions	27,272	24,196	31,059	44,136	45,846
Bank deposits	10,316	10,211	6,884	4,534	4,638
Short-term debt	306	912	2,659	667	1,449
Long-term debt (2)	27,586	13,220	9,667	9,100	8,822
Collateral financing arrangements	5,297	5,297	5,192	4,882	
Junior subordinated debt securities	3,191	3,191	3,758	4,075	3,381
Other (2)	22,583	15,989	15,374	33,186	32,277
Separate account liabilities	183,337	149,041	120,839	160,142	144,349
Total liabilities	681,793	505,816	477,693	522,164	492,861
Redeemable noncontrolling interests in partially owned consolidated securities	117				
Equity:					
MetLife, Inc. s stockholders equity:					
Preferred stock, at par value	1	1	1	1	1
Convertible preferred stock, at par value					
Common stock, at par value	10	8	8	8	8
Additional paid-in capital	26,423	16,859	15,811	17,098	17,454
Retained earnings	21,363	19,501	22,403	19,884	16,574
Treasury stock, at cost	(172)	(190)	(236)	(2,890)	(1,357)
Accumulated other comprehensive income (loss)	1,000	(3,058)	(14,253)	1,078	1,118
Total MetLife, Inc. s stockholders equity	48,625	33,121	23,734	35,179	33,798
Noncontrolling interests	371	377	251	1,806	1,448
Total equity	48,996	33,498	23,985	36,985	35,246
Total liabilities and equity	$ 730,906	$ 539,314	$ 501,678	$ 559,149	$ 528,107

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	Years Ended December 31,				
	2010	2009	2008	2007	2006
	(In millions, except per share data)				
Other Data (1), (4)					
Net income (loss) available to MetLife, Inc. s common shareholders	$ 2,668	$ (2,368)	$ 3,084	$ 4,180	$ 6,159
Return on MetLife, Inc. s common equity	6.9%	(9.0)%	11.2%	12.9%	20.9%
Return on MetLife, Inc. s common equity, excluding accumulated other comprehensive income (loss)	7.0%	(6.8)%	9.1%	13.3%	22.1%
EPS Data (1), (5)					
Income (Loss) from Continuing Operations Available to MetLife, Inc. s Common Shareholders Per Common Share:					
Basic	$ 3.01	$ (2.94)	$ 4.60	$ 5.32	$ 3.64
Diluted	$ 2.99	$ (2.94)	$ 4.54	$ 5.19	$ 3.59
Income (Loss) from Discontinued Operations Per Common Share:					
Basic	$ 0.01	$ 0.05	$ (0.41)	$ 0.30	$ 4.45
Diluted	$ 0.01	$ 0.05	$ (0.40)	$ 0.29	$ 4.40
Net Income (Loss) Available to MetLife, Inc. s Common Shareholders Per Common Share:					
Basic	$ 3.02	$ (2.89)	$ 4.19	$ 5.62	$ 8.09
Diluted	$ 3.00	$ (2.89)	$ 4.14	$ 5.48	$ 7.99
Cash Dividends Declared Per Common Share	$ 0.74	$ 0.74	$ 0.74	$ 0.74	$ 0.59

(1) On November 1, 2010, the Holding Company acquired ALICO. The results of the Acquisition are reflected in the 2010 selected financial data. See Note 2 of the Notes to the Consolidated Financial Statements.

(2) At December 31, 2010, general account assets, long-term debt and other liabilities include amounts relating to variable interest entities of $11,080 million, $6,902 million and $93 million, respectively.

(3) Policyholder liabilities and other policy-related balances include future policy benefits, policyholder account balances, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation.

(4) Return on MetLife, Inc. s common equity is defined as net income (loss) available to MetLife, Inc. s common shareholders divided by MetLife, Inc. s average common stockholders equity.

(5) For the year ended December 31, 2009, 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 are anti-dilutive.

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

For purposes of this discussion, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corpor incorporated in 1999 (the Holding Company), 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 Note Regarding Forward Looking Statements, Risk Factors, Selected Financial Data and the Company s consolidated financial statements included elsewhere herein.

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

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

Operating revenues is defined as GAAP revenues (i) less net investment gains (losses) and net derivative gains (losses); (ii) less amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses); (iii) plus scheduled periodic settlement payments on derivatives that are hedges of investments but do not qualify for hedge accounting treatment; (iv) plus income from discontinued real estate operations; (v) less net investment income related to contractholder-directed unit-linked investments; and (vi) plus, for operating joint ventures reported under the equity method of accounting, the aforementioned adjustments, those identified in the definition of operating expenses and changes in the fair value of hedges of operating joint venture liabilities, all net of income tax.

Operating expenses is defined as GAAP expenses (i) less changes in policyholder benefits associated with asset value fluctuations related to experience-rated contractholder liabilities and certain inflation-indexed liabilities; (ii) less costs related to business combinations (since January 1, 2009) and noncontrolling interests; (iii) less amortization of deferred policy acquisition costs (DAC) and value of business acquired (VOBA) and changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses); (iv) less interest credited to policyholder account balances (PABs) related to contractholder-directed unit-linked investments; and (v) plus scheduled periodic settlement payments on derivatives that are hedges of PABs but do not qualify for hedge accounting treatment.

In addition, operating revenues and operating expenses do not reflect the consolidation of certain securitization entities that are variable interest entities (VIEs) as required under GAAP.

We believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it for management purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our businesses. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for GAAP income (loss) from continuing operations, net of income tax. Reconciliations of operating earnings and operating earnings available to common shareholders to GAAP income (loss) from continuing operations, net of income tax, the most directly comparable GAAP measure, are included in 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.

Executive Summary

MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States (U.S.), Japan, Latin America, Asia Pacific, Europe and the Middle East. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, auto and homeowners insurance, retail banking and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions. MetLife is organized into five segments: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business) and International. The assets and liabilities of American Life Insurance Company (American Life) and Delaware American Life Insurance Company (DelAm, together with American Life, collectively, ALICO) as of November 30, 2010 and the operating results of ALICO from November 1, 2010 (the Acquisition Date) through November 30, 2010 are included in the International segment. In addition, the Company reports certain of its results of operations in Banking, Corporate & Other, which is comprised of MetLife Bank, National Association (MetLife Bank) and other business activities. For reporting periods beginning in 2011, our non-U.S. Business results will be presented within two separate segments: Japan and Other International Regions.

On the Acquisition Date, the Holding Company completed the acquisition of American Life from ALICO Holdings LLC (ALICO Holdings), a subsidiary of American International Group, Inc. (AIG), and DelAm from AIG, (the Acquisition) for a total purchase price of $16.4 billion. The business acquired in the Acquisition provides consumers and businesses with life insurance, accident and health insurance, retirement and wealth management solutions. This transaction delivers on our global growth strategies, adding significant scale and reach to MetLife s international footprint, furthering our diversification in geographic mix and product offerings, as well as increasing our distribution strength. See Note 2 of the Notes to the Consolidated Financial Statements.

As the U.S. and global financial markets continue to recover, we have experienced a significant improvement in net investment income and favorable changes in net investment and net derivative gains (losses). We also continue to experience an increase in market share and sales in some of our businesses, in part, from a flight to quality in the industry. These positive factors were somewhat dampened by the negative impact of general economic conditions, including high levels of unemployment, on the demand for certain of our products.

	Years Ended December 31,		
	2010	2009	2008
	(In millions)		
Income (loss) from continuing operations, net of income tax	$ 2,777	$ (2,319)	$ 3,479
Less: Net investment gains (losses)	(392)	(2,906)	(2,098)
Less: Net derivative gains (losses)	(265)	(4,866)	3,910
Less: Adjustments to continuing operations (1)	(981)	283	(664)
Less: Provision for income tax (expense) benefit	401	2,683	(488)
Operating earnings	4,014	2,487	2,819
Less: Preferred stock dividends	122	122	125
Operating earnings available to common shareholders	$ 3,892	$ 2,365	$ 2,694

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

Year Ended December 31, 2010 compared with the Year Ended December 31, 2009

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

During the year ended December 31, 2010, MetLife s income (loss) from continuing operations, net of income tax increased $5.1 billion to a gain of $2.8 billion from a loss of $2.3 billion in 2009, of which $2 million in losses is from the inclusion of ALICO results for one month in 2010 and the impact of financing costs for the Acquisition. The change was predominantly due to a $4.6 billion favorable change in net derivative gains (losses), before income tax, and a $2.5 billion favorable change in net investment gains (losses), before income tax. Offsetting these favorable variances were unfavorable changes in adjustments related to continuing operations of $1.3 billion, before income tax, and $2.2 billion of income tax, resulting in a total favorable variance of $3.6 billion. In addition, operating earnings available to common shareholders increased $1.5 billion to $3.9 billion in the current year from $2.4 billion in the prior year.

The favorable change in net derivative gains (losses) of $3.0 billion was primarily driven by net gains on freestanding derivatives in the current year compared to net losses in the prior year, partially offset by an unfavorable change in embedded derivatives from gains in the prior year to losses in the current year. The favorable change in freestanding derivatives was primarily attributable to market factors, including falling long-term and mid-term interest rates, a stronger recovery in equity markets in the prior year than the current year, equity volatility, which decreased more in the prior year as compared to the current year, a strengthening U.S. dollar and widening corporate credit spreads in the financial services sector. The favorable change in net investment gains (losses) of

$1.6 billion was primarily driven by a decrease in impairments and a decrease in the provision for credit losses on mortgage loans. These favorable changes in net derivative and net investment gains (losses) were partially offset by an unfavorable change of $514 million in related adjustments.

The improvement in the financial markets, which began in the second quarter of 2009 and continued into 2010, was a key driver of the $1.5 billion increase in operating earnings available to common shareholders. Such market improvement was most evident in higher net investment income and policy fees, as well as a decrease in variable annuity guarantee benefit costs. These increases were partially offset by an increase in amortization of DAC, VOBA and deferred sales inducements (DSI) as a result of an increase in average separate account balances and higher current year gross margins in the closed block driven by increased investment yields and the impact of dividend scale reductions. The 2010 period also includes one month of ALICO results, contributing $114 million to the increase in operating earnings. The favorable impact of a reduction in discretionary spending associated with our enterprise-wide cost reduction and revenue enhancement initiative was more than offset by an increase in other expenses related to our International business. This increase primarily stemmed from the impact of a benefit recorded in the prior year related to the pesification in Argentina, as well as current year business growth in the segment.

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

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

During the year ended December 31, 2009, MetLife s income (loss) from continuing operations, net of income tax, decreased $5.8 billion to a loss of $2.3 billion from income of $3.5 billion in the comparable 2008 period. The year over year change is predominantly due to an $8.8 billion unfavorable change in net derivative gains (losses), before income tax, to losses of $4.9 billion in 2009 from gains of $3.9 billion in 2008. In addition, there was an $808 million unfavorable change in net investment gains (losses), before income tax. Offsetting these variances were favorable changes in adjustments related to continuing operations of $947 million, before income tax, and $3.2 billion of income tax, resulting in a total unfavorable variance of $5.5 billion. In addition, operating earnings available to common shareholders decreased by $329 million to $2.4 billion in 2009 from $2.7 billion in 2008.

The unfavorable change in net derivative gains (losses) of $8.8 billion was primarily driven by losses on freestanding derivatives, partially offset by gains on embedded derivatives, most of which were associated with variable annuity minimum benefit guarantees, and lower losses on fixed maturity securities. The unfavorable change in net investment gains (losses) of $808 million was primarily driven by an increase in impairments. These unfavorable changes in gains (losses) were partially offset by a favorable change of $947 million in related adjustments.

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

Consolidated Company Outlook

As a result of the Acquisition, operations outside the U.S. are expected to contribute approximately 30% of the premiums, fees and other revenues and approximately 40% of MetLife s operating earnings in 2011.

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In 2010, general economic conditions improved and interest rates remained low throughout the year. In 2011, we expect a significant improvement in the operating earnings of the Company, driven primarily by the following:

- Premiums, fees and other revenues growth in 2011 of approximately 30%, of which 27% is directly attributable to the Acquisition. The remaining 3% increase is driven by:
  - Increases in our non-U.S. businesses from continuing organic growth throughout our various geographic regions;
  - Higher fees earned on separate accounts, as the equity markets continue to improve, thereby increasing the value of those separate accounts. In addition, net flows of variable annuities are expected to continue to be strong in 2011, which also increases the account values upon which these fees are earned;
  - Increased sales in the pension closeout business, both in the U.S. and the United Kingdom (U.K.), as we expect the demand for these products to return to a more normal level in 2011.
- Focus on disciplined underwriting. We see no significant changes to the underlying trends that drive underwriting results and anticipate solid results in 2011.
- Focus on expense management. We continue to focus on expense control throughout the Company, specifically managing the costs associated with the integration of ALICO. We also expect to begin realizing cost synergies later in 2011.
- Returns on investment portfolio. Although the market environment remains challenging, we expect the returns on our investment portfolio in 2011, with respect to both income and realized gains and losses, will be in line with the results achieved in 2010.

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 an adjustment for nonperformance risk.

Industry Trends

Despite improvement in general economic conditions in 2010, 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, both in the U.S. and elsewhere around the world. The global economy and markets are now recovering from a period of significant stress that began in the second half of 2007 and substantially increased through the first quarter of 2009. This disruption adversely affected the financial services industry, in particular. The U.S. economy entered a recession in late 2007. This recession ended in mid-2009, but the recovery from the recession has been below historic averages and the unemployment rate is expected to remain high for some time. In addition, inflation has fallen over the last several years and is expected to remain at low levels for some time. Some economists believe that some level of disinflation and deflation risk remains in the economy.

Throughout 2008 and continuing in 2009, Congress, the Federal Reserve Bank of New York, the Federal Deposit Insurance Corporation (FDIC), the U.S. Treasury and other agencies of the Federal government took a number of increasingly aggressive actions (in addition to continuing a series of interest rate reductions that began in the second half of 2007) intended to provide liquidity to financial institutions and markets, to avert a loss of investor confidence in particular troubled institutions, to prevent or contain the spread of the financial crisis and to spur economic growth. Most of these programs have run their course or have been discontinued. The monetary policy by the Federal Reserve Board and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which was signed by President Obama in July 2010, are more likely to be relevant to MetLife, Inc. and will significantly change financial regulation in the U.S. See Regulatory Changes. In addition, the oversight body of the Basel Committee on Banking Supervision announced in December 2010 increased capital and liquidity requirements (commonly referred to as Basel III) for bank holding companies, such as MetLife, Inc. Assuming these requirements are endorsed and adopted by the U.S., they are to be phased in beginning January 1, 2013. It is possible that even more stringent capital and liquidity requirements could be imposed under Dodd-Frank and Basel III.

It is not certain what effect the enactment of Dodd-Frank or Basel III will have on the financial markets, the availability of credit, asset prices and MetLife s operations. We cannot predict whether the funds made available by the U.S. Federal government and its agencies will be enough to continue stabilizing or to further revive the financial markets or, if additional amounts are necessary, whether Congress will be willing to make the necessary appropriations, what the public s sentiment would be towards any such appropriations, or what additional requirements or conditions might be imposed on the use of any such additional funds.

The imposition of additional regulation on large financial institutions may have, over time, the effect of supporting some aspects of the financial services industry more than others. This could adversely affect our competitive position.

Although the disruption in the global financial markets has moderated, not all such markets are functioning normally, and some remain reliant upon government intervention and liquidity. The global recession and disruption of the financial markets has also led to concerns over capital markets access and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain. In response, on May 10, 2010, the European Union, the European Central Bank and the International Monetary Fund announced a rescue package of up to 750 billion, or approximately $1 trillion, for European nations in the Eurozone. This rescue package is intended to stabilize these economies. The Japanese economy, to which we face increased exposure as a result of the Acquisition, continues to experience low nominal growth, a deflationary environment, and weak consumer spending.

Recent global economic conditions 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, our net investment and net derivative gains (losses), and the demand for and the cost and profitability of certain of our products, including variable annuities and guarantee benefits. See Results of Operations and Liquidity and Capital Resources.

Competitive Pressures. The life insurance industry remains highly competitive. The product development and product life-cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development, technology and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry s products can be quite homogeneous and subject to intense price competition. Sufficient scale, financial strength and financial flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base. We believe that the turbulence in financial markets that began in the second half of 2007, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have highlighted financial strength as a significant differentiator from the perspective of customers and certain distributors. In addition, the financial market turbulence and the economic recession have led many companies in our industry to re-examine the pricing and features of the products they offer and may lead to consolidation in the life insurance industry.

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

Responses to Extraordinary Market Conditions, Risk Factors Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth and Risk Factors Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability. Until various studies are completed and final regulations are promulgated pursuant to Dodd-Frank, the full impact of Dodd-Frank on the investments, investment activities and insurance and annuity products of the Company remain unclear. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth. Under Dodd-Frank, as a large, interconnected bank holding company with assets of $50 billion or more, or possibly as an otherwise systemically important financial company, MetLife, Inc. will be subject to enhanced prudential standards imposed on systemically significant financial companies. Enhanced standards will be applied to Tier 1 and total risk-based capital (RBC), liquidity, leverage (unless another, similar standard is appropriate for the Company), resolution plan and credit exposure reporting, concentration limits, and risk management. The so-called Volcker Rule provisions of Dodd-Frank restrict the ability of affiliates of insured depository institutions (such as MetLife Bank) to engage in proprietary trading or sponsor or invest in hedge funds or private equity funds. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth.

Mortgage and Foreclosure-Related Exposures. In 2008 MetLife Bank acquired certain assets to enter the forward and reverse residential mortgage origination and servicing business, including rights to service residential mortgage loans. At various times since then, including most recently in the third quarter of 2010, MetLife Bank has acquired additional residential mortgage loan servicing rights. As an originator and servicer of mortgage loans, which are usually sold to an investor shortly after origination, MetLife Bank has obligations to repurchase loans upon demand by the investor due to (i) a determination that material representations made in connection with the sale of the loans (relating, for example, to the underwriting and origination of the loans) are incorrect or (ii) defects in servicing of the loan. MetLife Bank is indemnified by the sellers of the acquired assets, for various periods depending on the transaction and the nature of the claim, for origination and servicing deficiencies that occurred prior to MetLife Bank s acquisition, including indemnification for any repurchase claims made from investors who purchased mortgage loans from the sellers. Substantially all mortgage servicing rights (MSRs) that were acquired by MetLife Bank relate to loans sold to Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC). Since the 2008 acquisitions, MetLife Bank has originated and sold mortgages primarily to FNMA, FHLMC and Government National Mortgage Association (GNMA) (collectively, the Agency Investors) and, to a limited extent, a small number of private investors. Currently 99% of MetLife Bank s $83 billion servicing portfolio is comprised of products sold to Agency Investors. Other than repurchase obligations which are subject to indemnification by sellers of acquired assets as described above, MetLife Bank s exposure to repurchase obligations and losses related to origination deficiencies is limited to the approximately $52 billion of loans originated by MetLife Bank (all of which have been originated since August 2008) and to servicing deficiencies after the date of acquisition, and management is satisfied that adequate provision has been made in the Company s consolidated financial statements for all probable and reasonably estimable repurchase obligations and losses.

In light of recent events concerning foreclosure proceedings within the industry, MetLife Bank has undertaken a close review of its procedures. MetLife Bank verifies the accuracy of borrower information included in affidavits filed in foreclosure proceedings. We do not believe that MetLife Bank has material exposure to potential losses arising from challenges to its foreclosure procedures. Like other mortgage servicers, MetLife Bank has been the subject of recent inquiries and investigations from state attorneys general and banking regulators. See Note 16 of the Notes to the Consolidated Financial Statements.

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

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

(ii) investment impairments;

(iii) the recognition of income on certain investment entities and the application of the consolidation rules to certain investments;

(iv) the estimated fair value of and accounting for freestanding derivatives and the existence and estimated fair value of embedded derivatives requiring bifurcation;

(v) the capitalization and amortization of DAC and the establishment and amortization of VOBA;

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

(vii) the liability for future policyholder benefits and the accounting for reinsurance contracts;

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

(ix) accounting for employee benefit plans; and

(x) the liability for litigation and regulatory matters.

The application of purchase 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 the Company s accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company s businesses and operations. Actual results could differ from these estimates.

Fair Value

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

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities.

Level 2	Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity s own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as

instruments for which the determination of estimated fair value requires significant management judgment or estimation.

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

In addition, the Company elected the fair value option (FVO) for certain of its financial instruments to better match measurement of assets and liabilities in the consolidated statements of operations.

Estimated Fair Value of Investments

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

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

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies. The market standard valuation methodologies utilized include: discounted cash flow methodologies, matrix pricing or other similar techniques. The inputs to these market standard valuation methodologies include, but are not limited to: interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, maturity, estimated duration and management s assumptions regarding liquidity and estimated future cash flows. Accordingly, the estimated fair values are based on available market information and management s judgments about financial instruments.

The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market.

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

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

MSRs, which are recorded in other invested assets, are measured at estimated fair value and are either acquired or are generated from the sale of originated residential mortgage loans where the servicing rights are retained by the Company. The estimated fair value of MSRs is principally determined through the use of internal discounted cash flow models which utilize various assumptions. Valuation inputs and assumptions include generally observable items such as type and age of loan, loan interest rates, current market interest rates, and certain unobservable inputs, including assumptions regarding estimates of discount rates, loan prepayments and servicing costs, all of which are sensitive to changing markets conditions. The use of different valuation assumptions and inputs, as well as assumptions relating to the collection of expected cash flows, may have a material effect on the estimated fair values of MSRs.

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

Investment Impairments

One of the significant estimates related to available-for-sale securities is the evaluation of investments for impairments. The assessment of whether impairments have occurred is based on our case-by-case evaluation of the underlying reasons for the decline in estimated fair value. The Company s review of its fixed maturity and equity securities for impairments includes an analysis of the total gross unrealized losses by three categories of severity and/or age of the gross unrealized loss, as described more fully in Note 3 of the Notes to the Consolidated Financial Statements. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments and the Company s evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, greater weight and consideration are given by the Company to a decline in estimated fair value and the likelihood such estimated fair value decline will recover.

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

(i) the length of time and the extent to which the estimated fair value has been below cost or amortized cost;

(ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties;

(iii) the potential for impairments in an entire industry sector or sub-sector;

(iv) the potential for impairments in certain economically depressed geographic locations;

(v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources;

(vi) with respect to fixed maturity securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before recovery of the decline in estimated fair value below cost or amortized cost;

(vii) with respect to equity securities, whether the Company s ability and intent to hold the security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost;

(viii) unfavorable changes in projected cash flows on mortgage-backed and asset-backed securities (ABS); and

(ix) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

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

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

Recognition of Income on Certain Investment Entities

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

Application of the Consolidation Rules to Certain Investments

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

For most VIEs, the entity that has both the ability to direct the most significant activities of the VIE and the obligation to absorb losses or receive benefits that could be significant to the VIE is considered 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.

Derivative Financial Instruments

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

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

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

Embedded Derivatives

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

The estimated fair values of these embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates. The valuation of these embedded derivatives also includes an adjustment for the Company s nonperformance risk and risk margins for non-capital market inputs. The nonperformance risk adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for the Holding Company 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 the Holding Company. 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.

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

These guaranteed minimum benefits may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates, changes in the Company s nonperformance risk, 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 GMIB and GMAB described in the preceding paragraphs. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company.

As part of its regular review of critical accounting estimates, the Company periodically assesses inputs for estimating nonperformance risk in fair value measurements. During the second quarter of 2010, the Company completed a study that aggregated and evaluated data, including historical recovery rates of insurance companies as well as policyholder behavior observed over the past two years as the recent financial crisis evolved. As a result, at the end of the second quarter of 2010, the Company refined the manner in which its insurance subsidiaries incorporate expected recovery rates into the nonperformance risk adjustment for purposes of estimating the fair value of investment-type contracts and embedded derivatives within insurance contracts. The refinement impacted the Company s income from continuing operations, net of income tax, with no effect on operating earnings.

As described above, the valuation of variable annuity guarantees accounted for as embedded derivatives includes an adjustment for the Company s nonperformance risk, which is subject to variability. The table below illustrates the impact that a range of reasonably likely variances in credit spreads would have on the Company s consolidated balance sheet, excluding the effect of income tax. Changes in the carrying values of PABs would be reported in net investment gains (losses) and changes in the carrying value of DAC and VOBA would be reported in other expenses. However, these estimated effects do not take into account potential changes in other variables, such as equity price levels and market volatility, that can also contribute significantly to changes in carrying values. Therefore, the table does not necessarily reflect the ultimate impact on the consolidated financial statements under the credit spread variance scenarios presented below.

In determining the ranges, the Company has considered current market conditions as well as the market level of spreads that can reasonably be anticipated over the near term. The ranges do not reflect extreme market conditions experienced during the 2008 and 2009 economic crisis as the Company does not consider those to be reasonably likely events in the near future.

	Carrying Value At December 31, 2010	
	PABs	DAC and VOBA
	(In millions)	
100% increase in the Company s credit spread	$ 1,551	$ 79
As reported	$ 2,357	$ 110
50% decrease in the Company s credit spread	$ 2,852	$ 130

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

Deferred Policy Acquisition Costs and Value of Business Acquired

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

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

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period which can result in significant fluctuations in amortization of DAC and VOBA. The Company s practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. The Company monitors these events and only changes the assumption when its long-term expectation changes. The effect of an increase/(decrease) by 100 basis points in the assumed future rate of return is reasonably likely to result in a decrease/(increase) in the DAC and VOBA amortization of approximately $128 million with an offset to the Company s unearned revenue liability of approximately $19 million for this factor.

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

The Company s most significant assumption updates resulting in a change to expected future gross margins and profits and the amortization of DAC and VOBA were due to revisions to expected future investment returns, expenses, in-force or persistency assumptions and policyholder dividends on contracts included within the Insurance Products and Retirement Products segments. The Company expects these assumptions to be the ones most reasonably likely to cause significant changes in the future. Changes in these assumptions can be offsetting and the Company is unable to predict their movement or offsetting impact over time.

Note 6 of the Notes to the Consolidated Financial Statements provides a rollforward of DAC and VOBA for the Company for each of the years ended December 31, 2010, 2009 and 2008, as well as a breakdown of DAC and VOBA by segment and reporting unit at December 31, 2010 and 2009.

At December 31, 2010, 2009 and 2008, DAC and VOBA for the Company was $27.3 billion, $19.3 billion and $20.1 million, respectively. The DAC and VOBA balance increased significantly as a result of the Acquisition, which contributed $8.9 billion to the balance at December 31, 2010. Approximately 55%, of the Company s DAC and VOBA was associated with the Insurance Products and Retirement Products segments at December 31, 2010. At December 31, 2010, 2009 and 2008, DAC and VOBA for these segments was $14.9 billion, $16.1 billion and $17.4 billion, respectively. Amortization of DAC and VOBA associated with the variable and universal life and the annuities contracts within the Insurance Products and Retirement Products segments is significantly impacted by movements in equity markets. The following chart illustrates the effect on DAC and VOBA within the Company s U.S. Business of changing each of the respective assumptions, as well as updating estimated gross margins or profits with actual gross margins or profits during the years ended December 31, 2010, 2009 and 2008. Increases (decreases) in DAC and VOBA balances, as presented below, resulted in a corresponding decrease (increase) in amortization.

	Years Ended December 31,		
	2010	**2009**	**2008**
		(In millions)	

Investment return	$ 3	$ 141	$ 70
Separate account balances	21	(32)	(708)
Net investment gain (loss)	(124)	712	(521)
Expense	89	60	61
In-force/Persistency	17	(87)	(159)
Policyholder dividends and other	(192)	174	(30)
Total	$ (186)	$ 968	$ (1,287)

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2010:

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

Actual gross profits increased as a result of a decrease in liabilities associated with guarantee obligations on variable annuities, resulting in an increase of DAC and VOBA amortization of $197 million, excluding the impact from the Company s nonperformance risk and risk margins, which are described below. This increase in actual gross profits was partially offset by freestanding derivative losses associated with the hedging of such guarantee obligations, which resulted in a decrease in DAC and VOBA amortization of $88 million.

The narrowing of the Company s nonperformance risk adjustment increased the valuation of guarantee liabilities, decreased actual gross profits and decreased DAC and VOBA amortization by $96 million. In addition, higher risk margins which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by $18 million.

The remainder of the impact of net investment gains (losses), which increased DAC amortization by $129 million, was primarily attributable to current period investment activities.

Included in policyholder dividends and other was an increase in DAC and VOBA amortization of $42 million as a result of changes to long-term assumptions. In addition, amortization increased by $39 million as a result of favorable gross margin variances. The remainder of the increase was due to various immaterial items.

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

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

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

Actual gross profits increased as a result of a decrease in liabilities associated with guarantee obligations on variable annuities, resulting in an increase of DAC and VOBA amortization of $995 million, excluding the impact from the Company s nonperformance risk and risk margins, which are described below. This increase in actual gross profits was partially offset by freestanding derivative losses associated with the hedging of such guarantee obligations, which resulted in a decrease in DAC and VOBA amortization of $636 million.

The narrowing of the Company s nonperformance risk adjustment increased the valuation of guarantee liabilities, decreased actual gross profits and decreased DAC and VOBA amortization by $607 million. This was partially offset by lower risk margins which decreased the guarantee liability valuations, increased actual gross profits and increased DAC and VOBA amortization by $20 million.

The remainder of the impact of net investment gains (losses), which decreased DAC amortization by $484 million, was primarily attributable to current period investment activities.

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

The following represents significant items contributing to the changes in DAC and VOBA amortization in 2008:

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

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

Actual gross profits decreased as a result of an increase in liabilities associated with guarantee obligations on variable annuities resulting in a reduction of DAC and VOBA amortization of $1,047 million. This decrease in actual gross profits was mitigated by freestanding derivative gains associated with the hedging of such guarantee obligations which resulted in an increase in actual gross profits and an increase in DAC and VOBA amortization of $625 million.

The widening of the Company s nonperformance risk adjustment decreased the valuation of guarantee liabilities, increased actual gross profits and increased DAC and VOBA amortization by $739 million. This was partially offset by higher risk margins which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by $100 million.

Reductions in both actual and expected cumulative earnings of the closed block resulting from recent experience in the closed block combined with changes in expected dividend scales resulted in an increase in closed block DAC amortization of $195 million, $175 million of which was related to net investment gains (losses).

The remainder of the impact of net investment gains (losses) on DAC amortization of $129 million was attributable to numerous immaterial items.

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

The Company s DAC and VOBA balance is also impacted by unrealized investment gains (losses) and the amount of amortization which would have been recognized if such gains and losses had been recognized. The increase in unrealized investment gains decreased the DAC and VOBA balance by $1.4 billion in 2010. The decrease in unrealized investment losses decreased the DAC and VOBA balance by $2.8 billion in 2009, whereas the increase in unrealized investment losses increased the DAC and VOBA balance by $3.4 billion in 2008. Notes 3 and 6 of the Notes to the Consolidated Financial Statements include the DAC and VOBA offset to unrealized investment losses.

Goodwill

Goodwill is the excess of cost over the estimated fair value of net assets acquired. Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

Impairment testing is performed using the fair value approach, which requires the use of estimates and judgment, at the reporting unit level. A reporting unit is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level.

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

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

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

On an ongoing basis, we evaluate potential triggering events that may affect the estimated fair value of our reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions for certain reporting units may have a significant impact on the estimated fair value of these reporting units and could result in future impairments of goodwill.

Liability for Future Policy Benefits

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

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

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

Future policy benefit liabilities for minimum death and income benefit guarantees relating to certain annuity contracts and secondary and paid-up guarantees relating to certain life policies are based on estimates of the expected value of benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. Liabilities for universal and variable life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating these liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. The assumptions of investment performance and volatility for variable products are consistent with historical experience of the appropriate underlying equity index, such as the Standard & Poor s Ratings Services (S&P) 500 Index.

The Company periodically reviews its estimates of actuarial liabilities for future policy benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing of these policies and guarantees and in the establishment of the related liabilities result in variances in profit and could result in losses.

Reinsurance

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

Income Taxes

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

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

For U.S. federal income tax purposes, the Company anticipates making an election under the Internal Revenue Code Section 338 as it relates to the Acquisition. As such, the tax basis in the acquired assets and liabilities is adjusted as of the Acquisition Date resulting in a change to the related deferred income taxes.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Factors in management s determination consider the performance of the business including the ability to generate capital gains. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

(i) future taxable income exclusive of reversing temporary differences and carryforwards;

(ii) future reversals of existing taxable temporary differences;

(iii) taxable income in prior carryback years; and

(iv) tax planning strategies.

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

Employee Benefit Plans

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

Litigation Contingencies

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

Economic Capital

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

Acquisitions and Dispositions

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

Results of Operations

Year Ended December 31, 2010 compared with the Year Ended December 31, 2009

We have experienced growth and an increase in market share in several of our businesses, which, together with improved overall market conditions compared to conditions a year ago, positively impacted our results most significantly through increased net cash flows, improved yields on our investment portfolio and increased policy fee income. Sales of our domestic annuity products were up 14%, driven by an increase in variable annuity sales compared with the prior year. We benefited in 2010 from strong sales of structured settlement products. Market penetration continues in our pension closeout business in the U.K.; however, although improving, our domestic pension closeout business has been adversely impacted by a combination of poor equity returns and lower interest rates. High levels of unemployment continue to depress growth across our group insurance businesses due to lower covered payrolls. While we experienced growth in our group life business, sales of non-medical health and individual life products declined. Sales of new homeowner and auto policies increased 11% and 4%, respectively, as the housing and automobile markets have improved. We experienced a 30% increase in sales of retirement and savings products abroad. During 2010, mortgage refinancing activity continued to return to more moderate levels compared to the unusually high levels experienced in 2009.

	Years Ended December 31,			
	2010	2009	Change	% Change
	(In millions)			
Revenues				
Premiums	$ 27,394	$ 26,460	$ 934	3.5%
Universal life and investment-type product policy fees	6,037	5,203	834	16.0%
Net investment income	17,615	14,837	2,778	18.7%
Other revenues	2,328	2,329	(1)	%
Net investment gains (losses)	(392)	(2,906)	2,514	86.5%
Net derivative gains (losses)	(265)	(4,866)	4,601	94.6%
Total revenues	52,717	41,057	11,660	28.4%
Expenses				
Policyholder benefits and claims and policyholder dividends	31,031	29,986	1,045	3.5%
Interest credited to policyholder account balances	4,925	4,849	76	1.6%
Interest credited to bank deposits	137	163	(26)	(16.0)%
Capitalization of DAC	(3,343)	(3,019)	(324)	(10.7)%
Amortization of DAC and VOBA	2,801	1,307	1,494	114.3%
Interest expense on debt	1,550	1,044	506	48.5%
Other expenses	11,658	11,061	597	5.4%
Total expenses	48,759	45,391	3,368	7.4%
Income (loss) from continuing operations before provision for income tax	3,958	(4,334)	8,292	191.3%
Provision for income tax expense (benefit)	1,181	(2,015)	3,196	158.6%
Income (loss) from continuing operations, net of income tax	2,777	(2,319)	5,096	219.7%
Income (loss) from discontinued operations, net of income tax	9	41	(32)	(78.0)%
Net income (loss)	2,786	(2,278)	5,064	222.3%
Less: Net income (loss) attributable to noncontrolling interests	(4)	(32)	28	87.5%

Net income (loss) attributable to MetLife, Inc.	2,790	(2,246)	5,036	224.2%
Less: Preferred stock dividends	122	122		%
Net income (loss) available to MetLife, Inc. s common shareholders	$ 2,668	$ (2,368)	$ 5,036	212.7%

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

During the year ended December 31, 2010, income (loss) from continuing operations, net of income tax increased $5.1 billion to a gain of $2.8 billion from a loss of $2.3 billion in 2009, of which $2 million in losses was from the inclusion of one month of ALICO results in 2010. The change was predominantly due to a $3.0 billion favorable change in net derivative gains (losses) and a $1.6 billion favorable change in net investment gains (losses). Offsetting these favorable variances totaling $4.6 billion were unfavorable changes in adjustments related to net derivative and net investment gains (losses) of $514 million, net of income tax, principally associated with DAC and

VOBA amortization, resulting in a total favorable variance related to net derivative and net investment gains (losses), net of related adjustments and income tax, of $4.1 billion.

We manage our investment portfolio using disciplined Asset/Liability Management (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, net of income tax, risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. Other invested asset classes including, but not limited to, equity securities, other limited partnership interests and real estate and real estate joint ventures, provide additional diversification and opportunity for long-term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currencies, credit spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our specific mix of products and business segments. In addition, the general account investment portfolio includes within trading and other securities, contractholder-directed investments supporting unit-linked variable annuity type liabilities, which do not qualify for reporting and presentation as separate account assets. The returns on these investments, which can vary significantly 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 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 generated and can change significantly from period to period, due to changes in external influences, including movements in interest rates, foreign currencies, credit spreads and equity markets, counterparty specific factors such as financial performance, credit rating and collateral valuation, and internal factors such as portfolio rebalancing, that can generate gains and losses. As an investor in the fixed income, equity security, mortgage loan and certain other invested asset classes, we are exposed to the above stated risks, which can lead to both impairments and credit-related losses.

Freestanding derivatives are used to hedge certain investments and liabilities. For those hedges not designated as accounting hedges, changes in these market risks can lead to the recognition of fair value changes in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged even though these are effective economic hedges. Additionally, we issue liabilities and purchase assets that contain embedded derivatives whose changes in estimated fair value are sensitive to changes in market risks and are also recognized in net derivative gains (losses).

The favorable variance in net derivative gains (losses) of $3.0 billion, from losses of $3.2 billion in 2009 to losses of $172 million in 2010 was primarily driven by a favorable change in freestanding derivatives of $4.4 billion, comprised of a $4.5 billion favorable change from losses in the prior year of $4.3 billion to gains in the current year of $203 million and $123 million in ALICO freestanding derivative losses. This favorable variance was partially offset by an unfavorable change in embedded derivatives primarily associated with variable annuity minimum benefit guarantees of $1.4 billion from gains in the prior year of $1.1 billion to losses in the current year of $257 million, net of $5 million in ALICO embedded derivative gains.

We use freestanding interest rate, currency, credit and equity derivatives to provide economic hedges of certain invested assets and insurance liabilities, including embedded derivatives, within certain of our variable annuity minimum benefit guarantees. The $4.5 billion favorable variance in freestanding derivatives was primarily attributable to market factors, including falling long-term and mid-term interest rates, a stronger recovery in equity markets in the prior year than the current year, a greater decrease in equity volatility in the prior year as compared to the current year, a strengthening U.S. dollar and widening corporate credit spreads in the financial services sector. Falling long-term and mid-term interest rates in the current year compared to rising long-term and mid-term interest rates in the prior year had a positive impact of $2.6 billion on our interest rate derivatives, $931 million of which is attributable to hedges of variable annuity minimum benefit guarantee liabilities, which are accounted for as embedded derivatives. In addition, stronger equity market recovery and lower equity market volatility in the prior year as compared to the current year had a positive impact of $1.1 billion on our equity derivatives, which we use to hedge variable annuity minimum benefit guarantees. U.S. dollar strengthening had a positive impact of $554 million on certain of our foreign currency derivatives, which are used to hedge foreign-denominated asset and liability exposures. Finally, widening corporate credit spreads in the financial services sector had a positive impact of $221 million on our purchased protection credit derivatives.

Certain variable annuity products with minimum benefit guarantees contain embedded derivatives that 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 also include an adjustment for nonperformance risk of the related liabilities carried at estimated fair value. The $1.4 billion unfavorable change in embedded derivatives was primarily attributable to the impact of market factors, including falling long-term and mid-term interest rates, changes in foreign currency exchange rates, equity volatility and equity market movements. Falling long-term and mid-term interest rates in the current year compared to rising long-term and mid-term interest rates in the prior year had a negative impact of $1.4 billion. Changes in foreign currency exchange rates had a negative impact of $468 million. Equity volatility decreased more in the prior year than in the current year causing a negative impact of $284 million, and a stronger recovery in the equity markets in the prior year than in the current year had a negative impact of $228 million. The unfavorable impact from these hedged risks was partially offset by a favorable change related to the adjustment for nonperformance risk of $1.2 billion, from losses of $1.3 billion in 2009 to losses of $62 million in 2010. This $62 million loss was net of a $621 million loss related to a refinement in estimating the spreads used in the adjustment for nonperformance risk made in the second quarter of 2010. Gains on the freestanding derivatives that hedged these embedded derivative risks largely offset the change in liabilities attributable to market factors, excluding the adjustment for nonperformance risk, which does not have an economic impact on the Company.

Improved or stabilizing market conditions across several invested asset classes and sectors as compared to the prior year resulted in decreases in impairments and in net realized losses from sales and disposals of investments in most components of our investment portfolio. These decreases, coupled with a decrease in the provision for credit losses on mortgage loans due to improved market conditions, resulted in a $1.6 billion improvement in net investment gains (losses).

Income from continuing operations, net of income tax for 2010 includes $138 million of expenses related to the acquisition and integration of ALICO. These expenses, which primarily consisted of investment banking and legal fees, are recorded in Banking, Corporate & Other and are not a component of operating earnings.

As more fully described in the discussion of performance measures above, we use operating earnings, which does not equate to income (loss) from continuing operations as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. Operating earnings is also a measure by which senior management s and many other employees performance is evaluated for the purpose of determining their compensation under applicable compensation plans. We believe that the presentation of operating earnings, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings should not be viewed as a substitute for GAAP income (loss) from continuing operations, net of income tax. Operating earnings available to common shareholders increased by $1.5 billion to $3.9 billion in 2010 from $2.4 billion in 2009.

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

Year Ended December 31, 2010

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
			(In millions)				
Income (loss) from continuing operations, net of income tax	$ 1,371	$ 813	$ 1,002	$ 295	$ (131)	$ (573)	$ 2,777
Less: Net investment gains (losses)	103	139	176	(7)	(273)	(530)	(392)
Less: Net derivative gains (losses)	215	266	(193)	(1)	(491)	(61)	(265)
Less: Adjustments to continuing operations (1)	(237)	(282)	143		(427)	(178)	(981)
Less: Provision for income tax (expense) benefit	(31)	(49)	(44)	3	268	254	401
Operating earnings	$ 1,321	$ 739	$ 920	$ 300	$ 792	(58)	4,014
Less: Preferred stock dividends						122	122
Operating earnings available to common shareholders						$ (180)	$ 3,892

Year Ended December 31, 2009

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
			(In millions)				
Income (loss) from continuing operations, net of income tax	$ (418)	$ (628)	$ (581)	$ 321	$ (280)	$ (733)	$ (2,319)
Less: Net investment gains (losses)	(472)	(533)	(1,486)	(41)	(105)	(269)	(2,906)
Less: Net derivative gains (losses)	(1,786)	(1,426)	(421)	39	(798)	(474)	(4,866)
Less: Adjustments to continuing operations (1)	(139)	519	125		(206)	(16)	283
Less: Provision for income tax (expense) benefit	837	504	621	1	366	354	2,683
Operating earnings	$ 1,142	$ 308	$ 580	$ 322	$ 463	(328)	2,487
Less: Preferred stock dividends						122	122

Operating earnings available to common shareholders	$ (450)	$ 2,365

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

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

Year Ended December 31, 2010

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
			(In millions)				
Total revenues	$ 26,451	$ 6,881	$ 7,540	$ 3,146	$ 6,794	$ 1,905	$ 52,717
Less: Net investment gains (losses)	103	139	176	(7)	(273)	(530)	(392)
Less: Net derivative gains (losses)	215	266	(193)	(1)	(491)	(61)	(265)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	1						1
Less: Other adjustments to revenues (1)	(144)	(248)	193		44	449	294
Total operating revenues	$ 26,276	$ 6,724	$ 7,364	$ 3,154	$ 7,514	$ 2,047	$ 53,079
Total expenses	$ 24,338	$ 5,622	$ 5,999	$ 2,781	$ 6,987	$ 3,032	$ 48,759
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	90	35			(7)		118
Less: Other adjustments to expenses (1)	4	(1)	50		478	627	1,158
Total operating expenses	$ 24,244	$ 5,588	$ 5,949	$ 2,781	$ 6,516	$ 2,405	$ 47,483

Year Ended December 31, 2009

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
			(In millions)				
Total revenues	$ 23,483	$ 3,725	$ 5,486	$ 3,113	$ 4,383	$ 867	$ 41,057
Less: Net investment gains (losses)	(472)	(533)	(1,486)	(41)	(105)	(269)	(2,906)
Less: Net derivative gains (losses)	(1,786)	(1,426)	(421)	39	(798)	(474)	(4,866)

Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(27)						(27)
Less: Other adjustments to revenues (1)	(74)	(219)	188		(169)	22	(252)
Total operating revenues	$ 25,842	$ 5,903	$ 7,205	$ 3,115	$ 5,455	$ 1,588	$ 49,108
Total expenses	$ 24,165	$ 4,690	$ 6,400	$ 2,697	$ 4,868	$ 2,571	$ 45,391
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	39	(739)					(700)
Less: Other adjustments to expenses (1)	(1)	1	63		37	38	138
Total operating expenses	$ 24,127	$ 5,428	$ 6,337	$ 2,697	$ 4,831	$ 2,533	$ 45,953

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

Unless otherwise stated, all amounts discussed below are net of income tax and are on a constant currency basis. The constant currency basis amounts for both periods are calculated using the average foreign currency exchange rates of 2010.

The improvement in the financial markets was the primary driver of the increase in operating earnings as evidenced by higher net investment income and an increase in average separate account balances, which resulted in an increase in policy fee income. Interest rate and equity market changes resulted in a decrease in variable annuity guarantee benefit costs. Partially offsetting this improvement was an increase in amortization of DAC, VOBA and DSI. The increase in operating earnings also includes the positive impact of changes in foreign currency exchange rates in 2010. This improved reported operating earnings by $38 million for 2010 compared to 2009. Excluding the impact of changes in foreign currency exchange rates, operating earnings increased $1.5 billion from the prior period. Furthermore, the 2010 period also includes one month of ALICO results, contributing $114 million to the increase in operating earnings. The current period also benefited from the dividend scale reduction in the fourth quarter of 2009. The improvement in 2010 results compared to 2009 was partially offset by a decline in residential mortgage loan production and the prior period impact of pesification in Argentina.

In addition to a $133 million increase due to the inclusion of ALICO results, net investment income increased by $792 million from higher yields and $515 million from growth in average invested assets. Yields were positively impacted by the effects of stabilizing real estate markets and recovering private equity markets year over year on real estate joint ventures and other limited partnership interests, and by the effects of continued repositioning of the accumulated liquidity in our portfolio to longer duration and higher yielding investments, including investment grade corporate fixed maturity securities. Growth in our investment portfolio was primarily due to positive net cash flows from growth in our domestic individual and group life businesses, as well as certain international businesses; increased bank deposits, higher cash collateral balances received from our derivative counterparties, as well as the temporary investment of proceeds from the debt and common stock issuances in anticipation of the Acquisition. With the exception of the cash flows from such securities issuances, which were temporarily invested in lower yielding liquid investments, we continued to reposition the accumulated liquidity in our portfolio to longer duration and higher yielding investments.

Since many of our products are interest spread-based, higher net investment income is typically offset by higher interest credited expense. However, interest credited expense, including amounts reflected in policyholder benefits and claims, decreased $147 million, primarily in our domestic funding agreement business, which experienced lower average crediting rates combined with lower average account balances. Our fixed annuities business also experienced lower crediting rates. Certain crediting rates can move consistently with the underlying market indices, primarily the London Inter-Bank Offer Rate (LIBOR), which were lower than the prior year. The impact from the growth in our structured settlement, long-term care and disability businesses partially offset those decreases in interest credited expense.

A significant increase in average separate account balances is largely attributable to favorable market performance resulting from improved market conditions since the second quarter of 2009 and positive net cash flows from the annuity business. This resulted in higher policy fees and other revenues of $471 million, most notably in our Retirement Products segment. The improvement in fees is partially offset by greater DAC, VOBA and DSI amortization of $377 million. Policy fees are typically calculated as a percentage of the average assets in the separate accounts. DAC, VOBA and DSI amortization is based on the earnings of the business, which in the retirement business are derived, in part, from fees earned on separate account balances. A portion of the increase in amortization was due to the impact of higher current year gross margins, a primary component in the determination of the amount of amortization for our Insurance Products segment, mostly in the closed block resulting from increased investment yields and the impact of dividend scale reductions.

There was a $59 million decrease in variable annuity guaranteed benefit costs. Costs associated with our annuity guaranteed benefit liabilities, hedge programs and reinsurance programs are impacted by equity markets and interest rate levels to varying degrees. While 2010 and 2009 both experienced equity market improvements, the improvement in 2009 was greater. Interest rate levels declined in the current year and increased in the prior year. Annuity guaranteed benefit liabilities, net of a decrease in paid claims, increased benefits by $93 million primarily from our annual unlocking of assumptions related to these liabilities. The hedge and reinsurance programs which are used to mitigate the risk associated with these guarantees produced losses in both periods, but the losses in the prior period were more significant due to the 2009 equity market recovery. The change in hedge and reinsurance program costs decreased by $152 million. These hedge and reinsurance programs, which are a key part of our risk management strategy, performed as anticipated.

The reduction in the dividend scale in the fourth quarter of 2009 resulted in a $109 million decrease in policyholder dividends in the traditional life business in the current period.

Claims experience varied amongst our businesses with a net unfavorable impact of $153 million to operating earnings compared to the prior year. We had unfavorable claims experience in our Auto & Home segment, primarily due to increased catastrophes. Our Insurance Products segment experienced mixed claims experience with a net unfavorable impact. We experienced less favorable mortality experience in our Corporate Benefit Funding segment despite favorable experience in our structured settlements business.

A $15.2 billion decline in residential mortgage loan production resulted in a $131 million decrease in operating earnings, $32 million of which is reflected in net investment income from lower investment levels with the remainder largely attributable to a reduction in fee income. The increase in the serviced residential mortgage loan portfolio improved operating earnings by $41 million, including $23 million of costs associated with investment and growth in our banking business as discussed below.

Interest expense increased $64 million primarily as a result of the full year impact of debt issuances in 2009 and of senior notes and debt securities issued in anticipation of the Acquisition, partially offset by the impact of lower interest rates on variable rate collateral financing arrangements.

In addition to a $269 million increase associated with the Acquisition, operating expenses increased due to the impact of a $95 million benefit recorded in the prior period related to the pesification in Argentina, as well as an $83 million increase related to the investment and growth in our international and banking businesses. In addition, the current period includes a $14 million increase in charitable contributions and $13 million of costs associated with the integration of ALICO. Offsetting these increases was a $76 million reduction in discretionary spending, such as consulting, rent and postemployment related costs. In addition, we experienced a $47 million decline in market driven expenses, primarily pension and post retirement benefit costs. Also contributing to the decrease was a $35 million reduction in real estate-related charges and $15 million of lower legal costs.

Income tax expense for the year ended December 31, 2010 was $1,181 million, or 30% of income from continuing operations before provision for income tax, compared with income tax benefit of $2,015 million, or 47% of the loss from continuing operations before benefit for income tax, for the comparable 2009 period. The Company s 2010 and 2009 effective tax rates differ from the U.S. statutory rate of 35% primarily due to the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing, in relation to income (loss) from continuing operations before income tax, as well as certain foreign permanent tax differences.

The 2010 period includes $75 million of charges related to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (together, the Health Care Act). The Federal government currently provides a Medicare Part D subsidy. The Health Care Act reduced the tax deductibility of retiree health care costs to the extent of any Medicare Part D subsidy received beginning in 2013. Because the deductibility of future retiree health care costs is reflected in our financial statements, the entire future impact of this change in law was required to be recorded as a charge in the period in which the legislation was enacted. Changes to the provision for income taxes in both periods contributed to an increase in operating earnings of $86 million for our International segment, resulting from a $34 million unfavorable impact in 2009 due to a change in assumption regarding the repatriation of earnings and a benefit of $52 million in the current year from additional permanent reinvestment of earnings, the reversal of tax provisions and favorable changes in liabilities for tax uncertainties. In addition, in 2009 we had a larger benefit of $71 million as compared to 2010 related to the utilization of tax preferenced investments which provide tax credits and deductions.

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Insurance Products

	Years Ended December 31,			
	2010	2009	Change	% Change
		(In millions)		
OPERATING REVENUES				
Premiums	$ 17,200	$ 17,168	$ 32	0.2%
Universal life and investment-type product policy fees	2,247	2,281	(34)	(1.5)%
Net investment income	6,068	5,614	454	8.1%
Other revenues	761	779	(18)	(2.3)%
Total operating revenues	26,276	25,842	434	1.7%
OPERATING EXPENSES				
Policyholder benefits and dividends	19,075	19,111	(36)	(0.2)%
Interest credited to policyholder account balances	963	952	11	1.2%
Capitalization of DAC	(841)	(873)	32	3.7%
Amortization of DAC and VOBA	966	725	241	33.2%
Interest expense on debt	1	6	(5)	(83.3)%
Other expenses	4,080	4,206	(126)	(3.0)%
Total operating expenses	24,244	24,127	117	0.5%
Provision for income tax expense (benefit)	711	573	138	24.1%
Operating earnings	$ 1,321	$ 1,142	$ 179	15.7%

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

The improvement in the global financial markets had a positive impact on net investment income, which contributed to the increase in Insurance Products operating earnings. In addition, we experienced overall modest revenue growth in several of our businesses despite this challenging environment. High levels of unemployment continue to depress growth across most of our group insurance businesses due to lower covered payrolls. Growth in our group life business was dampened by a decline in our non-medical health and individual life businesses. However, our dental business benefited from higher enrollment and pricing actions, partially offset by lower persistency and the loss of existing subscribers, driven by high unemployment. This business also experienced more stable utilization and benefits costs in the current year. The revenue growth from our dental business was more than offset by a decline in revenues from our disability business, mainly due to net customer cancellations, changes in benefit levels and lower covered lives. Our long-term care revenues were flat year over year, concurrent with the discontinuance of the sale of this coverage at the end of 2010. In our individual life business, the change in revenues was suppressed by the impact of a benefit recorded in the prior year related to the positive resolution of certain legal matters. Excluding this impact, the traditional life business experienced 8% growth in our open block of business. The expected run-off of our closed block more than offset this growth.

The significant components of the $179 million increase in operating earnings were an improvement in net investment income and the impact of a reduction in dividends to certain policyholders, coupled with lower expenses. These improvements were partially offset by an increase in DAC amortization, as well as net unfavorable claims experience across several of our businesses.

Higher net investment income of $295 million was due to a $202 million increase from growth in average invested assets and a $93 million increase from higher yields. Growth in the investment portfolio was attributed to an increase in net cash flows from the majority of our businesses. The increase in yields was largely due to the positive effects of recovering private equity markets and stabilizing real estate markets on other limited partnership interests and real estate joint ventures. To manage the needs of our intermediate to longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, mortgage loans, structured finance securities (comprised of mortgage and asset-backed securities) and U.S. Treasury, agency and government guaranteed fixed maturity securities and, to a lesser extent, certain other invested asset classes, including other limited partnership interests, real estate joint ventures and other invested assets which provide additional diversification and opportunity for long-term yield enhancement.

The increase in net investment income was partially offset by a $36 million increase in interest credited on long duration contracts, which is reflected in the change in policyholder benefits and dividends, primarily due to growth in future policyholder benefits in our long-term care and disability businesses.

Other expenses decreased by $82 million, largely due to a decrease of $40 million from the impact of market conditions on certain expenses, such as pension and post-retirement benefit costs. In addition, a decrease in information technology expenses of $29 million contributed to the improvement in operating earnings. A decrease in variable expenses, such as commissions and premium taxes, further reduced expenses by $11 million, a portion of which is offset by DAC capitalization.

The reduction in the dividend scale in the fourth quarter of 2009 resulted in a $109 million decrease in policyholder dividends in the traditional life business in the current year.

Claims experience varied amongst Insurance Products businesses with a net unfavorable impact of $42 million to operating earnings. We experienced excellent mortality results in our group life business due to a decrease in severity, as well as favorable reserve refinements in the current year. In addition, an improvement in our long-term care results was driven by favorable claim experience mainly due to higher terminations and less claimants in the current year, coupled with the impact of unfavorable reserve refinements in the prior year. Our improved dental results were driven by higher enrollment and pricing actions, as well as improved claim experience in the current year. The impact of this positive experience was surpassed by solid, but less favorable mortality, in our individual life business combined with higher incidence and severity of group disability claims in the current year, and the impact of a gain from the recapture of a reinsurance arrangement in the prior year.

Higher DAC amortization of $157 million was primarily driven by the impact of higher gross margins, a primary component in the determination of the amount of amortization, mostly in the closed block resulting from increased investment yields and the impact of dividend scale reductions. In addition, the net impact of various model refinements in both the prior and current year increased DAC amortization.

Certain events reduced operating earnings, including the impact of a benefit being recorded in the prior year of $17 million related to the positive resolution of certain legal matters and an increase in current income tax expense of $27 million, resulting from an increase in our effective tax rate.

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Retirement Products

	Years Ended December 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 875	$ 920	$ (45)	(4.9)%
Universal life and investment-type product policy fees	2,234	1,712	522	30.5%
Net investment income	3,395	3,098	297	9.6%
Other revenues	220	173	47	27.2%
Total operating revenues	6,724	5,903	821	13.9%
OPERATING EXPENSES				
Policyholder benefits and dividends	1,879	1,950	(71)	(3.6)%
Interest credited to policyholder account balances	1,612	1,688	(76)	(4.5)%
Capitalization of DAC	(1,067)	(1,067)		%
Amortization of DAC and VOBA	724	424	300	70.8%
Interest expense on debt	3		3	
Other expenses	2,437	2,433	4	0.2%
Total operating expenses	5,588	5,428	160	2.9%
Provision for income tax expense (benefit)	397	167	230	137.7%
Operating earnings	$ 739	$ 308	$ 431	139.9%

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

During 2010, overall annuity sales decreased 5% compared to 2009 as declines in fixed annuity sales were partially offset by increased sales of our variable annuity products. The financial market turmoil in early 2009 resulted in extraordinarily high sales of fixed annuity products in 2009. The high sales level was not expected to continue after the financial markets returned to more stable levels. Variable annuity product sales increased primarily due to the expansion of alternative distribution channels and fewer competitors in the market place. Surrender rates for both our variable and fixed annuities remained low during the current period as we believe our customers continue to value our products compared to other alternatives in the marketplace.

Interest rate and equity market changes were the primary driver of the $431 million increase in operating earnings, with the largest impact resulting from a $370 million increase in policy fees and other revenues, a $193 million increase in net investment income, and a $59 million decrease in variable annuity guarantee benefit costs, offset by a $204 million increase in DAC, VOBA and DSI amortization and a $39 million increase in commission expense resulting from growth in annuity contract balances.

A significant increase in average separate account balances was largely attributable to favorable market performance resulting from improved market conditions since the second quarter of 2009 and positive net cash flows from the annuity business. This resulted in higher policy fees and other revenues of $370 million, partially offset by greater DAC, VOBA and DSI amortization. Policy fees are typically calculated as a percentage of the average assets in the separate account. DAC, VOBA and DSI amortization is based on the earnings of the business, which in the retirement business are derived, in part, from fees earned on separate account balances.

Financial market improvements also resulted in the increase in net investment income of $193 million as a $291 million increase from higher yields was partially offset by a $98 million decrease from a decline in average invested assets. Yields were positively impacted by the effects of the continued repositioning of the accumulated liquidity in our investment portfolio to longer duration and higher yielding assets, including investment grade corporate fixed maturity securities. Yields were also positively impacted by the effects of recovering private equity markets and stabilizing real estate markets on other limited partnership interests and real estate joint ventures. Despite positive net cash flows, a reduction in the general account investment portfolio was due to the impact of more customers gaining confidence in the equity markets and, as a result, electing to transfer funds into our separate account investment options as market conditions improved. To manage the needs of our intermediate to longer-term liabilities, our investment portfolio consists primarily of investment grade corporate fixed maturity securities, structured finance securities, mortgage loans and U.S. Treasury, agency and government guaranteed fixed maturity securities and, to a lesser extent, certain other invested asset classes, including other limited partnership interests, real estate joint ventures and other invested assets, in order to provide additional diversification and opportunity for long-term yield enhancement.

There was a $59 million decrease in variable annuity guaranteed benefit costs in 2010 compared to 2009. Costs associated with our annuity guaranteed benefit liabilities, hedge programs and reinsurance programs are impacted by equity markets and interest rate levels to varying degrees. While the equity market improved in both 2010 and 2009, the improvement in 2009 was greater. Interest rate levels declined in the current year and increased in the prior year. Annuity guaranteed benefit liabilities, net of a decrease in paid claims, increased benefits by $93 million primarily from our annual unlocking of assumptions related to these liabilities. The hedge and reinsurance programs which are used to mitigate the risk associated with these guarantees produced losses in both periods, but the losses in the prior period were more significant due to the 2009 equity market recovery. The costs related to our hedge and reinsurance programs decreased by $152 million in 2010 compared to 2009. These hedge and reinsurance programs, which are a key part of our risk management strategy, performed as anticipated.

Interest credited expense decreased $49 million driven by lower average crediting rates on fixed annuities and higher amortization of excess interest reserve due to one large case surrender in 2010, partially offset by growth in our fixed annuity policyholder account balances.

Corporate Benefit Funding

	Years Ended December 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 1,938	$ 2,264	$ (326)	(14.4)%
Universal life and investment-type product policy fees	226	176	50	28.4%
Net investment income	4,954	4,527	427	9.4%
Other revenues	246	238	8	3.4%
Total operating revenues	7,364	7,205	159	2.2%
OPERATING EXPENSES				
Policyholder benefits and dividends	4,041	4,245	(204)	(4.8)%
Interest credited to policyholder account balances	1,445	1,632	(187)	(11.5)%
Capitalization of DAC	(19)	(14)	(5)	(35.7)%
Amortization of DAC and VOBA	16	15	1	6.7%
Interest expense on debt	6	3	3	100.0%
Other expenses	460	456	4	0.9%

Total operating expenses	5,949	6,337	(388)	(6.1)%
Provision for income tax expense (benefit)	495	288	207	71.9%
Operating earnings	$ 920	$ 580	$ 340	58.6%

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

Corporate Benefit Funding benefited in 2010 from strong sales of structured settlement products and continued market penetration of our pension closeout business in the U.K. However, structured settlement premiums have declined $174 million, before income tax, from 2009 reflecting extraordinary sales in the fourth quarter of 2009. While market penetration continued in our pension closeout business in the U.K. as the number of sold cases increased, the average premium has declined, resulting in a decrease in premiums of $216 million, before income tax. Although improving, a combination of poor equity returns and lower interest rates have contributed to pension plans remaining underfunded, both in the U.S. and in the U.K., which reduces our customers flexibility to engage in transactions such as pension closeouts. For each of these businesses, the movement in premiums is almost entirely offset by the related change in policyholder benefits. The insurance liability that is established at the time we assume the risk under these contracts is typically equivalent to the premium recognized.

The $340 million increase in operating earnings was primarily driven by an improvement in net investment income and the impact of lower crediting rates, partially offset by the impact of prior period favorable liability refinements and less favorable mortality.

The primary driver of the $340 million increase in operating earnings was higher net investment income of $278 million, reflecting a $187 million increase from higher yields and a $91 million increase in average invested assets. Yields were positively impacted by the effects of stabilizing real estate markets and recovering private equity markets on real estate joint ventures and other limited partnership interests. These improvements in yields were partially offset by decreased yields on fixed maturity securities due to the reinvestment of proceeds from maturities and sales during this lower interest rate environment. Growth in the investment portfolio is due to an increase in average policyholder account balances and growth in the securities lending program. To manage the needs of our longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, structured finance securities, mortgage loans and U.S. Treasury, agency and government guaranteed securities, and, to a lesser extent, certain other invested asset classes including other limited partnership interests, real estate joint ventures and other invested assets in order to provide additional diversification and opportunity for long-term yield enhancement. For our short-term obligations, we invest primarily in structured finance securities, mortgage loans and investment grade corporate fixed maturity securities. The yields on these short-term investments have moved consistently with the underlying market indices, primarily LIBOR and U.S. Treasury, on which they are based.

As many of our products are interest spread-based, changes in net investment income are typically offset by a corresponding change in interest credited expense. However, interest credited expense decreased $122 million, primarily related to our funding agreement business as a result of lower average crediting rates combined with lower average account balances. Certain crediting rates can move consistently with the underlying market indices, primarily LIBOR, which were lower than the prior year. Interest credited expense related to the structured settlement businesses increased $40 million as a result of the increase in the average policyholder liabilities.

Mortality experience was mixed and reduced operating earnings in 2010 by $26 million. Less favorable mortality in our pension closeouts and corporate owned life insurance businesses compared to 2009 was only slightly offset by favorable mortality experience in our structured settlements business.

Liability refinements in both the current and prior year resulted in a $28 million decrease to operating earnings. These were largely offset by the impact of a charge in the 2009 period related to a refinement of a reinsurance recoverable in the small business recordkeeping business which increased operating earnings by $20 million.

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Auto & Home

	Years Ended December 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 2,923	$ 2,902	$ 21	0.7%
Net investment income	209	180	29	16.1%
Other revenues	22	33	(11)	(33.3)%
Total operating revenues	3,154	3,115	39	1.3%
OPERATING EXPENSES				
Policyholder benefits and dividends	2,021	1,932	89	4.6%
Capitalization of DAC	(448)	(435)	(13)	(3.0)%
Amortization of DAC and VOBA	439	436	3	0.7%
Other expenses	769	764	5	0.7%
Total operating expenses	2,781	2,697	84	3.1%
Provision for income tax expense (benefit)	73	96	(23)	(24.0)%
Operating earnings	$ 300	$ 322	$ (22)	(6.8)%

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

The improving housing and automobile markets have provided opportunities that led to increased new business sales for both homeowners and auto policies in 2010. Sales of new policies increased 11% for our homeowners business and 4% for our auto business in 2010 compared to 2009. Average premium per policy also improved in 2010 over 2009 in our homeowners businesses but remained flat in our auto business.

The primary driver of the $22 million decrease in operating earnings was unfavorable claims experience, partially offset by higher net investment income and increased premiums.

Catastrophe-related losses increased by $58 million compared to 2009 due to increases in both the number and severity of storms. Current period claim costs decreased $19 million as a result of lower frequencies in both our auto and homeowners businesses; however, this was partially offset by a $13 million increase in claims due to higher severity in our homeowners business. Also contributing to the decline in operating earnings was an increase of $7 million in loss adjusting expenses, primarily related to a decrease in our unallocated loss adjusting expense liabilities at the end of 2009.

The impact of the items discussed above can be seen in the unfavorable change in the combined ratio, including catastrophes, increasing to 94.6% in 2010 from 92.3% in 2009 and the favorable change in the combined ratio, excluding catastrophes, decreasing to 88.1% in 2010 from 88.9% in 2009.

A $19 million increase in net investment income partially offset the declines in operating earnings discussed above. Net investment income was higher primarily as a result of an increase in average invested assets, including changes in allocated equity, partially offset by a decrease in yields. This portfolio is comprised primarily of high quality municipal bonds.

The increase in average premium per policy in our homeowners businesses improved operating earnings by $10 million as did an increase in exposures which improved operating earnings by $1 million. Exposures are primarily each automobile for the auto line of business and each residence for the property line of business. Also improving operating earnings, through an increase in premiums, was a $5 million reduction in reinsurance costs.

The slight increase in other expenses was more than offset by an $8 million increase in DAC capitalization, resulting primarily from increased premiums written.

In addition, a first quarter 2010 write-off of an equity interest in a mandatory state underwriting pool required by a change in legislation and a decrease in income from a retroactive reinsurance contract in run-off, both of which

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were recorded in other revenues, drove a $7 million decrease in operating earnings. Auto & Home also benefited from a lower effective tax rate which improved operating earnings by $8 million primarily as a result of tax free interest income representing a larger portion of pre-tax income.

International

	Years Ended December 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 4,447	$ 3,187	$ 1,260	39.5%
Universal life and investment-type product policy fees	1,329	1,061	268	25.3%
Net investment income	1,703	1,193	510	42.7%
Other revenues	35	14	21	150.0%
Total operating revenues	7,514	5,455	2,059	37.7%
OPERATING EXPENSES				
Policyholder benefits and dividends	3,723	2,660	1,063	40.0%
Interest credited to policyholder account balances	683	581	102	17.6%
Capitalization of DAC	(968)	(630)	(338)	(53.7)%
Amortization of DAC and VOBA	537	415	122	29.4%
Interest expense on debt	3	8	(5)	(62.5)%
Other expenses	2,538	1,797	741	41.2%
Total operating expenses	6,516	4,831	1,685	34.9%
Provision for income tax expense (benefit)	206	161	45	28.0%
Operating earnings	$ 792	$ 463	$ 329	71.1%

Unless otherwise stated, all amounts discussed below are net of income tax and are on a constant currency basis. The constant currency basis amounts for both periods are calculated using the average foreign currency exchange rates for 2010.

The improvement in the global financial markets has resulted in continued growth, with a 24% increase in sales in the current period compared to the prior period excluding the results of our Japan joint venture. Retirement and savings sales increased 30% driven by strong annuity, universal life and pension sales in Europe, Mexico, Chile, South Korea and China. In our Europe and the Middle East operations, sales of annuities and universal life products remained strong, more than doubling from the prior year, partially offset by lower pension and variable universal life sales in India due to the loss of a major distributor, as well as lower credit life sales. Our Latin America operation experienced an overall increase in sales resulting from solid growth in pension and universal life sales in Mexico and an increase in fixed annuity sales in Chile due to market recovery, slightly offset by lower bank sales in Brazil resulting from incentives offered in the prior year. Sales in our Asia Pacific operation, excluding the results of our Japan joint venture, increased primarily due to higher variable universal life sales in South Korea, slightly offset by the decline in annuity sales and strong bank channel sales in China. We have experienced lower sales in Taiwan following the announcement of the planned sale of this business. While the third party s application for approval of the sale of our Taiwan affiliate was rejected by the Taiwan Financial Supervising Commission, the Company continues to explore strategic options with respect to this affiliate.

Reported operating earnings increased by $329 million over the prior year. The positive impact of changes in foreign currency exchange rates improved reported earnings by $38 million for 2010 compared to 2009. Excluding the impact of changes in foreign currency exchange rates, operating earnings increased $291 million, or 58%. Reported operating earnings reflect the operating results of ALICO from the Acquisition Date through November 30, 2010, which contributed $114 million to our 2010 operating earnings. As previously noted, ALICO s accounting year-end is November 30; therefore, International s results for the year include one month of ALICO results.

Changes in assumptions for measuring the impact of inflation on certain inflation-indexed fixed maturity securities increased operating earnings by $124 million. Changes to the provision for income taxes in both periods contributed to an increase in operating earnings of $86 million, resulting from a $34 million unfavorable impact in 2009 from a change in assumption regarding the repatriation of earnings and a benefit $52 million in the current year from additional permanent reinvestment of earnings, the reversal of tax provisions and favorable changes in liabilities for tax uncertainties. Business growth in our Latin America operation contributed to an increase in operating earnings. Operating earnings in Mexico increased $56 million from growth in our institutional and individual businesses, partially offset by the impact of unfavorable claims experience of $26 million. Higher investment yields resulting from portfolio restructuring was the primary driver in Argentina contributing $23 million to the improvement in operating earnings. India s results benefited by $10 million primarily due to lower expenses resulting from the loss of a major distributor and slower growth resulting from market conditions.

Partially offsetting these increases is the impact of pesification in Argentina, which favorably impacted 2009 reported earnings by $95 million. This prior period benefit was due to a liability release resulting from a reassessment of our approach in managing existing and potential future claims related to certain social security pension annuity contractholders in Argentina. In addition, operating earnings in Australia were lower by $9 million, which was primarily due to a write-off of DAC attributable to a change in a product feature in the current period.

In addition to a $133 million increase due to the inclusion of ALICO results, net investment income increased $102 million from growth in average invested assets and $88 million from improved yields. Growth in average invested assets reflects growth in our businesses. Improved yields reflects the impact of increased inflation, primarily in Chile, as well as the impact of changes in assumptions for measuring the effects of inflation on certain inflation-indexed fixed maturity securities. The increase in net investment income from higher inflation was offset by an increase in the related insurance liabilities due to higher inflation. Although diversification into higher yielding investments had a positive impact on yields, this was partially offset by decreased trading and other securities results driven by a stronger recovery in equity markets in 2009 compared to 2010, primarily in Hong Kong, and by a decrease in the results of our operating joint ventures. The reduction in net investment income from our trading portfolio is entirely offset by a corresponding decrease in the interest credited on the related contractholder account balances and therefore had no impact on operating earnings.

In addition to a $269 million increase associated with the Acquisition, operating expenses increased due to the impact of the pesification in Argentina noted above, as well as current period business growth in South Korea, Brazil and Mexico, which resulted in $93 million of increased commissions and compensation. These increases were partially offset by $33 million of lower commissions and business expenses in India.

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Banking, Corporate & Other

	Years Ended December 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 11	$ 19	$ (8)	(42.1)%
Net investment income	992	477	515	108.0%
Other revenues	1,044	1,092	(48)	(4.4)%
Total operating revenues	2,047	1,588	459	28.9%
OPERATING EXPENSES				
Policyholder benefits and dividends	(14)	4	(18)	(450.0)%
Interest credited to bank deposits	137	163	(26)	(16.0)%
Amortization of DAC and VOBA	1	3	(2)	(66.7)%
Interest expense on debt	1,126	1,027	99	9.6%
Other expenses	1,155	1,336	(181)	(13.5)%
Total operating expenses	2,405	2,533	(128)	(5.1)%
Provision for income tax expense (benefit)	(300)	(617)	317	51.4%
Operating earnings	(58)	(328)	270	82.3%
Less: Preferred stock dividends	122	122		%
Operating earnings available to common shareholders	$ (180)	$ (450)	$ 270	60.0%

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

During 2010, mortgage refinancing activity continued to return to more moderate levels compared to the unusually high levels experienced in 2009. Consistent with these market conditions, we experienced a $15.2 billion decline in residential mortgage production during 2010, while our serviced residential mortgage loans increased $20.1 billion, which includes a $16.5 billion purchase from a FDIC receivership bank in the third quarter of 2010 and a net sale of $4.8 billion to FNMA in the second quarter of 2010. Servicing run-off of existing business slowed to 18.2% in 2010 compared with 19.6% in 2009.

The Holding Company completed four debt financings in August 2010 in anticipation of the Acquisition, issuing $1.0 billion of 2.375% senior notes, $1.0 billion of 4.75% senior notes, $750 million of 5.875% senior notes, and $250 million of floating rate senior notes. The Holding Company also issued debt securities, which are part of the $3.0 billion stated value of common equity units. The proceeds from these debt issuances were used to finance the Acquisition. The Holding Company completed three debt issuances in 2009 in response to the economic crisis, issuing $397 million of floating rate senior notes in March 2009, $1.3 billion of senior notes in May 2009, and $500 million of junior subordinated debt securities in July 2009. The proceeds from these debt issuances were used for general corporate purposes.

Operating earnings available to common shareholders and operating earnings, which excludes preferred stock dividends, each increased $270 million, primarily due to an increase in net investment income and a reduction in operating expenses, partially offset by a decline in mortgage banking revenues, a decrease in tax benefit and an increase in interest expense resulting from the debt issuances noted above.

Net investment income increased $335 million reflecting an increase of $189 million due to higher yields and an increase of $146 million from growth in average invested assets. Yields were positively impacted by the effects of recovering private equity markets and stabilizing real estate markets on other limited partnership interests and real estate joint ventures. This was partially offset by lower fixed maturities yields which were adversely impacted by the reinvestment of proceeds from maturities and sales during this lower interest rate environment and from decreased trading and other securities results due to a stronger recovery in equity markets in 2009 as compared to 2010. In addition, due to the lower interest rate environment in the current year, less net investment income was credited to the segments in 2010 compared to 2009. Growth in average invested assets was primarily due to an increase in bank deposits, higher cash collateral balances received from our derivative counterparties and the temporary investment of the proceeds from the debt and common stock issuances in anticipation of the Acquisition. Our investments primarily include structured finance securities, investment grade corporate fixed maturities, mortgage loans and U.S. Treasury, agency and government guaranteed fixed maturity securities. In addition, our investment portfolio includes the excess capital not allocated to the segments. Accordingly, it includes a higher allocation of certain other invested asset classes to provide additional diversification and opportunity for long-term yield enhancement, including leveraged leases, other limited partnership interests, real estate, real estate joint ventures, trading securities and equity securities.

Banking, Corporate & Other benefited in 2010 from a $76 million reduction in discretionary spending, such as consulting and postemployment related costs, a $35 million decrease in real estate-related charges and $15 million of lower legal costs. Other expenses also include a $48 million decrease in commissions as a result of the decline in residential mortgage loan production discussed below. These savings were partially offset by a $14 million increase in charitable contributions. The current year also included $44 million of internal resource costs for associates committed to the Acquisition and a $23 million increase in expenses associated with expanding the infrastructure of our banking business. Additionally, the positive resolution of certain legal matters increased operating earnings by $27 million.

The $15.2 billion decline in residential mortgage loan production resulted in a $131 million decrease in operating earnings, $32 million of which is reflected in net investment income with the remainder largely attributable to a reduction in fee income. The increase in the serviced residential mortgage loan portfolio improved operating earnings by $41 million despite the increased infrastructure expenses discussed above.

Maturing time deposits and the need for liquidity in the lower interest rate environment of 2010 resulted in a $17 million decrease in interest credited to bank deposits, despite growth of $1.7 billion in deposits.

Interest expense increased $64 million primarily as a result of the debt issuances in 2009 and the senior notes and debt securities issued in anticipation of the Acquisition, partially offset by the impact of lower interest rates on variable rate collateral financing arrangements.

The 2010 period includes $75 million of charges related to the Health Care Act. The Federal government currently provides a Medicare Part D subsidy. The Health Care Act reduced the tax deductibility of retiree health care costs to the extent of any Medicare Part D subsidy received beginning in 2013. Because the deductibility of future retiree health care costs is reflected in our financial statements, the entire future impact of this change in law was required to be recorded as a charge in the period in which the legislation was enacted. As a result, we incurred a $75 million charge in the first quarter of 2010. The Health Care Act also amended Internal Revenue Code Section 162(m) as a result of which MetLife was initially considered a healthcare provider, as defined, and would be subject to limits on tax deductibility of certain types of compensation. In December 2010, the Internal Revenue Service issued Notice 2011-2 which clarified that the executive compensation deduction limitation included in the Health Care Act did not apply to insurers like MetLife selling de minimis amounts of health care coverage. As a result, in the fourth quarter of 2010, we reversed $18 million of previously recorded taxes for 2010. In 2009, Banking, Corporate & Other received a larger benefit of $36 million as compared to 2010 related to the utilization of tax preferenced investments which provide tax credits and deductions.

Results of Operations

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

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

	Years Ended December 31,			
	2009	2008	Change	% Change
	(In millions)			
Revenues				
Premiums	$ 26,460	$ 25,914	$ 546	2.1%
Universal life and investment-type product policy fees	5,203	5,381	(178)	(3.3)%
Net investment income	14,837	16,289	(1,452)	(8.9)%
Other revenues	2,329	1,586	743	46.8%
Net investment gains (losses)	(2,906)	(2,098)	(808)	(38.5)%
Net derivative gains (losses)	(4,866)	3,910	(8,776)	(224.5)%
Total revenues	41,057	50,982	(9,925)	(19.5)%
Expenses				
Policyholder benefits and claims and policyholder dividends	29,986	29,188	798	2.7%
Interest credited to policyholder account balances	4,849	4,788	61	1.3%
Interest credited to bank deposits	163	166	(3)	(1.8)%
Capitalization of DAC	(3,019)	(3,092)	73	2.4%
Amortization of DAC and VOBA	1,307	3,489	(2,182)	(62.5)%
Interest expense on debt	1,044	1,051	(7)	(0.7)%
Other expenses	11,061	10,333	728	7.0%
Total expenses	45,391	45,923	(532)	(1.2)%
Income (loss) from continuing operations before provision for income tax	(4,334)	5,059	(9,393)	(185.7)%
Provision for income tax expense (benefit)	(2,015)	1,580	(3,595)	(227.5)%
Income (loss) from continuing operations, net of income tax	(2,319)	3,479	(5,798)	(166.7)%
Income (loss) from discontinued operations, net of income tax	41	(201)	242	120.4%
Net income (loss)	(2,278)	3,278	(5,556)	(169.5)%
Less: Net income (loss) attributable to noncontrolling interests	(32)	69	(101)	(146.4)%
Net income (loss) attributable to MetLife, Inc.	(2,246)	3,209	(5,455)	(170.0)%

Less: Preferred stock dividends	122	125	(3)	(2.4)%
Net income (loss) available to MetLife, Inc. s common shareholders	$ (2,368)	$ 3,084	$ (5,452)	(176.8)%

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

During the year ended December 31, 2009, MetLife s income (loss) from continuing operations, net of income tax decreased $5.8 billion to a loss of $2.3 billion from income of $3.5 billion in the comparable 2008 period. The year over year change was predominantly due to a $5.7 billion unfavorable change in net derivative gains (losses) to losses of $3.2 billion in 2009 from gains of $2.5 billion in 2008, and a $525 million unfavorable change in net investment gains (losses). Offsetting these unfavorable variances totaling $6.2 billion were favorable changes in adjustments related to net derivative and net investment gains (losses) of $972 million, net of income tax, principally associated with DAC and VOBA amortization, resulting in a total unfavorable variance related to net derivative and net investment gains (losses), net of related adjustments and income tax, of $5.2 billion.

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, net of income tax, risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans.

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

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

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

In addition to the above risk management strategies, as an integral part of our management of the investment portfolio, we use freestanding derivatives to hedge market risks including changes in interest rates, foreign currencies, credit spreads and the equity market. We also use freestanding derivatives to hedge these same risks in certain of our liabilities, including variable annuity minimum benefit guarantees. For those hedges not designated as an accounting hedge, changes in these market risks can lead to the recognition of fair value changes in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged even though these are effective economic hedges. Additionally, we issue liabilities and purchase assets that contain embedded derivatives whose changes in estimated fair value are sensitive to changes in market risks and are also recognized in net derivative gains (losses).

The unfavorable variance in net derivative gains (losses) of $5.7 billion, from gains of $2.5 billion in 2008 to losses of $3.2 billion in 2009 was primarily driven by an unfavorable change in freestanding derivatives of $8.6 billion from gains in the prior period of $4.3 billion to losses in the current period of $4.3 billion. This unfavorable variance was partially offset by a favorable change in embedded derivatives primarily associated with variable annuity minimum benefit guarantees of $2.9 billion from losses in the prior period of $1.7 billion to gains in the current period of $1.2 billion.

The $8.6 billion unfavorable variance in freestanding derivatives was primarily attributable to market factors, including rising interest rates, improving equity markets on equity options and futures, decreased equity volatility, weakening U.S. dollar, and narrowing credit spreads. Long-term and mid-term interest rates increased in the current period which caused a negative impact of $4.4 billion on our interest rate derivatives, $1.2 billion of which is attributable to hedges of variable annuity minimum benefit guarantees. Equity markets improved while equity volatility decreased in the current period, which had a net negative impact of $3.1 billion on our equity derivatives, which we use to hedge variable annuity minimum benefit guarantees. Weakening of the U.S. dollar in the current period had a negative impact of $646 million on certain foreign currency derivatives that are used to hedge foreign-denominated asset and liability exposures. Narrowing corporate credit spreads had a negative impact of $453 million on our purchased protection credit derivatives.

The variable annuity products with minimum benefit guarantees containing embedded derivatives are measured at fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net derivative gains (losses). The estimated fair value of these embedded derivatives also includes an adjustment for nonperformance risk of the related liabilities carried at estimated fair value. The $2.9 billion favorable change in embedded derivatives was primarily attributable to rising interest rates, improving equity market performance, a decrease in equity volatility, and weakening of the U.S. dollar, which was offset by the unfavorable change in the adjustment for nonperformance risk. Both long-term and mid-term interest rates increased in the current period which had a positive impact of $2.2 billion. Improving equity markets in the current period had a positive impact of $1.5 billion. Lower equity market volatility in the current period compared to the prior period had a positive impact of $817 million, and the weakening U.S. dollar had a positive impact of $456 million. The favorable results from these hedged risks was partially offset by an unfavorable change related to the adjustment for nonperformance risk of $3.2 billion, from gains of $1.9 billion in 2008 to losses of $1.3 billion in 2009. Gains on the freestanding derivatives that hedged these embedded derivative risks more than offset the change in liabilities attributable to market factors, excluding the adjustment for nonperformance risk. Finally, there was a favorable change of $1.1 billion for all other unhedged risks on the variable annuity minimum benefit guarantee liabilities.

The $525 million unfavorable change in net investment gains (losses) was primarily attributable to higher net losses on mortgage loans and other limited partnership interests. The increase in losses on mortgage loans was principally due to increases in mortgage valuation allowances resulting from weakening of the real estate market and other economic fundamentals. The increase in losses on other limited partnership interests was principally due to higher impairments on certain cost method investments which experienced a reduction in net asset values of the underlying portfolio companies. The underlying valuations of the portfolio companies have decreased due to the current economic environment.

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

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

Year Ended December 31, 2009

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
				(In millions)			
Income (loss) from continuing operations, net of income tax	$ (418)	$ (628)	$ (581)	$ 321	$ (280)	$ (733)	$ (2,319)
Less: Net investment gains (losses)	(472)	(533)	(1,486)	(41)	(105)	(269)	(2,906)
Less: Net derivative gains (losses)	(1,786)	(1,426)	(421)	39	(798)	(474)	(4,866)
Less: Adjustments to continuing operations (1)	(139)	519	125		(206)	(16)	283

Less: Provision for income tax (expense) benefit		837		504		621		1		366		354		2,683
Operating earnings	$	1,142	$	308	$	580	$	322	$	463		(328)		2,487
Less: Preferred stock dividends												122		122
Operating earnings available to common shareholders											$	(450)	$	2,365

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Year Ended December 31, 2008

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
				(In millions)			
Income (loss) from continuing operations, net of income tax	$ 2,195	$ 539	$ (256)	$ 275	$ 553	$ 173	$ 3,479
Less: Net investment gains (losses)	(1,219)	(669)	(1,682)	(89)	(91)	1,652	(2,098)
Less: Net derivative gains (losses)	2,777	1,842	(219)	(45)	260	(705)	3,910
Less: Adjustments to continuing operations (1)	(193)	(622)	82		52	17	(664)
Less: Provision for income tax (expense) benefit	(480)	(192)	637	46	(147)	(352)	(488)
Operating earnings	$ 1,310	$ 180	$ 926	$ 363	$ 479	(439)	2,819
Less: Preferred stock dividends						125	125
Operating earnings available to common shareholders						$ (564)	$ 2,694

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

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

Year Ended December 31, 2009

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
				(In millions)			
Total revenues	$ 23,483	$ 3,725	$ 5,486	$ 3,113	$ 4,383	$ 867	$ 41,057
Less: Net investment gains (losses)	(472)	(533)	(1,486)	(41)	(105)	(269)	(2,906)
Less: Net derivative gains (losses)	(1,786)	(1,426)	(421)	39	(798)	(474)	(4,866)
Less: Adjustments related to net investment gains	(27)						(27)

(losses) and net derivative gains (losses)							
Less: Other adjustments to revenues (1)	(74)	(219)	188		(169)	22	(252)
Total operating revenues	$ 25,842	$ 5,903	$ 7,205	$ 3,115	$ 5,455	$ 1,588	$ 49,108
Total expenses	$ 24,165	$ 4,690	$ 6,400	$ 2,697	$ 4,868	$ 2,571	$ 45,391
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	39	(739)					(700)
Less: Other adjustments to expenses (1)	(1)	1	63		37	38	138
Total operating expenses	$ 24,127	$ 5,428	$ 6,337	$ 2,697	$ 4,831	$ 2,533	$ 45,953

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Year Ended December 31, 2008

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home (In millions)	International	Banking, Corporate & Other	Total
Total revenues	$ 26,754	$ 6,487	$ 6,700	$ 3,061	$ 6,001	$ 1,979	$ 50,982
Less: Net investment gains (losses)	(1,219)	(669)	(1,682)	(89)	(91)	1,652	(2,098)
Less: Net derivative gains (losses)	2,777	1,842	(219)	(45)	260	(705)	3,910
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	18						18
Less: Other adjustments to revenues (1)	(1)	(45)	53		69	13	89
Total operating revenues	$ 25,179	$ 5,359	$ 8,548	$ 3,195	$ 5,763	$ 1,019	$ 49,063
Total expenses	$ 23,418	$ 5,665	$ 7,119	$ 2,728	$ 5,044	$ 1,949	$ 45,923
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	262	577					839
Less: Other adjustments to expenses (1)	(52)		(29)		17	(4)	(68)
Total operating expenses	$ 23,208	$ 5,088	$ 7,148	$ 2,728	$ 5,027	$ 1,953	$ 45,152

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

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

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

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

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

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

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

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

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

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

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

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

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

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Insurance Products

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

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

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

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

The decrease in net investment income of $112 million was primarily due to a $317 million decrease from lower yields, partially offset by a $205 million increase from growth in average invested assets. Yields were adversely impacted by the severe downturn in the global financial markets, which primarily impacted other invested assets, real estate joint ventures and fixed maturity securities. In addition, income from our securities lending program decreased primarily due to the smaller size of the program in 2009. The growth in the average invested asset base was primarily from an increase in net flows from our individual life, non-medical health, and group life businesses. The moderate recovery in equity markets in 2009 led to improved yields on other limited partnership interests, which partially offset the overall reduction in yields. To manage the needs of our intermediate to longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, structured finance securities (comprised of mortgage and asset-backed securities), mortgage loans, and U.S. Treasury, agency and government guaranteed fixed maturity securities and, to a lesser extent, certain other invested asset classes including real estate joint ventures and other invested assets to provide additional diversification and opportunity for long-term yield enhancement.

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

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

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

Retirement Products

	Years Ended December 31, 2009	2008	Change	% Change
		(In millions)		
OPERATING REVENUES				
Premiums	$ 920	$ 696	$ 224	32.2%
Universal life and investment-type product policy fees	1,712	1,870	(158)	(8.4)%
Net investment income	3,098	2,624	474	18.1%
Other revenues	173	169	4	2.4%
Total operating revenues	5,903	5,359	544	10.2%
OPERATING EXPENSES				
Policyholder benefits and dividends	1,950	1,271	679	53.4%
Interest credited to policyholder account balances	1,688	1,338	350	26.2%
Capitalization of DAC	(1,067)	(980)	(87)	(8.9)%

Amortization of DAC and VOBA	424	1,356	(932)	(68.7)%
Interest expense on debt		2	(2)	(100.0)%
Other expenses	2,433	2,101	332	15.8%
Total operating expenses	5,428	5,088	340	6.7%
Provision for income tax expense (benefit)	167	91	76	83.5%
Operating earnings	$ 308	$ 180	$ 128	71.1%

In 2009, Retirement Products benefited from a flight to quality, which contributed to a 10% improvement in combined sales of our fixed and variable products and a 28% reduction in surrenders and withdrawals. Our variable

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annuity sales have outpaced the industry, increasing our market share. Fixed annuity sales benefited from enhanced marketing on our income annuity with life contingency products, which increased our premium revenues by $224 million, or 32%, before income taxes. In the annuity business, the movement in premiums is almost entirely offset by the related change in policyholder benefits, as the insurance liability that we establish at the time we assume the risk under these contracts is typically equivalent to the premium earned less the amount of acquisition expenses. Our average PAB grew by $7.2 billion in 2009, primarily due to an increase in sales of fixed annuity products and more customers electing the fixed option on variable annuity sales. This has a favorable impact on earnings by increasing net investment income, which is somewhat offset by higher interest credited expense. Unfavorable market conditions resulted in poor investment performance, which outweighed the impact of higher variable annuity sales on our separate account balances causing the average separate account balance to remain lower than the previous year. This resulted in lower policy fees and other revenues which are based on daily asset balances in the policyholder separate accounts.

The improvement in the financial markets was the primary driver of the $128 million increase in operating earnings, with the largest impact resulting in a decrease in DAC, VOBA and DSI amortization of $655 million. The 2008 results reflected increased, or accelerated, amortization primarily stemming from a decline in the market value of our separate account balances. A factor that determines the amount of amortization is expected future earnings, which in the annuity business are derived, in part, from fees earned on separate account balances. The market value of our separate account balances declined significantly in 2008, resulting in a decrease in the expected future gross profits, triggering an acceleration of amortization in 2008. Beginning in the second quarter of 2009, the market conditions began to improve and the market value of our separate account balances began to increase, resulting in an increase in the expected future gross profits and a corresponding lower level of amortization in 2009.

Also contributing to the increase in operating earnings was an increase in net investment income of $308 million, which was primarily due to a $286 million increase from growth in average invested assets and a $22 million increase in yields. The increase in average invested assets was due to increased cash flows from the sales of fixed annuity products and more customers electing the fixed option on variable annuity sales, which were reinvested primarily in fixed maturity securities, other invested assets and mortgage loans. The increase in yields was due to moderate improvement in the equity markets in 2009 which led to an increase in yields principally for other limited partnership interests and certain other invested assets, which was partially offset by a decrease in yields on real estate joint ventures, reflecting the severe downturn in the global financial markets. To manage the needs of our intermediate to longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, structured finance securities, mortgage loans and U.S. Treasury, agency and government guaranteed fixed maturity securities and, to a lesser extent, certain other invested asset classes, including real estate joint ventures in order to provide additional diversification and opportunity for long-term yield enhancement. As is typically the case with fixed annuity products, higher net investment income was somewhat offset by higher interest credited expense. Growth in our fixed annuity policyholder account balances increased interest credited expense by $186 million in 2009 and higher average crediting rates on fixed annuities increased interest credited expense by $27 million.

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

Other expenses increased by $216 million primarily due to an increase of $123 million from the impact of market conditions on certain expenses. These expenses are largely comprised of reinsurance costs, pension and postretirement benefit expenses, and letter of credit fees. In addition, variable expenses, such as commissions and premium taxes, increased $77 million, the majority of which have been offset by DAC capitalization. The positive impact of our enterprise-wide cost reduction and revenue enhancement initiative was reflected in lower travel, professional services and advertising expenses, but was more than offset by increases largely due to business growth.

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

Corporate Benefit Funding

	Years Ended December 31,			
	2009	2008 (In millions)	Change	% Change
OPERATING REVENUES				
Premiums	$ 2,264	$ 2,348	$ (84)	(3.6)%
Universal life and investment-type product policy fees	176	227	(51)	(22.5)%
Net investment income	4,527	5,615	(1,088)	(19.4)%
Other revenues	238	358	(120)	(33.5)%
Total operating revenues	7,205	8,548	(1,343)	(15.7)%
OPERATING EXPENSES				
Policyholder benefits and dividends	4,245	4,398	(153)	(3.5)%
Interest credited to policyholder account balances	1,632	2,297	(665)	(29.0)%
Capitalization of DAC	(14)	(18)	4	22.2%
Amortization of DAC and VOBA	15	29	(14)	(48.3)%
Interest expense on debt	3	2	1	50.0%
Other expenses	456	440	16	3.6%
Total operating expenses	6,337	7,148	(811)	(11.3)%
Provision for income tax expense (benefit)	288	474	(186)	(39.2)%
Operating earnings	$ 580	$ 926	$ (346)	(37.4)%

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

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

Policyholder account balances for our investment-type products were down by approximately $10 billion during 2009, as issuances were more than offset by scheduled maturities. However, due to the timing of issuances and maturities, the average policyholder account balances and liabilities increased from 2008 to 2009. The impact

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of the decrease in policyholder account balances resulted in lower net investment income, which was somewhat offset by lower interest credited expense.

The primary driver of the $346 million decrease in operating earnings was lower net investment income of $707 million reflecting a $682 million decrease from lower yields and a $25 million increase due to growth in average invested assets. Yields were adversely impacted by the severe downturn in the global financial markets which impacted real estate joint ventures, fixed maturity securities, other invested assets and mortgage loans. In addition, income from our securities lending program decreased, primarily due to the smaller size of the program during the year. To manage the needs of our longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, mortgage loans, U.S. Treasury, agency and government guaranteed securities and, to a lesser extent, certain other invested asset classes including real estate joint ventures in order to provide additional diversification and opportunity for long-term yield enhancement. For our shorter-term obligations, we invest primarily in structured finance securities, mortgage loans and investment grade corporate fixed maturity securities. The yields on these investments have moved consistent with the underlying market indices, primarily LIBOR and Treasury, on which they are based. The growth in the average invested asset base is consistent with the increase in the average policyholder account balances and liabilities.

As many of our products are interest spread-based, the lower net investment income was somewhat offset by lower net interest credited expense of $380 million. The decrease in interest credited expense is attributed to $431 million from lower crediting rates. Crediting rates have moved consistent with the underlying market indices, primarily LIBOR, on which they are based. The increase in the average policyholder account balances resulted in a $51 million increase in interest credited expense.

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

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

Although our other expenses only increased marginally and are not a significant driver of the decrease in operating earnings, the general themes associated with the increase are consistent with those factors discussed above in the discussion of our consolidated results of operations. Market conditions triggered an increase in our pension and postretirement benefit expenses of $26 million. In addition, variable expenses, such as commissions and premium taxes, have increased $20 million. These increases were partially offset by a decrease of $36 million, primarily in information technology, travel and professional services expenses, all of which were largely due to our enterprise-wide cost reduction and revenue enhancement initiative.

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Auto & Home

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

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

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

Mixed claim experience and the impact of lower exposures were the primary drivers of the $41 million decrease in operating earnings. While we had a $90 million decrease in catastrophe-related losses compared to the prior year, we also recorded $68 million less of a benefit in 2009 from favorable development of prior year non-catastrophe losses. Current year claim costs rose primarily as a result of a $29 million increase in claim frequency from both our auto and homeowners products. In addition, we had a $15 million net increase in claim severity, stemming from higher severity in our auto line of business that was partially offset by lower severity in our homeowners line of business. In 2009, we experienced a decline in insured exposures, which contributed approximately $16 million to the decrease in operating earnings. While this decrease in exposures had a positive impact on the amount of claims, it was more than offset by the negative impact on premiums. The decrease in exposures is largely attributable to slightly higher non-renewal rates, partially offset by greater sales of new policies. Also contributing to the decline in earnings was a decrease of

$9 million in the average premium per policy, which is primarily due to a shift in earned exposures to lower average premium states and an increase of $10 million in loss adjustment expenses, primarily related to a decrease in unallocated loss adjusting expense liabilities at the end of 2008.

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

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

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

International

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

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

The reduction in operating earnings includes the adverse impact of changes in foreign currency exchange rates in 2009 as the U.S. dollar strengthened against the various foreign currencies. This decreased operating earnings by $99 million in 2009 relative to 2008. Excluding the impact of changes in foreign currency exchange rates, operating earnings increased $83 million, or 22%, from the prior year. This increase was primarily driven by higher operating earnings of $184 million in our Asia Pacific region, while operating earnings from our Latin America and Europe and

Middle East decreased by $83 million and $18 million, respectively.

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

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

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

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

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

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

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Banking, Corporate & Other

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

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

In response to the economic crisis and unusual financial market events that occurred in 2008 and continued into 2009, we decided to utilize excess debt capacity. The Holding Company completed three debt issuances in 2009. The Holding Company issued $397 million of floating rate senior notes in March 2009, $1.3 billion of senior notes in May 2009, and $500 million of junior subordinated debt securities in July 2009. In February 2009, in connection with the initial settlement of the stock purchase contracts issued as part of the common equity units sold in June 2005, the Holding Company issued common stock for $1.0 billion. The proceeds from these equity and debt issuances were used for general corporate purposes and have resulted in increased investments and cash and cash equivalents held within Banking, Corporate & Other.

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

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

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

Effects of Inflation

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

Inflation in the U.S. has remained contained and been in a general downward trend for an extended period. However, in light of recent and ongoing aggressive fiscal and monetary stimulus measures by the U.S. federal government and foreign governments, it is possible that inflation could increase in the future. Globally, inflation trends can vary by region and between developed and emerging markets. The Japanese economy, to which we face increased exposure as a result of the Acquisition, continues to experience low nominal growth and a deflationary environment. As the global economy improves, inflation trends are increasing in other regions, particularly in emerging markets like China and India. In the more developed Eurozone countries, inflation rates, while not as high, have trended upward at a greater pace than in the U.S.

An increase in inflation could affect our business in several ways. During inflationary periods, the value of fixed income investments falls which could increase realized and unrealized losses. Inflation also increases expenses for labor and other materials, potentially putting pressure on profitability if such costs can not be passed through in our product prices. Inflation could also lead to increased costs for losses and loss adjustment expenses in certain of our businesses, which could require us to adjust our pricing to reflect our expectations for future inflation. Prolonged and elevated inflation could adversely affect the financial markets and the economy generally, and dispelling it may require governments to pursue a restrictive fiscal and monetary policy, which could constrain overall economic activity, inhibit revenue growth and reduce the number of attractive investment opportunities.

Investments

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

credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;

interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates;

liquidity risk, relating to the diminished ability to sell certain investments in times of strained market conditions; and

market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads.

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

Current Environment. The global economy and markets are now recovering from a period of significant stress that began in the second half of 2007 and substantially increased through the first quarter of 2009. This disruption adversely affected the financial services industry, in particular. The U.S. economy entered a recession in late 2007. This recession ended in mid-2009, but the recovery from the recession has been below historic averages and the unemployment rate is expected to remain high for some time. In addition, inflation has fallen over the last several years and is expected to remain at low levels for some time. Some economists believe that some level of disinflation and deflation risk remains in the U.S. economy.

Although the disruption in the global financial markets has moderated, not all such markets are functioning normally, and some remain reliant upon government intervention and liquidity. The global recession and disruption of the financial markets has also led to concerns over capital markets access and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain. The Japanese economy, to which we face increased exposure to as a result of the Acquisition, continues to experience low nominal growth, a deflationary environment, and weak consumer spending. See Industry Trends. See also Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) Summary in Note 3 of the Notes to Consolidated Financial Statements for information about exposure to sovereign fixed maturity securities of Portugal, Ireland, Italy, Greece and Spain.

During the year ended December 31, 2010, the net unrealized loss position on fixed maturity and equity securities improved from a net unrealized loss of $2.2 billion at December 31, 2009 to a net unrealized gain of $7.3 billion at December 31, 2010, as a result of a decrease in interest rates, and to a lesser extent, a decrease in credit spreads.

Investment Outlook. Recovering private equity markets and stabilizing credit and real estate markets during 2010 had a positive impact on returns and net investment income on private equity funds, hedge funds and real estate funds, which are included within other limited partnership interests and real estate and real estate joint venture portfolios. Although the disruption in the global financial markets has moderated, if there is a resumption of significant disruption, it could adversely impact returns and net investment income on these alternative investment classes. Net cash flows arising from our business and our investment portfolio will be reinvested in a prudent manner and according to our ALM discipline in appropriate assets over time. We will maintain a sufficient level of liquidity to meet business needs. Net investment income may be adversely affected if excess liquidity is required over an extended period of time to meet changing business needs.

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Composition of Investment Portfolio and Investment Portfolio Results

The following yield table presents the investment income, investment portfolio gains (losses), annualized yields on average ending assets and ending carrying value for each of the asset classes within the Company s investment portfolio, as well as investment income and investment portfolio gains (losses) for the investment portfolio as a whole. The yield table also presents gains (losses) on derivative instruments which are used to manage risk for certain invested assets and certain insurance liabilities:

	At and for the Years Ended December 31,		
	2010	2009	2008
		(In millions)	
Fixed Maturity Securities:			
Yield (1)	5.53%	5.77%	6.40%
Investment income (2), (3), (4)	$ 12,650	$ 11,899	$ 12,403
Investment gains (losses) (3)	$ (255)	$ (1,663)	$ (1,953)
Ending carrying value (2), (3)	$ 327,878	$ 230,026	$ 189,197
Mortgage Loans:			
Yield (1)	5.51%	5.38%	6.08%
Investment income (3), (4)	$ 2,823	$ 2,735	$ 2,774
Investment gains (losses) (3)	$ 22	$ (442)	$ (136)
Ending carrying value (3)	$ 55,536	$ 50,909	$ 51,364
Real Estate and Real Estate Joint Ventures:			
Yield (1)	1.10%	(7.47)%	2.98%
Investment income	$ 77	$ (541)	$ 217
Investment gains (losses)	$ (40)	$ (156)	$ (9)
Ending carrying value	$ 8,030	$ 6,896	$ 7,586
Policy Loans:			
Yield (1)	6.37%	6.54%	6.22%
Investment income	$ 657	$ 648	$ 601
Ending carrying value	$ 11,914	$ 10,061	$ 9,802
Equity Securities:			
Yield (1)	4.39%	5.12%	5.25%
Investment income	$ 128	$ 175	$ 249
Investment gains (losses)	$ 104	$ (399)	$ (253)
Ending carrying value	$ 3,606	$ 3,084	$ 3,197
Other Limited Partnership Interests:			
Yield (1)	14.99%	3.22%	(2.77)%
Investment income	$ 879	$ 173	$ (170)
Investment gains (losses)	$ (18)	$ (356)	$ (140)
Ending carrying value	$ 6,416	$ 5,508	$ 6,039
Cash and Short-Term Investments:			
Yield (1)	0.46%	0.44%	1.62%
Investment income	$ 81	$ 94	$ 307
Investment gains (losses)	$ 2	$ 6	$ 3
Ending carrying value (3)	$ 22,394	$ 18,486	$ 38,085
Other Invested Assets: (5)			

Investment income	$	491	$	339	$	279
Investment gains (losses)	$	(8)	$	(32)	$	313
Ending carrying value	$	15,430	$	12,709	$	17,248
Total Investments:						
Gross investment income yield (1)		5.29%		4.90%		5.68%
Investment fees and expenses yield		(0.14)		(0.14)		(0.16)
Investment Income Yield (3)		5.15%		4.76%		5.52%
Gross investment income	$	17,786	$	15,522	$	16,660
Investment fees and expenses		(465)		(433)		(460)
Investment Income (3), (6)	$	17,321	$	15,089	$	16,200
Ending Carrying Value (3)	$	451,204	$	337,679	$	322,518
Gross investment gains (3)	$	1,200	$	1,232	$	1,802
Gross investment losses (3)		(848)		(1,429)		(1,935)
Writedowns		(545)		(2,845)		(2,042)
Investment Portfolio Gains (Losses) (3), (6)	$	(193)	$	(3,042)	$	(2,175)
Investment portfolio gains (losses) income tax (expense) benefit		53		1,121		795
Investment Portfolio Gains (Losses), Net of Income Tax	$	(140)	$	(1,921)	$	(1,380)
Derivative Gains (Losses) (6)	$	(614)	$	(5,106)	$	3,782
Derivative gains (losses) income tax (expense) benefit	$	160	$	1,803	$	(1,438)
Derivative Gains (Losses), Net of Income Tax	$	(454)	$	(3,303)	$	2,344

As described in the footnotes below, the yield table reflects certain differences from the presentation of invested assets, net investment income, net investment gains (losses) and net derivative gains (losses) as presented in the consolidated balance sheets and consolidated statements of operations, including the exclusion of contractholder-directed unit-linked investments classified within trading and other securities, as the contractholder, not the Company, directs the investment of the funds; and the exclusion of the effects of consolidating under GAAP certain VIEs that are consolidated securitization entities (CSEs). We believe this yield table presentation is consistent with how we measure our investment performance for management purposes enhances understanding.

(1) Yields are based on average of quarterly average asset carrying values, excluding recognized and unrealized investment gains (losses), collateral received from counterparties associated with our securities lending program, the effects of consolidating under GAAP certain VIEs that are treated as CSEs and, effective October 1, 2010, contractholder-directed unit-linked investments. Yields also exclude investment income recognized on mortgage loans and securities held by CSEs and, effective October 1, 2010, contractholder-directed unit-linked investments.

(2) Fixed maturity securities include $594 million, $2,384 million and $946 million at estimated fair value of trading and other securities at December 31, 2010, 2009 and 2008, respectively. Fixed maturity securities include $234 million, $400 million and ($193) million of investment income related to trading and other securities for the years ended December 31, 2010, 2009 and 2008, respectively.

(3) (a) Fixed maturity securities ending carrying values as presented herein, exclude (i) contractholder-directed unit-linked investments reported within trading and other securities of $17,794 million, and (ii) securities held by CSEs that are consolidated under GAAP reported within trading and other securities of $201 million at December 31, 2010. Net investment income as presented herein, excludes investment income on contractholder-directed unit-linked investments reported within trading and other securities effective October 1, 2010 as shown in footnote (6) to this yield table.

(b) Ending carrying values, investment income and investment gains (losses) as presented herein, exclude the effects of consolidating under GAAP certain VIEs that are treated as CSEs. The adjustment to investment income and investment gains (losses) in the aggregate are as shown in footnote (6) to this yield table. The adjustments to ending carrying value, investment income and investment gains (losses) by invested asset class are presented below. Both the invested assets and long-term debt of the CSEs are accounted for under the FVO. The adjustment to investment gains (losses) presented below and in footnote (6) to this yield table includes the effects of remeasuring both the invested assets and long-term debt in accordance with the FVO.

	At or for the Year Ended December 31, 2010		
	As Reported in the Yield Table	Impact of Excluding Trading and Other Securities and CSEs	Total With all Trading and Other Securities and CSEs
		(In millions)	
Trading and Other Securities (included within Fixed Maturity Securities):			
Ending carrying value	$ 594	$ 17,995	$ 18,589

Investment income	$ 234	$ 226	$ 460
Investment gains (losses)	$	$ (30)	$ (30)
Mortgage Loans:			
Ending carrying value	$ 55,536	$ 6,840	$ 62,376
Investment income	$ 2,823	$ 396	$ 3,219
Investment gains (losses)	$ 22	$ 36	$ 58
Cash and Short-Term Investments:			
Ending carrying value	$ 22,394	$ 39	$ 22,433
Total Investments:			
Ending carrying value	$ 451,204	$ 24,874	$ 476,078

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

(5) Other invested assets are principally comprised of freestanding derivatives with positive estimated fair values and leveraged leases. Freestanding derivatives with negative estimated fair values are included within other liabilities. However, the accruals of settlement payments in other liabilities are included in net investment income as shown in Note 4 of the Notes to the Consolidated Financial Statements. As yield is not considered a meaningful measure of performance for other invested assets, it has been excluded from the yield table.

(6) Investment income, investment portfolio gains (losses) and derivative gains (losses) presented in this yield table vary from the most directly comparable measures presented in the GAAP consolidated statements of operations due to certain reclassifications affecting net investment income, net investment gains (losses), net derivative gains (losses), and interest credited to PABs and to exclude the effects of consolidating under GAAP certain VIEs that are treated as CSEs. Such reclassifications are presented in the tables below.

	Years Ended December 31,		
	2010	2009	2008
	(In millions)		
Investment income in the above yield table	$ 17,321	$ 15,089	$ 16,200
Real estate discontinued operations deduct from net investment income	10	(8)	(11)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting deduct from net investment income, add to net derivative gains (losses)	(208)	(88)	(5)
Equity method operating joint ventures add to net investment income, deduct from net derivative gains (losses)	(130)	(156)	105
Net investment income on contractholder-directed unit-linked investments reported within trading and other securities add to net investment income	211		
Incremental net investment income from CSEs add to net investment income	411		
Net investment income GAAP consolidated statements of operations	$ 17,615	$ 14,837	$ 16,289
Investment portfolio gains (losses) in the above yield table	$ (193)	$ (3,042)	$ (2,175)
Real estate discontinued operations deduct from net investment gains (losses)	(14)	(8)	(8)
Investment gains (losses) related to CSEs add to net investment gains (losses)	6		
Purchased credit default swaps that offset losses incurred on certain fixed maturity securities deduct from net investment gains (losses)			(183)
Other gains (losses) add to net investment gains (losses)	(191)	144	268
Net investment gains (losses) GAAP consolidated statements of operations	$ (392)	$ (2,906)	$ (2,098)
Derivative gains (losses) in the above yield table	$ (614)	$ (5,106)	$ 3,782
	208	88	5

Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting add to net derivative gains (losses), deduct from net investment income						
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting add to net derivative gains (losses), deduct from interest credited to PABs		11		(4)		45
Purchased credit default swaps that offset losses incurred on certain fixed maturity securities add to net derivative gains (losses)						183
Equity method operating joint ventures add to net investment income, deduct from net derivative gains (losses)		130		156		(105)
Net derivative gains (losses) GAAP consolidated statements of operations	$	(265)	$	(4,866)	$	3,910

See Results of Operations Year Ended December 31, 2010 compared with the Year Ended December 31, 2009 and Year Ended December 31, 2009 compared with the Year Ended December 31, 2008, for an analysis of the year over year changes in net investment income and net investment gains (losses) and net derivative gains (losses).

Fixed Maturity and Equity Securities Available-for-Sale

Fixed maturity securities, which consisted principally of publicly-traded and privately placed fixed maturity securities, were $327.3 billion and $227.6 billion, or 69% and 67% of total cash and invested assets at estimated fair value, at December 31, 2010 and 2009, respectively. Publicly-traded fixed maturity securities represented $286.5 billion and $191.4 billion, or 88% and 84% of total fixed maturity securities at estimated fair value, at December 31, 2010 and 2009, respectively. Privately placed fixed maturity securities represented $40.8 billion and $36.2 billion, or 12% and 16% of total fixed maturity securities at estimated fair value, at December 31, 2010 and 2009, respectively.

Equity securities, which consisted principally of publicly-traded and privately-held common and preferred stocks, including certain perpetual hybrid securities and mutual fund interests, were $3.6 billion and $3.1 billion, or 0.8% and 0.9% of total cash and invested assets at estimated fair value, at December 31, 2010 and 2009, respectively. Publicly-traded equity securities represented $2.3 billion and $2.1 billion, or 64% and 68% of total equity securities at estimated fair value, at December 31, 2010 and 2009, respectively. Privately-held equity securities represented $1.3 billion and $1.0 billion, or 36% and 32% of total equity securities at estimated fair value, at December 31, 2010 and 2009, respectively.

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

Senior management, independent of the trading and investing functions, is responsible for the oversight of control systems and valuation policies, including reviewing and approving new transaction types and markets, for ensuring that observable market prices and market-based parameters are used for valuation, wherever possible, and for determining that judgmental valuation adjustments, if any, are based upon established policies and are applied consistently over time. We review our valuation methodologies on an ongoing basis and ensure that any changes to valuation methodologies are justified. We gain assurance on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with accounting standards for fair value determination through various controls designed to ensure that the financial assets and financial liabilities are appropriately valued and represent an exit price. The control systems and procedures include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management s knowledge of the current market, reviewing the bid/ask spreads to assess activity and ongoing confirmation that independent pricing services use, wherever possible, market-based parameters for valuation. We determine the observability of inputs used in

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estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company also follows a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If we conclude that prices received from independent pricing services are not reflective of market activity or representative of estimated fair value, we will seek independent non-binding broker quotes or use an internally developed valuation to override these prices. Such overrides are classified as Level 3. Despite the credit events prevalent since the second half of 2007 described above, including market dislocation, volatility in valuation of certain investments, and reduced levels of liquidity, which has since moderated but is still present in certain portions of the global financial markets and in certain asset sectors, our internally developed valuations of current estimated fair value, which reflect our estimates of liquidity and non-performance risks, compared with pricing received from the independent pricing services, did not produce material differences for the vast majority of our fixed maturity securities portfolio. Our estimates of liquidity and non-performance risks are generally based on available market evidence and on what other market participants would use. In the absence of such evidence, management s best estimate is used. As a result, we generally continued to use the price provided by the independent pricing service under our normal pricing protocol and pricing overrides were not material. The Company uses the results of this analysis for classifying the estimated fair value of these instruments in Level 1, 2 or 3. For example, we will review the estimated fair values received to determine whether corroborating evidence (i.e., similar observable positions and actual trades) will support a Level 2 classification in the fair value hierarchy. Security prices which cannot be corroborated due to relatively less pricing transparency and diminished liquidity will be classified as Level 3. Even some of our very high quality invested assets have been more illiquid for periods of time as a result of the market conditions described above.

For privately placed fixed maturity securities, the Company determines the estimated fair value generally through matrix pricing, discounted cash flow techniques or from independent pricing services after assessing that the observability of inputs used can be corroborated with observable market data. The discounted cash flow valuations rely upon the estimated future cash flows of the security, credit spreads of comparable public securities and secondary transactions, as well as taking into account, among other factors, the credit quality of the issuer and the reduced liquidity associated with privately placed debt securities.

The Company has reviewed the significance and observability of inputs used in the valuation methodologies to determine the appropriate fair value hierarchy level for each of its securities. Based on the results of this review and investment class analyses, each instrument is categorized as Level 1, 2 or 3 based on the priority of the inputs to the respective valuation methodologies. Certain U.S. Treasury, agency and government guaranteed fixed maturity securities, certain foreign government fixed maturity securities, residential mortgage-backed securities (RMBS), principally to-be-announced securities, exchange-traded common stock and mutual fund interests, registered mutual fund interests priced using daily net asset value provided by fund managers included within trading and other securities, certain other securities classified as trading and other securities which are similar to the above described fixed maturity and equity securities and certain short-term money market securities, including U.S. Treasury bills, have been classified into Level 1 because of high volumes of trading activity and narrow bid/ask spreads. Most securities valued by independent pricing services have been classified into Level 2 because the significant inputs used in pricing these securities are market observable or can be corroborated using market observable information. Most investment grade privately placed fixed maturity securities and certain below investment grade privately placed fixed maturity securities priced by independent pricing services that use observable inputs have been classified within Level 2. Distressed privately placed fixed maturity securities have been classified within Level 3. Below investment grade privately placed fixed maturity securities and less liquid securities with very limited trading activity where estimated fair values are determined by independent pricing services or by independent non-binding broker quotations that use unobservable inputs or cannot be derived principally from or corroborated by observable market data, are classified as Level 3. Use of independent non-binding broker quotations generally indicates there is a lack of liquidity or the general lack of transparency in the process to develop these price estimates causing them to be considered Level 3.

Effective April 1, 2009, the Company adopted accounting guidance that clarified existing guidance regarding (1) estimating the estimated fair value of an asset or liability if there was a significant decrease in the volume and level of trading activity for these assets or liabilities and (2) identifying transactions that are not orderly. The

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Company s valuation policies as described above and in Summary of Critical Accounting Estimates Estimated Fair Values of Investments already incorporated the key concepts from this additional guidance, accordingly, this guidance results in no material changes in our valuation policies. At April 1, 2009 and at each subsequent quarterly period in 2009 and 2010, we evaluated the markets that our fixed maturity and equity securities trade in and in our judgment, despite the increased illiquidity discussed above, believe none of these fixed maturity and equity securities trading markets should be characterized as distressed and disorderly. We will continue to re-evaluate and monitor such fixed maturity and equity securities trading markets on an ongoing basis.

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

	December 31, 2010			
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Level 1:				
Quoted prices in active markets for identical assets	$ 15,025	4.6%	$ 832	23.1%
Level 2:				
Independent pricing source	257,625	78.7	616	17.1
Internal matrix pricing or discounted cash flow techniques	31,839	9.8	985	27.3
Significant other observable inputs	289,464	88.5	1,601	44.4
Level 3:				
Independent pricing source	10,481	3.2	1,011	28.0
Internal matrix pricing or discounted cash flow techniques	9,872	3.0	149	4.1
Independent broker quotations	2,442	0.7	13	0.4
Significant unobservable inputs	22,795	6.9	1,173	32.5
Total estimated fair value	$ 327,284	100.0%	$ 3,606	100.0%

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	December 31, 2010 Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Fixed Maturity Securities:				
U.S. corporate securities	$	$ 85,419	$ 7,149	$ 92,568
Foreign corporate securities		62,401	5,777	68,178
Residential mortgage-backed securities	274	43,037	1,422	44,733
Foreign government securities	149	40,092	3,159	43,400
U.S. Treasury, agency and government guaranteed securities	14,602	18,623	79	33,304
Commercial mortgage-backed securities (CMBS)		19,664	1,011	20,675
Asset-backed securities		10,142	4,148	14,290
State and political subdivision securities		10,083	46	10,129
Other fixed maturity securities		3	4	7
Total fixed maturity securities	$ 15,025	$ 289,464	$ 22,795	$ 327,284
Equity Securities:				
Common stock	$ 832	$ 1,094	$ 268	$ 2,194
Non-redeemable preferred stock		507	905	1,412
Total equity securities	$ 832	$ 1,601	$ 1,173	$ 3,606

The composition of fair value pricing sources for and significant changes in Level 3 securities at December 31, 2010 are as follows:

The majority of the Level 3 fixed maturity and equity securities (84%, as presented above) were concentrated in four sectors: U.S. and foreign corporate securities, ABS and foreign government securities.

Level 3 fixed maturity securities are priced principally through market standard valuation methodologies, independent pricing services and 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 consists of less liquid fixed maturity securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies including alternative residential mortgage loan RMBS and less liquid prime RMBS, certain below investment grade private placements and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities) and less liquid ABS including securities supported by sub-prime mortgage loans (included in ABS).

During the year ended December 31, 2010, Level 3 fixed maturity securities increased by $371 million, or 2%, excluding the impact of the Acquisition, and $5,605 million, or 33%, including the impact of the Acquisition. The Level 3 fixed maturity securities acquired from ALICO of $5,435 million have been included in purchases, sales, issuances and settlements in the table below. The increase was driven by net purchases in excess of sales and increases in estimated fair value recognized in other comprehensive income (loss). Net purchases in excess of sales of fixed maturity securities were concentrated in foreign government and ABS. The increase in estimated fair value in fixed maturity securities was concentrated in U.S. and foreign corporate securities and ABS (including RMBS backed by sub-prime mortgage loans) due to improving or stabilizing market conditions including an improvement in liquidity coupled with the effect of decreased interest rates on such securities.

A rollforward of the fair value measurements for fixed maturity securities and equity securities available-for-sale measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs is as follows:

	Year Ended December 31, 2010	
	Fixed Maturity Securities	Equity Securities
	(In millions)	
Balance, beginning of year	$ 17,190	$ 1,240
Total realized/unrealized gains (losses) included in:		
Earnings	(39)	51
Other comprehensive income (loss)	1,072	19
Purchases, sales, issuances and settlements (1)	4,519	(122)
Transfers into and/or out of Level 3	53	(15)
Balance, end of year	$ 22,795	$ 1,173

(1) Includes securities acquired from ALICO of $5,435 million for fixed maturity securities and $68 million for equity securities.

An analysis of transfers into and/or out of Level 3 for the year ended December 31, 2010 is as follows:

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

Total gains and losses for fixed maturity securities included in earnings of ($2) million and other comprehensive income (loss) of $19 million respectively, were incurred for transfers subsequent to their transfer to Level 3, for the year ended December 31, 2010.

Net transfers into and/or out of Level 3 for fixed maturity securities were $53 million for the year ended December 31, 2010, and were comprised of transfers in of $1,736 million and transfers out of ($1,683) million, respectively.

Overall, transfers into and/or out of Level 3 are attributable to a change in the observability of inputs. 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 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 and/or out of any level are assumed to occur at the beginning of the period. Significant transfers in and/or out of Level 3 assets and liabilities for the year ended December 31, 2010 are summarized below.

During the year ended December 31, 2010, fixed maturity securities transfers into Level 3 of $1,736 million resulted primarily from current market conditions characterized by a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade). These current market conditions have resulted in decreased transparency of valuations and an increased use of broker quotations and unobservable inputs to determine estimated fair value principally for certain private placements included in U.S. and foreign corporate securities and certain CMBS.

During the year ended December 31, 2010, fixed maturity securities transfers out of Level 3 of ($1,683) million 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 corroborate pricing received from independent pricing services with observable inputs, or there were increases in market activity and upgraded credit ratings primarily for certain U.S. and foreign corporate securities, RMBS and ABS.

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

See Fair Value Assets and Liabilities Measured at Fair Value Recurring Fair Value Measurements Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities in Note 5 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 Credit Quality Ratings. The Securities Valuation Office of the National Association of Insurance Commissioners (NAIC) evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called NAIC designations. If no rating is available from the NAIC, then as permitted by the NAIC, an internally developed rating is used. The NAIC ratings are generally similar to the credit quality designations of the Nationally Recognized Statistical Ratings Organizations (NRSROs) for marketable fixed maturity securities, called rating agency designations, except for certain structured securities as described below. NAIC ratings 1 and 2 include fixed maturity securities generally considered investment grade (i.e., rated Baa3 or better by Moody s Investors Service (Moody s) or rated BBB or bett by S&P and Fitch Ratings (Fitch)) by such rating organizations. NAIC ratings 3 through 6 include fixed maturity securities generally considered below investment grade (i.e., rated Ba1 or lower by Moody s or rated BB+ or lower by S&P and Fitch) by such rating organizations.

The NAIC adopted revised rating methodologies for non-agency RMBS, including RMBS backed by sub-prime mortgage loans reported within ABS, that became effective December 31, 2009 and for CMBS and all other ABS that became effective December 31, 2010. 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 assumptions used to estimate expected losses from such structured securities.

The three tables below present fixed maturity securities based on rating agency designations and equivalent designations of the NAIC, with the exception of certain structured securities held by the Company s insurance subsidiaries that file NAIC statutory financial statements. Non-agency RMBS, including RMBS backed by sub-prime mortgage loans reported within ABS, CMBS and all other ABS held by the Company s insurance subsidiaries that file NAIC statutory financial statements are presented based on final ratings from the revised NAIC rating methodologies described above (which may not correspond to rating agency designations). All NAIC designation (e.g., NAIC 1) amounts and percentages presented herein are based on the revised NAIC methodologies described above. All rating agency designation (e.g., Aaa/AAA) amounts and percentages presented herein are based on rating agency designations without adjustment for the revised NAIC methodologies described above.

The following three tables present information about the Company s fixed maturity securities holdings by NAIC credit quality ratings. Comparisons between NAIC ratings and rating agency designations are published by the NAIC. Rating agency designations are based on availability of applicable ratings from rating agencies on the NAIC acceptable rating organizations list, including Moody s, S&P, Fitch and Realpoint, LLC. If no rating is available from a rating agency, then an internally developed rating is used.

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The following table presents the Company s total fixed maturity securities by NRSRO designation and the equivalent designations of the NAIC, except for certain structured securities, which are presented using final ratings from the revised NAIC rating methodologies as described above, as well as the percentage, based on estimated fair value, that each designation is comprised of at:

		December 31,					
		2010			2009		
NAIC Rating	Rating Agency Designation:	Amortized Cost	Estimated Fair Value	% of Total	Amortized Cost	Estimated Fair Value	% of Total
		(In millions)					
1	Aaa/Aa/A	$ 228,875	$ 233,540	71.4%	$ 151,391	$ 151,136	66.4%
2	Baa	65,550	68,858	21.0	55,508	56,305	24.7
3	Ba	15,335	15,294	4.7	13,184	12,003	5.3
4	B	8,752	8,316	2.5	7,474	6,461	2.9
5	Caa and lower	1,343	1,146	0.4	1,809	1,425	0.6
6	In or near default	153	130		343	312	0.1
	Total fixed maturity securities	$ 320,008	$ 327,284	100.0%	$ 229,709	$ 227,642	100.0%

The following tables present the Company s total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO designation and the equivalent designations of the NAIC, except for certain structured securities, which are presented as described above, that each designation is comprised of at December 31, 2010 and 2009:

	Fixed Maturity Securities by Sector & Credit Quality Rating at December 31, 2010						
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)			
U.S. corporate securities	$ 46,754	$ 34,326	$ 7,635	$ 3,460	$ 353	$ 40	$ 92,568
Foreign corporate securities	39,652	24,414	2,476	1,454	173	9	68,178
RMBS (1)	38,984	1,109	2,271	1,993	331	45	44,733
Foreign government securities	32,957	7,184	2,179	1,080			43,400
U.S. Treasury, agency and government guaranteed securities	33,304						33,304
CMBS (1)	19,385	665	363	205	56	1	20,675
ABS (1)	13,136	435	338	120	226	35	14,290
State and political subdivision securities	9,368	722	32		7		10,129
Other fixed maturity securities		3		4			7

Total fixed maturity securities	$ 233,540	$ 68,858	$ 15,294	$ 8,316	$ 1,146	$ 130	$ 327,284
Percentage of total	71.4%	21.0%	4.7%	2.5%	0.4%	%	100.0%

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	Fixed Maturity Securities		by Sector & Credit Quality Rating at December 31, 2009				
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)			
U.S. corporate securities	$ 31,848	$ 30,266	$ 6,319	$ 2,965	$ 616	$ 173	$ 72,187
Foreign corporate securities	16,678	17,393	2,067	1,530	281	81	38,030
RMBS (1)	38,464	1,563	2,260	1,391	339	3	44,020
Foreign government securities	5,786	4,841	890	415		15	11,947
U.S. Treasury, agency and government guaranteed securities	25,447						25,447
CMBS	15,000	434	152	22	14		15,622
ABS	11,573	1,033	275	124	117	40	13,162
State and political subdivision securities	6,337	765	40	8	58		7,208
Other fixed maturity securities	3	10		6			19
Total fixed maturity securities	$ 151,136	$ 56,305	$ 12,003	$ 6,461	$ 1,425	$ 312	$ 227,642
Percentage of total	66.4%	24.7%	5.3%	2.9%	0.6%	0.1%	100.0%

(1) Presented using the final rating from revised NAIC rating methodologies.

Fixed Maturity and Equity Securities Available-for-Sale. See Investments Fixed Maturity and Equity Securities Available-for-Sale in Note 3 of the Notes to the Consolidated Financial Statements for tables summarizing the cost or amortized cost, gross unrealized gains and losses, including noncredit loss component of OTTI loss, and estimated fair value of fixed maturity and equity securities on a sector basis, and selected information about certain fixed maturity securities held by the Company that were below investment grade or non-rated, non-income producing, credit enhanced by financial guarantor insurers by sector, and the ratings of the financial guarantor insurers providing the credit enhancement at December 31, 2010 and 2009.

Concentrations of Credit Risk (Equity Securities). The Company was not exposed to any significant concentrations of credit risk in its equity securities portfolio of any single issuer greater than 10% of the Company s equity, or 1% of total investments, at December 31, 2010 and 2009.

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

Corporate Fixed Maturity Securities. The Company maintains a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have exposure to any single issuer in excess of 1% of the total investments. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) U.S. and Foreign Corporate Securities in Note 3 of the Notes to the

Consolidated Financial Statements for the tables that present the major industry types that comprise the corporate fixed maturity securities holdings, the largest exposure to a single issuer and the combined holdings in the ten issuers to which it had the largest exposure at December 31, 2010 and 2009.

Structured Securities. The following table presents the types of structured securities and portion rated Aaa/AAA and portion rated NAIC 1 at:

	December 31,			
	2010		2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
RMBS	$ 44,733	56.1%	$ 44,020	60.5%
CMBS	20,675	26.0	15,622	21.4
ABS	14,290	17.9	13,162	18.1
Total structured securities	$ 79,698	100.0%	$ 72,804	100.0%
Ratings profile:				
RMBS rated Aaa/AAA	$ 36,085	80.7%	$ 35,626	80.9%
RMBS rated NAIC 1	$ 38,984	87.1%	$ 38,464	87.4%
CMBS rated Aaa/AAA	$ 16,901	81.7%	$ 13,355	85.5%
CMBS rated NAIC 1	$ 19,385	93.7%	$ 15,000	96.0%
ABS rated Aaa/AAA	$ 10,411	72.9%	$ 9,354	71.1%
ABS rated NAIC 1	$ 13,136	91.9%	$ 11,573	87.9%

RMBS. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) RMBS in Note 3 of the Notes to the Consolidated Financial Statements for the tables that present the Company s RMBS holdings by security type and risk profile at December 31, 2010 and 2009.

The majority of RMBS held by the Company was rated Aaa/AAA by Moody s, S&P or Fitch; and the majority was rated NAIC 1 by the NAIC at December 31, 2010 and 2009, as presented above. The majority of the agency RMBS held by the Company was guaranteed or otherwise supported by FNMA, FHLMC or GNMA. Non-agency RMBS includes prime and alternative residential mortgage loans (Alt-A) RMBS. Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alt-A is a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles. Included within Alt-A RMBS are resecuritization of real estate mortgage investment conduit (Re-REMIC) securities. Re-REMIC Alt-A RMBS involve the pooling of previous issues of Alt-A RMBS and restructuring the combined pools to create new senior and subordinated securities. The credit enhancement on the senior tranches is improved through the resecuritization. The Company s holdings are in senior tranches with significant credit enhancement.

The Company s Alt-A securities portfolio has superior structure to the overall Alt-A market. At December 31, 2010 and 2009, the Company s Alt-A securities portfolio has no exposure to option adjustable rate mortgages (ARMs) and a minimal exposure to hybrid ARMs. The Company s Alt-A securities portfolio is comprised primarily of fixed rate mortgages which have performed better than both option ARMs and hybrid ARMs in the overall Alt-A market. Additionally, 85% and 90% at December 31, 2010 and 2009, respectively, of the Company s Alt-A securities portfolio has super senior credit enhancement, which typically provides double the credit enhancement of a standard Aaa/AAA rated fixed maturity security. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) RMBS in Note 3 of the Notes to Consolidated Financial

Statements for a table that presents the estimated fair value of Alt-A securities held by the Company by vintage year, net unrealized loss, portion of holdings rated Aa/AA or better by Moody s, S&P or Fitch, portion rated NAIC 1 by the NAIC, and portion of holdings that are backed by fixed rate collateral or hybrid ARM collateral at December 31, 2010 and 2009. The Company s holdings of Re-REMIC Alt-A RMBS reported within Alt-A RMBS were all rated NAIC 1 and were $703 million and $782 million at estimated fair value at December 31, 2010 and 2009, respectively.

RMBS in which the present value of projected future cash flows expected to be collected is less than amortized cost are reviewed for impairment in accordance with our impairment policy. Based upon the analysis of the Company s exposure to RMBS, including Alt-A RMBS, the Company expects to receive payments in accordance with the contractual terms of the securities that are considered temporarily impaired.

CMBS. There have been disruptions in the CMBS market due to market perceptions that default rates will increase in part as a result of weakness in commercial real estate market fundamentals and in part to relaxed underwriting standards by some originators of commercial mortgage loans within the more recent vintage years (i.e., 2006 and later). These factors caused a pull-back in market liquidity, increased credit spreads and repricing of risk, which has led to higher levels of unrealized losses as compared to historical levels through the first quarter of 2010. However, in the second quarter of 2010, market conditions continued to improve and interest rates continue to decrease, causing our portfolio to be in a net unrealized gain position of 2% of amortized cost at December 31, 2010.

CMBS in which the present value of projected future cash flows expected to be collected is less than amortized cost are reviewed for impairment in accordance with our impairment policy. Based upon the analysis of the Company s exposure to CMBS, the Company expects to receive payments in accordance with the contractual terms of the securities that are considered temporarily impaired.

The Company s holdings in CMBS were $20.7 billion and $15.6 billion, at estimated fair value at December 31, 2010 and 2009, respectively. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) CMBS in Note 3 of the Notes to the Consolidated Financial Statements for tables that present the amortized cost and estimated fair value, rating agency designation by Moody s, S&P, Fitch or Realpoint, LLC and holdings by vintage year of such securities held by the Company at December 31, 2010 and 2009. The Company had no exposure to CMBS index securities at December 31, 2010 or 2009. The Company s holdings of commercial real estate collateralized debt obligations securities were $138 million and $111 million at estimated fair value at December 31, 2010 and 2009, respectively. The weighted average credit enhancement of the Company s CMBS holdings was 26% and 28% at December 31, 2010 and 2009, respectively. This credit enhancement percentage represents the current weighted average estimated percentage of outstanding capital structure subordinated to the Company s investment holding that is available to absorb losses before the security incurs the first dollar of loss of principal. The credit protection does not include any equity interest or property value in excess of outstanding debt.

ABS. The Company s ABS are diversified both by collateral type and by issuer. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) ABS in Note 3 of the Notes to the Consolidated Financial Statements for a table that presents the Company s ABS by collateral type, portion rated Aaa/AAA, portion rated NAIC 1, and portion credit enhanced held by the Company at December 31, 2010 and 2009.

The slowing U.S. housing market, greater use of affordable mortgage products and relaxed underwriting standards for some originators of sub-prime mortgage loans have recently led to higher delinquency and loss rates, especially within the 2006 and 2007 vintage years. These factors have caused a pull-back in market liquidity and repricing of risk, which has led to higher levels of unrealized losses on securities backed by sub-prime mortgage loans as compared to historical levels. However, in 2010, market conditions improved, credit spreads narrowed on mortgage-backed and asset-backed securities and net unrealized losses on ABS backed by sub-prime mortgage loans decreased from 36% to 22% of amortized cost from December 31, 2009 to December 31, 2010.

ABS in which the present value of projected future cash flows expected to be collected is less than amortized cost are reviewed for impairment in accordance with our impairment policy. Based upon the analysis of the Company s ABS, including sub-prime mortgage loans through its exposure to ABS, the Company expects to receive payments in accordance with the contractual terms of the securities that are considered temporarily impaired.

See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) ABS in Note 3 of the Notes to the Consolidated Financial Statements for tables that present the Company s holdings of ABS supported by sub-prime mortgage loans by rating agency designation and by vintage year and by NAIC rating at December 31, 2010 and 2009.

The Company had ABS supported by sub-prime mortgage loans with estimated fair values of $1,119 million and $1,044 million and unrealized losses of $317 million and $593 million at December 31, 2010 and 2009, respectively. Approximately 54% of this portfolio was rated Aa or better, of which 88% was in vintage year 2005 and prior at December 31, 2010. Approximately 61% of this portfolio was rated Aa or better, of which 91% was in vintage year 2005 and prior at December 31, 2009. These older vintages from 2005 and prior benefit from better underwriting, improved enhancement levels and higher residential property price appreciation. All of the $1,119 million and $1,044 million of ABS supported by sub-prime mortgage loans were classified as Level 3 fixed maturity securities in the fair value hierarchy at December 31, 2010 and 2009, respectively.

ABS also include collateralized debt obligations backed by sub-prime mortgage loans at an aggregate cost of $18 million with an estimated fair value of $17 million at December 31, 2010 and an aggregate cost of $22 million with an estimated fair value of $8 million at December 31, 2009.

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

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

See Summary of Critical Accounting Estimates.

Net Unrealized Investment Gains (Losses)

See Investments Net Unrealized Investment Gains (Losses) in Note 3 of the Notes to the Consolidated Financial Statements for the components of net unrealized investment gains (losses), included in accumulated other comprehensive income (loss) and the changes in net unrealized investment gains (losses) at December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, respectively.

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss) of ($601) million at December 31, 2010, includes ($859) million recognized prior to January 1, 2010, ($212) million (($202) million, net of DAC) of noncredit OTTI losses recognized in the year ended December 31, 2010, $16 million transferred to retained earnings in connection with the adoption of guidance related to the consolidation of VIEs (see Note 1 of the Notes to the Consolidated Financial Statements) for the year ended December 31, 2010, $137 million related to securities sold for the year ended December 31, 2010, for which a noncredit OTTI loss was previously recognized in accumulated other comprehensive income (loss) and $317 million of subsequent increases in estimated fair value during the year ended December 31, 2010, on such securities for which a noncredit OTTI loss was previously recognized in accumulated other comprehensive income (loss).

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss) of ($859) million at December 31, 2009, includes ($126) million related to the transition adjustment recorded in 2009 upon the adoption of guidance on the recognition and presentation of OTTI, ($939) million (($857) million, net of DAC) of noncredit OTTI losses recognized in the year ended December 31, 2009 (as more fully described in Note 1 of the Notes to the Consolidated Financial Statements), $20 million related to securities sold during the year ended December 31, 2009 for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss) and $186 million of subsequent increases in estimated fair value during the year ended December 31, 2009 on such securities for which a noncredit OTTI loss was previously recognized in accumulated other comprehensive income (loss).

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

See Investments Aging of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale in Note 3 of the Notes to the Consolidated Financial Statements for the tables that present the cost or amortized cost, gross unrealized loss, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive income (loss) at December 31, 2010, gross unrealized loss as a percentage of cost or amortized cost and number of securities for fixed maturity and equity securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more at December 31, 2010 and 2009.

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

See Investments Concentration of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale in Note 3 of the Notes to the Consolidated Financial Statements for the tables that present the concentration by sector and industry of the Company s gross unrealized losses related to its fixed maturity and equity securities, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive loss of $6.9 billion and $10.8 billion at December 31, 2010 and 2009, respectively.

Evaluating Temporarily Impaired Available-for-Sale Securities

See Investments Fixed Maturity and Equity Securities Available-for-Sale Evaluating Temporarily Impaired Available-for-Sale Securities in Note 3 of the Notes to the Consolidated Financial Statements for a table that presents the Company s fixed maturity and equity securities each with a gross unrealized loss of greater than $10 million, the number of securities, total gross unrealized loss and percentage of total gross unrealized loss at December 31, 2010 and 2009.

Fixed maturity and equity securities, each with a gross unrealized loss greater than $10 million, decreased $2.5 billion during the year ended December 31, 2010. The cause of the decline in, or improvement in, gross unrealized losses for the year ended December 31, 2010 was primarily attributable to a decrease in interest rates and narrowing of credit spreads. These securities were included in the Company s OTTI review process. Based upon the Company s current evaluation of these securities in accordance with its impairment policy and the Company s current intentions and assessments (as applicable to the type of security) about holding, selling, and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired.

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

See Investments Fixed Maturity and Equity Securities Available-for-Sale Evaluating Temporarily Impaired Available-for-Sale Securities in Note 3 of the Notes to the Consolidated Financial Statements for a table that presents certain information about the Company s equity securities available-for-sale with a gross unrealized loss of 20% or more at December 31, 2010.

In connection with the equity securities impairment review process at December 31, 2010, the Company evaluated its holdings in non-redeemable preferred stock, particularly those of financial services companies. The Company considered several factors including whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of non-redeemable preferred stock with a severe or an extended unrealized loss. The Company also considered whether any non-redeemable preferred stock with an unrealized loss held by the Company, regardless of credit rating, have deferred any dividend payments. No such dividend payments had been deferred.

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

Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit rating, changes in collateral valuation, changes in interest rates and changes in credit spreads. If economic fundamentals and any of the above factors deteriorate, additional OTTI may be incurred in upcoming quarters.

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

Effective April 1, 2009, the Company adopted guidance on the recognition and presentation of OTTI that amends the methodology to determine for fixed maturity securities whether an OTTI exists, and for certain fixed maturity securities, changes how OTTI losses that are charged to earnings are measured. There was no change in the methodology for identification and measurement of OTTI losses charged to earnings for impaired equity securities.

See Investments Fixed Maturity and Equity Securities Available-for-Sale Net Investment Gains (Losses) in Note 3 of the Notes to the Consolidated Financial Statements for a table that presents proceeds from sales or disposals of fixed maturity and equity securities and the components of fixed maturity and equity securities net investment gains (losses) for the years ended December 31, 2010, 2009 and 2008, respectively.

Overview of Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings. Impairments of fixed maturity and equity securities were $484 million, $1.9 billion and $1.7 billion for the years ended December 31, 2010, 2009 and 2008, respectively. Impairments of fixed maturity securities were $470 million, $1.5 billion and $1.3 billion for the years ended December 31, 2010, 2009 and 2008, respectively. Impairments of equity securities were $14 million, $400 million and $430 million for the years ended December 31, 2010, 2009 and 2008, respectively.

The Company s credit-related impairments of fixed maturity securities were $423 million, $1.1 billion and $1.1 billion for the years ended December 31, 2010, 2009 and 2008, respectively.

The Company s three largest impairments totaled $105 million, $508 million and $528 million for the years ended December 31, 2010, 2009 and 2008, respectively.

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

The Company sold or disposed of fixed maturity and equity securities at a loss that had an estimated fair value of $18.2 billion, $10.2 billion and $29.9 billion for the years ended December 31, 2010, 2009 and 2008, respectively. Gross losses excluding impairments for fixed maturity and equity securities were $628 million, $1.2 billion and $1.8 billion for the years ended December 31, 2010, 2009 and 2008, respectively.

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

> *Year Ended December 31, 2010 compared to the Year Ended December 31, 2009* Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $484 million for the current year as compared to $1.9 billion in the prior year. Improving or stabilizing market conditions across all sectors and industries, particularly the financial services industry, as compared to the prior year when there was significant stress in the global financial markets, resulted in a higher level of impairments in fixed maturity and equity

securities in the prior year. The most significant decrease in the current year, as compared to the prior year, was in the Company s financial services industry holdings which comprised $799 million in fixed maturity and equity security impairments in the prior year, as compared to $129 million in impairments in the current year. Of the $799 million in financial services industry impairments in the year, $340 million were in equity securities, of which $310 million were in financial services industry perpetual hybrid securities which were impaired as a result of deterioration in the credit rating of the issuer to below investment grade and due to a severe and extended unrealized loss position on these securities. Impairments in the current year were concentrated in the RMBS, ABS and CMBS sectors reflecting current economic conditions including higher unemployment levels and continued weakness within the real estate markets. Of the fixed maturity and equity securities impairments of $484 million and $1,900 million in the years ended December 31, 2010 and 2009, respectively, $287 million and $449 million, or 59% and 24% respectively, were in the Company s RMBS, ABS and CMBS holdings.

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

See Investments Fixed Maturity and Equity Securities Available-for-Sale Net Investment Gains (Losses) in Note 3 of the Notes to the Consolidated Financial Statements for tables that present fixed maturity security OTTI losses recognized in earnings by sector and by industry within the U.S. and foreign corporate securities sector for the years ended December 31, 2010, 2009 and 2008, respectively; and equity security OTTI losses recognized in earnings by sector and industry for the years ended December 31, 2010, 2009 and 2008, respectively.

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

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

See Investments Credit Loss Rollforward Rollforward of the Cumulative Credit Loss Component of OTTI Loss Recognized in Earnings on Fixed Maturity Securities Still Held for Which a Portion of the OTTI Loss was Recognized in Other Comprehensive Income (Loss) in Note 3 of the Notes to the Consolidated Financial Statements for the table that presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held by the Company at December 31, 2010 and 2009 for which a portion of the OTTI loss was recognized in other comprehensive income (loss) for the years ended December 31, 2010 and 2009.

Securities Lending

The Company participates in securities lending programs whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks. The Company generally obtains collateral, generally cash, in an amount equal to 102% of the estimated fair value of the loaned securities, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. Securities loaned under such transactions may be sold or repledged by the transferee. The Company is liable to return to its counterparties the cash collateral under its control. These transactions are treated as financing arrangements and the associated liability recorded at the amount of the cash received.

See Investments Securities Lending in Note 3 of the Notes to the Consolidated Financial Statements for information regarding the Company s securities lending program.

The estimated fair value of the securities on loan related to the cash collateral on open at December 31, 2010 was $2,699 million, of which $2,317 million were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan were primarily U.S. Treasury, agency and government guaranteed securities, and very liquid RMBS. The U.S. Treasury securities on loan are primarily holdings of on-the-run U.S. Treasury securities, the most liquid U.S. Treasury securities available. If these high quality securities that are on loan are put back to the Company, the proceeds from immediately selling these securities can be used to satisfy the related cash requirements. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including RMBS, U.S. corporate, U.S. Treasury, agency and government guaranteed, and ABS). If the on loan securities or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities are put back to the Company.

Security collateral on deposit from counterparties in connection with the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements. Separately, the Company had $49 million and $46 million, at estimated fair value, of cash and security collateral on deposit from a counterparty to secure its interest in a pooled investment that is held by a third-party trustee, as custodian, at December 31, 2010 and 2009, respectively. This pooled investment is included within fixed maturity securities and had an estimated fair value of $49 million and $51 million at December 31, 2010 and 2009, respectively.

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

See Investments Invested Assets on Deposit, Held in Trust and Pledged as Collateral in Note 3 of the Notes to the Consolidated Financial Statements for a table of the invested assets on deposit, invested assets held in trust and invested assets pledged as collateral at December 31, 2010 and 2009.

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

Trading and Other Securities

The Company has a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase and sale of securities (Actively Traded Securities) and the execution of short sale agreements. Trading and other securities also include 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 also include 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 PABs. Changes in

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estimated fair value of such trading and other securities subsequent to purchase are included in net investment income. FVO Securities also include securities held by CSEs (former qualifying special purpose entities) with changes in estimated fair value subsequent to consolidation included in net investment gains (losses). Trading and other securities were $18.6 billion and $2.4 billion, or 3.9% and 0.7% of total cash and invested assets at estimated fair value, at December 31, 2010 and 2009, respectively. The significant increase in trading and other securities in 2010 was driven primarily by inclusion of ALICO s contractholder-directed unit-linked investments, and to a lesser extent, growth in this book of business that occurred during the ten month period ended October 31, 2010 prior to the Acquisition. See Investments Trading and Other Securities in Note 3 of the Notes to the Consolidated Financial Statements for tables which present information about the Actively Traded Securities and FVO Securities, related short sale agreement liabilities, investments pledged to secure short sale agreement liabilities, net investment income, changes in estimated fair value included in net investment income for trading and other securities and changes in estimated fair value included in net investment gains (losses) for FVO Securities held by CSEs at December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008.

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

	December 31, 2010			
	Trading and Other Securities		Trading Liabilities	
	(In millions)			
Quoted prices in active markets for identical assets and liabilities (Level 1)	$ 6,270	33.7%	$ 46	100.0%
Significant other observable inputs (Level 2) (1)	11,497	61.9		
Significant unobservable inputs (Level 3)	822	4.4		
Total estimated fair value	$ 18,589	100.0%	$ 46	100.0%

(1) All FVO Securities held by CSEs are classified as Level 2.

A rollforward of the fair value measurements for trading and other securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the year ended December 31, 2010, is as follows:

	Year Ended December 31, 2010
	(In millions)
Balance, at January 1,	$ 83
Total realized/unrealized gains (losses) included in:	
Earnings	(7)
Purchases, sales, issuances and settlements (1)	727
Transfer in and/or out of Level 3	19
Balance, at December 31,	$ 822

(1) Includes securities acquired from ALICO of $582 million.

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

Mortgage Loans

The Company s mortgage loans are principally collateralized by commercial real estate, agricultural real estate and residential properties. The carrying value of mortgage loans was $62.4 billion and $50.9 billion, or 13.1% and 15.1% of total cash and invested assets at December 31, 2010 and 2009, respectively. See Investments Mortgage Loans in Note 3 of the Notes to the Consolidated Financial Statements for a table that presents the Company s mortgage loans held-for-investment of $59.1 billion and $48.2 billion by portfolio segment at December 31, 2010 and 2009, respectively, as well as the components of the mortgage loans held-for-sale of $3.3 billion and $2.7 billion at December 31, 2010 and 2009, respectively. The information presented on Mortgage

Loans herein excludes the effects of consolidating under GAAP certain VIEs that are treated as CSEs. Such amounts are presented in the aforementioned table. See Investments Mortgage Loans in Note 3 of the Notes to the Consolidated Financial Statements.

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the most significant component of the mortgage loan invested asset class as it represents 72% of total mortgage loans held-for-investment (excluding the effects of consolidating under GAAP certain VIEs that are treated as CSEs) at both December 31, 2010 and 2009. The Company diversifies its commercial mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Additionally, the Company manages 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. The tables below present the diversification across geographic regions and property types for commercial mortgage loans at:

	December 31,			
	2010		2009	
	Amount	% of Total	Amount	% of Total
	(In millions)			
Region:				
Pacific	$ 8,974	23.7%	$ 8,822	25.1%
South Atlantic	8,016	21.2	7,460	21.2
Middle Atlantic	6,484	17.1	6,042	17.2
International	4,216	11.2	3,620	10.3
West South Central	3,266	8.6	2,916	8.3
East North Central	3,066	8.1	2,531	7.2
New England	1,531	4.1	1,448	4.1
Mountain	884	2.3	959	2.7
West North Central	666	1.8	675	1.9
East South Central	461	1.2	449	1.3
Other	256	0.7	254	0.7
Total recorded investment	37,820	100.0%	35,176	100.0%
Less valuation allowances	562		589	
Carrying value, net of valuation allowances	$ 37,258		$ 34,587	
Property Type:				
Office	$ 16,857	44.6%	$ 15,205	43.2%
Retail	9,215	24.3	7,964	22.6
Apartments	3,630	9.6	3,731	10.6
Hotel	3,089	8.2	3,117	8.9
Industrial	2,910	7.7	2,797	8.0
Other	2,119	5.6	2,362	6.7
Total recorded investment	37,820	100.0%	35,176	100.0%

Less valuation allowances	562	589
Carrying value, net of valuation allowances	$ 37,258	$ 34,587

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

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The Company defines restructured mortgage loans as loans in which the Company, for economic or legal reasons related to the debtor s financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Company defines potentially delinquent loans as loans that, in management s opinion, have a high probability of becoming delinquent in the near term. The Company defines delinquent mortgage loans consistent with industry practice, when interest and principal payments are past due as follows: commercial mortgage loans 60 days past due; agricultural mortgage loans 90 days past due; and residential mortgage loans 60 days past due. The Company defines mortgage loans under foreclosure as loans in which foreclosure proceedings have formally commenced.

The following table presents the recorded investment and valuation allowance for all mortgage loans held-for-investment distributed by the above stated loan classifications at:

	December 31,							
	2010				2009			
	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment
	(In millions)							
Commercial:								
Performing	$ 37,489	99.1%	$ 528	1.4%	$ 35,066	99.7%	$ 548	1.6%
Restructured	93	0.2	6	6.5%				%
Potentially delinquent	180	0.5	28	15.6%	102	0.3	41	40.2%
Delinquent or under foreclosure	58	0.2		%	8			%
Total	$ 37,820	100.0%	$ 562	1.5%	$ 35,176	100.0%	$ 589	1.7%
Agricultural (1):								
Performing	$ 12,486	97.9%	$ 35	0.3%	$ 11,950	97.5%	$ 33	0.3%
Restructured	33	0.3	8	24.2%	36	0.3	10	27.8%
Potentially delinquent	62	0.5	11	17.7%	128	1.0	34	26.6%
Delinquent or under foreclosure	170	1.3	34	20.0%	141	1.2	38	27.0%
Total	$ 12,751	100.0%	$ 88	0.7%	$ 12,255	100.0%	$ 115	0.9%
Residential (2):								
Performing	$ 2,221	96.2%	$ 12	0.5%	$ 1,389	94.4%	$ 16	1.2%
Restructured	4	0.2		%	1	0.1		%
Potentially delinquent	4	0.2		%	10	0.7		%
Delinquent or under foreclosure	79	3.4	2	2.5%	71	4.8	1	1.4%
Total	$ 2,308	100.0%	$ 14	0.6%	$ 1,471	100.0%	$ 17	1.2%

(1)

Of the $12.8 billion of agricultural mortgage loans outstanding at December 31, 2010, 53% were subject to rate resets prior to maturity. A substantial portion of these mortgage loans have been successfully renegotiated and remain outstanding to maturity.

(2) Residential mortgage loans held-for-investment consist primarily of first lien residential mortgage loans, and to a much lesser extent, second lien residential mortgage loans and home equity lines of credit.

See Investments Mortgage Loans in Note 3 of the Notes to the Consolidated Financial Statements for tables that present, by portfolio segment, mortgage loans by credit quality indicator and impaired loans, as well as information on past due and nonaccrual mortgage loans for the year ended December 31, 2010.

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

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. The debt service coverage ratio compares a property s net operating income to amounts needed to service the principal and interest due under the loan. For commercial mortgage loans, the average loan-to-value ratio was 66% and 68% at December 31, 2010 and 2009, respectively, and the average debt service coverage ratio was 2.4x, as compared to 2.2x at December 31, 2009. For agricultural mortgage loans, the average loan-to-value ratio was 49% at both December 31, 2010 and 2009, respectively. The values utilized in calculating these ratios are developed in connection with our review of the commercial and agricultural mortgage loans, and are updated routinely, including a periodic quality rating process and an evaluation of the estimated fair value of the underlying collateral.

Mortgage Loan Credit Quality Monitoring Process Residential Mortgage Loans. The Company has a conservative residential mortgage loan portfolio and does not hold any option ARMs, sub-prime or low teaser rate. Higher risk loans include those that are classified as restructured, potentially delinquent, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and interest-only loans. The Company s investment in residential junior lien loans and residential mortgage loans with a loan-to-value ratio of 80% or more was $95 million and $76 million at December 31, 2010 and 2009, respectively, and the majority of the higher loan-to-value residential mortgage loans have mortgage insurance coverage which reduces the loan-to-value ratio to less than 80%. Additionally, the Company s investment in traditional residential interest-only mortgage loans was $389 million and $323 million at December 31, 2010 and 2009, respectively.

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

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

The Company also establishes valuation allowances for loan losses for pools of loans with similar risk characteristics, such as property types, loan-to-value ratios and debt service coverage ratios when, based on past experience, it is probable that a credit event has occurred and the amount of loss can be reasonably estimated. These valuation allowances are based on loan risk characteristics, historical default rates and loss severities, real estate market fundamentals and outlook, as well as, other relevant factors.

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

See Investments Mortgage Loans in Note 3 of the Notes to the Consolidated Financial Statements for a table that presents the activity in the Company s valuation allowances, by portfolio segment, for the years ended December 31, 2010, 2009 and 2008, respectively; and for tables that present the Company s valuation allowances, by type of credit loss, by portfolio segment, at December 31, 2010 and 2009, respectively.

The Company held $197 million and $210 million in mortgage loans which are carried at estimated fair value based on the value of the underlying collateral or independent broker quotations, if lower, of which $164 million and $202 million relate to impaired mortgage loans held-for-investment and $33 million and $8 million to certain mortgage loans held-for-sale, at December 31, 2010 and 2009, respectively. These impaired mortgage loans were recorded at estimated fair value and represent a nonrecurring fair value measurement. The estimated fair value is categorized as Level 3. Included within net investment gains (losses) for such impaired mortgage loans were net impairments of $17 million and $93 million for the years ended December 31, 2010 and 2009, respectively. Subsequent improvements in estimated fair value on previously impaired loans recorded through a reduction in the previously established provision to the valuation allowance are reported as a (release) above.

Real Estate and Real Estate Joint Ventures

The Company diversifies its real estate investments by both geographic region and property type to reduce risk of concentration. Of the Company s real estate investments, 88% are located in the U.S. with the remaining 12% located outside the U.S., at December 31, 2010. The carrying value of the Company s real estate investments was $8.0 billion, or 1.7%, and $6.9 billion, or 2.0%, of total cash and invested assets at December 31, 2010 and 2009, respectively. See Investments Real Estate in Note 3 of the Notes to the Consolidated Financial Statements for tables that present the Company s real estate investments by investment strategy and by property type at December 31, 2010 and 2009.

Properties acquired through foreclosure were $165 million, $127 million and less than $1 million for the years ended December 31, 2010, 2009 and 2008, respectively, and includes commercial, agricultural and residential properties. After the Company acquires properties through foreclosure, it evaluates whether the property is appropriate for retention in its traditional real estate portfolio. Foreclosed real estate held at December 31, 2010 and 2009 includes those properties the Company has not selected for retention in its traditional real estate portfolio and which do not meet the criteria to be classified as held-for-sale.

Impairments recognized on real estate held-for-investment were $48 million, $160 million and $20 million for the years ended December 31, 2010, 2009 and 2008, respectively. Impairments recognized on real estate held-for-sale were $1 million for the year ended December 31, 2010. There were no impairments recognized on real estate held-for-sale for each of the years ended December 31, 2009 and 2008. The Company s carrying value of real estate held-for-sale has been reduced by impairments recorded prior to 2009 of $1 million at both December 31, 2010 and 2009. The carrying value of non-income producing real estate was $137 million, $76 million and $28 million at December 31, 2010, 2009 and 2008, respectively.

The impaired cost method basis real estate joint ventures were recorded at estimated fair value and represent a non-recurring fair value measurement. The estimated fair value was categorized as Level 3. Impairments to estimated fair value for such cost method basis real estate joint ventures of $25 million, $82 million, and $0 for the years ended December 31, 2010, 2009 and 2008, respectively, were recognized within net investment gains (losses) and are included in the $48 million, $160 million and $20 million of impairments on real estate investments held-for-investment for the years ended December 31, 2010, 2009 and 2008, respectively. The estimated fair value of the impaired cost method real estate joint ventures after these impairments was $8 million and $93 million at December 31, 2010 and 2009, respectively.

Other Limited Partnership Interests

The carrying value of other limited partnership interests (which primarily represent ownership interests in pooled investment funds that principally make private equity investments in companies in the U.S. and overseas) was $6.4 billion and $5.5 billion, or 1.3% and 1.6% of total cash and invested assets at December 31, 2010 and 2009, respectively. Included within other limited partnership interests were $1.0 billion, at both December 31, 2010 and 2009, of investments in hedge funds.

Impairments on cost basis limited partnership interests are recognized at estimated fair value determined from information provided in the financial statements of the underlying other limited partnership interests in the period in which the impairment is recognized. Consistent with equity securities, greater weight and consideration is given in the other limited partnership interests impairment review process to the severity and duration of unrealized losses on such other limited partnership interests holdings. Impairments to estimated fair value for such other limited partnership interests of $12 million, $354 million and $105 million for the years ended December 31, 2010, 2009 and 2008, respectively, were recognized within net investment gains (losses). The estimated fair value of the impaired other limited partnership interests after these impairments was $23 million, $561 million and $137 million at December 31, 2010, 2009 and 2008, respectively. These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments.

Other Invested Assets

See Investments Other Invested Assets in Note 3 of the Notes to the Consolidated Financial Statements for a table that presents the Company s other invested assets by type at December 31, 2010 and 2009 and related information.

Short-term Investments

The carrying value of short-term investments, which include investments with remaining maturities of one year or less, but greater than three months, at the time of purchase was $9.4 billion and $8.4 billion, or 2.0% and 2.5% of total cash and invested assets at December 31, 2010 and 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within short-term investments, which were $4.0 billion and $7.5 billion at December 31, 2010 and 2009, respectively.

Cash Equivalents

The carrying value of cash equivalents, which includes investments with an original or remaining maturity of three months or less, at the time of purchase was $9.6 billion and $8.4 billion at December 31, 2010 and 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within cash equivalents, which were $5.8 billion and $6.0 billion at December 31, 2010 and 2009, respectively.

Derivative Financial Instruments

Derivatives. The Company is exposed to various risks relating to its ongoing business operations, including interest rate risk, foreign currency risk, credit risk, and equity market risk. The Company uses a variety of strategies to manage these risks, including the use of derivative instruments. See Note 4 of the Notes to Consolidated Financial Statements for:

A comprehensive description of the nature of the Company s derivative instruments, including the strategies for which derivatives are used in managing various risks.

Information about the notional amount, estimated fair value, and primary underlying risk exposure of the Company s derivative financial instruments, excluding embedded derivatives held at December 31, 2010 and 2009.

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

The notional amount and estimated fair value of derivatives and non-derivative instruments designated as hedging instruments by type of hedge designation at December 31, 2010 and 2009.

The notional amount and estimated fair value of derivatives that are not designated or do not qualify as hedging instruments by derivative type at December 31, 2010 and 2009.

The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the years ended December 31, 2010, 2009, and 2008.

See Quantitative and Qualitative Disclosures About Market Risk Management of Market Risk Exposures Hedging Activities for more information about the Company s use of derivatives by major hedge program.

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

	December 31, 2010			
	Derivative Assets		Derivative Liabilities	
	(In millions)			
Quoted prices in active markets for identical assets and liabilities (Level 1)	$ 156	2%	$ 45	1%
Significant other observable inputs (Level 2)	7,176	92	4,245	93
Significant unobservable inputs (Level 3)	445	6	272	6
Total estimated fair value	$ 7,777	100%	$ 4,562	100%

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

Derivatives categorized as Level 3 at December 31, 2010 include: interest rate forwards with maturities which extend beyond the observable portion of the yield curve; interest rate lock commitments with certain unobservable inputs, including pull-through rates; equity variance swaps with unobservable volatility inputs or that are priced via independent broker quotations; foreign currency swaps which are cancelable and priced through independent broker quotations; interest rate swaps with maturities which extend beyond the observable portion of the yield curve; credit default swaps based upon baskets of credits having unobservable credit correlations, as well as credit default swaps with maturities which extend beyond the observable portion of the credit curves and credit default swaps priced through independent broker quotes; foreign currency forwards priced via independent broker quotations or with liquidity adjustments; implied volatility swaps with unobservable volatility inputs or that are priced via independent broker quotations; equity options with unobservable volatility inputs or that are priced via independent broker quotations; currency options based upon baskets of currencies having unobservable currency correlations; and credit forwards having unobservable repurchase rates.

At December 31, 2010 and 2009, 2.0% and 5.5%, respectively, of the net derivative estimated fair value was priced via independent broker quotations.

A rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the year ended December 31, 2010 is as follows:

	Year Ended December 31, 2010 (In millions)
Balance, at January 1,	$ 356
Total realized/unrealized gains (losses) included in:	
Earnings	(5)
Other comprehensive income (loss)	(81)
Purchases, sales, issuances and settlements	(75)
Transfer in and/or out of Level 3	(22)
Balance, at December 31,	$ 173

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

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

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

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

	December 31, 2010 Net Embedded Derivatives Within			
	Asset Host Contracts		Liability Host Contracts	
	(In millions)			
Quoted prices in active markets for identical assets and liabilities (Level 1)	$	%	$	%
Significant other observable inputs (Level 2)			11	
Significant unobservable inputs (Level 3)	185	100	2,623	100
Total estimated fair value	$ 185	100%	$ 2,634	100%

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

		Year Ended December 31, 2010 (In millions)
Balance, at January 1,	$	(1,455)
Total realized/unrealized gains (losses) included in:		
Earnings		(335)
Other comprehensive income (loss)		(226)
Purchases, sales, issuances and settlements		(422)
Transfer in and/or out of Level 3		
Balance, at December 31,	$	(2,438)

The valuation of guaranteed minimum benefits includes an adjustment for nonperformance risk. Included in net derivative gains (losses) for the years ended December 31, 2010 and 2009 were gains (losses) of ($96) million and ($1,932) million, respectively, in connection with this adjustment. These amounts are net of a loss of $955 million relating to a refinement for estimating nonperformance risk in fair value measurements implemented at June 30, 2010. See Summary of Critical Accounting Estimates.

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

Off-Balance Sheet Arrangements

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business for the purpose of enhancing the Company s total return on its investment portfolio. The amounts of these unfunded commitments were $3.8 billion and $4.1 billion at December 31, 2010 and 2009, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company has issued interest rate lock commitments on certain residential mortgage loan applications totaling $2.5 billion and $2.7 billion at December 31, 2010 and 2009, respectively. The Company intends to sell the majority of these originated residential mortgage loans. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivatives pursuant to the guidance on derivatives and hedging, and their estimated fair value and notional amounts are included within interest rate forwards.

The Company also commits to lend funds under certain other mortgage loan commitments that will be held-for-investment in the normal course of business for the purpose of enhancing the Company s total return on its investment portfolio. The amounts of these mortgage loan commitments were $3.8 billion and $2.2 billion at December 31, 2010 and 2009, 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 in the normal course of business for the purpose of enhancing the Company s total return on its investment portfolio. The amounts of these unfunded commitments were $2.4 billion and $1.3 billion at December 31, 2010 and 2009, respectively.

There are no other material obligations or liabilities arising from the commitments to fund partnership investments, mortgage loans, bank credit facilities, and bridge loans and private corporate bond investment arrangements.

Lease Commitments

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

Credit Facilities, Committed Facilities and Letters of Credit

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

Guarantees

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

Collateral for Securities Lending

The Company has no non-cash collateral for securities lending on deposit from customers, which cannot be sold or repledged, and which has not been recorded on its consolidated balance sheets.

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Insolvency Assessments

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

Policyholder Liabilities

The Company establishes, and carries as liabilities, actuarially determined amounts that are calculated to meet policy obligations when a policy matures or is surrendered, an insured dies or becomes disabled or upon the occurrence of other covered events, or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported in the consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see Summary of Critical Accounting Estimates. Also see Notes 1 and 8 of the Notes to the Consolidated Financial Statements for an analysis of certain policyholder liabilities at December 31, 2010 and 2009.

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

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

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

Future Policy Benefits

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

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

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

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

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

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

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

Banking, Corporate & Other. Future policy benefits primarily include liabilities for quota-share reinsurance agreements for certain LTC and workers compensation business written by MetLife Insurance Company of Connecticut (MICC), prior to its acquisition by MetLife, Inc. These are run-off businesses that have been included within Banking, Corporate & Other since the acquisition of MICC.

Policyholder Account Balances

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

Insurance Products. Policyholder account balances are held for death benefit disbursement retained asset accounts, universal life policies, the fixed account of variable life insurance policies, specialized life insurance products for benefit programs and general account universal life policies. Policyholder account balances are credited interest at a rate set by the Company, which are influenced by current market rates. The majority of the policyholder account balances have a guaranteed minimum credited rate between 0.5% and 6.0%. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees. The Company has various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario.

Retirement Products. Policyholder account balances are held for fixed deferred annuities and the fixed account portion of variable annuities, for certain income annuities, and for certain portions of guaranteed benefits.

Policyholder account balances are credited interest at a rate set by the Company. Credited rates for deferred annuities are influenced by current market rates, and most of these contracts have a minimum guaranteed rate between 1.0% and 4.0%. See Variable Annuity Guarantees.

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

International. Policyholder account balances are held largely for fixed income retirement and savings plans in Japan and Latin America and to a lesser degree, amounts for unit-linked-type funds in certain countries across all regions 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 Japan and Asia Pacific that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Japan and Asia Pacific are established in accordance with derivatives and hedging guidance and are also included within policyholder account balances. These liabilities are generally impacted by sustained periods of low interest rates, where there are interest rate guarantees. The Company mitigates its risks by implementing an asset/liability matching policy and by hedging its variable annuity guarantees. 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. See Variable Annuity Guarantees.

Variable Annuity Guarantees

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

The net amount at risk (NAR) for guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, increased equity volatility, or changes in interest rates. The NAR disclosed in Note 8 of the Notes to the Consolidated Financial Statements represents management s estimate of the current value of the benefits under these guarantees if they were all exercised simultaneously at December 31, 2010 and 2009, respectively. However, there are features, such as deferral periods and benefits requiring annuitization or death, that limit the amount of benefits that will be payable in the near future.

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

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

	December 31, 2010	December 31, 2009
	(In millions)	
U.S. Business:		
Guaranteed minimum accumulation benefit	$ 44	$ 60
Guaranteed minimum withdrawal benefit	173	154
Guaranteed minimum income benefit	(51)	66
International:		
Guaranteed minimum accumulation benefit	454	195
Guaranteed minimum withdrawal benefit	1,936	1,025
Total	$ 2,556	$ 1,500

Included in net derivative gains (losses) for the years ended December 31, 2010 and 2009 were gains (losses) of ($269) million and $1,806 million, respectively, in embedded derivatives related to the change in estimated fair value of the guarantees. The carrying amount of guarantees accounted for at estimated fair value includes an adjustment for nonperformance risk. In connection with this adjustment, gains (losses) of ($96) million and ($1,932) million are included in the gains (losses) of ($269) million and $1,806 million in net derivative gains (losses) for the year ended December 31, 2010 and 2009, respectively.

The estimated fair value of guarantees accounted for as embedded derivatives can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign exchange rates. Additionally, because the estimated fair value for guarantees accounted for at estimated fair value includes an adjustment for nonperformance risk, a decrease in the Company s credit spreads could cause the value of these liabilities to increase. Conversely, a widening of the Company s credit spreads could cause the value of these liabilities to decrease. The Company uses derivative instruments and reinsurance to mitigate the liability exposure, risk of loss and the volatility of net income associated with these liabilities. The derivative instruments used are primarily equity and treasury futures, equity options and variance swaps, and interest rate swaps. The change in valuation arising from the nonperformance risk is not hedged.

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

		December 31, 2010			December 31, 2009		
			Estimated Fair Value			Estimated Fair Value	
Primary Underlying Risk Exposure	**Derivative Type**	**Notional Amount**	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
		(In millions)					
Interest rate	Interest rate swaps	$ 13,762	$ 401	$ 193	$ 8,847	$ 194	$ 275
	Interest rate futures	5,822	32	10	4,997	5	4
	Interest rate options	614	15				

Foreign currency	Foreign currency forwards	2,320	46	1	2,016	4	30
	Currency options				327	14	
Equity market	Equity futures	6,959	17	9	6,033	31	20
	Equity options	32,942	1,720	1,196	26,661	1,596	1,018
	Variance swaps	17,635	190	118	13,267	174	58
	Total rate of return swaps	1,547			126		
	Total	$ 81,601	$ 2,421	$ 1527	$ 62,274	$ 2,018	$ 1,405

Included in net derivative gains (losses) for the years ended December 31, 2010 and 2009 were gains (losses) of $113 million and ($3,654) million related to the change in estimated fair value of the above derivatives.

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Additionally, included in net derivative gains (losses) for the years ended December 31, 2010 and 2009 were gains (losses) of ($35) million and $0, respectively, related to ceded reinsurance.

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

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

	December 31,	
	2010	2009
	(In millions)	
U.S. Business:		
Guaranteed minimum death benefit	$ 167	$ 137
Guaranteed minimum income benefit	507	394
International:		
Guaranteed minimum death benefit	66	23
Guaranteed minimum income benefit	116	
Total	$ 856	$ 554

Included in policyholder benefits and claims for the year ended December 31, 2010 is a charge of $302 million and for the year ended December 31, 2009 is a credit of $92 million, related to the respective change in liabilities for the above guarantees.

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

Included in policyholder benefits and claims associated with the hedging of the guarantees in future policy benefits for the year ended December 31, 2010 and 2009 were gains (losses) of $8 million and ($114) million, respectively, related to reinsurance treaties containing embedded derivatives carried at estimated fair value and gains (losses) of ($275) million and ($376) million, respectively, related to freestanding derivatives.

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

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Other Policy-related Balances

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

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

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

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

Policyholder Dividends Payable

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

Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy, generally, both in the U.S. and elsewhere around the world. The global economy and markets are now recovering from a period of significant stress that began in the second half of 2007 and substantially increased through the first quarter of 2009. This disruption adversely affected the financial services industry, in particular. Consequently, financial institutions paid higher spreads over benchmark U.S. Treasury securities than before the market disruption began. The U.S. economy entered a recession in late 2007. This recession ended in mid-2009, but the recovery from the recession has been below historic averages and the unemployment rate is expected to remain high for some time. Although conditions in the financial markets continued to materially improve in 2010, there is still some uncertainty as to whether the stressed conditions that prevailed during the market disruption could recur, which could affect the Company s ability to meet liquidity needs and obtain capital.

Liquidity Management

Based upon the strength of its franchise, diversification of its businesses and strong financial fundamentals, we continue to believe the Company has ample liquidity to meet business requirements under current market conditions and unlikely but reasonably possible stress scenarios. The Company s short-term liquidity position (cash and cash equivalents, short-term investments, excluding cash collateral received under the Company s securities lending program that has been reinvested in cash, cash equivalents, short-term investments and publicly-traded securities, and cash collateral received from counterparties in connection with derivative instruments) was $17.6 billion and $11.7 billion at December 31, 2010 and 2009, respectively. We continuously monitor and adjust our liquidity and capital plans for the Holding Company and its subsidiaries in light of changing needs and opportunities.

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The Company

Liquidity

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

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

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

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

Capital

The Company s capital position is managed to maintain its financial strength and credit ratings and is supported by its ability to generate strong cash flows at the operating companies, borrow funds at competitive rates and raise additional capital to meet its operating and growth needs.

The Company raised new capital from its debt issuances during the difficult market conditions prevailing since the second half of 2008, as well as during the rebound and recovery periods beginning in the second quarter of 2009 (see The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings). The increase in credit spreads experienced since then has resulted in an increase in the cost of such new capital, as well as increases in facility fees. Conversely, as a result of reductions in interest rates, the Company s interest expense and dividends on floating rate securities have been lower.

Despite the still unsettled financial markets, the Company also raised new capital from a successful offering of the Holding Company s common stock in August 2010, which provided financing for the Acquisition. See The Company Liquidity and Capital Sources Common Stock.

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

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

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

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

American Life does not write business in Delaware or any other domestic state and, as such, is exempt from RBC by Delaware law. In addition to Delaware, American Life operations are regulated by applicable authorities of the countries in which the company operates and are subject to capital and solvency requirements in those countries.

The amount of dividends that our insurance subsidiaries can pay to the Holding Company or other parent entities is constrained by the amount of surplus we hold to maintain our ratings and provides an additional margin for risk protection and investment in our businesses. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval. Furthermore, the payment of dividends and other distributions to the Company by its insurance subsidiaries is regulated by insurance laws and regulations. See Business U.S. Regulation Insurance Regulation, The Holding Company Liquidity and Capital Sources Dividends from Subsidiaries and Note 18 of the Notes to the Consolidated Financial Statements.

Summary of Primary Sources and Uses of Liquidity and Capital. The Company s primary sources and uses of liquidity and capital are described below, and summarized as follows:

	Years Ended December 31,		
	2010	2009	2008
		(In millions)	
Sources:			
Net cash provided by operating activities	$ 7,996	$ 3,803	$ 10,702
Net cash provided by changes in policyholder account balances	4,557		13,645
Net cash provided by changes in payables for collateral under securities loaned and other transactions	3,076		
Net cash provided by changes in bank deposits		3,164	2,185
Net cash provided by short-term debt issuances			1,992
Long-term debt issued, net of issuance costs	5,076	2,931	305
Collateral financing arrangements issued		105	310
Net cash received in connection with collateral financing arrangements		375	
Junior subordinated debt securities issued		500	750
Common stock issued, net of issuance costs	3,576		290
Common stock issued to settle stock forward contracts		1,035	
Treasury stock issued in connection with common stock issuance, net of issuance costs			1,936
Treasury stock issued to settle stock forward contracts			1,035
Cash provided by other, net			7
Cash provided by the effect of change in foreign currency exchange rates		108	
Total sources	24,281	12,021	33,157
Uses:			
Net cash used in investing activities	18,314	13,935	2,671
Net cash used for changes in policyholder account balances		2,282	
Net cash used for changes in payables for collateral under securities loaned and other transactions		6,863	13,077
Net cash used for changes in bank deposits	32		
Net cash used for short-term debt repayments	606	1,747	
Long-term debt repaid	1,061	555	422
Net cash paid in connection with collateral financing arrangements			800
Treasury stock acquired in connection with share repurchase agreements			1,250
Dividends on preferred stock	122	122	125
Dividends on common stock	784	610	592
Cash used in other, net	299	34	
Cash used in the effect of change in foreign currency exchange rates	129		349
Total uses	21,347	26,148	19,286
Net increase (decrease) in cash and cash equivalents	$ 2,934	$ (14,127)	$ 13,871

Liquidity and Capital Sources

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

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

Liquid Assets. An integral part of the Company s liquidity management is the amount of liquid assets it holds. Liquid assets include cash, cash equivalents, short-term investments and publicly-traded securities, excluding: (i) cash collateral received under the Company s securities lending program that has been reinvested in cash, cash equivalents, short-term investments and publicly-traded securities; (ii) cash collateral received from counterparties in connection with derivative instruments; (iii) cash, cash equivalents, short-term investments and securities on deposit with regulatory agencies; and (iv) securities held in trust in support of collateral financing arrangements and pledged in support of debt and funding agreements. At December 31, 2010 and 2009, the Company had $245.7 billion and $158.4 billion in liquid assets, respectively. For further discussion of invested assets on deposit with regulatory agencies, held in trust in support of collateral financing arrangements and pledged in support of debt and funding agreements, see Investments Invested Assets on Deposit, Held in Trust and Pledged as Collateral.

Global Funding Sources. Liquidity is provided by a variety of short-term instruments, including funding agreements, credit facilities and commercial paper. Capital is provided by a variety of instruments, including short-term and long-term debt, preferred securities, junior subordinated debt securities and equity and equity-linked securities. The diversity of the Company s funding sources enhances funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. The Company s global funding sources include:

The Holding Company and MetLife Funding, Inc. (MetLife Funding) each have commercial paper programs supported by $4.0 billion in general corporate credit facilities (see The Company Liquidity and Capital Sources Credit and Committed Facilities). MetLife Funding, a subsidiary of MLIC, serves as a centralized finance unit for the Company. 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 the Holding Company, 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. Pursuant to a support agreement, MLIC has agreed to cause MetLife Funding to have a tangible net worth of at least one dollar. At both December 31, 2010 and 2009, MetLife Funding had a tangible net worth of $12 million. At December 31, 2010 and 2009, MetLife Funding had total outstanding liabilities for its commercial paper program, including accrued interest payable, of $102 million and $319 million, respectively.

MetLife Bank is a depository institution that is approved to use the Federal Reserve Bank of New York Discount Window borrowing privileges. To utilize these privileges, MetLife Bank has pledged qualifying loans and investment securities to the Federal Reserve Bank of New York as collateral. At both December 31, 2010 and 2009, MetLife Bank had no liability for advances from the Federal Reserve Bank of New York under this facility.

MetLife Bank has a cash need to fund residential mortgage loans that it originates and generally holds for a relatively short period before selling them to one of the government-sponsored enterprises such as FNMA or FHLMC. The outstanding volume of residential mortgage originations varies from month to month and is cyclical within a month. To meet the variable funding requirements from this mortgage activity, as well as to increase overall liquidity from time to time, MetLife Bank takes advantage of short-term collateralized borrowing opportunities with the Federal Home Loan Bank of New York (FHLB of NY). MetLife Bank has entered into advances agreements with the FHLB of NY whereby MetLife Bank has received cash advances and under which the FHLB of NY has been granted a blanket lien on certain of MetLife Bank s residential mortgages, mortgage loans held-for-sale, commercial mortgages and mortgage-backed securities to collateralize MetLife Bank s repayment obligations. Upon any event of default by MetLife Bank, the

FHLB of NY s recovery is limited to the amount of MetLife Bank s liability under the advances agreement. MetLife Bank has received advances from the FHLB of NY on both short- and long-term bases, with a total liability of $3.8 billion and $2.4 billion at December 31, 2010 and 2009, respectively.

The Company also had obligations under funding agreements with the FHLB of NY of $12.6 billion and $13.7 billion at December 31, 2010 and 2009, respectively, for MLIC, and with the Federal Home Loan Bank of Boston (FHLB of Boston) of $100 million and $326 million at December 31, 2010 and 2009, respectively, for MICC. See Note 8 of the Notes to the Consolidated Financial Statements. In September 2010, MetLife Investors Insurance Company and General American Life Insurance Company, subsidiaries of MetLife, Inc., each became a member of the Federal Home Loan Bank of Des Moines (FHLB of Des Moines), and each purchased $10 million of FHLB of Des Moines common stock. Membership in the FHLB of Des Moines provides an additional source of contingent liquidity for the Company. There were no funding agreements with the FHLB of Des Moines at December 31, 2010.

The Company issues 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 years ended December 31, 2010, 2009 and 2008, the Company issued $34.1 billion, $28.6 billion and $20.9 billion, respectively, and repaid $30.9 billion, $32.0 billion and $19.8 billion, respectively, of such funding agreements. At December 31, 2010 and 2009, funding agreements outstanding, which are included in policyholder account balances, were $27.2 billion and $23.3 billion, respectively.

MLIC and MICC have each issued funding agreements 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 the Federal Agricultural Mortgage Corporation, a federally chartered instrumentality of the U.S. The obligations under these 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. The amount of the Company s liability for funding agreements issued to such SPEs was $2.8 billion and $2.5 billion at December 31, 2010 and 2009, respectively, which is included in policyholder account balances. The obligations under these funding agreements are collateralized by designated agricultural real estate mortgage loans with estimated fair values of $3.2 billion and $2.9 billion at December 31, 2010 and 2009, respectively.

Outstanding Debt. The following table summarizes the outstanding debt of the Company at:

	December 31,	
	2010	**2009**
	(In millions)	
Short-term debt	$ 306	$ 912
Long-term debt (1)	$ 20,766	$ 13,156
Collateral financing arrangements	$ 5,297	$ 5,297
Junior subordinated debt securities	$ 3,191	$ 3,191

(1) Excludes $6,820 million at December 31, 2010 of long-term debt relating to CSEs.

Debt Issuances and Other Borrowings. In connection with the financing of the Acquisition (see Note 2 of the Notes to the Consolidated Financial Statements), in November 2010, MetLife, Inc. issued to ALICO Holdings $3,000 million in three series of debt securities (the Series C Debt Securities, the Series D Debt Securities and the Series E Debt Securities, and, together, the Debt Securities), which constitute a part of the MetLife, Inc. common equity units (the Equity Units) more fully described in Note 14 of the Notes to the Consolidated Financial Statements. The Debt Securities are subject to remarketing, initially bear interest at 1.56%, 1.92% and 2.46%, respectively (an average rate of 1.98%), and carry initial maturity dates of June 15, 2023, June 15, 2024 and June 15, 2045, respectively. The interest rates will be reset in connection with the successful remarketings of the Debt Securities. Prior to the first scheduled attempted remarketing of the Series C Debt Securities, such Debt Securities will be divided into two tranches equal in principal amount with maturity dates of June 15, 2018 and June 15, 2023. Prior to the first scheduled attempted remarketing of the Series E Debt Securities, such Debt

Securities will be divided into two tranches equal in principal amount with maturity dates of June 15, 2018 and June 15, 2045.

In August 2010, in anticipation of the Acquisition, the Holding Company issued senior notes as follows:

$1,000 million senior notes due February 6, 2014, which bear interest at a fixed rate of 2.375%, payable semi-annually;

$1,000 million senior notes due February 8, 2021, which bear interest at a fixed rate of 4.75%, payable semi-annually;

$750 million senior notes due February 6, 2041, which bear interest at a fixed rate of 5.875%, payable semi-annually; and

$250 million floating rate senior notes due August 6, 2013, which bear interest at a rate equal to three-month LIBOR, reset quarterly, plus 1.25%, payable quarterly.

In connection with these offerings, the Holding Company incurred $15 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the terms of the senior notes.

In July 2009, the Holding Company issued $500 million of junior subordinated debt securities with a final maturity of August 2069. Interest is payable semi-annually at a fixed rate of 10.75% up to, but not including, August 1, 2039, the scheduled redemption date. In the event the debt securities are not redeemed on or before the scheduled redemption date, interest will accrue at an annual rate of 3-month LIBOR plus a margin equal to 7.548%, payable quarterly in arrears. In connection with the offering, the Holding Company incurred $5 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the term of the securities. See Note 13 of the Notes to the Consolidated Financial Statements for a description of the terms of the junior subordinated debt securities.

In May 2009, the Holding Company issued $1.3 billion of senior notes due June 1, 2016. The notes bear interest at a fixed rate of 6.75%, payable semi-annually. In connection with the offering, the Holding Company incurred $6 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the term of the notes.

In March 2009, the Holding Company issued $397 million of floating rate senior notes due June 2012 under the FDIC s Temporary Liquidity Guarantee Program. The notes bear interest at a rate equal to three-month LIBOR, reset quarterly, plus 0.32%. The notes are not redeemable prior to their maturity. In connection with the offering, the Holding Company incurred $15 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the term of the notes.

In February 2009, the Holding Company remarketed its existing $1.0 billion 4.91% Series B junior subordinated debt securities as 7.717% senior debt securities, Series B, due 2019. In August 2008, the Holding Company remarketed its existing $1.0 billion 4.82% Series A junior subordinated debt securities as 6.817% senior debt securities, Series A, due 2018. Interest on both series of debt securities is payable semi-annually. The Series A and Series B junior subordinated debt securities were originally issued in 2005 in connection with the common equity units. See The Company Liquidity and Capital Sources Remarketing of Junior Subordinated Debt Securities and Settlement of Stock Purchase Contracts.

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

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

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

Under this agreement, the Holding Company may also be required to pledge collateral or make payments to the unaffiliated financial institution related to any decline in the estimated fair value of the surplus notes. Any such payments would be accounted for as a receivable and included in other assets on the Company s consolidated balance sheets and would not reduce the principal amount outstanding of the surplus notes. Such payments would, however, reduce the amount of interest payments due from the Holding Company under the agreement. Any payment received from the unaffiliated financial institution would reduce the receivable by an amount equal to such payment and would also increase the amount of interest payments due from the Holding Company under the agreement. In addition, the unaffiliated financial institution may be required to pledge collateral to the Holding Company related to any increase in the estimated fair value of the surplus notes. During 2008, the Holding Company paid an aggregate of $800 million to the unaffiliated financial institution relating to declines in the estimated fair value of the surplus notes. The Holding Company did not receive any payments from the unaffiliated financial institution during 2008. During 2009, on a net basis, the Holding Company received $375 million from the unaffiliated financial institution related to changes in the estimated fair value of the surplus notes. No payments were made or received by the Holding Company during 2010. Since the closing of the collateral financing arrangement in December 2007, on a net basis, the Holding Company has paid $425 million to the unaffiliated financial institution related to changes in the estimated fair value of the surplus notes. In addition, at December 31, 2010, the Holding Company had pledged collateral with an estimated fair value of $49 million to the unaffiliated financial institution. At December 31, 2009, the Holding Company had no collateral pledged to the unaffiliated financial institution in connection with this agreement. The Holding Company may also be required to make a payment to the unaffiliated financial institution in connection with any early termination of this agreement.

In May 2007, the Holding Company, in connection with the collateral financing arrangement associated with MetLife Reinsurance Company of South Carolina s (MRSC) reinsurance of universal life secondary guarantees, entered into an agreement with an unaffiliated financial institution under which the Holding Company is entitled to the return on the investment portfolio held by trusts established in connection with this collateral financing arrangement in exchange for the payment of a stated rate of return to the unaffiliated financial institution of 3-month LIBOR plus 0.70%, payable quarterly. The collateral financing agreement may be extended by agreement of the Holding Company and the unaffiliated financial institution on each anniversary of the closing. The Holding Company may also be required to make payments to the unaffiliated financial institution, for deposit into the trusts, related to any decline in the estimated fair value of the assets held by the trusts, as well as amounts outstanding upon maturity or early termination of the collateral financing arrangement. During 2010, no payments were made or received by the Holding Company. During 2009 and 2008, the Holding Company contributed $360 million and $320 million, respectively, as a result of declines in the estimated fair value of the assets in the trusts. Cumulatively, since May 2007, the Holding Company has contributed a total of $680 million as a result of declines in the estimated fair value of the assets in the trusts, all of which was deposited into the trusts.

In addition, the Holding Company may be required to pledge collateral to the unaffiliated financial institution under this agreement. At December 31, 2010 and 2009, the Holding Company had pledged $63 million and $80 million under the agreement, respectively.

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

In August 2008, the Holding Company closed the successful remarketing of the Series A portion of the junior subordinated debt securities underlying the common equity units. The Series A junior subordinated debt securities were modified as permitted by their terms to be 6.817% senior debt securities, Series A, due August 15, 2018. The Holding Company did not receive any proceeds from the remarketing. Most common equity unit holders chose to have their junior subordinated debt securities remarketed and used the remarketing proceeds to settle their payment obligations under the applicable stock purchase contract. For those common equity unit holders that elected not to participate in the remarketing and elected to use their own cash to satisfy the payment obligations under the stock purchase contract, the terms of the debt are the same as the remarketed debt. The initial settlement of the stock purchase contracts occurred on August 15, 2008, providing proceeds to the Holding Company of $1,035 million in exchange for shares of the Holding Company s common stock. The Holding Company delivered 20,244,549 shares of its common stock held in treasury at a value of $1,064 million to settle the stock purchase contracts.

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

Credit and Committed Facilities. The Company maintains unsecured credit facilities and committed facilities, which aggregated $4.0 billion and $12.4 billion, respectively, at December 31, 2010. 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 December 31, 2010, the Company had outstanding $1.5 billion in letters of credit and no drawdowns against these facilities. Remaining unused commitments were $2.5 billion at December 31, 2010.

The committed facilities are used for collateral for certain of the Company s affiliated reinsurance liabilities. At December 31, 2010, the Company had outstanding $5.4 billion in letters of credit and $2.8 billion in aggregate drawdowns against these facilities. Remaining unused commitments were $4.2 billion at December 31, 2010.

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

We have no reason to believe that our lending counterparties 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 the Company s actual future cash funding requirements.

As a result of the successful offerings of certain senior notes and common stock in August 2010, the commitment letter for a $5.0 billion senior credit facility, which the Holding Company signed to partially finance the Acquisition, was terminated. During March 2010, the Holding Company paid $28 million in fees related to this senior credit facility, all of which were expensed during the year ended December 31, 2010.

Covenants. Certain of the Company s debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. The Company believes it was in compliance with all covenants at December 31, 2010 and 2009.

Preferred Stock. During the year ended December 31, 2010, the Holding Company did not issue any non-convertible preferred stock. In December 2008, the Holding Company entered into a replacement capital covenant (the Replacement Capital Covenant) whereby the Company agreed for the benefit of holders of one or more series of the Company s unsecured long-term indebtedness designated from time to time by the Company in accordance with the terms of the Replacement Capital Covenant (Covered Debt), that the Company will not repay, redeem or purchase and will cause its subsidiaries not to repay, redeem or purchase, on or before the termination of the Replacement Capital Covenant on December 31, 2018 (or earlier termination by agreement of the holders of Covered Debt or when there is no longer any outstanding series of unsecured long-term indebtedness which qualifies for designation as Covered Debt), the Floating Rate Non-Cumulative Preferred Stock, Series A, of the Holding Company or the 6.500% Non-Cumulative Preferred Stock, Series B, of the Holding Company, unless such repayment, redemption or purchase is made from the proceeds of the issuance of certain replacement capital securities and pursuant to the other terms and conditions set forth in the Replacement Capital Covenant.

Convertible Preferred Stock. In November 2010, the Holding Company issued to ALICO Holdings in connection with the financing of the Acquisition 6,857,000 shares of Series B contingent convertible junior participating non-cumulative perpetual preferred stock (the Convertible Preferred Stock) convertible into approximately 68,570,000 shares (valued at $40.90 per share at the time of the Acquisition) of the Holding Company s common stock (subject to anti-dilution adjustments) upon a favorable vote of the Holding Company s common stockholders. If a favorable vote of its common stockholders is not obtained by the first anniversary of the Acquisition Date, then the Holding Company must pay ALICO Holdings $300 million and use reasonable efforts to list the preferred stock on NYSE. Management considers the likelihood that the Holding Company will fail to obtain a vote of its common stockholders to be remote.

Common Stock. In November 2010, the Holding Company issued to ALICO Holdings in connection with the financing of the Acquisition 78,239,712 new shares of its common stock at $40.90 per share. The aggregate amount of MetLife, Inc. s common stock to be issued to ALICO Holdings in connection with the transaction is expected to be 214.6 million to 231.5 million shares, consisting of the 78.2 million shares issued at closing, 68.6 million shares to be issued upon conversion of the Convertible Preferred Stock (with the stockholder vote on such conversion to be held within one year after the closing) (together with $3.0 billion aggregate stated amount of Equity Units of MetLife, Inc., the Securities) and between 67.8 million and 84.7 million shares of common stock, in total, issuable upon settlement of the purchase contracts forming part of the Equity Units (in three tranches approximately two, three and four years after the closing). The ownership of the Securities is subject to an investor rights agreement, which grants to ALICO Holdings certain rights and sets forth certain agreements with respect to ALICO Holdings ownership, voting and transfer of the Securities, including minimum holding periods, restrictions on the number of shares ALICO Holdings can sell at one time, its agreement to vote the common stock in the same proportion as the common stock voted by all other stockholders, and its agreement not to seek control or influence the Company s management or Board of Directors. ALICO Holdings has indicated that it intends to monetize the Securities over time, subject to market conditions, following the lapse of agreed-upon minimum holding periods. See The Company Liquidity and Capital Sources Equity Units.

In August 2010, the Holding Company issued 86,250,000 new shares of its common stock at a price of $42.00 per share for gross proceeds of $3,623 million. In connection with the offering of common stock, the Holding Company incurred $94 million of issuance costs which have been recorded as a reduction of additional paid-in-capital.

In connection with the remarketing of the junior subordinated debt securities, in February 2009, the Holding Company delivered 24,343,154 shares of its newly issued common stock, and in August 2008, the Holding Company delivered 20,244,549 shares of its common stock from treasury stock, to settle the stock purchase contracts. See The Company Liquidity and Capital Sources Remarketing of Junior Subordinated Debt Securities and Settlement of Stock Purchase Contracts.

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

During the years ended December 31, 2010, 2009 and 2008, 332,121 shares, 861,586 shares and 2,271,188 shares of common stock were issued from treasury stock for $18 million, $46 million and $118 million, respectively, to satisfy various stock option exercises. During the year ended December 31, 2010, 2,182,174 new shares of common stock were issued for $74 million to satisfy various stock option exercises. During both the years ended December 31, 2009 and 2008, no new shares of common stock were issued to satisfy stock option exercises.

Equity Units. In November 2010, the Holding Company issued to ALICO Holdings in connection with the financing of the Acquisition $3.0 billion aggregate stated amount of Equity Units. The Equity Units, which are mandatorily convertible securities, will initially consist of (i) purchase contracts obligating the holder to purchase a variable number of shares of MetLife, Inc. s common stock on each of three specified future settlement dates (expected to be approximately two, three and four years after closing of the Acquisition), for a fixed amount per purchase contract, (an aggregate of $1.0 billion on each settlement date) and (ii) an interest in each of three series of Debt Securities of MetLife, Inc. The value of the purchase contracts at issuance of $247 million was calculated as the present value of the future contract payments and was recorded in other liabilities. At future dates, the Series C, D and E Debt Securities will be subject to remarketing and sold to investors. Holders of the Equity Units who elect to include their Debt Securities in a remarketing can use the proceeds thereof to meet their obligations under the purchase contracts.

See Note 14 of the Notes to the Consolidated Financial Statements for further discussion of the Equity Units.

Liquidity and Capital Uses

Acquisitions. The computation of the purchase price of the Acquisition is presented below:

	November 1, 2010 (In millions)	
Cash (includes $396 million of contractual purchase price adjustments)	$	7,196
MetLife, Inc. s common stock (78,239,712 shares at $40.90 per share)		3,200
MetLife, Inc. s Convertible Preferred Stock		2,805
MetLife, Inc. s Equity Units ($3.0 billion aggregate stated amount)		3,189
Total purchase price	$	16,390

Debt Repayments. During the years ended December 31, 2010, 2009 and 2008, MetLife Bank made repayments of $349 million, $497 million and $371 million, respectively, to the FHLB of NY related to long-term borrowings. During the years ended December 31, 2010, 2009 and 2008, MetLife Bank made repayments to the FHLB of NY related to short-term borrowings of $12.9 billion, $26.4 billion and $4.6 billion, respectively. During the years ended December 31, 2009 and 2008, MetLife Bank made repayments related to short-term borrowings to the Federal Reserve Bank of New York of $21.2 billion and 650 million, respectively. No repayments were made to the Federal Reserve Bank of New York during the year ended December 31, 2010. During the year ended December 31, 2009, MICC made repayments of $300 million to the FHLB of Boston related to short-term borrowings. No repayments were made to the FHLB of Boston during the years ended December 31, 2010 and 2008.

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 will be determined in the Company s discretion.

Insurance Liabilities. The Company s principal cash outflows primarily relate to the liabilities associated with its various life insurance, property and casualty, annuity and group pension products, operating expenses and income tax, as well as principal and interest on its outstanding debt obligations. Liabilities arising from its insurance activities primarily relate to benefit payments under the aforementioned products, as well as payments for policy

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surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse product behavior differs somewhat by segment. In the Retirement Products segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the years ended December 31, 2010 and 2009, general account surrenders and withdrawals from annuity products were $3.8 billion and $4.3 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 (including funding agreements with the FHLB of NY and the FHLB of Boston) and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to Corporate Benefit Funding liabilities that provide customers with limited liquidity rights, at December 31, 2010 there were $1,615 million of funding agreements and other capital market products that could be put back to the Company after a period of notice. Of these liabilities, $1,565 million were subject to notice periods between 15 and 90 days. The remainder of the balance was subject to a notice period of 9 months or greater. An additional $375 million of Corporate Benefit Funding liabilities were subject to credit ratings downgrade triggers that permit early termination subject to a notice period of 90 days. See The Company Liquidity and Capital Uses Contractual Obligations.

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

Declaration Date	Record Date	Payment Date	Dividend Per Share	Dividend Aggregate
			(In millions, except per share data)	
October 26, 2010	November 9, 2010	December 14, 2010	$ 0.74	$ 784(1)
October 29, 2009	November 9, 2009	December 14, 2009	$ 0.74	$ 610
October 28, 2008	November 10, 2008	December 15, 2008	$ 0.74	$ 592

(1) Includes dividends on Convertible Preferred Stock issued in November 2010. See The Company Liquidity and Capital Sources Convertible Preferred Stock.

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

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Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for the Holding Company s Floating Rate Non-Cumulative Preferred Stock, Series A and 6.500% Non-Cumulative Preferred Stock, Series B is as follows for the years ended December 31, 2010, 2009 and 2008:

Declaration Date	Record Date	Payment Date	Series A Per Share	Series A Aggregate	Series B per Share	Series B Aggregate
			Dividend			
			(In millions, except per share data)			
November 15, 2010	November 30, 2010	December 15, 2010	$ 0.2527777	$ 7	$ 0.4062500	$ 24
August 16, 2010	August 31, 2010	September 15, 2010	$ 0.2555555	6	$ 0.4062500	24
May 17, 2010	May 31, 2010	June 15, 2010	$ 0.2555555	7	$ 0.4062500	24
March 5, 2010	February 28, 2010	March 15, 2010	$ 0.2500000	6	$ 0.4062500	24
				$ 26		$ 96
November 16, 2009	November 30, 2009	December 15, 2009	$ 0.2527777	$ 7	$ 0.4062500	$ 24
August 17, 2009	August 31, 2009	September 15, 2009	$ 0.2555555	6	$ 0.4062500	24
May 15, 2009	May 31, 2009	June 15, 2009	$ 0.2555555	7	$ 0.4062500	24
March 5, 2009	February 28, 2009	March 16, 2009	$ 0.2500000	6	$ 0.4062500	24
				$ 26		$ 96
November 17, 2008	November 30, 2008	December 15, 2008	$ 0.2527777	$ 7	$ 0.4062500	$ 24
August 15, 2008	August 31, 2008	September 15, 2008	$ 0.2555555	6	$ 0.4062500	24
May 15, 2008	May 31, 2008	June 16, 2008	$ 0.2555555	7	$ 0.4062500	24
March 5, 2008	February 29, 2008	March 17, 2008	$ 0.3785745	9	$ 0.4062500	24
				$ 29		$ 96

Share Repurchases. At January 1, 2008, the Company had $511 million remaining under its common stock repurchase program authorizations. In both January and April 2008, the Company s Board of Directors authorized $1.0 billion common stock repurchase programs. During the year ended December 31, 2008, the Company repurchased 19,716,418 shares for $1.2 billion under accelerated share repurchases and 1,550,000 shares for $88 million in open market repurchases. At December 31, 2008, the Company had $1.3 billion remaining under its common stock repurchase program authorizations. During the years ended December 31, 2010 and 2009, the Company did not repurchase any shares.

Under these common stock repurchase program authorizations, the Holding Company may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act) and in privately negotiated transactions. Any future common stock repurchases will be dependent upon several factors, including the Company s capital position, its liquidity, its financial strength and credit ratings, general market conditions and the price of MetLife, Inc. s common stock compared to management s assessment of the stock s underlying value and applicable regulatory, legal and accounting factors. Whether or not to purchase any common stock and the size and timing of any such purchases will be determined in the Company s complete discretion.

Residential Mortgage Loans Held-for-Sale. At December 31, 2010, the Company held $3,321 million in residential mortgage loans held-for-sale, compared with $2,728 million at December 31, 2009, an increase of $593 million. From time to time, MetLife Bank has an increased cash need to fund mortgage loans that it generally holds for a relatively short period before selling them to one of the government-sponsored enterprises such as FNMA or FHLMC. To meet these increased funding requirements, as well as to increase overall liquidity, MetLife Bank takes advantage of collateralized borrowing opportunities with the Federal Reserve Bank of New York and the FHLB of NY. For further detail on MetLife Bank s use of these funding sources, see The Company Liquidity and Capital Sources Global Funding Sources.

Investment and Other. Additional cash outflows include those related to obligations of securities lending activities, investments in real estate, limited partnerships and joint ventures, as well as litigation-related liabilities. Also, the Company pledges collateral to, and has collateral pledged to it by, counterparties under the Company s current derivative transactions. With respect to derivative transactions with credit ratings downgrade triggers, a two-

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notch downgrade would have increased the Company s derivative collateral requirements by $159 million at December 31, 2010. In addition, the Company has pledged collateral and has had collateral pledged to it, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to it, in connection with collateral financing arrangements related to the reinsurance of closed block liabilities and universal life secondary guarantee liabilities. See The Company Liquidity and Capital Sources Collateral Financing Arrangements.

Securities Lending. The Company participates in a securities lending program whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks, and the Company receives cash collateral from the borrower, which must be returned to the borrower when the loaned securities are returned to the Company. Under the Company s securities lending program, the Company was liable for cash collateral under its control of $24.6 billion and $21.5 billion at December 31, 2010 and 2009, respectively. Of these amounts, $2.8 billion and $3.3 billion at December 31, 2010 and 2009, respectively, were on open terms, meaning that the related loaned security could be returned to the Company on the next business day upon return of cash collateral. Of the $2.7 billion of estimated fair value of the securities related to the cash collateral on open terms at December 31, 2010, $2.3 billion were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. See Investments Securities Lending for further information.

Other. In September 2008, in connection with the split-off of Reinsurance Group of America (RGA) as described in Note 2 of the Notes to the Consolidated Financial Statements, the Company received from MetLife stockholders 23,093,689 shares of MetLife, Inc. s common stock with a market value of $1.3 billion and, in exchange, delivered 29,243,539 shares of RGA Class B common stock with a net book value of $1.7 billion resulting in a loss on disposition, including transaction costs, of $458 million.

Contractual Obligations. The following table summarizes the Company s major contractual obligations at December 31, 2010:

Contractual Obligations	**Total**	**One Year or Less**	**More Than One Year to Three Years**	**More Than Three Years to Five Years**	**More Than Five Years**
			(In millions)		
Future policy benefits	$ 319,565	$ 6,271	$ 10,295	$ 12,205	$ 290,794
Policyholder account balances	289,823	35,981	46,274	35,280	172,288
Other policyholder liabilities	9,983	7,995	485	124	1,379
Payables for collateral under securities loaned and other transactions	27,272	27,272			
Bank deposits	10,406	8,879	1,499	28	
Short-term debt	306	306			
Long-term debt	31,184	2,340	4,773	5,932	18,139
Collateral financing arrangements	6,696	64	127	127	6,378
Junior subordinated debt securities	10,191	258	517	516	8,900
Commitments to lend funds	12,537	11,215	710	55	557
Operating leases	2,151	366	517	303	965

Other	15,356	14,873	52	3	428
Total	$ 735,470	$ 115,820	$ 65,249	$ 54,573	$ 499,828

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

Liabilities related to accounting conventions, or which are not contractually due, such as shadow liabilities, excess interest reserves and property and casualty loss adjustment expenses, of $1.4 billion have been excluded from amounts presented in the table above.

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

The sum of the estimated cash flows shown for all years in the table of $319.6 billion exceeds the liability amount of $173.4 billion included on the consolidated balance sheet principally due to the time value of money, which accounts for at least 80% of the difference, as well as differences in assumptions, most significantly mortality, between the date the liabilities were initially established and the current date.

For the majority of the Company s insurance operations, estimated contractual obligations for future policy benefits and policyholder account balance liabilities as presented in the table above are derived from the annual asset adequacy analysis used to develop actuarial opinions of statutory reserve adequacy for state regulatory purposes. These cash flows are materially representative of the cash flows under GAAP. (See Policyholder account balances below.)

Actual cash payments to policyholders may differ significantly from the liabilities as presented in the consolidated balance sheet and the estimated cash payments as presented in the table above due to differences between actual experience and the assumptions used in the establishment of these liabilities and the estimation of these cash payments.

Policyholder account balances Policyholder account balances include liabilities related to conventional guaranteed interest contracts, guaranteed interest contracts associated with formal offering programs, funding agreements, individual and group annuities, total control accounts, individual and group universal life, variable universal life and company-owned life insurance.

Included within policyholder account balances are contracts where the amount and timing of the payment is essentially fixed and determinable. These amounts relate to policies where the Company is currently making payments and will continue to do so, as well as those where the timing of the payments has been determined by the contract. Other contracts involve payment obligations where the timing of future payments is uncertain and where the Company is not currently making payments and will not make payments until the occurrence of an insurable event, such as death, or where the occurrence of the payment triggering event, such as a surrender of or partial withdrawal on a policy or deposit contract, is outside the control of the Company. The Company has estimated the timing of the cash flows related to these contracts based on historical experience, as well as its expectation of future payment patterns.

Excess interest reserves representing purchase accounting adjustments of $539 million, as well as $2.4 billion relating to embedded derivatives, have been excluded from amounts presented in the table above as they represent accounting conventions and not contractual obligations.

Amounts presented in the table above represent the estimated cash payments to be made to policyholders undiscounted as to interest and including assumptions related to the receipt of future premiums and deposits; withdrawals, including unscheduled or partial withdrawals; policy lapses; surrender charges; annuitization; mortality; future interest credited; policy loans and other contingent events as appropriate to the respective product type. Such estimated cash payments are also presented net of estimated future premiums on policies currently in-force and gross of any reinsurance recoverable. For obligations denominated in foreign currencies, cash payments have been estimated using current spot rates.

The sum of the estimated cash flows shown for all years in the table of $289.8 billion exceeds the liability amount of $211.0 billion included on the consolidated balance sheet principally due to the time value of money, which accounts for at least 80% of the difference, as well as differences in assumptions between the date the liabilities were initially established and the current date. See the comments under Future policy benefits above regarding the source and uncertainties associated with the estimation of the contractual obligations related to future policyholder benefits and policyholder account balances.

Other policyholder liabilities Other policyholder liabilities are comprised of other policy-related balances, policyholder dividends payable and the policyholder dividend obligation. Amounts included in the table above related to these balances are as follows:

a. Other policy-related balances includes liabilities for incurred but not reported claims and claims payable on group term life, long-term disability, long-term care and dental; policyholder dividends left on deposit and policyholder dividends due and unpaid related primarily to traditional life and group life and health; and premiums received in advance. Liabilities related to unearned revenue and negative VOBA of $2.2 billion and $4.3 billion, respectively, have been excluded from the cash payments presented in the table above because they reflect accounting conventions and not contractual obligations. With the exception of policyholder dividends left on deposit, and those items excluded as noted in the preceding sentence, the contractual obligation presented in the table above related to other policy-related balances is equal to the liability reflected in the consolidated balance sheet. Such amounts are reported in the one year or less category due to the short-term nature of the liabilities. Contractual obligations on policyholder dividends left on deposit are projected based on assumptions of policyholder withdrawal activity.

b. Policyholder dividends payable consists of liabilities related to dividends payable in the following calendar year on participating policies. As such, the contractual obligation related to policyholder dividends payable is presented in the table above in the one year or less category at the amount of the liability presented in the consolidated balance sheet.

c. The nature of the policyholder dividend obligation is described in Note 18 of the Notes to the Consolidated Financial Statements. Because the exact timing and amount of the ultimate policyholder dividend obligation is subject to significant uncertainty and the amount of the policyholder dividend obligation is based upon a long-term projection of the performance of the closed block, we have reflected the obligation at the amount of the liability, if any, presented in the consolidated balance sheet in the more than five years category. This was presented to reflect the long-duration of the liability and the uncertainty of the ultimate cash payment.

Payables for collateral under securities loaned and other transactions The Company has accepted cash collateral in connection with securities lending and derivative transactions. As the securities lending transactions expire within the next year or the timing of the return of the collateral is uncertain, the return of the collateral has been included in the one year or less category in the table above. The Company also holds non-cash collateral, which is not reflected as a liability in the consolidated balance sheet, of $984 million at December 31, 2010.

Bank deposits Bank deposits of $10.4 billion exceed the amount on the balance sheet of $10.3 billion due to the inclusion of estimated interest payments. Liquid deposits, including demand deposit accounts, money market accounts and savings accounts, are assumed to mature at carrying value within one year. Certificates of deposit are assumed to pay all interest and principal at maturity.

Short-term debt, long-term debt, collateral financing arrangements and junior subordinated debt securities Amounts presented in the table above for short-term debt, long-term debt, collateral financing arrangements and junior subordinated debt securities differ from the balances presented on the consolidated balance sheet as the amounts presented in the table above do not include premiums or discounts upon issuance or purchase

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accounting fair value adjustments. The amounts presented above also include interest on such obligations as described below.

Short-term debt consists of borrowings with original maturities of one year or less carrying fixed interest rates. The contractual obligation for short-term debt presented in the table above represents the principal amounts due upon maturity plus the related interest for the period from January 1, 2011 through maturity.

Long-term debt bears interest at fixed and variable interest rates through their respective maturity dates. Interest on fixed rate debt was computed using the stated rate on the obligations for the period from January 1, 2011 through maturity. Interest on variable rate debt was computed using prevailing rates at December 31, 2010 and, as such, does not consider the impact of future rate movements. Long-term debt also includes payments under capital lease obligations of $3 million, $2 million, $0 and $27 million, in the one year or less, more than one year to three years, more than three years to five years and more than five years categories, respectively. Long-term debt presented in the table above excludes $6,820 million at December 31, 2010 of long-term debt relating to CSEs.

Collateral financing arrangements bear interest at fixed and variable interest rates through their respective maturity dates. Interest on fixed rate debt was computed using the stated rate on the obligations for the period from January 1, 2011 through maturity. Interest on variable rate debt was computed using prevailing rates at December 31, 2010 and, as such, does not consider the impact of future rate movements. Pursuant to these collateral financing arrangements, the Holding Company may be required to deliver cash or pledge collateral to the respective unaffiliated financial institutions. See The Company Liquidity and Capital Sources Collateral Financing Arrangements.

Junior subordinated debt securities bear interest at fixed interest rates through their respective redemption dates. Interest was computed using the stated rates on the obligations for the period from January 1, 2011 through the scheduled redemption dates as it is the Company s expectation that the debt will be redeemed at that time. Inclusion of interest payments on junior subordinated debt through the final maturity dates would increase the contractual obligation by $7.7 billion.

Commitments to lend funds The Company commits to lend funds under mortgage loans, partnerships, bank credit facilities, bridge loans and private corporate bond investments. In the table above, the timing of the funding of mortgage loans and private corporate bond investments is based on the expiration date of the commitment. As it relates to commitments to lend funds to partnerships and under bank credit facilities, the Company anticipates that these amounts could be invested any time over the next five years; however, as the timing of the fulfillment of the obligation cannot be predicted, such obligations are presented in the one year or less category in the table above. Commitments to fund bridge loans are short-term obligations and, as a result, are presented in the one year or less category in the table above. See Off-Balance Sheet Arrangements.

Operating leases As a lessee, the Company has various operating leases, primarily for office space. Contractual provisions exist that could increase or accelerate those lease obligations presented, including various leases with early buyouts and/or escalation clauses. However, the impact of any such transactions would not be material to the Company s financial position or results of operations. See Off-Balance Sheet Arrangements.

Other Includes other miscellaneous contractual obligations of $32 million not included elsewhere in the table above. Other liabilities presented in the table above are principally comprised of amounts due under reinsurance arrangements, payables related to securities purchased but not yet settled, securities sold short, accrued interest on debt obligations, estimated fair value of derivative obligations, deferred compensation arrangements, guaranty liabilities, the estimated fair value of forward stock purchase contracts, as well as general accruals and accounts payable due under contractual obligations. If the timing of any of the other liabilities is sufficiently uncertain, the amounts are included within the one year or less category.

The other liabilities presented in the table above differ from the amount presented in the consolidated balance sheet by $5.0 billion due primarily to the exclusion of items such as legal liabilities, pension and postretirement benefit obligations, taxes due other than income tax, unrecognized tax benefits and related accrued interest, accrued severance and employee incentive compensation and other liabilities such as deferred gains and losses. Such items have been excluded from the table above as they represent accounting conventions or are not liabilities due under contractual obligations.

The net funded status of the Company s pension and other postretirement liabilities included within other liabilities has been excluded from the amounts presented in the table above. Rather, the amounts presented represent the discretionary contributions of $175 million to be made by the Company to our pension plan in 2011 and the discretionary contributions of $120 million, based on the current year s expected gross benefit payments to participants, to be made by the Company to the postretirement benefit plans during 2011. Virtually all contributions to the pension and postretirement benefit plans are made by the insurance subsidiaries of the Holding Company with little impact on the Holding Company s cash flows.

Excluded from the table above are unrecognized tax benefits and related accrued interest of $810 million and $221 million, respectively, for which the Company cannot reliably determine the timing of payment. Current income tax payable is also excluded from the table.

See also Off-Balance Sheet Arrangements.

Separate account liabilities are excluded from the table above. Generally, the separate account owner, rather than the Company, bears the investment risk of these funds. The separate account assets are legally segregated and are not subject to the claims that arise out of any other business of the Company. Net deposits, net investment income and realized and unrealized capital gains and losses on the separate accounts are fully offset by corresponding amounts credited to contractholders whose liability is reflected with the separate account liabilities. Separate account liabilities are fully funded by cash flows from the separate account assets and are set equal to the estimated fair value of separate account assets.

The Company also enters into agreements to purchase goods and services in the normal course of business; however, these purchase obligations were not material to its consolidated results of operations or financial position at December 31, 2010.

Additionally, the Company has agreements in place for services it conducts, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. Intercompany transactions have appropriately been eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate departments of insurance as required.

Support Agreements. The Holding Company and several of its subsidiaries (each, an Obligor) are parties to various capital support commitments, guarantees and contingent reinsurance agreements with certain subsidiaries of the Holding Company and a corporation in which the Holding Company owns 50% of the equity. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels, has guaranteed certain contractual obligations or has agreed to provide, upon the occurrence of certain contingencies, reinsurance for such entity s insurance liabilities. We anticipate that in the event that these arrangements place demands upon the Company, there will be sufficient liquidity and capital to enable the Company to meet anticipated demands. See The Holding Company Liquidity and Capital Uses Support Agreements.

Litigation. Putative or certified class action litigation and other litigation, and claims and assessments against the Company, in addition to those discussed elsewhere herein and those otherwise provided for in the Company s consolidated financial statements, have arisen in the course of the Company s business, including, but not limited to, in connection with its activities as an insurer, 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 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 the Company s financial position, based on information currently known by the Company s management, in its opinion, the outcome of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company s consolidated net income or cash flows in particular quarterly or annual periods.

The Holding Company

Capital

Restrictions and Limitations on Bank Holding Companies and Financial Holding Companies. The Holding Company and its insured depository institution subsidiary, MetLife Bank, are subject to risk-based and leverage capital guidelines issued by the federal banking regulatory agencies for banks and bank and financial holding companies. The federal banking regulatory agencies are required by law to take specific prompt corrective actions with respect to institutions that do not meet minimum capital standards. As of their most recently filed reports with the federal banking regulatory agencies, the Holding Company and MetLife Bank met the minimum capital standards as per federal banking regulatory agencies with all of MetLife Bank s risk-based and leverage capital ratios meeting the federal banking regulatory agencies well capitalized standards and all of the Holding Company s risk-based and leverage capital ratios meeting the adequately capitalized standards. In addition to requirements which may be imposed in connection with the implementation of Dodd-Frank, if endorsed and adopted in the U.S., Basel III will also lead to increased capital and liquidity requirements for bank holding companies, such as MetLife, Inc. See Industry Trends Financial and Economic Environment Regulatory Changes.

The following table contains the RBC ratios and the regulatory requirements for MetLife, Inc., as a bank holding company, and MetLife Bank:

MetLife, Inc.
RBC Ratios Bank Holding Company

	December 31,		Regulatory Requirements	Regulatory Requirements
	2010	2009	Minimum	Well Capitalized
Total RBC Ratio	8.52%	9.88%	8.00%	10.00%
Tier 1 RBC Ratio	8.21%	9.44%	4.00%	6.00%
Tier 1 Leverage Ratio	5.11%	5.71%	4.00%	n/a

MetLife Bank
RBC Ratios Bank

	December 31,		Regulatory Requirements	Regulatory Requirements
	2010	2009	Minimum	Well Capitalized
Total RBC Ratio	15.00%	13.41%	8.00%	10.00%
Tier 1 RBC Ratio	14.16%	12.16%	4.00%	6.00%
Tier 1 Leverage Ratio	7.14%	6.64%	4.00%	5.00%

Summary of Primary Sources and Uses of Liquidity and Capital. For information regarding the primary sources and uses of Holding Company liquidity and capital, see The Company Capital Summary of Primary Sources and Uses of

Liquidity and Capital.

Liquidity and Capital

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 credit facilities. The Holding Company is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of the Holding Company s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance

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sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit the Holding Company s access to liquidity.

The Holding Company s ability to maintain regular access to competitively priced wholesale funds is fostered by its current 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. See The Company Capital Rating Agencies.

Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on the Holding Company s liquidity.

Liquidity and Capital Sources

Dividends from Subsidiaries. The Holding Company relies in part on dividends from its subsidiaries to meet its cash requirements. The Holding Company s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the 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 the Company conducts business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes.

The table below sets forth the dividends permitted to be paid by the respective insurance subsidiary without insurance regulatory approval and the respective dividends paid:

Company	2011 Permitted w/o Approval (1)	2010 Paid (2)	Permitted w/o Approval (3)	2009 Paid (2)	Permitted w/o Approval (3)	2008 Paid (2)	Permitted w/o Approval (3)
	(In millions)						
Metropolitan Life Insurance Company	$ 1,321	$ 631(4)	$ 1,262	$	$ 552	$ 1,318(5)	$ 1,299
American Life Insurance Company (6)	$ 661	$	$ 511	N/A	N/A	N/A	N/A
MetLife Insurance Company of Connecticut	$ 517	$ 330	$ 659	$	$ 714	$ 500	$ 1,026
Metropolitan Property and Casualty Insurance Company	$	$ 260	$	$ 300	$ 9	$ 300	$
Metropolitan Tower Life Insurance Company	$ 80	$ 569(7)	$ 93	$	$ 88	$ 277(8)	$ 113

(1)

Reflects dividend amounts that may be paid during 2011 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 2011, some or all of such dividends may require regulatory approval.

(2) All amounts paid, including those requiring regulatory approval.

(3) Reflects dividend amounts that could have been paid during the relevant year without prior regulatory approval.

(4) Includes securities transferred to the Holding Company of $399 million.

(5) Consists of shares of RGA stock distributed by MLIC to the Holding Company as an in-kind dividend of $1,318 million.

(6) Reflects dividends permitted to be paid and the respective dividends paid since the Acquisition Date. See Note 2 to the Notes to the Consolidated Financial Statements.

(7) Includes shares of an affiliate distributed to the Holding Company as an in-kind dividend of $475 million.

(8) Includes shares of an affiliate distributed to the Holding Company as an in-kind dividend of $164 million.

In addition to the amounts presented in the table above, for the years ended December 31, 2010, 2009 and 2008, cash dividends in the aggregate amount of $0, $215 million and $235 million, respectively, were paid to the Holding Company.

The dividend capacity of 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 the non-U.S. operations, including the Japan branch of American Life, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers would be detrimental to the solvency or financial strength of the operations of the non-U.S. operations, or for other reasons. Most of the non-U.S. subsidiaries are second tier subsidiaries and are not directly owned by the Holding Company. The capital and rating considerations applicable to the first tier subsidiaries may also impact the dividend flow into the Holding Company.

The Company s management actively manages its target and excess capital levels and dividend flows on a pro-active basis and forecasts 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. Management of the Holding Company cannot provide assurances that the Holding Company s subsidiaries will have statutory earnings to support payment of dividends to the Holding Company in an amount sufficient to fund its cash requirements and pay cash dividends and that the applicable regulators will not disapprove any dividends that such subsidiaries must submit for approval. See Note 18 of the Notes to the Consolidated Financial Statements.

Liquid Assets. An integral part of the Holding Company s liquidity management is the amount of liquid assets it holds. Liquid assets include cash, cash equivalents, short-term investments and publicly-traded securities, excluding: (i) cash collateral received under the Company s securities lending program that has been reinvested in cash, cash equivalents, short-term investments and publicly-traded securities; and (ii) cash collateral received from counterparties in connection with derivative instruments. At December 31, 2010 and 2009, the Holding Company had $2.8 billion and $3.8 billion, respectively, in liquid assets. In addition, the Holding Company has pledged collateral and has had collateral pledged to it, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to it. At December 31, 2010 and 2009, the Holding Company had pledged $362 million and $289 million, respectively, of liquid assets under collateral support agreements.

Shelf Registration. In November 2010, the Holding Company filed a shelf registration statement (the 2010 Shelf Registration Statement) with the U.S. Securities and Exchange Commission (SEC), which was automatically effective upon filing, in accordance with SEC rules. SEC rules also allow for pay-as-you-go fees and the ability to add securities by filing automatically effective amendments for companies, such as the Holding Company, which qualify as Well-Known Seasoned Issuers. The 2010 Shelf Registration Statement registered an unlimited amount of debt and equity securities and replaces the shelf registration statement that the Holding Company filed in November 2007, which expired in the fourth quarter of 2010. The terms of any offering will be established at the time of the offering.

Global Funding Sources. Liquidity is also provided by a variety of short-term instruments, including commercial paper. Capital is provided by a variety of instruments, including medium- and long-term debt, junior subordinated debt securities, collateral financing arrangements, capital securities and stockholders equity. The diversity of the Holding Company s funding sources enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Other sources of the Holding Company s liquidity include programs for short-and long-term borrowing, as needed.

We continuously monitor and adjust our liquidity and capital plans for the Holding Company and its subsidiaries in light of changing requirements and market conditions.

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Long-term Debt. The following table summarizes the outstanding long-term debt of the Holding Company at:

	December 31, 2010	December 31, 2009
	(In millions)	
Long-term debt unaffiliated	$ 16,258	$ 10,458
Long-term debt affiliated	$ 665(1)	$ 500
Collateral financing arrangements	$ 2,797	$ 2,797
Junior subordinated debt securities	$ 1,748	$ 1,748

(1) Includes $165 million of affiliated senior notes associated with bonds held by ALICO.

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. The Holding Company had no short-term debt outstanding at both December 31, 2010 and 2009. There was no short-term debt activity in 2010. During the years ended December 31, 2009 and 2008, the weighted average interest rate on short-term debt, comprised only of commercial paper, was 1.25% and 2.5%, respectively. During the year ended December 31, 2009, the average daily balance on short-term debt was $5 million, and the average days outstanding was 6 days.

Debt Issuances and Other Borrowings. For information on debt issuances and other borrowings entered into by the Holding Company, see The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings.

Senior Notes. The following table summarizes the Holding Company s outstanding senior notes series by maturity date, excluding any premium or discount, at December 31, 2010:

Maturity Date	Principal (In millions)	Interest Rate
2011	$ 750	6.13%
2012	$ 400	5.38%
2012	$ 397	3-month LIBOR + .032%
2013	$ 500	5.00%
2013	$ 250	3-month LIBOR + 1.25%
2014	$ 350	5.50%
2014	$ 1,000	2.38%
2015	$ 1,000	5.00%
2016	$ 1,250	6.75%
2018	$ 1,035	6.82%
2018 (1)	$ 500	1.56%
2018 (2)	$ 500	2.46%
2019	$ 1,035	7.72%
2020	$ 729	5.25%
2021	$ 1,000	4.75%
2023 (1)	$ 500	1.56%
2024	$ 1,000	1.92%

2024	$ 673	5.38%
2032	$ 600	6.50%
2033	$ 200	5.88%
2034	$ 750	6.38%
2035	$ 1,000	5.70%
2041	$ 750	5.88%
2045 (2)	$ 500	2.46%

(1) Represents one of two tranches comprising the Series C Debt Securities.

(2) Represents one of two tranches comprising the Series E Debt Securities.

Collateral Financing Arrangements. For information on collateral financing arrangements entered into by the Holding Company, see The Company Liquidity and Capital Sources Collateral Financing Arrangements.

Credit and Committed Facilities. At December 31, 2010, the Holding Company, along with MetLife Funding, maintained $4.0 billion in unsecured credit facilities, the proceeds of which are available to be used for general corporate purposes, to support the borrowers commercial paper programs and for the issuance of letters of credit. At December 31, 2010, the Holding Company had outstanding $1.5 billion in letters of credit and no drawdowns against this facility. Remaining unused commitments were $2.5 billion at December 31, 2010.

The Holding Company maintains committed facilities with a capacity of $300 million. At December 31, 2010, the Holding Company had outstanding $300 million in letters of credit and no drawdowns against these facilities. There were no remaining unused commitments at December 31, 2010. In addition, the Holding Company is a party to committed facilities of certain of its subsidiaries, which aggregated $12.1 billion at December 31, 2010. The committed facilities are used as collateral for certain of the Company s affiliated reinsurance liabilities.

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

Covenants. Certain of the Holding Company s debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. The Holding Company believes it was in compliance with all covenants at December 31, 2010 and 2009.

Preferred Stock, Convertible Preferred Stock, Common Stock and Equity Units. For information on preferred stock, convertible preferred stock, common stock and common equity units issued by the Holding Company, see The Company Liquidity and Capital Sources Preferred Stock, Convertible Preferred Stock, Common Stock, and Units, respectively.

Liquidity and Capital Uses

The primary uses of liquidity of the Holding Company include debt service, cash dividends on preferred, convertible preferred and common 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 asset portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable the Holding Company to make payments on debt, make cash dividend payments on its preferred, convertible preferred and common stock, contribute capital to its subsidiaries, pay all general operating expenses and meet its cash needs.

Acquisitions. For information regarding the purchase price of the Acquisition, see The Company Liquidity and Capital Uses Acquisitions.

Affiliated Capital Transactions. During the years ended December 31, 2010, 2009 and 2008, the Holding Company invested an aggregate of $699 million (excludes the Acquisition), $986 million and $2.6 billion, respectively, in various subsidiaries.

The Holding Company lends funds, as necessary, to its subsidiaries, some of which are regulated, to meet their capital requirements. Such loans are included in loans to subsidiaries and consisted of the following at:

Subsidiaries	Interest Rate	Maturity Date	December 31, 2010	
			2010	2009
			(In millions)	
Metropolitan Life Insurance Company	6-month LIBOR + 1.80%	December 31, 2011	$ 775	$ 775
Metropolitan Life Insurance Company	6-month LIBOR + 1.80%	December 31, 2011		300
Metropolitan Life Insurance Company	7.13%	December 15, 2032	400	400
Metropolitan Life Insurance Company	7.13%	January 15, 2033	100	100
Total			$ 1,275	$ 1,575

Debt Repayments. The Holding Company intends to either repay all or refinance in whole or in part the debt that is due in December 2011. See The Holding Company Liquidity and Capital Sources Senior Notes.

Support Agreements. The Holding Company is party to various capital support commitments and guarantees with certain of its subsidiaries and a corporation in which it owns 50% of the equity. Under these arrangements, the Holding Company has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations.

In November 2010, the Holding Company guaranteed the obligations of Exeter Reassurance Company, Ltd. (Exeter) in an aggregate amount up to $1.0 billion, under a reinsurance agreement with MetLife Europe Limited (MEL), under which Exeter reinsures the guaranteed living benefits and guaranteed death benefits associated with certain unit-linked annuity contracts issued by MEL.

In January 2010, the Holding Company guaranteed the obligations of its subsidiary, Missouri Reinsurance (Barbados) Inc. (MoRe), under a retrocession agreement with RGA Reinsurance (Barbados) Inc., pursuant to which MoRe retrocedes certain group term life insurance issued by MLIC.

In December 2009, the Holding Company, in connection with MetLife Reinsurance Company of Vermont (MRV) s reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the third protected cell of MRV to maintain total adjusted capital equal to or greater than 200% of such protected cell s authorized control level RBC, as defined in state insurance statutes. See The Company Liquidity and Capital Sources Credit and Committed Facilities and Note 11 of the Notes to the Consolidated Financial Statements.

The Holding Company, in connection with MRV s reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause each of the two initial protected cells of MRV to maintain total adjusted capital equal to or greater than 200% of such protected cell s authorized control level RBC, as defined in state insurance statutes. See The Company Liquidity and Capital Sources Credit and Committed Facilities and Note 11 of the Notes to the Consolidated Financial Statements.

The Holding Company, in connection with the collateral financing arrangement associated with MRC s reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital at a level of not less than 200% of the company action level RBC, as defined in state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings and Note 12 of the Notes to the Consolidated Financial Statements.

The Holding Company, in connection with the collateral financing arrangement associated with MRSC s reinsurance of universal life secondary guarantees, committed to the South Carolina Department of Insurance to take necessary action to cause MRSC to maintain total adjusted capital equal to the greater of $250,000 or 100% of MRSC s authorized control level RBC, as defined in state insurance statutes. See The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings and Note 12 of the Notes to the Consolidated Financial Statements.

The Holding Company has net worth maintenance agreements with two of its insurance subsidiaries, MetLife Investors Insurance Company and First MetLife Investors Insurance Company. Under these agreements, as subsequently amended, the Holding Company agreed, without limitation as to the amount, to cause each of these subsidiaries to have a minimum capital and surplus of $10 million, total adjusted capital at a level not less than 150%

of the company action level RBC, as defined by state insurance statutes, and liquidity necessary to enable it to meet its current obligations on a timely basis.

The Holding Company entered into a net worth maintenance agreement with Mitsui Sumitomo MetLife Insurance Company Limited (MSI MetLife), an investment in Japan of which the Holding Company owns 50% of the equity. Under the agreement, the Holding Company agreed, without limitation as to amount, to cause MSI

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MetLife to have the amount of capital and surplus necessary for MSI MetLife to maintain a solvency ratio of at least 400%, as calculated in accordance with the Insurance Business Law of Japan, and to make such loans to MSI MetLife as may be necessary to ensure that MSI MetLife has sufficient cash or other liquid assets to meet its payment obligations as they fall due. As described in Note 2 of the Notes to the Consolidated Financial Statements, the Holding Company reached an agreement to sell its 50% interest in MSI MetLife to a third-party. Upon the close of such sale, the Holding Company s obligations under the net worth maintenance agreement will terminate.

The Holding Company has guaranteed the obligations of its subsidiary, Exeter, under a reinsurance agreement with MSI MetLife, under which Exeter reinsures variable annuity business written by MSI MetLife. This guarantee will remain in place until such time as the reinsurance agreement between Exeter and MSI MetLife is terminated, notwithstanding any prior disposition of the Holding Company s interest in MSI MetLife as described in Note 2 of the Notes to the Consolidated Financial Statements.

The Holding Company also guarantees the obligations of a number of its subsidiaries under credit facilities with third-party banks. See Note 11 of the Notes to the Consolidated Financial Statements.

Adoption of New Accounting Pronouncements

See Adoption of New Accounting Pronouncements in Note 1 of the Notes to the Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Future Adoption of New Accounting Pronouncements in Note 1 of the Notes to the Consolidated Financial Statements.

Subsequent Events

Dividends

On February 18, 2011, the Holding Company announced dividends of $0.2500000 per share, for a total of $6 million, on its Series A preferred shares, and $0.4062500 per share, for a total of $24 million, on its Series B preferred shares, subject to the final confirmation that it has met the financial tests specified in the Series A and Series B preferred shares, which the Company anticipates will be made on or about March 7, 2011. Both dividends will be payable March 15, 2011 to shareholders of record as of February 28, 2011.

Credit Facility

On February 1, 2011, the Holding Company entered into a committed facility with a third-party bank to provide letters of credit for the benefit of MoRe, a captive reinsurance subsidiary, to address its short-term solvency needs based on guidance from the regulator. This one-year facility provides for the issuance of letters of credit in amounts up to $350 million. Under the facility, a letter of credit for $250 million was issued on February 2, 2011 and increased to $295 million on February 23, 2011, which management believes satisfies MoRe s solvency requirements.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Risk Management

The Company must effectively manage, measure and monitor the market risk associated with its assets and liabilities. It has developed an integrated process for managing risk, which it conducts through its Enterprise Risk Management

Department, Asset/Liability Management Unit, Treasury Department and Investment Department along with the management of the business segments. The Company has established and implemented comprehensive policies and procedures at both the corporate and business segment level to minimize the effects of potential market volatility.

The Company regularly analyzes its exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of that analysis, the Company has 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.

Enterprise Risk Management. MetLife has established several financial and non-financial senior management committees as part of its 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 the second quarter of 2010, MetLife created an Enterprise Risk Committee made up of the following voting members: the Chief Financial Officer, the Chief Investment Officer, the President of U.S. Business, the President of International and the Chief Risk 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 to resolve or mitigate those risks.

MetLife also has a separate Enterprise Risk Management Department, which is responsible for risk management throughout MetLife and reports to MetLife s Chief Risk Officer. The Enterprise Risk Management Department s primary responsibilities consist of:

- implementing a corporate risk framework, which outlines the Company s 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;
- deploying capital on an economic capital basis; and
- reporting on a periodic basis to the Finance and Risk Committee of the Company s Board of Directors; with respect to credit risk, to the Investment Committee of the Company s Board of Directors; and, reporting on various aspects of risk, to financial and non-financial senior management committees.

Asset/Liability Management. The Company actively manages its 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 Financial Risk Management and Asset/Liability Management Unit, Enterprise 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, an ALM Steering Committee oversees the activities of the underlying ALM Committees.

MetLife establishes target asset portfolios for each major insurance product, which represent the investment strategies used to profitably fund its 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.

Market Risk Exposures

The Company has exposure to market risk through its 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 market.

Interest Rates. The Company s exposure to interest rate changes results most significantly from its holdings of fixed maturity securities, as well as its interest rate sensitive liabilities. The fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds and mortgage-backed securities, 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, policyholder account balances 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. The Company employs product design, pricing and ALM strategies to reduce the adverse 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 credited rates for certain products. ALM strategies include the use of derivatives and duration mismatch limits. See Risk Factors Changes in Market Interest Rates May Significantly Affect Our Profitability.

Foreign Currency Exchange Rates. The Company s exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from its holdings in non-U.S. dollar denominated fixed maturity and equity securities, mortgage loans, and certain liabilities, as well as through its investments in foreign subsidiaries. The principal currencies that create foreign currency exchange rate risk in the Company s investment portfolios are the Euro, the Japanese yen and the Canadian dollar. The principal currencies that create foreign currency risk in the Company s liabilities are the British pound, the Euro and the Swiss franc. Selectively, the Company uses U.S. dollar assets to support certain long duration foreign currency liabilities. Through its investments in foreign subsidiaries and joint ventures, the Company is primarily exposed to the Mexican peso, the Japanese yen, the South Korean won, the Canadian dollar, the British pound, the Chilean peso, the Australian dollar, the Argentine peso, the Polish zloty, the Euro and the Hong Kong dollar. 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. The Company has matched much of its foreign currency liabilities in its foreign subsidiaries with their respective foreign currency assets, thereby reducing its risk to foreign currency exchange rate fluctuation. See Risk Factors Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability.

Equity Market. The Company has 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 policyholder account balances 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. The Company also manages equity market risk exposure in its 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

The Company uses a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivative instruments.

Interest Rate Risk Management. To manage interest rate risk, the Company analyzes 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 derivative instruments. These projections involve evaluating the potential gain or loss on most of the Company s in-force business under various increasing and decreasing interest rate environments. The New York State Insurance Department regulations require that MetLife perform some of these analyses annually as part of MetLife s review of the sufficiency of its regulatory reserves. For several of its legal entities, the Company maintains 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 less the DAC asset and any non-invested assets allocated to the segment are maintained, with any excess swept to the surplus segment. 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. The Company measures relative sensitivities of the value of its assets and liabilities to changes in key assumptions utilizing Company 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 prepayments and defaults.

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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 the Company intends 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 non-medical health products, the Company may support such liabilities with equity investments, derivatives or 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 in the investment portfolio and the sale of certain insurance products.

The Company s 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 Investment Department.

The Investment Department is responsible for managing the exposure to foreign currency 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.

The lines of business are responsible for establishing limits and managing any foreign exchange rate exposure caused by the sale or issuance of insurance products.

MetLife uses foreign currency swaps and forwards to hedge its foreign currency denominated fixed income investments, its equity exposure in subsidiaries and its foreign currency exposures caused by the sale of insurance products.

Equity Market Risk Management. Equity market risk exposure through the issuance of variable annuities is managed by the Company s Asset/Liability Management Unit in partnership with the Investment Department. Equity market risk is realized through its investment in equity securities and is managed by its Investment Department. MetLife uses derivatives to hedge its 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. The Company also employs reinsurance to manage these exposures.

Hedging Activities. MetLife uses derivative contracts primarily to hedge a wide range of risks including interest rate risk, foreign currency risk, and equity 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 the Company s 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. The Company s use of derivatives by major hedge programs is as follows:

Risks Related to Living Guarantee Benefits The Company uses 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 Company liability contracts, the Company provides the contractholder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. The Company purchases 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, such as deferred annuities. Hedges include zero coupon interest rate swaps and swaptions.

Foreign Currency Risk   The Company uses currency swaps and forwards to hedge foreign currency risk. These hedges primarily swap foreign currency denominated bonds, investments in foreign subsidiaries or equity exposures to U.S. dollars.

General ALM Hedging Strategies   In the ordinary course of managing the Company s asset/liability risks, the Company uses 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

The Company measures market risk related to its market sensitive assets and liabilities based on changes in interest rates, equity 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. The Company believes 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, the Company used market rates at December 31, 2010. The sensitivity analysis separately calculates each of the Company s market risk exposures (interest rate, equity market and foreign currency exchange rate) relating to its trading and non-trading assets and liabilities. The Company modeled the impact of changes in market rates and prices on the estimated fair values of its market sensitive assets and liabilities as follows:

the net present values of its interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;

the U.S. dollar equivalent estimated fair values of the Company s foreign currency exposures due to a 10% change (increase or decrease) in foreign currency exchange rates; and

the estimated fair value of its 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 the Company s future financial performance. The Company cannot ensure that its 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 mortgages;

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 other significant real estate holdings and liabilities pursuant to insurance contracts; and

the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

Accordingly, the Company uses such models as tools and not as substitutes for the experience and judgment of its management. Based on its analysis of the impact of a 10% change (increase or decrease) in market rates and prices, MetLife has 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 exposures.

The table below illustrates the potential loss in estimated fair value for each market risk exposure of the Company s market sensitive assets and liabilities at December 31, 2010:

	December 31, 2010 (In millions)
Non-trading:	
Interest rate risk	$ 5,358
Foreign currency exchange rate risk	$ 3,669
Equity market risk	$ 14
Trading:	
Interest rate risk	$ 24
Foreign currency exchange rate risk	$ 346

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Sensitivity Analysis: Interest Rates. The table below provides additional detail regarding the potential loss in fair value of the Company s trading and non-trading interest sensitive financial instruments at December 31, 2010 by type of asset or liability:

	December 31, 2010		
	Notional Amount	Estimated Fair Value (3)	Assuming a 10% Increase in the Yield Curve
		(In millions)	
Assets:			
Fixed maturity securities		$ 327,284	$ (5,961)
Equity securities		3,606	
Trading and other securities		18,589	(25)
Mortgage loans:			
Held-for-investment		60,846	(355)
Held-for-sale		3,321	(24)
Mortgage loans, net		64,167	(379)
Policy loans		13,406	(179)
Real estate joint ventures (1)		482	
Other limited partnership interests (1)		1,619	
Short-term investments		9,387	(2)
Other invested assets:			
Mortgage servicing rights		950	70
Other		1,490	
Cash and cash equivalents		13,046	(2)
Accrued investment income		4,381	
Premiums, reinsurance and other receivables		4,048	(331)
Other assets		453	(9)
Net embedded derivatives within asset host contracts (2)		185	(17)
Mortgage loan commitments	$ 3,754	(17)	(13)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$ 2,437		
Total Assets			$ (6,848)
Liabilities:			
Policyholder account balances		$ 152,850	$ 849
Payables for collateral under securities loaned and other transactions		27,272	
Bank deposits		10,371	5
Short-term debt		306	
Long-term debt		21,892	361
Collateral financing arrangements		4,757	(9)
Junior subordinated debt securities		3,461	160
Other liabilities:			

Trading liabilities		46	1
Other		2,777	
Net embedded derivatives within liability host contracts (2)		2,634	1,515
Total Liabilities			$ 2,882
Derivative Instruments:			
Interest rate swaps	$ 54,803	$ 1,138	$ (1,254)
Interest rate floors	$ 23,866	564	(67)
Interest rate caps	$ 35,412	175	57
Interest rate futures	$ 9,385	26	20
Interest rate options	$ 8,761	121	(8)
Interest rate forwards	$ 10,374	(29)	(32)
Synthetic GICs	$ 4,397		
Foreign currency swaps	$ 17,626	334	(12)
Foreign currency forwards	$ 10,443	28	1
Currency futures	$ 493	2	
Currency options	$ 5,426	50	
Non-derivative hedging instruments	$ 169	(185)	
Credit default swaps	$ 10,957	69	
Credit forwards	$ 90	(1)	
Equity futures	$ 8,794	12	
Equity options	$ 33,688	646	(96)
Variance swaps	$ 18,022	80	(9)
Total rate of return swaps	$ 1,547		(16)
Total Derivative Instruments			$ (1,416)
Net Change			$ (5,382)

(1) Represents only those investments accounted for using the cost method.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

(3) Separate account assets and liabilities which are interest rate sensitive are not included herein as any interest rate risk is borne by the holder of the separate account.

This quantitative measure of risk has increased by $1,325 million, or 33%, to $5,382 million at December 31, 2010 from $4,057 million at December 31, 2009. Excluding the Acquisition which increased risk by $647 million, the quantitative measure of risk increased by $678 million or 17% at December 31, 2010 from December 31, 2009. The increase in risk is due to a change in the net assets and liabilities bases of $641 million. In addition, an increase of $954 million was due to the use of derivatives employed by the Company ($445 million), an increase in the duration of the investment portfolio ($389 million), and an increase in premiums, reinsurance and other receivables ($120 million). This increase in risk was partially offset by a decrease in interest rates across the long end of the Swaps and U.S. Treasury curves resulting in a decrease of $424 million. Additionally, net embedded derivatives within liability host contracts increased by $520 million, partially due to a change made in the second quarter of 2010 related to how the Company estimates the spread over the swap curve for purposes of determining the discount rate used to value those derivatives, which caused a corresponding decrease in risk. The remainder of the fluctuation is attributable to numerous immaterial items.

Sensitivity Analysis: Foreign Currency Exchange Rates. The table below provides additional detail regarding the potential loss in estimated fair value of the Company s portfolio due to a 10% change in foreign currency exchange rates at December 31, 2010 by type of asset or liability:

	December 31, 2010		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Foreign Exchange Rate
	(In millions)		
Assets:			
Fixed maturity securities		$ 327,284	$ (6,516)
Equity securities		3,606	(74)
Trading and other securities		18,589	(346)
Mortgage loans:			
Held-for-investment		60,846	(414)
Held-for-sale		3,321	
Mortgage loans, net		64,167	(414)
Policy loans		13,406	(199)
Short-term investments		9,387	(200)
Other invested assets:			
Mortgage servicing rights		950	
Other		1,490	(143)
Cash and cash equivalents		13,046	(139)
Accrued investment income		4,381	(11)
Premiums, reinsurance and other receivables		4,048	(16)
Total Assets			$ (8,058)
Liabilities:			
Policyholder account balances		$ 152,850	$ 3,255
Bank deposits		10,371	
Long-term debt		21,892	37
Other liabilities		2,777	9
Net embedded derivatives within liability host contracts (2)		2,634	437
Total Liabilities			$ 3,738
Derivative Instruments:			
Interest rate swaps	$ 54,083	$ 1,138	$ (17)
Interest rate floors	$ 23,866	564	
Interest rate caps	$ 35,412	175	
Interest rate futures	$ 9,385	26	(2)
Interest rate options	$ 8,761	121	(2)
Interest rate forwards	$ 10,374	(29)	

Synthetic GICs	$	4,397		
Foreign currency swaps	$	17,626	334	271
Foreign currency forwards	$	10,443	28	73
Currency futures	$	493	2	(49)
Currency options	$	5,426	50	107
Non-derivative hedging instruments	$	169	(185)	
Credit default swaps	$	10,957	69	
Credit forwards	$	90	(1)	
Equity futures	$	8,794	12	2
Equity options	$	33,688	646	(77)
Variance swaps	$	18,022	80	(1)
Total rate of return swaps	$	1,547		
Total Derivative Instruments			$	305
Net Change			$	(4,015)

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(1) Estimated fair value presented in the table above represents the estimated fair value of all financial instruments within this financial statement caption not necessarily those solely subject to foreign exchange risk.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

Foreign currency exchange rate risk increased by $3,124 million, to $4,015 million at December 31, 2010 from $891 million at December 31, 2009. Excluding the Acquisition which increased risk by $2,646 million, the foreign currency exchange risk has increased by $478 million or 54% at December 31, 2010 from December 31, 2009. This change was due to an increase in exchange rate risk relating to fixed maturity securities of $722 million due to higher exposures primarily within the British pound and the Euro and to the sale of the pension closeout business in the U.K. Additionally, a decrease in the foreign exposure related to long-term debt and PABs contributed $66 million and $41 million, respectively, to the increase. This was partially offset by an increase in the foreign exposure related to net embedded derivatives within liability host contracts and the use of derivatives employed by the Company of $315 million and $101 million, respectively. The remainder of the fluctuation is attributable to numerous immaterial items.

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Sensitivity Analysis: Equity Market Prices. The table below provides additional detail regarding the potential loss in estimated fair value of the Company s portfolio due to a 10% change in equity at December 31, 2010 by type of asset or liability:

	December 31, 2010		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Decrease in Equity Prices
		(In millions)	
Assets:			
Equity securities		$ 3,606	$ (355)
Other invested assets:			
Net embedded derivatives within asset host contracts (2)		185	11
Total Assets			$ (344)
Liabilities:			
Policyholder account balances		$ 152,850	$
Bank deposits		10,371	
Other liabilities:			
Net embedded derivatives within liability host contracts (2)		2,634	(456)
Total Liabilities			$ (456)
Derivative Instruments:			
Interest rate swaps	$ 54,803	$ 1,138	$
Interest rate floors	$ 23,866	564	
Interest rate caps	$ 35,412	175	
Interest rate futures	$ 9,385	26	
Interest rate options	$ 8,761	121	
Interest rate forwards	$ 10,374	(29)	
Synthetic GICs	$ 4,397		
Foreign currency swaps	$ 17,626	334	
Foreign currency forwards	$ 10,443	28	
Currency futures	$ 493	2	
Currency options	$ 5,426	50	
Non-derivative hedging instruments	$ 169	(185)	
Credit default swaps	$ 10,957	69	
Credit forwards	$ 90	(1)	
Equity futures	$ 8,794	12	3
Equity options	$ 33,688	646	628
Variance swaps	$ 18,022	80	
Total rate of return swaps	$ 1,547		155
Total Derivative Instruments			$ 786

Net Change	$	(14)

(1) Estimated fair value presented in the table above represents the estimated fair value of all financial instruments within this financial statement caption not necessarily those solely subject to equity market risk.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

(3) During the fourth quarter of 2010, the analysis of the impact of a 10% change (increase or decrease) in equity market rates determined that due to the inclusion of ALICO, a decrease of 10% had the most adverse effect on our equity risk while the prior year end s analysis of equity market rates shows an increase of 10% had the most adverse effect.

Equity price risk decreased by $204 million to $14 million at December 31, 2010 from $218 million at December 31, 2009. Excluding the Acquisition which shifted the impact of a 10% change to a decrease in the equity market rates, the equity price risk has decreased by $191 million at December 31, 2010 from December 31, 2009. This decrease is primarily due to a change of $210 million attributed to the use of derivatives employed by the Company to hedge its equity exposures. Additionally, an increase in the net exposures related to net embedded derivatives within liability host contracts of $42 million contributed to the decrease. This was partially offset by a decrease of $60 million in equity securities. The remainder of the fluctuation is attributable to numerous insignificant items.

Item 8. ***Financial Statements and Supplementary Data***

Index to Consolidated Financial Statements and Schedules

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
MetLife, Inc.:

We have audited the accompanying consolidated balance sheets of MetLife, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedules listed in the Index to Consolidated Financial Statements and Schedules. These consolidated financial statements and financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MetLife, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1, the Company changed its method of accounting for the recognition and presentation of other-than-temporary impairment losses for certain investments as required by accounting guidance adopted on April 1, 2009, and changed its method of accounting for certain assets and liabilities to a fair value measurement approach as required by accounting guidance adopted on January 1, 2008.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report, dated February 24, 2011, expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

New York, New York
February 24, 2011

MetLife, Inc.

Consolidated Balance Sheets
December 31, 2010 and 2009

(In millions, except share and per share data)

	2010	2009
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $320,008 and $229,709, respectively; includes $3,330 and $3,171, respectively, relating to variable interest entities)	$ 327,284	$ 227,642
Equity securities available-for-sale, at estimated fair value (cost: $3,625 and $3,187, respectively)	3,606	3,084
Trading and other securities, at estimated fair value (includes $463 and $420 of actively traded securities, respectively; and $387 and $0, respectively, relating to variable interest entities)	18,589	2,384
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of $664 and $721, respectively; includes $6,840 and $0, respectively, at estimated fair value, relating to variable interest entities)	59,055	48,181
Held-for-sale, principally at estimated fair value	3,321	2,728
Mortgage loans, net	62,376	50,909
Policy loans	11,914	10,061
Real estate and real estate joint ventures (includes $10 and $18, respectively, relating to variable interest entities)	8,030	6,896
Other limited partnership interests (includes $298 and $236, respectively, relating to variable interest entities)	6,416	5,508
Short-term investments, principally at estimated fair value	9,387	8,374
Other invested assets, principally at estimated fair value (includes $104 and $137, respectively, relating to variable interest entities)	15,430	12,709
Total investments	463,032	327,567
Cash and cash equivalents, principally at estimated fair value (includes $69 and $68, respectively, relating to variable interest entities)	13,046	10,112
Accrued investment income (includes $34 and $0, respectively, relating to variable interest entities)	4,381	3,173
Premiums, reinsurance and other receivables (includes $2 and $0, respectively, relating to variable interest entities)	19,830	16,752
Deferred policy acquisition costs and value of business acquired	27,307	19,256
Current income tax recoverable		316
Deferred income tax assets		1,228
Goodwill	11,781	5,047
Other assets (includes $6 and $16, respectively, relating to variable interest entities)	8,192	6,822
Separate account assets	183,337	149,041

Total assets	$ 730,906	$ 539,314
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 173,373	$ 135,879
Policyholder account balances	211,020	138,673
Other policy-related balances	15,806	8,446
Policyholder dividends payable	830	761
Policyholder dividend obligation	876	
Payables for collateral under securities loaned and other transactions	27,272	24,196
Bank deposits	10,316	10,211
Short-term debt	306	912
Long-term debt (includes $6,902 and $64, respectively, at estimated fair value, relating to variable interest entities)	27,586	13,220
Collateral financing arrangements	5,297	5,297
Junior subordinated debt securities	3,191	3,191
Current income tax payable	316	
Deferred income tax liability	1,881	
Other liabilities (includes $93 and $26, respectively, relating to variable interest entities)	20,386	15,989
Separate account liabilities	183,337	149,041
Total liabilities	681,793	505,816
Contingencies, Commitments and Guarantees (Note 16)		
Redeemable noncontrolling interests in partially owned consolidated subsidiaries	117	
Equity		
MetLife, Inc. s stockholders equity:		
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized:		
Preferred stock, 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference	1	1
Convertible preferred stock, 6,857,000 shares issued and outstanding at December 31, 2010		
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 989,031,704 and 822,359,818 shares issued at December 31, 2010 and 2009, respectively; 985,837,817 and 818,833,810 shares outstanding at December 31, 2010 and 2009, respectively	10	8
Additional paid-in capital	26,423	16,859
Retained earnings	21,363	19,501
Treasury stock, at cost; 3,193,887 and 3,526,008 shares at December 31, 2010 and 2009, respectively	(172)	(190)
Accumulated other comprehensive income (loss)	1,000	(3,058)
Total MetLife, Inc. s stockholders equity	48,625	33,121
Noncontrolling interests	371	377
Total equity	48,996	33,498
Total liabilities and equity	$ 730,906	$ 539,314

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Operations
For the Years Ended December 31, 2010, 2009 and 2008

(In millions, except per share data)

	2010	2009	2008
Revenues			
Premiums	$ 27,394	$ 26,460	$ 25,914
Universal life and investment-type product policy fees	6,037	5,203	5,381
Net investment income	17,615	14,837	16,289
Other revenues	2,328	2,329	1,586
Net investment gains (losses):			
Other-than-temporary impairments on fixed maturity securities	(682)	(2,439)	(1,296)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	212	939	
Other net investment gains (losses)	78	(1,406)	(802)
Total net investment gains (losses)	(392)	(2,906)	(2,098)
Net derivative gains (losses)	(265)	(4,866)	3,910
Total revenues	52,717	41,057	50,982
Expenses			
Policyholder benefits and claims	29,545	28,336	27,437
Interest credited to policyholder account balances	4,925	4,849	4,788
Policyholder dividends	1,486	1,650	1,751
Other expenses	12,803	10,556	11,947
Total expenses	48,759	45,391	45,923
Income (loss) from continuing operations before provision for income tax	3,958	(4,334)	5,059
Provision for income tax expense (benefit)	1,181	(2,015)	1,580
Income (loss) from continuing operations, net of income tax	2,777	(2,319)	3,479
Income (loss) from discontinued operations, net of income tax	9	41	(201)
Net income (loss)	2,786	(2,278)	3,278
Less: Net income (loss) attributable to noncontrolling interests	(4)	(32)	69
Net income (loss) attributable to MetLife, Inc.	2,790	(2,246)	3,209
Less: Preferred stock dividends	122	122	125
Net income (loss) available to MetLife, Inc. s common shareholders	$ 2,668	$ (2,368)	$ 3,084

Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:						
Basic	$	3.01	$	(2.94)	$	4.60
Diluted	$	2.99	$	(2.94)	$	4.54
Net income (loss) available to MetLife, Inc. s common shareholders per common share:						
Basic	$	3.02	$	(2.89)	$	4.19
Diluted	$	3.00	$	(2.89)	$	4.14
Cash dividends per common share	$	0.74	$	0.74	$	0.74

See accompanying notes to the consolidated financial statements.

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MetLife, Inc.

Consolidated Statements of Equity
For the Year Ended December 31, 2010

(In millions)

							Accumulated Other Comprehensive Income (Loss)					
							Net		Foreign	Defined	Total	
	Preferred Stock	Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Currency Translation Adjustments	Benefit Plans Adjustment	MetLife, Inc. s Stockholders Equity	Noncontr Intere (1)
mber 31,	$ 1	$	$ 8	$ 16,859	$ 19,501	$ (190)	$ (817)	$ (513)	$ (183)	$ (1,545)	$ 33,121	$ 37
ct of nting income tax					(12)		31	11			30	
ry 1, 2010	1		8	16,859	19,489	(190)	(786)	(502)	(183)	(1,545)	33,151	37
ct of nting income tax					(10)		10					
ferred stock				2,805							2,805	
ssuance ares related isition			2	6,727							6,729	
k purchase to units				(69)							(69)	
npensation				101		18					119	
eferred					(122)						(122)	
mmon					(784)						(784)	
y of nterests income												(
s)					2,790						2,790	(

nsive												
s (losses) struments, x							11				11	
stment et of nd income							4,121	136			4,257	(
y tments, net									(358)		(358)	
plans of income										96	96	
nsive											4,006	
income											6,796	
mber 31,	$ 1	$	$ 10	$ 26,423	$ 21,363	$ (172)	$ 3,356	$ (366)	$ (541)	$ (1,449)	$ 48,625	$ 37

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially owned consolidated subsidiaries of ($2) million.

See accompanying notes to the consolidated financial statements.

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MetLife, Inc.

Consolidated Statements of Equity (Continued)
For the Year Ended December 31, 2009

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairment	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolling Interests	
mber 31,	$ 1	$ 8	$ 15,811	$ 22,403	$ (236)	$ (12,564)	$	$ (246)	$ (1,443)	$ 23,734	$ 251	$
ct of nting income tax				76			(76)					
ssuance res			1,035							1,035		
			(7)		14					7		
npensation			20		32					52		
eferred				(122)						(122)		
mmon				(610)						(610)		
v of nterests											169	
income s)				(2,246)						(2,246)	(32)	
nsive												
s (losses) truments, x						(116)				(116)		
stment et of nd income						11,863	(437)			11,426	(11)	
v								63		63		
tments, net												

plans of income									(102)	(102)		
nsive										11,271	(11)	
income										9,025	(43)	
mber 31,	$ 1	$ 8	$ 16,859	$ 19,501	$ (190)	$ (817)	$ (513)	$ (183)	$ (1,545)	$ 33,121	$ 377	$

See accompanying notes to the consolidated financial statements.

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MetLife, Inc.

Consolidated Statements of Equity (Continued)
For the Year Ended December 31, 2008

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolling Interests: Discontinued Operations	Continuing Operations	Total Equity
e at per 31,	$ 1	$ 8	$ 17,098	$ 19,884	$ (2,890)	$ 971	$ 347	$ (240)	$ 35,179	$ 1,534	$ 272	$ 36,985
tive f s in ing es, net me tax)				27		(10)			17			17
e at 1,	1	8	17,098	19,911	(2,890)	961	347	(240)	35,196	1,534	272	37,002
on												
e ssued			290						290			290
y stock ions: ed in ion are ase ents			450		(1,250)				(800)			(800
n ion mmon suance			(2,104)		4,040				1,936			1,936

o settle
rward
ts